Efore Group
Financial Statements Release 2019

EFORE PLC Financial Statements Release February 25th, 2020 at 8.30 a.m.

EFORE PLC'S FINANCIAL STATEMENTS RELEASE 1 JANUARY – 31 DECEMBER 2019

July – December 2019 in brief, Continuing operations:

- Net sales totalled EUR 20,3 million (EUR 17,2 million)
- Operating profit was EUR -1,5 million (EUR -2,1 million)
- Adjusted operating profit was EUR -1,5 million (EUR -1,6 million)
- Earnings per share (cont.operations) were EUR 0,0 (EUR -0,04)
- Earnings per share EUR -0,01 (EUR -0,06)

Financial year 2019 in brief, Continuing operations:

- Net sales totalled EUR 43,3 million (EUR 33,7 million)
- Operating profit was EUR -2,6 million (EUR -3,8 million)
- Adjusted operating profit was EUR -2,4 million (EUR -3,3 million)
- Earnings per share (cont.operations) were EUR -0,01 (EUR -0,08)
- Earnings per share was EUR -0,01 (EUR -0,14)
- The Board of Directors proposes that no dividend will be distributed

Efore has adopted the new IFRS 16 standard effective January 1, 2019 using the modified retrospective approach and the comparative figures have not been restated. More information of the adoption of IFRS 16 is presented in accounting policies.

Key indicators, EUR million	7-12/19 6 mo	7-12/18 6 mo	1-12/19 12 mo	1-12/18 12 mo
Continuing operations				
Net Sales	20,3	17,2	43,3	33,7
Adjusted EBITDA	0,2	-0,2	1,2	-0,6
EBITDA	0,2	-0,7	1,1	-1,1
Adjusted operating profit/loss	-1,5	-1,6	-2,4	-3,3
Operating profit/loss	-1,5	-2,1	-2,6	-3,8
Profit/loss before taxes	-1,7	-2,8	-2,7	-4,8
Profit/loss for the period	-1,6	-2,3	-2,6	-4,1
Earnings per share, EUR	-0,01	-0,06	-0,01	-0,14
Earnings per share (cont.operations), EUR	0,00	-0,04	-0,01	-0,08
Solvency ratio, %	11,5	20,6	11,5	20,6
Gearing, %	342,1	100,6	342,1	100,6
Cash flow from operating activities	-2,6	2,5	-0,5	-2,8

Key indicators Half year, EUR million	7-12/19 6mo	1-6/19 6 mo	7-12/18 6 mo	1-6/18 6 mo
Continuing operations				
Net Sales	20,3	23,0	17,2	16,5
Adjusted EBITDA	0,2	1,0	-0,2	-0,4
EBITDA	0,2	0,9	-0,7	-0,4
Adjusted operating profit/loss	-1,5	-0,9	-1,6	-1,7
Operating profit/loss	-1,5	-1,1	-2,1	-1,7

Continuing operations ADJUSTED OPERATING PROFIT/LOSS, EUR million	7-12/19 6 mo	7-12/18 6 mo	1-12/19 12 mo	1-12/18 12 mo
Operating profit/loss	**-1,5**	**-2,1**	**-2,6**	**-3,8**
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	0,1
Production re-organisation	0,2		0,2	
Provision relase relating to a claim	-0,2		-0,2	
Efore 2.0 planning related expenses	0,1		0,1	
Adjustments in operating profit/loss Total	**0,0**	**0,5**	**0,2**	**0,5**
Adjusted operating profit/loss Total	**-1,5**	**-1,6**	**-2,4**	**-3,3**

Continuing operations ADJUSTED EBITDA, EUR million	7-12/19 6 mo	7-12/18 6 mo	1-12/19 12 mo	1-12/18 12 mo
EBITDA	**0,2**	**-0,7**	**1,1**	**-1,1**
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	0,1
Production re-organisation	0,2		0,2	
Provision relase relating to a claim	-0,2		-0,2	
Efore 2.0 planning related expenses	0,1		0,1	
Adjustments in EBITDA Total	**0,0**	**0,5**	**0,2**	**0,5**
Adjusted EBITDA Total	**0,2**	**-0,2**	**1,2**	**-0,6**

Estimate of financial development in 2020 and 2021 financial period

Company estimates that continuing operations net sales, operating profit (adjusted for items affecting comparability) and EBITDA (adjusted for items affecting comparability) improve from 2019. However operating profit is estimated to be still negative in 2020. The 2021 profit for the period is estimated to be positive.

Medium term financial targets

We expect net sales to increase also from 2021 onwards and annual EBITDA (adjusted for items affecting comparability) increase to a level of 8 to 10% of net sales and operating profit (adjusted for items affecting comparability) to be 2 to 5% of net sales.

Vesa Leino, CEO:

“Second half continuing operations net sales was EUR 20,3 million with growth of 3,1 million euros from comparison period but decline of 2,6 million euros from the first half of 2019. Net sales increase from the comparison period year ago is driven partly by the acquisition of Powernet completed in the end of 2018.

Continuing operations second half net sales was behind of our own expectations. This was impacted especially the challenges in Tunis plant delivery capability, delivery challenges due to re-organisation of Systems production and a slower than expected recovery in the rail business during the second half.

During the fall 2019 we started the consolidation of Systems module production from Tunis plant to a contract manufacturer in Estonia. The target of the transfer is to focus Tunis production solely products of Italy, bring Systems products production closer to main markets and prepare for the growth in net sales and production expected in 2020.

Profit for the period in the second half was still negative. For the full year we reached the market guidance however net sales was in the lower range of the guidance. EBITDA (adjusted for items affecting comparability) was clearly positive however remained below our own expectations.

Efore group cash flow from operations was -2,6 million euros of which -2,7 million euros was related to discontinued operations. Negative cash flow was impacted especially the prolonging of the Telecom deal completion until end of the year, challenges in continuing operations product delivery capability and slow recovery in the rail business demand.

The demand for other products than rail continued on a good level in the second half however we could not fully respond to this demand. Delivery capability in Tunis was improved in the end of the year with corrective measures relating to production planning and management.

Especially the new generation product MHE (MHE, Modular High Efficiency) and Systems solutions based on MHE and high efficiency LED driver (DLD1500) demand in the second half was good. Production of MHE that was launched in the end of 2018 started production in Tunis during the first half. DLD1500 product sales started in the beginning of 2019 and its demand and customer interest has increased positively. Both of these products will be an important part of the net sales development in 2020.

Rail products demand picked up from the first half however slower than expected. In order to facilitate a change and increase the speed of growth we made corrective measures by engaging a partner focused purely on central Europe rail customers. The demand has showed clear signs of improvement in the end of the year and similar development has continued during the beginning of 2020. The orders and expectations for new orders seem promising at the moment.

The long re-structuring work of the Telecom business was finished when Efore's board accepted the sale of the Telecom business to Shenzhen Kexin Communication Technologies Co. Ltd on 31st of July 2019. The transaction was completed on 28th November 2019.

The year 2019 was as a whole very eventful. The target of re-organization made during the year is to build foundation for the future to which we have referred as a work name "Efore 2.0". The know-how of the personnel, new products and customer interest towards those new products give good premises for the year 2020. Efore 2.0 future focusing fully on industrial business looks promising."

Continuing opearations July - December net sales, EBIT and adjusted EBIT

The net sales in July – December totalled EUR 20,3 million (EUR 17,2 million).

July-December operating profit declined from the first half being EUR -1,5 million however was better than in 2018 (EUR -2,1 million). Improvement in operating profit was due to higher net sales and reduced operating expenses. Adjusted operating profit was EUR -1,5 million (EUR -1,6 euros million).

Continuing operations full year net sales, operating profit and adjusted operating profit

Net sales totalled EUR 43,3 million (EUR 33,7 million). New products and especially high power led drivers and Powernet acquisition in December 2018 contributed positively to growth. On the other hand weakened delivery capability in the second half weakened the net sales growth.

Operating profit for the year was EUR -2,6 million (EUR -3,8 million). The improvement in operating profit was due to increase net sales and reduced fixed expenses. The adjusted operating profit was EUR -2,4 million (EUR -3,3 million). Operating profit includes an impairment of EUR 0,2 million development capitalization.

Industrial business development

At the end of 2018, the Digital Power & Light product range was expanded with new product launches and sales started well in 2019. The new 1500W led driver, launched in 2018, increased sales very well. These products are used e.g. in the lighting of sports stadiums and airports. There has been a clear increase in interest in higher efficiency products, which supports the strategy and creates the basis for net sales growth. Deliveries of the Strato EVO product line started well in 2019. The Strato EVO products, especially designed for interior, architectural and outdoor lighting, are a continuation of the successful Strato family, which was developed earlier.

Demand for the next generation Modular High Efficiency (MHE) rectifier product was good during the second half of the year. MHE product launched in the end of 2018 production started in Tunisia during the first half of the year. However, the transfer of module production of Systems products from the Tunis plant to a contract manufacturer in Estonia during the second half of the year caused temporary delivery challenges.

Demand for rail solutions that came with the acquisition of Powernet was a slight disappointment at the beginning of the year. However, the outlook for this business picked up after early spring and we received new orders, signaling a turnaround in demand.

Market outlook

In the industrial business, power supplies for LED lighting, measuring devices, healthcare equipment and infrastructure continue to provide many opportunities for growth. The company invests in customer segments where high reliability and long product life cycles are the determining factors.

Short-term risks and factors of uncertainty

The general economic development may affect the company's business environment. Due to the nature of the business, Efore is subject to reclamations of which the final outcome cannot be predicted. Based on the information currently available, these reclamations are not expected to have a material impact on the financial position of the Group. The company is in the process of negotiating a sale price adjustment related to the divestment of its Telecommunications business.

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

The delivery times for the components the company requires are partly long and there may be occasional difficulties in the availability of certain components, which may affect the delivery capability. The impact of the coronavirus on the supply chains of component manufacturers used by the company is not yet known, but this may have a temporary impact, especially on the availability of components and products to be purchased in the first half of the year. However, the company no longer has its own production facilities in China.

Advancing to system products in industrial business may mean increasing product liability risk.

The adequacy of financing involves risks that the company seeks to manage by actively planning and implementing various alternatives.

Telecom divestment

Efore's Board of Directors approved the offer by Shenzhen Kexin Communication Technologies Co. Ltd to acquire Efore's telecommunications business on July 31st, 2019. The acceptance of the offer ended Efore's ongoing negotiations to establish a joint venture with another Chinese power supply partner. The transaction was closed in 28.11.2019.

The target of the transaction was Efore's entire telecommunications business, including products supplied to customers and the Efore brand and name. As a result of the transaction 73 Efore employees in Finland, China and Sweden transferred to the new owner as existing employees. After the transaction, the telecommunications business will continue in Wuxi and Suzhou, China, as well as in Efore's offices in Espoo and Tampere with all rental leases transferred to the buyer.

The debt-free purchase price (Enterprise value) of the divested business was EUR 6.0 million and the estimated purchase price of the shares was EUR 3.5 million. The purchase price paid in cash of the purchase price of the shares was EUR 3.1 million. The parties also agreed on an escrow purchase price arrangement placing EUR 0.4 million on the escrow account for one year after the transaction. A non-recurring loss of EUR 0.6 million was recognized of the transaction, including the related transaction expenses. The notes to the financial statements release provide additional information about the impact of discontinued operations on the result for the period and cash flow.

Investments and product development

The Group's continuing operations investments during the year amounted to EUR 3.2 million (EUR 2.6 million), which includes capitalization of product development costs amounting to EUR 2.1 million (EUR 1.6 million). At the end of the year, the capitalized product development investments amounted to EUR 5.4 million (EUR 9.4 million).

During the financial year the group recognized an impairment of EUR 0.2 million in the capitalized product development costs due to a change in the volume expectations of single product for certain customer in Digital Power Systems business.

For the continuing operations the financial year product development expenditure amounted to EUR 4.5 million (EUR 3.0 million), of which EUR 2.1 million (EUR 1.6 million) were capitalized and EUR 2.4 million (EUR 1.4 million) were recognized as an expense so 5.5 % (4.3 %) of net sales respectively.

During the financial year a loss of EUR 15.1 million, including transaction expenses, was recognized in the parent company resulting from the disposal of subsidiary shares related to the Telecom business.

Financial position

The net interest-bearing liabilities were EUR 12.6 million (EUR 9.4 million) at the end of the financial year. Efore group's continuing operations net financial expenses were EUR -0.2 million (EUR -1.0 million). Net financial expenses include EUR 0.7 million of income resulting from releasing an earn-out provision related to Powernet acquisition and EUR 0.3 million profit from divesting the minority share in VOX Power Ltd. Deployment of IFRS 16 standard had an EUR -0.1 million effect on net financial expenses and increased the net interest-bearing liabilities with EUR 1.1 million at the end of the financial year.

The cash flow from operating activities during January-December were EUR -0.5 million (EUR -2.8 million). The negative cash flow is a result from the loss for the period and from the increase of net working capital in Telecommunication business, especially in the second half of the financial year. The cash flow after investments was EUR -1.3 million (EUR -9.6 million). Cash flow impacts of discontinued operations are presented in the notes of the financial statement release. The Group's solvency ratio in the end of December was 11.5 % (20.6 %) and net gearing ratio 342.1 % (100,6 %).

Cash and cash equivalents totalled EUR 1.1 million (EUR 3.7 million) in the end of December. At the end of the financial year the group had undrawn credit facilities excluding factoring limits EUR 2.2 million (EUR 1.5 million). The balance sheet total was EUR 32.1 million (EUR 45.7 million).

On 31st of July 2019 Efore Plc agreed a EUR 1.0 million short-term bridge-financing with Jussi Capital Oy. The purpose of short-term financing was to finance increased net working capital of Telecommunication business and to secure the divestment of Telecom business. Short-term financing agreement with Jussi Capital Ltd was carried out on market terms.

According to the new strategy of the group, Efore Plc is planning on realignment of its debt financing by the summer of 2020. The purpose of the realignment is to provide adequate resources to execute the strategy and to improve the use of capital. Related to the realignment plans Efore Plc has agreed on a stand-still agreement with its main financier bank and Jussi Capital Oy until 30th June 2020. During the stand-still period the covenants of the parent company are not measured.

Group structure

At the end the financial year Efore Group consisted of the parent company Efore Plc and its directly or indirectly wholly owned operational subsidiaries Efore S.p.A. in Italy, Efore Sarl in Tunisia, Efore Inc. in the United States, Powernet International Oy and Efore Powernet Oy both in Finland. Other subsidiaries in the end of the financial year 2019 were Efore (USA) Inc. in United States, Efore (Suzhou) Automotive Technology Co., Ltd in China, Efore OU in Estonia and Efore (Hongkong) Co. Ltd in China.

Personnel

Average number of the group’s continuing operations personnel was 388 (324). The average number of personnel in comparison period does not include the personnel of Powernet. The number of personnel at Powernet in the end of year 2018 was 27. At the end of the financial year 2019 group’s personnel was 394 (361), comparison period including also Powernet personnel.

Board of Directors and Executive Management Team

At the end of financial year Group’s Board of Directors consisted of Tuomo Lähdesmäki (Chairman of the Board), Taru Narvanmaa (Deputy chairman of the Board), Antti Sivula (Member of the Board) and Matti Miettunen (Member of the Board).

The members of the Executive Management Team and their global responsibilities at the end of the financial year were as follows: Vesa Leino (President and CEO), Olli Mustonen (Finance and ICT), Carlo Rosati, (Digital Power and Light), Vesa Leino (IATOD - Digital Power Systems) and Ruben Tomassoni (Operations).

Auditors

The Annual General Meeting on April 11, 2019 re-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 shares outstanding was 418 130 168 (418 130 168) pcs.

At the end of the financial year Group had 3 506 620 shares in its possession (3 506 620) pcs.

The highest share price during the financial year was EUR 0.070 (EUR 0.22) and the lowest price was EUR 0.037 (EUR 0.030). The average price during the financial year was EUR 0.057 (EUR 0.10) and the closing price was EUR 0.052 (EUR 0.038). The market capitalization calculated at the final trading price at the end of the financial year was EUR 22.1 million (EUR 16.9 million).

The total number of Efore shares traded on the Nasdaq Helsinki during the financial year was 81.5 million pcs (39.0 million pcs) and this accounted for 19.3 % (9.3 %) of the total number of shares. In the end of financial year, Efore's total number of full paid up shares was 421 636 788 (421 636 788) and the number of shareholders totalled 4 261 (4 131).

Flagging notifications

Skandinaviska Enskilda Banken AB's share of ownership and votes in Efore Plc fell below 5 per cent threshold on 2nd of January 2019.

The total amount of shares and votes in Efore Plc owned by Jaakko Heininen, Pekka Heininen and companies controlled by them (Heininen Invest Oy, Arvojyvä Oy and Tulos-Jyvä Oy) exceeded 10 per cent threshold on 5th June 2019.

Decisions of the Annual General Meeting

The Annual General Meeting of Efore Plc was held on 11 April 2019 in Espoo. The Annual General Meeting adopted the financial statements of Efore Group and Efore Plc for the financial year 1 January 2018 - 31 December 2018 and discharged the Board of Directors and the CEO from liability for their actions in the past financial year.

The Annual General Meeting approved the proposal of the Board of Directors not to distribute any dividend for the financial period that ended on 31 December 2018.

In accordance with the proposal of Shareholders' Nomination Board, the Annual General Meeting set the number of the members of the Board of Directors at four. Tuomo Lähdesmäki, Matti Miettunen, Taru Narvanmaa and Antti Sivula were re-elected as members of the Board of Directors for a period ending at the end of the Annual General Meeting 2020.

Authorized Public Accountants KPMG Oy Ab was re-elected as the company's auditor. KPMG Oy Ab has informed that Authorized Public Accountant Henrik Holmbom will act as the responsible auditor. The elected auditor shall be reimbursed according to the reasonable invoice of the auditor.

The Annual General Meeting 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 84,320,000 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 12 April 2018 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 2020.

Board of Directors' proposal for the distribution of dividend

The Board of Directors will propose to the Annual General Meeting on April 24th, 2020 that no dividend will be distributed.

Events after the end of the Financial year

Efore Plc has called an Extraordinary General Meeting on 3rd of February 2020 to decide on a reverse share split, company name and domicile as well as on the reduction of the share capital. The extraordinary General Meeting shall be held on Tuesday, 25th of February 2020.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

EUR million	7–12/19 6 mo	7–12/18 6 mo	1–12/19 12 mo	1–12/18 12 mo
Continuing operations				
Net sales	**20,3**	**17,2**	**43,3**	**33,7**
Change in inventories of finished goods and work in progress	-0,8	0,5	-0,1	0,1
Work performed for own purposes and capitalised	0,3	0,1	0,3	0,1
Other operating income	0,2	0,1	0,4	0,2
Materials and services	-12,8	-12,0	-28,4	-22,5
Employee benefits expenses	-4,8	-3,8	-9,5	-7,4
Depreciation	-1,7	-1,2	-3,5	-2,3
Impairment	0,0	-0,3	-0,2	-0,3
Other operating expenses	-2,2	-2,8	-4,9	-5,3
Results from operating activities	**-1,5**	**-2,1**	**-2,6**	**-3,8**
Financing income	0,7	0,2	1,5	0,6
Financing expenses	-0,9	-0,8	-1,6	-1,6
Result before tax	**-1,7**	**-2,8**	**-2,7**	**-4,8**
Tax on income from operations	0,2	0,4	0,2	0,7
Result for the period from continuing operations	**-1,6**	**-2,3**	**-2,6**	**-4,1**
Result for the period from discontinued operations	-1,1	-1,2	-2,4	-3,7
Result for the period	**-2,7**	**-3,5**	**-5,0**	**-7,8**
Other comprehensive income				
Items that will not be reclassified to statement of income				
Remeasurements of the net defined benefit liabilty	-0,1	0,0	-0,1	0,0
Items that may be reclassified subsequently to profit or loss				
Translation differences	-0,1	0,0	-0,1	0,0
Total comprehensive income	**-2,9**	-3,5	**-5,2**	-7,8
Net profit/loss attributable, continuing operations				
To equity holders of the parent	-1,6	-2,3	-2,6	-4,1
To non-controlling interest	0,0	0,0	0,0	0,0
Net profit/loss attributable, discontinued operations				
To equity holders of the parent	-1,1	-1,2	-2,4	-3,7
To non-controlling interest	0,0	0,0	0,0	0,0
Net profit/loss attributable				
To equity holders of the parent	-2,7	-3,5	-5,0	-7,8
To non-controlling interest	0,0	0,0	0,0	0,0
Total comprehensive income attributable to:				
Equity holders of the parent	-2,9	-3,5	-5,2	-7,8
Non-controlling interest	0,0	0,0	0,0	0,0
EARNINGS PER SHARE CALCULATED ON PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT:				
Earnings per share, basic,eur, continuing operations	0,00	-0,04	-0,01	-0,08
Earnings per share, basic,eur, discontinued operations	0,00	-0,02	-0,01	-0,07
Earnings per share, basic,eur	-0,01	-0,06	-0,01	-0,14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR million (unaudited)

EUR million	Dec. 31, 2019	Dec. 31, 2018
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	7,0	11,7
Goodwill	4,3	4,3
Tangible assets	3,7	3,3
Other receivables, non-current	0,3	0,5
Other long-term investments	0,0	0,1
Deferred tax asset	2,4	3,7
Total non-current assets	**17,7**	**23,6**
CURRENT ASSETS		
Inventories	7,6	9,0
Trade receivables and other receivables	5,6	9,3
Tax receivable, income tax	0,1	0,1
Cash and cash equivalents	1,1	3,7
Total current assets	**14,4**	**22,1**
TOTAL ASSETS	**32,1**	**45,7**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	15,0	15,0
Treasury shares	-2,4	-2,4
Other reserves	38,9	38,8
Translation differences	2,7	3,3
Retained earnings	-50,5	-45,3
Equity attributable to equity holders of the parent	3,7	9,4
Equity attributable to non-controlling interests	0,0	0,0
Total equity	**3,7**	**9,4**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	0,3	0,4
Interest-bearing liabilities	6,5	5,4
Other liabilities	0,0	0,7
Pension provisions	1,3	1,2
Provisions	0,2	0,6
Total non-current liabilities	**8,2**	**8,3**
CURRENT LIABILITIES		
Interest-bearing liabilities	7,2	7,7
Trade payables and other liabilities	12,6	19,8
Tax liabilities	0,3	0,3
Provisions	0,2	0,2
Total current liabilities	**20,2**	**28,0**
Liabilities	**28,4**	**36,3**
TOTAL EQUITY AND LIABILITIES	**32,1**	**45,7**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

EUR million	1–12/19 12 mo	1–12/18 12 mo
Cash flows from operating activities		
Cash receipts from customers	63,9	52,4
Cash paid to suppliers and employees	-62,9	-53,7
Cash generated from operations	1,0	-1,3
Interest paid	-0,5	-0,5
Interest received	0,0	0,1
Other financial items	-1,0	-1,1
Income taxes paid	-0,1	0,1
Net cash from operating activities (A)	**-0,5**	**-2,8**
Cash flows from investing activities		
Purchase of tangible and intangible assets	-3,1	-4,0
Proceeds from sale of tangible and intangible assets	0,0	0,0
Payment for acquisition of subsidiary deducted by acquisition-related costs		-2,8
Disposal of subsidiary deducted by disposal related costs	1,8	
Proceeds from sale of investments	0,4	
Net cash used in investing activities (B)	**-0,8**	**-6,8**
Cash flows from financing activities		
Proceeds from issue of share capital		6,2
Proceedings from short-term borrowings	3,8	8,4
Repayment of short-term borrowings	-4,4	-7,7
Proceeds from long-term borrowings		1,8
Financial leasing repayment	-0,7	0,0
Net cash used in financing activities (C)	**-1,2**	**8,7**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-2,6**	**-0,9**
Cash and cash equivalents at beginning of period	3,7	4,5
Net increase/decrease in cash and cash equivalents	-2,6	-0,9
Effects of exchange rate fluctuations on cash held	0,0	0,0
Cash and cash equivalents at end of period	1,1	3,7

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 Jan 1, 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	0,0	-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**	**-7,8**	**-7,8**	**0,0**	**-7,8**
Rights issue			10,2				10,2		10,2
Other changes									0,0
EQUITY Dec 31, 2018	**15,0**	**-2,4**	**38,2**	**0,7**	**3,3**	**-45,3**	**9,4**	**0,0**	**9,4**

EUR million	A	B	C	D	E	F	G	H	I
EQUITY Jan 1, 2019	**15,0**	**-2,4**	**38,2**	**0,7**	**3,3**	**-45,3**	**9,4**	**0,0**	**9,4**
Profit/loss for the period						-5,0	-5,0	0,0	-5,0
Other comprehensive income									
Remeasurements of the net defined benefit liabilty						-0,1	-0,1		-0,1
Translation difference					-0,6		-0,6		-0,6
Total comprehensive income				**0,0**	**-0,6**	**-5,1**	**-5,7**	**0,0**	**-5,7**
Other changes									0,0
EQUITY Dec 31, 2019	**15,0**	**-2,4**	**38,2**	**0,7**	**2,7**	**-50,4**	**3,7**	**0,0**	**3,7**

Notes to the Financial Statement Release

Accounting principles

The release has been prepared in accordance with IAS 34 Interim Financial Reporting standard and the Group's accounting principles presented in financial statements 2018. In addition, Efore Plc has complied with changes in the IFRS Standards that have entered into force and have been introduced after this. The release has been prepared in accordance with going concern. The information in the release is unaudited.

The preparation of the 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 release where management has used discretion and made 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 statements 2018, capitalized development expenses, deferred tax assets, trade receivables and inventory valuation and the adequacy of financing. The Group has classified on 31st of July 2019 Telecom business according to IFRS 5 standard as discontinued operations. The depreciations related to the telecom business were not recognized starting on 1st of August 2019.

Efore has adopted the IFRS 16 standard as of 1st of Jan 2019. Efore has used the modified retrospective approach in adoption of the standard by recognizing the cumulative effect in the opening balance sheet of 1st of Jan 2019 and thus, comparative information has not been restated.

The IFRS 16 -standard requires the lessees to book all lease commitments as right of-use assets in the balance sheet with the exception of short-term contracts in which the lease term is 12 months or less and low value contracts. The standard moves previously off-balance sheet items into the balance sheet leading to a growth in assets as well as liabilities while leasing payments are reported as depreciations and interest expenses.

The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognize the lease agreements 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 to the rule, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5.000 or less.

Adoption of the IFRS 16 standard has affected the presentation of statement of cash flows by improving cash flow from operating activities by EUR 0,7 million and in turn, decreasing cash flow from financing activities by EUR 0,7 million. Additionally, adoption of the standard had a EUR 0,5 million positive effect on reported and adjusted EBITDA during the financial period. Adoption of the standard did not have a material effect on operating profit (EBIT) and Net profit of the financial period. At the end of previous financial period on 31st of Dec 2018, the group had irrevocable operating lease commitments in the amount of EUR 2,6 million. On the effective date of the standard 1st of Jan 2019, Efore has recorded EUR 2,2 million of these lease commitments into the opening balance sheet as leasing liabilities and an equal amount as right-of use assets. The difference between lease commitments and lease liabilities are due to short-term and low value lease contracts as well as due to discounting the future lease payments that form the basis of lease liability into present value. At the end of financial year the lease liabilities, which are presented as a part of the interest-bearing liabilities, consist of long-term liabilities EUR 0,4 million and short-term liabilities EUR 0,7 million.

	EUR million
Lease commitments 31 Dec 2018	2,6
Short -term and low value lease contracts	-0,2
Discount rate effect	-0,2
Lease liabilities 1 Jan 2019	**2,2**
Repayment of lease liabilities 1 Jan 2019 – 31 Dec 2019	-0,7
Additions of lease liabilities 1 Jan 2019 – 31 Dec 2019	0,2
Discontinued operations	-0,6
Lease liabilities 31 Dec 2019	**1,1**

NET SALES BY AREAS, EUR million	7-12/19 6 mo	7-12/18 6 mo	1-12/19 12 mo	1-12/18 12 mo
Americas	5,2	6,0	11,1	10,7
EMEA	12,9	8,5	26,3	16,8
APAC	2,2	2,7	5,9	6,2
Total	**20,3**	**17,2**	**43,3**	**33,7**

GROUP KEY FIGURES	7-12/19 6 mo	7-12/18 6 mo	1-12/19 12 mo	1-12/18 12 mo
Earnings per share, basic, Continuing operations, eur	0,00	-0,04	-0,01	-0,08
Earnings per share, basic, eur	-0,01	-0,06	-0,01	-0,14
Equity per share, eur	0,01	0,02	0,01	0,02
EBITDA, Continuing operations, MEUR	0,2	-0,7	1,1	-1,1
Adjusted EBITDA, Continuing operations, MEUR	0,2	-0,2	1,2	-0,6
Operating profit/loss for the period, Continuing operations, MEUR	-1,5	-2,1	-2,6	-3,8
Adjusted operating profit/loss for the period, Continuing operations, MEUR	-1,5	-1,6	-2,4	-3,3
Return on equity (ROE), % *	-42,7	-58,3	39,2	-95,4
Return on investment (ROI), %*	-6,7	-16,6	-9,2	-35,4
Net interest-bearing liabilities, MEUR	12,6	9,4	12,6	9,4
Solvency ratio, %	11,5	20,6	11,5	20,6
Gearing, %	342,1	100,6	342,1	100,6
Current ratio	0,7	0,8	0,7	0,8
Investments (intangible and tangible assets), Continuing operations, MEUR	1,7	1,4	3,2	2,6
% of net sales	8,2	8,1	7,3	7,7
Average personnel	451	415	452	406
Average personnel, Continuing operations	401	334	388	324
Average number of outstanding shares	418 130	60 221	418 130	56 278
Number of outstanding shares as at end of financial year	418 130	418 130	418 130	418 130

* The key figures of financial year 2019 are calculated by using the result figures of Continuing operations and the financial position at the end of the financial year instead of average. The key figures of financial year 2018 are not restated and they include the discontinued operations.

Telecommunication business divestment

Efore's Board of Directors approved the offer by Shenzhen Kexin Communication Technologies Co. Ltd to acquire Efore's telecommunications business on July 31st, 2019. The acceptance of the offer ended Efore's ongoing negotiations to establish a joint venture with another Chinese power supply partner. The transaction was closed in 28.11.2019.

The target of the transaction was Efore's entire telecommunications business, including products supplied to customers and the Efore brand and name. As a result of the transaction 73 Efore employees in Finland, China and Sweden transferred to the new owner as existing employees. After the transaction, the telecommunications business will continue in Wuxi and Suzhou, China, as well as in Efore's offices in Espoo and Tampere with all rental leases transferred to the buyer.

The debt-free purchase price (Enterprise value) of the divested business was EUR 6.0 million and the estimated purchase price of the shares was EUR 3.5 million. The purchase price paid in cash was EUR 3.1 million of the purchase price of the shares. The parties also agreed on an escrow purchase price arrangement placing EUR 0.4 million on the escrow account for one year after the transaction. A non-recurring loss of EUR 0.6 million was recognized of the transaction, including the related transaction expenses.

Group has on 31st of July 2019 classified telecommunication business as discontinued operation according to the IFRS 5 standard. In the below table discontinued operations key performance indicators have been illustraded for the financial year 2019 and period 1-6/2019, for the comparison periods and discontinued operations impact to the group cash flow. Key performance indicators are unaudited and are based on the divestment process carve out figures.

	7-12/19	**7-12/18**	**1-12/19**	**1-12/18**
EUR million	**6 mo**	**6 mo**	**12 mo**	**12 mo**
Discontinued operations				
Income	6,8	10,6	18,5	18,7
Expenses	-7,4	-11,7	-20,3	-22,1
Loss on disposal of shares	-0,6	0,0	-0,6	0,0
Result of discontinued operations	**-1,1**	**-1,1**	**-2,4**	**-3,4**

	7-12/19	**7-12/18**	**1-12/19**	**1-12/18**
EUR million	**6 mo**	**6 mo**	**12 mo**	**12 mo**
Discontinued operations				
Net cash from operating activities	-2,7	1,7	-0,5	-2,2
Net cash used in investing activities	0,0	-0,6	-0,3	-1,1
Net cash used in financing activities	-0,1	-0,6	-0,3	-1,3

GROUP, CHANGES IN INTANGIBLE ASSETS

EUR million	Development costs	Immaterial rights	Intangible assets, finance lease	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost on 1 Jan.2018	17,8	3,4	1,7	3,5	0,1	1,1	27,6
Translation differences	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Business combinations	1,8	0,0	0,0	1,3	0,0	3,2	6,3
Additions	2,9	0,0	0,0	0,0	0,0	0,0	3,0
Disposals	-0,9	0,0	0,0	-0,2	0,0	0,0	-1,1
Cost on 31 Dec 2018	**21,7**	**3,4**	**1,7**	**4,7**	**0,1**	**4,3**	**35,8**
Cumulative amortisation and impairment on 1 Jan 2018	**-9,0**	**-2,5**	**-1,7**	**-3,0**	**0,0**	**0,0**	**-16,2**
Translation differences	0,0	0,0	0,0	0,0		0,0	0,0
Cumulative amortisation on business combinations	-1,1		0,0				-1,1
Cumulative amortisation on disposals and reclassifications	0,9	0,0	0,0	0,2			1,1
Amortisation	-2,4	-0,3	0,0	-0,1		0,0	-2,8
Impairment	-0,8	0,0	0,0	0,0		0,0	-0,8
Cumulative amortisation and impairment on 31 Dec 2018	**-12,3**	**-2,9**	**-1,7**	**-3,0**	**0,0**	**0,0**	**-19,8**
Carrying amount 1 Jan 2018	8,8	0,8	0,0	0,5	0,1	1,1	11,4
Carrying amount 31 Dec 2018	**9,4**	**0,5**	**0,0**	**1,7**	**0,1**	**4,3**	**16,0**

GROUP, CHANGES IN INTANGIBLE ASSETS

EUR million	Development costs	Immaterial rights	Intangible assets, finance lease	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost on 1 Jan.2019	**21,7**	**3,4**	**1,7**	**4,7**	**0,1**	**4,3**	**35,8**
Translation differences	0,0	0,0		0,0			0,0
Additions	2,1	0,0		0,0			2,1
Business disposals	-6,1	-0,1	-1,7	0,0			-7,9
Disposals	-2,9	-0,1		0,0	0,0		-3,0
Reclassifications	-0,1						-0,1
Cost on 31 Dec 2019	**14,7**	**3,2**	**0,0**	**4,7**	**0,1**	**4,3**	**26,9**
Cumulative amortisation and impairment on 1 Jan 2019	**-12,3**	**-2,9**	**-1,7**	**-3,0**	**0,0**	**0,0**	**-19,8**
Translation differences	0,0	0,0		0,0			0,0
Cumulative amortisation on disposals, business disposals and reclassifications	5,5	0,2	1,7	0,0			7,4
Amortisation	-2,3	-0,3		-0,4			-3,1
Impairment	-0,2						-0,2
Cumulative amortisation and impairment on 31 Dec 2019	**-9,3**	**-3,0**	**0,0**	**-3,3**	**0,0**	**0,0**	**-15,6**
Carrying amount 1 Jan 2019	9,4	0,5	0,0	1,7	0,1	4,3	16,0
Carrying amount 31 Dec 2019	**5,4**	**0,2**	**0,0**	**1,3**	**0,1**	**4,3**	**11,3**

GROUP, CHANGES IN TANGIBLE ASSETS

EUR million	Buildings and structures	Tangible, finance lease	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost on 1 Jan.2018	**0,0**	**0,8**	**17,9**	**4,7**	**0,0**	**23,4**
Translation differences	0,0	0,0	0,0	0,0	0,0	-0,1
Business combinations	0,0	0,0	0,5	0,0	0,0	0,5
Additions	0,0	0,0	1,0	0,0	0,1	1,1
Disposals	0,0	0,0	-0,5	0,0	0,0	-0,5
Cost on 31 Dec 2018	**0,0**	**0,8**	**18,9**	**4,7**	**0,1**	**24,5**
Cumulative amortisation and impairment on 1 Jan 2018	**0,0**	**-0,7**	**-15,5**	**-4,3**	**0,0**	**-20,6**
Translation differences	0,0	0,0	0,0	0,0		0,1
Cumulative amortisation on disposals and reclassifications	0,0	0,0	0,0	0,0		0,0
Amortisation	0,0	0,0	-0,6	-0,1		-0,7
Cumulative amortisation and impairment on 31 Dec 2018	**0,0**	**-0,8**	**-16,1**	**-4,4**	**0,0**	**-21,2**
Carrying amount 1 Jan 2018	0,0	0,0	2,4	0,4	0,0	2,8
Carrying amount 31 Dec 2018	**0,0**	**0,0**	**2,9**	**0,3**	**0,1**	**3,3**

GROUP, CHANGES IN TANGIBLE ASSETS

EUR million	Buildings and structures	Tangible right-of-use assets *)	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost on 1 Jan.2019	**0,0**	**0,8**	**18,9**	**4,7**	**0,1**	**24,5**
IFRS 16 effect 1 Jan 2019		2,2				2,2
Translation differences		0,0	0,0	0,1		0,1
Additions	0,0	0,2	1,0	0,0	0,1	1,4
Business disposals		-0,7	-5,0	-3,6		-9,3
Disposals			-0,1	0,0	-0,1	-0,3
Reclassifications			0,1		-0,1	0,0
Cost on 31 Dec 2019	**0,0**	**2,5**	**15,0**	**1,1**	**0,0**	**18,6**
Cumulative amortisation and impairment on 1 Jan 2019	**0,0**	**-0,8**	**-16,1**	**-4,4**	**0,0**	**-21,2**
Translation differences		0,0	0,0	-0,1		-0,1
Cumulative amortisation on disposals, business disposals and reclassifications			4,3	3,6		7,9
Amortisation	0,0	-0,6	-0,7	-0,1		-1,4
Impairment						0,0
Cumulative amortisation and impairment on 31 Dec 2019	**0,0**	**-1,4**	**-12,5**	**-0,9**	**0,0**	**-14,9**
Carrying amount 1 Jan 2019	0,0	0,0	2,9	0,3	0,1	3,3
Carrying amount 31 Dec 2019	**0,0**	**1,1**	**2,4**	**0,2**	**0,0**	**3,7**

*) carrying amount EUR 1,1 million on 31 Dec 2019: EUR 0,9 million is related to buildings and EUR 0,2 million is related to machinery and equipment.

GROUP CONTINGENT LIABILITIES

EUR million	Dec. 31, 2019	Dec. 31, 2018
Contingent liabilities		
Security given on own behalf		
Business mortgage	15,2	15,2
Other contingent liabilities	0,1	0,1
Liabilities covered by business mortgage		
Loans from financial institutions *)	5,7	6,9
Factoring limit in use	0,8	4,0
Total	6,5	10,9
* Subsidiary shares with the carrying amount of EUR 3.8 million has been given on behalf of parent company's loans from credit institutions		
Own liability for credit risk insurance in factoring, not realised	0,0	0,2

Fair values of derivate financial instruments

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

Other contingencies

As part of the normal business, Efore is involved in some claims, and the final outcome of these claims cannot be predicted. The company is in the process of negotiating a sale price adjustment related to the divestment of its Telecommunications business.

Related party transactions

Efore did not have any related party transactions.

Financial position

The net interest-bearing liabilities were EUR 12.6 million (EUR 9.4 million) at the end of the financial year of which EUR 1.1 million at the end of the financial year were rental lease liabilities.

The cash flow from operating activities during January-December was EUR -0.5 million (EUR -2.8 million). Cashflow from operating acrtivities adjusted by discontinued operations was EUR 0,0 million (EUR -0,6 million). The negative cash flow is a result from the loss for the period and from the increase of net working capital in Telecommunication business, especially in the second half of the financial year. The cash flow after investments was EUR -1.3 million (EUR -9.6 million). The Group's solvency ratio in the end of December was 11.5 % (20.6 %) and net gearing ratio 342.1 % (100,6 %).

Cash and cash equivalents totalled EUR 1.1 million (EUR 3.7 million) in the end of December. At the end of the financial year the group had undrawn credit facilities excluding factoring limits EUR 2.2 million (EUR 1.5 million). On 31st of July 2019 Efore Plc agreed a EUR 1.0 million short-term bridge-financing with Jussi Capital Oy.

According to the new strategy of the group, Efore Plc is planning on realignment of its debt financing by the summer of 2020. The purpose of the realignment is to provide adequate resources to execute the strategy and to improve the use of capital. Related to the realignment plans Efore Plc has agreed on a stand-still agreement with its main financier bank and Jussi Capital Ltd until 30th June 2020.

Efore fulfilled the covenant conditions for the Italian subsidiary.

Management estimates that the planned financial solutions and cash flow from operating activities will ensure sufficient financing and will ensure business continuity and growth.

Calculation of key figures

EBITDA	=	Operating 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), %	=	Profit before taxes + interest and other financing expenses / Equity + interest bearing liabilities (average) x 100
Return on Equity (ROE), %	=	Profit/loss for the period / Equity (average) x 100
Current ratio	=	Current assets / Current liabilities
Solvency ratio, %	=	Equity / Total assets – advance payments received x 100
Net interest-bearing liabilities	=	Interest bearing liabilities – financial assets at fair value through profit or loss – cash and cash equivalents
Gearing, %	=	Net interest-bearing liabilities / Equity x 100
Earnings per share	=	Profit or loss attributable to ordinary equity holders of the parent entity / The weighted average number of shares outstanding
Earnings per share (diluted)	=	Profit or loss attributable to ordinary equity holders of the parent entity / The weighted average number of shares outstanding including dilutive effect
Equity per share	=	Equity / 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 25th February 2020 at 14:00-15:00.

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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 Finland, Italy and the United States of America. In the financial year ended on December 2019, consolidated net sales of continuing operations totalled EUR 43.3 million and the Group's personnel averaged 388. The parent company's share is quoted on the Nasdaq Helsinki Ltd.

Investor calendar

The Annual Report 2019 will be published during the week 13/2020.
The Annual General Meeting will be held on April 24, 2020. The notice to convene the Annual General Meeting will be given later on by the Board of Directors.
Half-year report (January 1 – June 30, 2020) will be published on August 13, 2020

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