Efore Group
Half year financial report
H1/2019
1.1– 30.6.2019

EFORE PLC Half year financial report 15.8.2019 at 9.00 a.m.

EFORE PLC Half year financial report January 1 - June 30, 2019

January – June 2019 in brief
- Net sales totalled EUR 34,7 million (EUR 24,6 million)
- Operating profit EUR -2,3 million (EUR -4,0 million)
- Adjusted operating profit was EUR -1,8 million (EUR -4,0 milj. million)
- EBITDA EUR 0,6 million (EUR -1,6 million)
- Adjusted EBITDA was EUR 1,1 million (EUR -1,6 million)
- Earnings per share was EUR -0,01 (EUR -0,08)

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	1-6/19 6 mo	1-6/18 6 mo	1–12/18 12 mo
Net Sales	34,7	24,6	52,4
Telecom	11,8	8,2	18,7
Industrial	22,9	16,5	33,7
Adjusted EBITDA*	1,1	-1,6	-2,3
EBITDA*	0,6	-1,6	-2,9
Adjusted operating profit/loss	-1,8	-4,0	-6,7
Operating profit/loss	-2,3	-4,0	-7,2
Profit/loss before taxes	-2,3	-4,5	-8,5
Profit/loss for the period	-2,3	-4,3	-7,8
Earnings per share, EUR	-0,01	-0,08	-0,14
Solvency ratio, %*	15,4	7,5	20,6
Gearing, %*	155,2	562,6	100,6
Cash flow from operating activities	2,1	-5,3	-2,8

Key indicators half-year, EUR million	H1/2019	H2/2018	H1/2018
Net Sales	34,7	27,8	24,6
Telecom	11,8	10,6	8,2
Industrial	22,9	17,2	16,5
Adjusted EBITDA	1,1	-0,7	-1,6
EBITDA	0,6	-1,2	-1,6
Adjusted operating profit/loss	-1,8	-2,7	-4,0
Operating profit/loss	-2,3	-3,3	-4,0

*IFRS 16 standard had EUR 0,4 million positive impact to period’s EBITDA and adjusted EBITDA. Excluding IFRS 16 standard adoption group solvency ratio would have been 16,1 % and gearing 128,7.

EUR million ADJUSTED OPERATING PROFIT/LOSS	1-6/19 6 mo	1-6/18 6 mo	1–12/18 12 mo
Operating profit/loss	**-2,3**	**-4,0**	**-7,2**
Adjustments in operating profit/loss			
Transaction costs related to the acquisition of Powernet International			0,3
Advisory fees related to unrealized projects			0,1
Resctructuring costs related to personnel	0,1		0,1
Telecom restructuring expenses	0,3		
Adjustments in operating profit/loss Total	**0,5**	**0,0**	**0,5**
Adjusted operating profit/loss Total	**-1,8**	**-4,0**	**-6,7**

ADJUSTED EBITDA	1-6/19 6 mo	1-6/18 6 mo	1–12/18 12 mo
EBITDA	**0,6**	**-1,6**	**-2,9**
Adjustments in EBITDA			
Transaction costs related to the acquisition of Powernet International			0,3
Advisory fees related to unrealized projects			0,1
Resctructuring costs related to personnel	0,1		0,1
Telecom restructuring expenses	0,3		
Adjustments in EBITDA Total	**0,5**		**0,5**
Adjusted EBITDA Total	**1,1**	**-1,6**	**-2,3**

Estimate of financial development in 2019 financial period

Efore published an updated estimate of financial development for 2019 in the stock exchange release dated 31st of July as follows:

The continuing business (Efore excluding Telecommunications business) updated financial targets for 2019 are clearly positive EBITDA (adjusted items affecting comparability) and net sales of EUR 43-47 million.

Previous estimate was:

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, Efore President and CEO:

”Net sales development in first half of 2019 was positive and also profitability developed to the right direction. First half net sales was EUR 34,7 million with EUR 10,1 million growth from the corresponsing period a year ago and EUR 6,9 million growth from second half of 2018. Net sales growth was based on organic growth and Powernet acquisition. Operating result for the reporting period was however still negative.

Organic net sales growth was coming especially from the sales start of new Industrial business products and improved delivery capability in both Industrial and Telecom business. After the second half of 2018 we set a target to clear the Telecom delivery backlog in the beginning of 2019 and in Industrial business by the end of April. Both of these targes were met as planned.

Cash flow from operating activities in the first half of 2019 was EUR 2,1 million and clearly positive just as the guidance given.

Integration of Powernet acquisition has proceeded as planned and during the first half the former Efore DC-Systems product line and Powernet business were consolidated and are now lead as one entity called Digital Power Systems. First half a year after the acquisition has confirmed our confidence in achieving synergies in both sales and operational activities.

Demand for new generation high power efficiency rectifier (MHE, Modular High Efficiency) during the first half a year was good. Production for MHE product launched in the end of 2018 started during the first half of 2019 and sales have started. MHE product demand in demanding convection cooled rectifier market looks promising. Demand for rail solutions becoming part of Efore in Powernet acquisition was especially for the early part of the year a slight disappointment. After the early spring the outlook for this business has however become brighter and also here we are expecting the second half of the year to be clearly stronger than the first half.

In Digital Power & Light product line the growth of new Strato Evo product family continued and in addition to that especially the new 1500W Led driver have gotten off for a good start. The positive impact from these new products is expected to continue in the second half of the year.

Telecommunication net sales grew from the corresponding period a year ago and was also higher than in the second half of 2018. This was affected especially by improving demand and delivery backlog clearance in the beginning of this year.

Structural changes in Telecom business that have been under preparation for longer time with a Chinese power supply partner were completed when the Efore board approved July 31st 2019 the offer made by Kexin Communication Technologies Co. Ltd for purchase of the Efore Telecommunications business. Acquisition offer includes also Efore brand and name. Accepting the offer discontinued also the ongoing Joint Venture negotiations with another Chinese power supply partner.

This deal will substantially change the company structure and future. We are developing new strategy, new financial targets and also a new name. We will communicate more about these later. Company future is now developed under the project name “Efore 2.0” and it will focus on two customer centric product lines: new Digital Power Systems product line and Digital Power & Light product line established based on the acquisition made in 2013 (Roal).

Digital Power Systems product line was established as part of the new strategy in early 2019 by combining the Efore DC Systems product line with the acquired Powernet business. Digital Power & Light product line has during the last two year been remarkably renewed by among others relocating Italy operations to new building, making changes in product line management and launching new products (1500W and Strato Evo). All these actions are creating solid foundation for future growth.

The future for both of these continuing product lines looks positive which gives very good basis for the company renewal and building the new future."

January - June net sales and result

Net sales from January to June was EUR 34,7 million (EUR 24,6 million)

Net sales in industrial business grew by 38,8% from comparison period reaching EUR 22,9 million (EUR 16,5 million). The growth in net sales was due to the acquisition of Powernet International Oy and organic growth especially in Digital Power & Light business line.

Net sales in Telecom business grew by 43,9% from comparison period reaching EUR 11,8 million (EUR 8,2 million). The growth in net sales was due to stronger demand compared to comparison period and improved delivery capability.

Challenges regarding availability of components eased somewhat during the first half of the financial year, positively impacting net sales development and partly profitability in all business lines. Securing component availability will be important also during the rest of the year.

Operating profit from January to June improved from comparison period and was EUR -2,3 million (EUR -4,0 million). The main drivers behind improved operation profit were higher level of net sales, fixed expense management and good margin development in all businesses. Operating profit includes EUR 0,5 million of items affecting comparability. These are mainly expenses related to the restructuring of Telecom business.

Profit for the reporting period was EUR -2,3 million (EUR -4,3 million) and net financial expense was EUR 0,0 million (EUR -0,6 million). Reporting period net financial expense was positively impacted by EUR 0,3 million gain from sale of minority share in VOX Power Ltd as well as a change in valuation of the additional purchase price liability (earn-out) connected to the acquisition of Powernet International Oy EUR 0,2 million.

Business development

Industrial

During the closing months of last year, Digital Power & Light product portfolio was expanded through new product introductions and the sales have developed well during the first half of the financial year. Strato Evo product family deliveries continued to increase during the fist half a year. Specifically designed for indoor, architectonic sites and outdoor lighting, the Strato EVO products are an extension to the successful Strato product family. The new 1500W led driver launched last year also experienced strong sales growth. These products are used in lighting solutions for sport venues and airports among others. The interest in high power products has clearly increased which in turn supports our strategy and creates basis for net sales growth.

Demand for the new generation high efficiency rectifier (MHE, Modular High Efficiency) during the first half of the financial year was good. Launched late 2018, production for the MHE started during the first half and the sales have started. Demand for the MHE in the demanding fanless rectifier market looks promising. The order book for MHE was strong at the end of June which provides a solid foundation for net sales development in the second half of 2019.

Demand for rail transport solutions acquired with Powernet International Oy was slightly disappointing especially in the beginning of the year. Since then however, the outlook for this business has improved and we are anticipating the second half of the financial year to be clearly stronger than first half.

Telecommunication

Net sales of the first half of the financial year were significantly higher than in comparison period due to increase in demand and clearing of previous year's undelivered orders during the beginning of the year. Component availability challenges originating from faster than expected increase in demand of the second half of 2018 have eased during the first half of the financial year.

During the financial period, Telecommunication business acquired a significant new customer in Asia. The customer is a subcontractor for teleoperators. First deliveries to the new customer will start at latest by early 2020.

The telecommunication market is still in transition phase which places new demands on companies in the sector. As a response to the market change, Efore has since 2017 directed its product development investments amongst all towards products utilized in smaller base stations. The product offering has also been expanded to include products that can be used regardless of specific network technology in question. Products based on 5G-technology are key in future network expansions.

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 are still long, 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.

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.

Investments and product development

Group investments during the first half of the year amounted to EUR 2.0 million (EUR 1.9 million) which includes EUR 1.2 million (EUR 1.5 million) capitalization of product development costs. At the end of the period under review, the capitalized product development investments amounted to EUR 8.9 million (EUR 8.6 million).

Previously capitalized product development costs were impaired by EUR 0.2 million. Impairment was mainly identified because of changes in Digital Power Systems and Digital Power and Light business lines. Business line changes were due to some customers' volume expectations of individual products.

The development expenditure amounted to EUR 3.6 million (EUR 3.3 million). EUR 1.2 million (EUR 1.5 million) of these costs was capitalized and EUR 2.4 million (EUR 1.8 million) as expenses, 7.0 % (7.4 %) of net sales.

Financial position

The interest-bearing liabilities exceeded the consolidated cash reserves by EUR 11.0 million (EUR 15.3 million) at the end of the period under review. The implementation of IFRS 16 standard had an increasing impact of EUR 1.8 million on the net interest bearing liablities at the end of the period under review.

The cash flow from operating activities was EUR 2.1 million (EUR -5.3 million). Positive cash flow was due to the positive EBITDA and a decrease in the net working capital. The free cash flow after investments was EUR 0.6 million (EUR -7.2 million). The Group's solvency ratio was 15.4 % (7.5 %) and the gearing was 155.2 % (562.6 %). Without the impact of IFRS 16 standard's implementation the Group's solvency ratio would have been 16.1 % and the gearing 128.7 %.

The liquid assets excluding undrawn credit facilities totalled EUR 3.3 million (EUR 2.8 million) at the end of the period under review. At the end of the period under review the Group had undrawn credit facilities excluding factoring limits EUR 0.7 million (EUR 1.7 million). The balance sheet total was EUR 46.6 million (EUR 36.3 million).

Efore Plc has started negotiations with the main financier for the new covenants during the second half of the financial year. The negotiations are part of the reorganization of Telecom business.

Structure of Efore Group

The Group consists of the parent company Efore Oyj and the subsidiaries, which are owned 100% directly or indirectly by the parent company. The subsidiaries are Efore (USA) Inc. (USA), Efore (Suzhou) Electronics Co., Ltd (China), Efore (Suzhou) Automotive Technology Co., Ltd (China), Efore OU (Estonia), Efore AB (Sweden), Efore (Hongkong) Co. Ltd (China), Fi-Systems Oy (Finland), Efore Telecom Oy (Finland), Efor Telecom Finland Oy (Finland), Efore S.p.A. (Italy), Efore Sarl (Tunisia), Efore, Inc. (USA), Powernet International Oy (Finland) and Efore Powernet Oy (Finland).

Personnel

Average number of the Group’s own personnel was 454 (398) and at the end of the period under review 466 (396).

Board of Directors and Group Executive Management Team

The Annual General Meeting held on April 11, 2019, re-elected Antti Sivula, Tuomo Lähdesmäki, Taru Narvanmaa and Matti Miettunen.

The Members of the Executive Management Team are and their areas of responsibility at the end of the period under review: Vesa Leino (CEO and chairman of the Executive Management Team), Olli Mustonen (Finance and ICT), Ari Kemppainen (Telecom), Carlo Rosati (Digital Power and Light), Vesa Leino (Digital Power Systems) ja Ruben Tomassoni (Operations).

Auditor

The Annual General Meeting of April 11, 2019, appointed KPMG Oy Ab as the company’s auditor, with Authorized Public Accountant Henrik Holmbom as the principal auditor.

Share, share capital and shareholders

At the end of the period under review, the number of shares outstanding was 418,130,168 (52,270,896). The number of shares increased by 365,863,897 as a result of the share issue carried out in December 2018.

At the end of the period under review the number of the Efore's own shares was 3,506,620 (3,501,995) pcs.

The highest share price during the period under review was EUR 0.07 (0.62) and the lowest price was EUR 0.04 (0.25). The average price during the period under review was EUR 0.06 (0.39) and the closing price was EUR 0.06 (0.29). The market capitalization calculated at the final trading price at the end of the period under review was EUR 25.7 (15.2) million.

The total turnover value of Efore shares traded on the Nasdaq Helsinki during the period under review was 63.4 (3.2) million pcs. This accounted for 14.9 % (5.7 %) of the total number of shares. The total number of fully paid-up shares was 421,636,788 (55,772,891) pcs and the number of shareholders totalled 4,243 (3,830) pcs at the end of the period under review.

Flagging notifications

Skandinaviska Enskilda Banken AB's holding of the shares and votes in Efore Plc fell under the 5% threshold on January 2, 2019.

The holding of the shares and votes in Efore Plc of Jaakko Heininen, Pekka Heininen and the companies under their controlling interest exceeded the 10 % threshold on June 5, 2019.

Resolutions 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.

Events after the end of the reporting period

31.7.2019 - Efore Board of Directors has 31.7.2019 accepted the offer made by Shenzhen Kexin Communication Technologies Co. Ltd to acquire Efore Telecommunications business. Accepting the offer discontinues the ongoing Joint Venture negotiations with another Chinese power supply partner.

Acquisition covers the entire Efore Telecommunications business including current product portfolio and Efore brand and name. Following the acquisition 73 Efore employees in Finland, China and Sweden will move to the buyer as old employees. The purchase price on a cash and debt free basis (Enterprise Value) is EUR 6,0 million and the estimated purchase price for the shares is EUR 3,5 million. Purchase price will be paid in cash.

The acquisition will be closed during the second half of this year. The acquisition is conditional among others to the completion of moving all Efore Telecom business to Telecom subgroup, Kexin shareholder meeting acceptance and receiving all required authority approvals. This acquisition, if realized, is expected to result in EUR 0-1 million onetime capital loss for the group and will reduce significantly equity of the parent company. Telecommunication business net working capital development has among other factors impact to the divestment result.

Group has 31st July 2019 classified Telecommunication business as discontinued business according to the IFRS 5 standard. Below table illustrates the key indicators of continuing and discontinuing business for financial year 2018 and financial period 1-6/2019. Figures are unaudited and are based on the divestment process carve out figures.

	Continuing business		**Discontinued business**	
EUR million	**1-6/2019**	**1-12/2018**	**1-6/2019**	**1-12/2018**
Net sales	22,9	33,7	11,8	18,7
EBITDA	0,7	-1,3	-0,1	-1,6
Operating profit	-1,3	-3,9	-1,0	-3,3
Assets	35,5	35,5	11,1	10,1
Liabilities	30,8	30,2	8,7	6,1
Net assets	4,7	5,3	2,4	4,0
Personnel	393	369	73	73

Efore Plc has agreed on a short-term financing arrangement of EUR 1,0 million with Jussi Capital Oy, which belongs to the related parties of the company. Purpose for the financing arrangement is to secure the potential additional working capital need during the sales process and secure successful completion of the acquisition. The credit arrangement has been conducted on market terms. Efore has also started negotiations on a new loan payment schedule with the main financier. In the end of the reporting period Efore had EUR 5,2 million of main financier loans.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1-6/19 6 mo	1-6/18 6 mo	1-12/18 12 mo
Net sales	**34,7**	**24,6**	**52,4**
Change in inventories of			
finished goods and work in progress	1,0	-0,7	-0,6
Work performed for own purposes and capitalised	0,0	0,0	0,1
Other operating income	0,2	0,1	0,2
Materials and services	-24,9	-16,6	-36,6
Employee benefits expenses	-6,7	-5,5	-10,8
Depreciation	-2,7	-1,7	-3,6
Impairment	-0,2	-0,7	-0,8
Other operating expenses	-3,7	-3,6	-7,6
Operating profit/loss	**-2,3**	**-4,0**	**-7,2**
Financing income	1,3	1,0	1,6
Financing expenses	-1,3	-1,5	-2,9
Profit/loss before tax	**-2,3**	**-4,5**	**-8,5**
Tax on income from operations	0,0	0,2	0,7
Profit/loss for the period	**-2,3**	**-4,3**	**-7,8**
Other comprehensive income			
Items that will not be reclassified to statement of income			
Remeasurements of the net defined benefit liabilty	0,0	0,0	0,0
Items that may be reclassified subsequently to profit or loss			
Translation differences	0,0	0,0	0,0
Total comprehensive income	**-2,3**	**-4,3**	**-7,8**
Net profit/loss attributable			
To equity holders of the parent	-2,3	-4,3	-7,8
To non-controlling interest	0,0	0,0	0,0
Total comprehensive income attributable to:			
Equity holders of the parent	-2,3	-4,3	-7,8
Non-controlling interest	0	0,0	0
EARNINGS PER SHARE CALCULATED ON PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT:			
Earnings per share, basic,eur	-0,01	-0,08	-0,14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	June 30, 2019	June 30, 2018	Dec. 31, 2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10,9	9,8	11,7
Goodwill	4,3	1,1	4,3
Tangible assets	5,4	2,8	3,3
Other receivables, non-current	0,0	0,1	0,1
Other long-term investments	0,4	0,1	0,5
Deferred tax asset	3,7	3,2	3,7
Total non-current assets	**24,6**	**17,2**	**23,6**
CURRENT ASSETS			
Inventories	10,1	8,0	9,0
Trade receivables and other receivables	8,6	8,1	9,3
Tax receivable, income tax	0,1	0,2	0,1
Cash and cash equivalents	3,3	2,8	3,7
Total current assets	**22,1**	**19,1**	**22,1**
TOTAL ASSETS	**46,6**	**36,3**	**45,7**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15,0	15,0	15,0
Treasury shares	-2,4	-2,4	-2,4
Other reserves	38,9	28,7	38,9
Translation differences	3,3	3,3	3,3
Retained earnings	-47,6	-41,9	-45,3
Equity attributable to equity holders of the parent	7,1	2,7	9,4
Equity attributable to non-controlling interests	0,0	0,0	0,0
Total equity	**7,1**	**2,7**	**9,4**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	0,3	0,2	0,4
Interest-bearing liabilities	7,4	2,1	5,4
Other liabilities			0,7
Pension provisions	1,2	1,3	1,2
Provisions	0,5	0,3	0,6
Total non-current liabilities	**9,4**	**3,9**	**8,3**
CURRENT LIABILITIES			
Interest-bearing liabilities	6,9	16,0	7,7
Trade payables and other liabilities	22,9	13,3	19,8
Tax liabilities	0,2	0,2	0,3
Provisions	0,2	0,3	0,2
Total current liabilities	**30,1**	**29,8**	**28,0**
Liabilities	**39,5**	**33,6**	**36,3**
TOTAL EQUITY AND LIABILITIES	**46,6**	**36,3**	**45,7**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-6/19 6 mo	1-6/18 6 mo	1-12/18 12 mo
Cash flows from operating activities			
Cash receipts from customers	36,7	24,6	52,4
Cash paid to suppliers and employees	-33,8	-29,2	-53,7
Cash generated from operations	2,9	-4,6	-1,3
Interest paid	-0,2	-0,3	-0,5
Interest received	0,0	0,0	0,1
Other financial items	-0,5	-0,4	-1,1
Income taxes paid	-0,1	0,0	0,1
Cash flow from operating activities (A)	**2,1**	**-5,3**	**-2,8**
Cash flows from investing activities			
Purchase of tangible and intangible assets	-2,0	-1,9	-4,0
Proceeds from sale of tangible and intangible assets	0,1	0,0	0,0
Acquisition of subsidiaries, net of cash acquired		0,0	-2,8
Purchase of investments		0,0	
Proceeds from sales of investments	0,4	0,0	
Loans granted		0,0	
Addition/deduction of other investments		0,0	
Income taxes paid		0,0	
Net cash used in investing activities (B)	**-1,5**	**-1,9**	**-6,8**
Cash flows from financing activities			
Proceeds from issue of share capital			6,2
Proceeds from short-term borrowings	1,2	7,1	8,4
Repayment of short-term borrowings	-1,9	-2,9	-7,7
Proceeds from long-term borrowings		1,3	1,8
Repayment of long-term borrowings			0,0
Financial leasing repayment	-0,4	0,0	0,0
Net cash used in financing activities (C)	**-1,0**	**5,5**	**8,7**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-0,4**	**-1,7**	**-0,9**
Cash and cash equivalents at beginning of period	3,7	4,5	4,5
Net increase/decrease in cash and cash equivalents	-0,4	-1,7	-0,9
Effects of exchange rate fluctuations on cash held	0,0	0,0	0,0
Cash and cash equivalents at end of period	3,3	2,8	3,7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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						-4,3	-4,3	0,0	-4,3
Other comprehensive income:									
Remeasurement of defined benefit plan					0,0		0,0		0,0
Translation differences					0,0				
TOTAL COMPREHENSIVE INCOME					**0,0**	**-4,3**	**-4,3**	**0,0**	**-4,3**
Other changes				0,1		-0,1			
EQUITY June 30, 2018	**15,0**	**-2,4**	**28,0**	**0,8**	**3,3**	**-41,9**	**2,7**	**0,0**	**2,7**

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						-2,3	-2,3	0,0	-2,3
Other comprehensive income:									
Remeasurement of defined benefit plan									0,0
Translation differences					0,0				
TOTAL COMPREHENSIVE INCOME					**0,0**	**-2,3**	**-2,3**	**0,0**	**-2,3**
Other changes									
EQUITY June 30, 2019	**15,0**	**-2,4**	**38,2**	**0,7**	**3,3**	**-47,6**	**7,1**	**0,0**	**7,1**

Notes to the H1/2019 report

Accounting policies

The half-year report has been prepared in accordance with IAS 34 Interim Financial Reporting standard and 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 half-year report has been prepared in accordance with going concern. The information in the report is unaudited.

The preparation of the half-year report 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 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.

Efore has adopted the IFRS 16 standard as of 1.1.2019. Efore has used the modified retrospective approach in adoption of the standard by recognizing the cumulative effect in the opening balance sheet of 1.1.2019 and thus, comaparative 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 recognise 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 0,4 million and in turn, decreasing cash flow from financing activities by EUR 0,4 million. Additionally, adoption of the standard had a EUR 0,4 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 31.12.2018, the group had irrevocable operating lease commitments in the amount of EUR 2,6 million. On the effective date of the standard 1.1.2019, 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.

	Million
Lease commitments 31.12.2018	**2,6**
Short-term and low value lease contracts	-0,2
Discount rate effect	-0,2
Lease liabilities 1.1.2019	**2,2**
Repayment of lease liabilities 1.1.2019 – 30.6.2019	-0,4
Lease liabilities 30.6	**1,8**

NET SALES BY AREAS, EUR million	1-6/19 6 mo	1-6/18 6 mo	1–12/18 12 mo
Americas	7,4	4,7	10,8
EMEA	21,5	14,6	31,3
APAC	5,8	5,3	10,3
NET SALES BY AREAS, EUR million	**34,7**	**24,6**	**52,4**

NET SALES BY CUSTOMER GROUPS, EUR million	1-6/19 6 mo	1-6/18 6 mo	1–12/18 12 mo
Telecom	11,8	8,2	18,7
Industrial	22,9	16,5	33,7
Total	**34,7**	**24,6**	**52,4**

GROUP KEY FIGURES	1-6/19 6 mo	1-6/18 6 mo	1–12/18 12 mo
Earnings per share, basic, eur	-0,01	-0,08	-0,14
Equity per share, eur	0,02	0,05	0,02
EBITDA, MEUR	0,6	-1,6	-2,9
Adjusted EBITDA, MEUR	1,1	-1,6	-2,3
Profit/loss for the period, MEUR	-2,3	-4,0	-7,2
Adjusted profit/loss for the period, MEUR	-1,8	-4,0	-6,7
Return on equity (ROE), %	-27,9	-88,4	-95,4
Return on investment (ROI), %	-9,0	-39,5	-35,4
Net interest-bearing liabilities, MEUR	11,0	15,3	9,4
Solvency ratio, %	15,4	7,5	20,6
Gearing, %	155,2	562,6	100,6
Current ratio	0,7	0,6	0,8
Investments (intangible and tangible assets), MEUR	2,0	1,9	4,0
% of net sales	5,7	7,7	7,6
Average personnel	454	398	406
Average number of outstanding shares	418 130	52 271	56 278*
Number of outstanding shares as at end of financial year	418 130	52 271	418 130

*Day weighted average

IFRS 16 impact on the comparability of key indicators

Excluding adoption of IFRS 16, Group’s net interest bearing liabilities would have been EUR 9,2 million in the reporting period end, EBITDA EUR 0,2 million, adjusted EBITDA EUR 0,7 million, solvency ratio 16,1 % and gearing 128,7 %.

Changes in Intangible assets
Jan. 1, 2018 – June 30, 2018

EUR million	Development costs	Immaterial rights	Intangible right-of-use assets	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost Jan. 1, 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
Additions	1,5	0,0		0,0	0,0	0,0	1,6
Disposals	-0,1	0,0		-0,6	0,0	0,0	-0,7
Cost June 30, 2018	**19,2**	**3,4**	**1,7**	**2,9**	**0,1**	**1,1**	**28,4**
Cumulative amortisation and impairment Jan. 1, 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 disposals and reclassifications	0,1	0,0		0,6	0,0	0,0	0,7
Amortisation	-1,1	-0,2		-0,1	0,0	0,0	-1,3
Impairment	-0,7	0,0		0,0	0,0	0,0	-0,7
Cumulative amortisation and impairment June 30, 2018	**-10,6**	**-2,7**	**-1,7**	**-2,5**	**0,0**	**0,0**	**-17,5**
Carrying amount Jan. 1, 2018	8,8	0,8	0,0	0,5	0,1	1,1	11,4
Carrying amount June 30, 2018	**8,6**	**0,7**	**0,0**	**0,5**	**0,1**	**1,1**	**11,0**

Changes in Intangible assets
Jan. 1, 2019 – June 30, 2019

EUR million	Development costs	Immaterial rights	Intangible right-of-use assets	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost Jan. 1, 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	1,2	0,0		0,0	0,0		1,2
Disposals	-2,5				0,0		-2,5
Reclassifications	-0,1						-0,1
Cost June 30, 2019	**20,3**	**3,4**	**1,7**	**4,7**	**0,1**	**4,3**	**34,5**
Cumulative amortisation and impairment Jan. 1, 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 and reclassifications	2,5						2,5
Amortisation	-1,5	-0,2		-0,2			-1,8
Impairment	-0,2						-0,2
Cumulative amortisation and impairment June 30, 2019	**-11,4**	**-3,1**	**-1,7**	**-3,2**	**0,0**	**0,0**	**-19,3**
Carrying amount Jan. 1, 2019	9,4	0,5	0,0	1,7	0,1	4,3	16,0
Carrying amount June 30, 2019	**8,9**	**0,3**	**0,0**	**1,5**	**0,1**	**4,3**	**15,1**

Changes in Tangible assets
Jan. 1, 2018 – June 30, 2018

EUR million	Buildings and structures	Tangible right-of-use assets	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost Jan. 1, 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
Additions	0,0	0,0	0,4	0,0	0,0	0,4
Disposals	0,0	0,0	-0,2	0,0	0,0	-0,2
Cost June 30, 2018	**0,0**	**0,8**	**18,2**	**4,7**	**0,0**	**23,7**
Cumulative amortisation and impairment Jan. 1, 2018	**0,0**	**-0,7**	**-15,5**	**-4,3**	**0,0**	**-20,6**
Translation differences	0,0	0,0	0,0	0,0	0,0	-0,1
Cumulative amortisation on disposals and reclassifications	0,0	0,0	0,1	0,0	0,0	0,1
Amortisation	0,0	0,0	-0,3	0,0	0,0	-0,4
Cumulative amortisation and impairment June 30, 2018	**0,0**	**-0,8**	**-15,7**	**-4,4**	**0,0**	**-20,9**
Carrying amount Jan. 1, 2018	0,0	0,0	2,4	0,4	0,0	2,8
Carrying amount June 30, 2018	**0,0**	**0,0**	**2,5**	**0,3**	**0,0**	**2,8**

Change in Tangible assets
Jan. 1, 2019 – June 30, 2019

EUR million	Buildings and structures	Tangible right-of-use assets	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost Jan. 1, 2019	0,0	0,8	18,9	4,7	0,1	24,5
IFRS 16 effect Jan.1, .2019		2,2				2,2
Translation differences		0,0	0,0	0,0		0,0
Additions	0,0	0,0	0,8	0,0	0,1	0,9
Disposals		0,0	-0,3	0,0	-0,1	-0,4
Reclassifications			0,1		-0,1	0,0
Cost June 30, 2019	**0,0**	**3,0**	**19,5**	**4,7**	**0,0**	**27,3**
Cumulative amortisation and impairment Jan. 1, 2019	0,0	-0,8	-16,1	-4,4	0,0	-21,2
Translation differences		0,0	0,0	0,0		0,0
Cumulative amortisation on disposals and reclassifications			0,2	0,0		0,2
Amortisation	0,0	-0,4	-0,4	0,0		-0,8
Impairment						0,0
Cumulative amortisation and impairment June 30, 2019	**0,0**	**-1,1**	**-16,3**	**-4,5**	**0,0**	**-21,9**
Carrying amount Jan. 1, 2019	0,0	0,0	2,9	0,3	0,1	3,3
Carrying amount June 30, 2019	**0,0**	**1,8**	**3,2**	**0,3**	**0,0**	**5,4**

GROUP CONTINGENT LIABILITIES	30.6.2019	30.6.2018	31.12.2018
EUR million			
Contingent liabilities			
Security given on own behalf			
Business mortgages	15,2	5,0	15,2
Other contingent liabilities	0,3	0,1	0,1
Pledged parent company shares, pcs	3 501 955	3 501 955	3 501 955
Liabilities guaranteed by business mortgages			
Loans from credit institutions *	5,7	6,7	5,8
Factoring in use	4,1	3,0	4,0
Total	9,8	9,7	9,8
*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	0,2

Fair values of derivative financial instruments

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

Events after reporting period

Description of Telecommunication divestment has been presented on pages 9-10.

31.7.2019 - Efore Board of Directors has 31.7.2019 accepted the offer made by Shenzhen Kexin Communication Technologies Co. Ltd to acquire Efore Telecommunications business. Accepting the offer discontinues the ongoing Joint Venture negotiations with another Chinese power supply partner.

Jussi Capital Oy provided EUR 1,0 million loan to Efore Plc related to the divestment of the Telecommunication business.

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 15th August 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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