Half Year Financial Report H1/2021

Enedo
RESHAPING ELECTRICITY

ENEDO PLC Half year financial report August 12th, 2021 at 9.45 a.m.

ENEDO PLC PUBLISHES HALF YEAR FINANCIAL REPORT JANUARY 1 – JUNE 30, 2021 AND REMOVES FINANCIAL ESTIMATE

January – June 2021 in brief, Continuing operations
- Net sales EUR 18,1 million (EUR 19,7 million)
- Operating profit EUR -2,9 million (EUR -1,9 million)
- Adjusted operating profit EUR -2,3 million (EUR -1,7 million)
- EBITDA EUR -1,2 million (EUR -0,1 million)
- Adjusted EBITDA EUR -0,6 million (EUR 0,1 million)
- Profit/loss for the period, continuing operations EUR -0,4 million (EUR -2,4 million)*
- Earnings per share EUR -0,01 (EUR -0,28)

The figures in the release are presented from continuing operations unless otherwise noted.

Key indicators, EUR million	1-6/2021 6mo	1-6/20 6mo	1-12/20 12mo
Continuing operations:			
Net Sales	18,1	19,7	38,5
Led Drivers	4,5	4,2	8,7
Power Supplies	10,6	12,7	24,1
Power Systems	3,0	2,7	5,7
Adjusted EBITDA	-0,6	0,1	-0,4
EBITDA	-1,2	-0,1	-0,8
Adjusted operating profit/loss	-2,3	-1,7	-3,9
Operating profit/loss	-2,9	-1,9	-4,3
Profit/loss before taxes*	-0,4	-2,4	-5,4
Profit/loss for the period, continuing operations*	-0,4	-2,4	-6,2
Earnings per share, continuing operations, EUR*	-0,01	-0,28	-0,74
Continuing and discontinued operations:			
Earnings per share EUR*	-0,01	-0,28	-0,70
Solvency ratio, %	27,1	4,1	-7,4
Net Gearing, %	58,5	1182	
Cash flow from operating activities	-1,8	-1,9	-2,3

*1-6/2021 figures include gross EUR 3,3 million benefit from loan cancellation as part of the completed loan arrangement and related transaction expenses EUR 0,4 million. Net impact EUR 2,9 million.

Key indicators Half year, EUR million	H1/2021	H2/2020	H1/2020
Continuing operations:			
Net Sales	18,1	18,8	19,7
Adjusted EBITDA	-0,6	-0,5	0,1
EBITDA	-1,2	-0,7	-0,1
Adjusted operating profit/loss	-2,3	-2,2	-1,7
Operating profit/loss	-2,9	-2,4	-1,9

ADJUSTED OPERATING PROFIT/LOSS, EUR million	1-6/21 6mo	1-6/20 6mo	1–12/20 12mo
Operating profit/loss	**-2,9**	**-1,9**	**-4,3**
Adjustments in operating profit/loss			
Resctructuring costs related to personnel	0,3	0,0	
Production re-organisation		0,1	0,2
Enedo planning related expenses		0,1	0,2
Provision related to a claim	0,2		
Adjustments in operating profit/loss Total	**0,6**	**0,2**	**0,4**
Adjusted operating profit/loss Total	**-2,3**	**-1,7**	**-3,9**

ADJUSTED EBITDA, EUR million	1-6/21 6mo	1-6/20 6mo	1–12/20 12mo
EBITDA	**-1,2**	**-0,1**	**-0,8**
Adjustments in EBITDA			
Resctructuring costs related to personnel	0,3	0,0	
Production re-organisation		0,1	0,2
Enedo planning related expenses		0,1	0,2
Provision related to a claim	0,2		
Adjustments in EBITDA Total	**0,6**	**0,2**	**0,4**
Adjusted EBITDA Total	**-0,6**	**0,1**	**-0,4**

Estimate of financial development in 2021

Old estimate

The company estimates net sales from continuing operations to exceed EUR 40 million in 2021. EBITDA (adjusted for items affecting comparability) for 2021 is estimated to be positive and operating profit (adjusted for items affecting comparability) to improve from 2020 but to remain negative.

New estimate

The company has decided to retract the previous estimate and not to give a new estimate for 2021 financial development, due to the uncertainties linked to the anticipated turnaround activities and the evolution of the Covid-19 situation

Mikael Fryklund, Enedo President and CEO

Enedo’s first half net sales of EUR 18,1 million fell EUR 1,6 million behind last year and our loss for the period was also worse than last year by EUR 0,9 million at EUR -3,3 million excluding the net impact of the loan cancellation of EUR 2,9 million. Although the performance in the first half was not a surprise for us, the result is not satisfactory, and we need to accelerate our cost reduction measures to reach a sustainable turn-around. We see that the recovery from the Covid-19 has already begun in some areas of our business, however there is still a long way to go before business returns to normal. We need to secure that our business is profitable even with the current volumes and we collect the benefits of increased volume as increased profits to our bottom line.

In connection with the share issues completed in April, we announced a turnaround program aimed at a total of approximately EUR 4,0 million permanent savings. There is a requirement to speed up and also simplify some of the plans in the turn-around. Turn-around requires clear responsibilities and I have divided our businesses into three responsible units which are Italy, Finland and Operations starting from beginning of July. Italy is headed by Carlo Rosati, Finland by Jussi Vanhanen and Operations by Giampiero Tasselli located in Tunis. In connection with this change, we also changed how we manage our Tunisia plant. We moved Italy operations management to Tunisia and took one big step in making Tunisia fully independent and excellent EMS production plant. We follow our turn-around activities with the above business division respectively. The full updated turn-around plan is still in progress. However it is clear that a significant part of the cost reduction measures will impact our fixed costs base and reducing it in accelerated speed.

The Group's new and unified ERP system went live in finance function beginning of May. The new system will enable cost savings in financial management, the effects of which will start to be visible in the second half of the year. Work on the implementation of the other areas of the new ERP system will continue however the top priority is cost reduction and full ERP completion will follow.

On April 7, 2021, we announced the final result of the rights and directed share issue with gross proceeds of EUR 12 million. Loan arrangement was completed after the new shares were registered on 9th of April 2021. As a result Enedo paid back EUR 5,3 million of loans and EUR 3,3 million of the loans were cancelled. The share issues, together with the loan arrangement have improved the company's balance sheet position.

The Covid-19 situation and the resulting progressing recovery of our customer’s business activities continue to entail significant risks that have effect on Enedo’s business development in the coming months. There is also a shortage of critical components in the market impacting lead-times and thereby business growth. However, I believe that as the Covid-19 situation slowly improves, there is increased demand for our products. Determined execution of anticipated turnaround activities will improve our profitability and eventually make us profitable. Further communication on turnaround activities and anticipated impact will be made separately.

January-June net sales, operating profit and adjusted operating profit

Net sales were EUR 18,1 million (EUR 19,7 million).

Operating loss increased from the comparison period to EUR -2,9 million (EUR -1,9 million). The decline in profitability was mainly due to decrease in business volume and partly by increased component prices eroding product margins. Adjusted operating profit was EUR -2,3 million (EUR -1,7 million).

Business development

The net sales of the Power Supplies product category in the first half of the year were EUR 10,6 million, EUR 2,1 million weaker than at the same time last year. Main driver of the net sales decrease was reduced demand by one customer relating to power supplies for ventilators and extracorporeal oxidizers (ECMO) which accounted for appr. EUR 1,6 million of the decrease.

The net sales of the Led Drivers product category was EUR 4,5 million, EUR 0,3 million higher than in the comparison period of the previous year driven by a stabilization in the leisure and sport related demand.

The Systems product category continued to grow. The net sales of Systems products during the review period was EUR 3,0 million, EUR 0,3 million higher than in the comparison period of the previous year.

The most significant factors affecting business volume in the first half of the year were continuing uncertainty and slow demand in the Led Drivers product category due to Covid-19, weak demand of some Power Supplies category’s customers and continuing growth in the Power Systems product category supported by the MHE product.

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 uncertainties

General economic developments may affect the company's business environment. Covid-19 has increased the level of uncertainty in the industry and, depending on the development of the pandemic, may have potential effects on our customers' ability to operate, the demand for their end products and the general industrial operating environment. In the Led Drivers and Power Supplies product categories, the effects of Covid-19 may be reflected in a postponement of demand for leisure and sports-related lighting systems when spectator capacity is underutilized. Opening of new retail stores e.g. in the clothing retail business has at least temporarily slowed down, which may affect the demand for new lighting solutions and the renewal of old ones.

The most significant business risks are related to the success of key customers' products in the market. The progress of Enedo's product development projects depends in part on the schedules of customers' own projects. In addition, the fluctuations in demand typical of the market cause rapid changes in Enedo's business. Due to the nature of the business, Enedo is subject to claims, of which the final solution cannot be predicted. Based on the current information, these claims are not expected to have a material impact on the Group's financial position.

The delivery times of the components required by the company are partly long and there may be difficulties in obtaining certain components from time to time, which may affect the delivery capacity. Covid-19 has also increased the level of uncertainty in each country, which may affect our delivery capacity. The effects of Covid-19 can be reflected in an unforeseen change in behavior in both supply chains and the company's customers. Examples of this can be e.g. changes in payment terms and orders. The company's relatively high indebtedness, relatively low liquidity and the use of receivables financing increase the company's sensitivity to negative market changes.

The company’s own production is concentrated in one factory in Tunisia. Tunisian production is exposed to a general country risk. Tunisia's national Covid-19 actions, the political environment and other factors affecting the plant's viability are partly beyond the company's control.

Despite the completed share issues and loan arrangements, there are risks relating to the adequacy of financing, that the company seeks to manage through active planning and implementation of various alternatives. Due to the continued financial uncertainty caused by the Covid-19 pandemic, the Group has updated its estimates on uncertainties relating to liquidity risk, credit and counterparty risk as well as business continuity.

Covid-19

Throughout the review period, we have continued to take active internal measures to ensure the health of our employees and continuity of business. We have implemented internal guidelines and followed the guidelines of the local authorities in each country. Enedo has operations in Tunis (production), Italy (product development, sales), Finland (headquarters, product development, sales) and the United States (sales). Our management team monitors the development of Covid-19 and responds to changes immediately if necessary.

As the Covid-9 pandemic continues and business environment adjusts to the new situation, it is challenging to differentiate the effects of the pandemic from other factors influencing business. Global recovery from Covid-19 has resulted in a global shortage of critical components in the market impacting lead-times and thereby business growth.

Investments and product development

Investments in the Group's continuing operations during the financial year were EUR 1,3 million (EUR 1,0 million), of which product development capitalizations accounted for EUR 0,7 million (EUR 0,6 million). At the end of the review period, capitalized product development costs in the balance sheet were EUR 4,9 million (EUR 5,1 million).

During the review period, capitalized product development costs were impaired by a total of EUR 0,2 million (EUR 0,1 million) due to Strato Evo product performance.

In total, product development costs during the financial year were EUR 2,2 million (EUR 2,1 million), of which EUR 0,7 million (EUR 0,6 million) were capitalized in the balance sheet and EUR 1,5 million (EUR 1,5 million) were recognized as expenses which was 8,3 % (7,8 %) of net sales.

Financing

The net interest-bearing liabilities were EUR 5,1 million (EUR 15,5 million) at the end of the financial period. The net interest-bearing liabilities include EUR 0,8 million (EUR 1,1 million) of IFRS 16 lease liabilities. Main driver in the reduction of net interest bearing liabilities has been the completed share issues and loan arrangement in the first half of the year.

The cash flow from operating activities during the review period was EUR -1,8 million (EUR -1,9 million). In addition to generated loss, the negative cash flow was caused by increased need for working capital as the sales volumes were low and paying aged payables after the share issues. The cash flow after investing activities was EUR -3,1 million (EUR -2,7 million). The Group's solvency ratio was 27,1 % (4,1 %), net gearing 58,5% (1181,9%) and the closing balance sheet was EUR 32,5 million (EUR 32,0 million).

The cash position without undrawn credit facilities totaled EUR 3,6 million (EUR 1,0 million). At the end of the period, the Group had EUR 1,0 million (EUR 1,4 million) of undrawn credit facilities excluding factoring limits.

On April 7, 2021, we announced the final result of the rights and directed share issue with gross proceeds of EUR 12 million. Loan arrangement was completed after the new shares were registered on 9th of April 2021. As a result Enedo paid back EUR 5,3 million of loans and EUR 3,3 million of the loans were cancelled. Share issues and loan arrangement improved Enedo's cash position by a net of EUR 5,5 million after loan payments and paying fees and transaction expenses. The share issues, together with the loan arrangement improved company's balance sheet position.

Group structure

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

Personnel

Average number of the group's continuing operations personnel was 354 (370). At the end of the financial year group's personnel was 359 (378).

Board of Directors and Executive Management Team

In the Annual General Meeting held on 17th May 2021, Taru Narvanmaa and Antti Sivula were re-elected as members of the Board of Directors and Fredrik Berghel, Olle Hulteberg and Vesa Tempakka were elected as the new members of the Board of Directors.

The members of the Executive Management Team and their global responsibilities at the date of publishing of this release are: Mikael Fryklund (Interim President and CEO), Hannu Hiillos (Finance and ICT), Carlo Rosati (Italy), Jussi Vanhanen (Finland) and Giampiero Tasselli (Operations).

On 28th of May 2021, the company announced that the company CEO, Vesa Leino, has decided to leave the company. On 4th of May, the company CFO, Olli Mustonen, resigned to move to new challenges outside of Enedo.

Shares, share capital and shareholders

Enedo Plc completed a share subscribtion rights issue and directed share issue during the first half of the financial year and the increased amount of shares was registered to trade register on 9.4.2021.

The figures in brackets refer to the end of the corresponding period in the previous year. Share prices of the corresponding period in the previous year are adjusted to correspond the number of shares after the completed share issues.

At the end of the period under review, the number of shares outstanding was 68 453 944 (8 363 486).

At the end of the period under review the number of the Enedo's own shares was 69 249 (69 249) pcs.

The highest share price during the period under review was EUR 0,80 (0,34) and the lowest price was EUR 0,27 (0,10). The average price during the period under review was EUR 0,41

(0,21) and the closing price was EUR 0,43 (0,20). The market capitalization calculated at the final trading price at the end of the period under review was EUR 29,4 (13,4) million.

The total turnover value of Enedo shares traded on the Nasdaq Helsinki during the financial period under review was 15,9 (0,8) million pcs. This accounted for 23,3 % (9,6 %) of the total number of shares. The total number of fully paid-up shares was 68 523 193 (8 432 735) pcs and the number of shareholders totaled 4992 (4 371) at the end of the financial period.

Flagging notifications

The share of Soinitilat Oy of the total number of shares and voting rights in Enedo Plc went below 5 per cent on April 12, 2021.

Kyösti Kakkonen controlled Joensuun Kauppa ja Kone Oy´s ownership of the total number of shares and voting rights in Enedo Plc exceeded 10 per cent on April 12, 2021.

The share of Jaakko Heininen, Pekka Heininen, Arvojyvä Oy, Tulos-Jyvä Oy, Mandan Oy and Heininen Invest Oy of the total number of shares and voting rights in Enedo Plc went below 10 per cent on April 9, 2021.

The share of Rausanne Group (Rausanne Oy, Rausatum Oy) of the total number of shares and voting rights in Enedo Plc went below 10 per cent on April 9, 2021.

The share of Jussi Capital Oy of the total number of shares and voting rights in Enedo Plc went below 5 per cent on April 9, 2021.

The share of Inission AB of the total number of shares and voting rights in Enedo Plc exceeded 30 per cent on April 9, 2021.

Decisions of the General Meeting

The Annual General Meeting of Enedo Plc (the "Company") was held on 17 May 2021 in Vantaa. In order to limit the spread of the COVID-19 pandemic, the Annual General Meeting was held without the presence of shareholders or their representatives at the venue.

The Annual General Meeting adopted the annual accounts of the Company for the financial period 1 January 2020 - 31 December 2020 and discharged the Board of Directors and the CEO from liability for their actions in the past financial period. Further, the Annual General Meeting resolved to adopt the Remuneration Report for 2020.

The Annual General Meeting approved the proposal of the Board of Directors not to distribute any dividend to the shareholders for the financial period 1 January 2020 through 31 December 2020.

In accordance with the proposal of the Nomination Board, the Annual General Meeting set the number of the members of the Board of Directors at five. Taru Narvanmaa and Antti Sivula were re-elected as members of the Board of Directors and Fredrik Berghel, Olle Hulteberg and Vesa Tempakka were elected as the new members of the Board of Directors. The Board of Directors was elected for a period ending at the end of the Annual General Meeting 2022.

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 as well as 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 6,850,000 shares, corresponding to approximately 10 % 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, options and other 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 24 April 2020 to decide on the issuance of shares and special rights entitling to shares and the authorizations given by the Extraordinary General Meeting on 9 March 2021 to decide on a rights issue and a directed issuance of shares.

The authorization is in force until the end of the next Annual General Meeting, however no longer than until 30 June 2022.

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 auditor will be reimbursed according to the reasonable invoice of the auditor.

Events after the review period

There were no events after the review period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

EUR million	1-6/21 6mo	1-6/20 6mo	1-12/20 12mo
Continuing operations			
Net sales	**18,1**	**19,7**	**38,5**
Change in inventories of finished goods and work in progress	0,0	-0,9	-0,7
Work performed for own purposes and capitalised	0,1	0,2	0,4
Other operating income	0,3	0,1	0,4
Materials and services	-12,2	-12,3	-25,5
Employee benefits expenses	-5,4	-4,4	-9,1
Depreciation and amortization	-1,5	-1,8	-3,3
Impairment	-0,2	-0,1	-0,2
Other operating expenses	-2,0	-2,4	-4,8
Operating profit/loss	**-2,9**	**-1,9**	**-4,3**
Financing income	3,5	0,3	0,7
Financing expenses	-1,0	-0,8	-1,8
Profit/loss before taxes	**-0,4**	**-2,4**	**-5,4**
Tax on income from operations	0,0	0,1	-0,8
Profit/loss of from continuing operations	**-0,4**	**-2,4**	**-6,2**
Discontinued operations:			
Profit/loss of discontinued operations	0,0	0,0	0,3
Profit/loss for the period	**-0,4**	**-2,4**	**-5,8**
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, continuing operations	0,0	0,0	0,0
Translation differences, discontinued operations	0,0	0,0	0,0
Total comprehensive income	**-0,4**	**-2,4**	**-5,8**
Profit/loss from continuing operations, attributable to:			
Owners of the parent company	-0,4	-2,4	-6,2
Non-controlling interests	0,0	0,0	0,0
Profit/loss from discontinued operations, attributable to:			
Owners of the parent company	0,0	0,0	0,3
Non-controlling interests	0,0	0,0	0,0
Profit/loss, attributable to:			
Owners of the parent company	-0,4	-2,4	-5,8
Non-controlling interests	0,0	0,0	0,0

Total comprehensive income attributable to:			
Owners of the parent company	-0,4	-2,4	-5,8
Non-controlling interest	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	-0,01	-0,28	-0,74
Earnings per share, basic,eur, discontinued operations	0,00	0,00	0,04
Earnings per share, basic,eur	-0,01	-0,28	-0,70

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

EUR million	June 30, 2021	June 30, 2020	Dec. 31, 2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	5,5	6,4	6,0
Goodwill	4,3	4,3	4,3
Tangible assets	3,6	3,6	3,5
Non-current trade and other receivables	0,4	0,3	0,3
Other non-current financial assets	0,0	0,0	0,0
Deferred tax asset	1,5	2,4	1,5
Total non-current assets	**15,3**	**17,0**	**15,6**
CURRENT ASSETS			
Inventories	7,2	7,4	6,6
Trade receivables and other receivables	6,3	6,5	5,8
Tax receivable, income tax	0,1	0,1	0,1
Cash and cash equivalents	3,6	1,0	1,1
Total current assets	**17,2**	**15,0**	**13,6**
TOTAL ASSETS	**32,5**	**32,0**	**29,2**
EQUITY AND LIABILITIES			
OWNERS OF THE PARENT COMPANY			
Share capital	0,1	0,1	0,1
Treasury shares	-2,4	-2,4	-2,4
Reserve for invested unrestricted equity and Other reserves	65,1	53,8	53,8
Translation differences	2,7	2,7	2,7
Retained earnings	-56,7	-52,8	-56,3
Owners of the parent company	**8,7**	**1,3**	**-2,1**
Non-controlling interests	0,0	0,0	0,0
Total equity	**8,7**	**1,3**	**-2,1**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	0,2	0,2	0,2
Non-current liabilities, interest-bearing	3,6	7,8	9,8
Other non-current liabilities	0,2	0,1	0,0
Pension obligations	1,1	1,2	1,2
Provisions	0,4	0,2	0,2
Total non-current liabilities	**5,5**	**9,5**	**11,5**
CURRENT LIABILITIES			
Current interest-bearing liabilities	5,1	8,7	8,1
Trade payables and other liabilities	12,8	12,1	11,3
Tax liability, income tax	0,2	0,2	0,3
Provisions	0,2	0,2	0,2
Total current liabilities	**18,2**	**21,2**	**19,8**
Liabilities	**23,8**	**30,7**	**31,3**
TOTAL EQUITY AND LIABILITIES	**32,5**	**32,0**	**29,2**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

EUR million	1–6/21 6 mo	1–6/20 6 mo	1–12/20 12 mo
Cash flow from operating activities			
Customer payments received	17,8	17,7	37,6
Cash paid to suppliers and employees	-18,5	-18,9	-38,7
Cash generated from operations	**-0,8**	**-1,2**	**-1,1**
Interest paid	-0,3	-0,2	-0,5
Interest received	0,0	-0,0	0,0
Other financing items	-0,6	-0,4	-0,6
Income taxes paid	-0,1	-0,1	-0,1
Net cash from operating activities (A)	**-1,8**	**-1,9**	**-2,3**
Cash flow from investing activities			
Purchase of tangible and intangible assets	-1,3	-0,9	-1,9
Proceeds from sale of tangible and intangible assets	0,0	-0,0	0,1
Acquisition of subsidiaries		0,1	0,1
Disposal of subsidiaries less cash and cash equivalents		0,0	0,3
Net cash used in investing activities (B)	**-1,3**	**-0,8**	**-1,3**
Cash flows from financing activities			
Proceeds from issue of share capital	11,3		
Proceeds from short-term borrowings		0,4	0,7
Repayment of short-term borrowings	-2,4	-0,8	-1,6
Working capital financing and credit limits	-2,3	1,0	1,6
Proceeds from long-term borrowings		2,3	5,0
Repayment of long-term borrowings	-0,8		-1,5
Payment of lease liabilities	-0,3	-0,2	-0,5
Net cash used in financing activities (C)	**5,5**	**2,7**	**3,7**
Net increase/decrease in cash and cash equivalents (A+B+C)	**2,5**	**-0,0**	**0,1**
Cash and cash equivalents at beginning of period	1,1	1,1	1,1
Net increase/decrease in cash and cash equivalents	2,5	-0,0	0,1
Effects of exchange rate fluctuations on cash held	0,0	0,0	-0,0
Cash and cash equivalents at end of period	**3,6**	**1,0**	**1,1**

The cash flows of comparison periods include cash flows from discontinued operations. The impact of discontinued operations on cash flows are illustrated below.

Cash flow from discontinued operations **EUR million**	**1-6/2021** **6kk**	**1-6/2021** **6kk**	**1-12/20** **12kk**
Net cash from operating activities	0,0	0,0	0,0
Net cash used in investing activities	0,0	0,0	0,3
Net cash used in financing activities	0,0	0,0	0,0

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

A Share capital

B Treasury shares

C Reserve for invested unrestricted equity

D Other reserves

E Translation differences

F Retained earnings

G Owners of the parent

H Non-controlling interests

I Total Equity

EUR million	A	B	C	D	E	F	G	H	I
EQUITY Jan 1, 2020	**15,0**	**-2,4**	**38,2**	**0,7**	**2,7**	**-50,5**	**3,7**	**0,0**	**3,7**
Share capital reduction	-14,9		14,9						0,0
Own shares transferred without compensation		0,0				-0,0			0,0
Profit/loss for the period						-2,4	-2,4	0,0	-2,4
Other comprehensive income									
Remeasurements of defined benefit liabilty									0,0
Translation difference					0,0		0,0		0,0
Total comprehensive income					**0,0**	**-2,4**	**-2,4**	**0,0**	**-2,4**
EQUITY June 30, 2020	**0,1**	**-2,4**	**53,1**	**0,7**	**2,7**	**-52,8**	**1,3**	**-0,0**	**1,3**

EUR million	A	B	C	D	E	F	G	H	I
EQUITY Jan 1, 2021	**0,1**	**-2,4**	**53,1**	**0,7**	**2,7**	**-56,3**	**-2,1**	**-0,0**	**-2,1**
Profit/loss for the period						-0,4	-0,4	-0,0	-0,4
Other comprehensive income									
Remeasurements of defined benefit liabilty						0,0	0,0		0,0
Translation difference					-0,0		-0,0		-0,0
Total comprehensive income					**-0,0**	**-0,4**	**-0,4**	**-0,0**	**-0,4**
Rights Issue and Directed Issue			11,3				11,3		11,3
EQUITY June 30, 2021	**0,1**	**-2,4**	**64,4**	**0,7**	**2,7**	**-56,7**	**8,7**	**-0,0**	**8,7**

Notes to the half year condensed report

Accounting principles

The condensed 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 2020. In addition, Enedo Plc has complied with changes in the IFRS Standards that have entered into force and have been introduced after this. The financial statement release has been prepared in accordance with going concern. The information in the condensed report is unaudited.

The preparation of the condensed 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 condensed 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 2020, adequacy of financing, deferred tax assets, capitalized development expenses, goodwill, trade receivables and inventory valuation.

IFRS IC finalized in April 2021 its agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). In this agenda decision IFRS IC considered, whether, applying IAS 38, the customer recognises an intangible asset in relation to configuration or customisation of the application software, and if an intangible asset is not recognized, how the customer accounts for the configuration or customisation costs. The group has started to use cloud computing software during the review period and has handled costs according to the IFRIC agenda decision.

The COVID-19 pandemic and the restricitions put in place by national governments have effect on the groups' business environment. The duration and impact of the pandemic cannot be estimated and as such, its impact on net result, financial position and cash flow may differ from current estimates made by the management.

The group has disclosed maturities of financial liabilities, impairment testing, liquidity risk, credit risk and other counterparty risk from accounts receivables, in the notes.

Going concern

In the assessment of the business continuity principle, the company's management has taken into account the working capital required for the implementation of the company's strategy and the related estimates, the available sources of financing as well as the risks and uncertainties related to the adequacy of financing. Management has used a 12-month cash flow forecast and sensitivity analysis in its judgment.

Completed shares issues and loan arrangement have improved the financial position of the company. Net debt has decreased by EUR 10,4 million to EUR 5,1 million (EUR 15,5 million end of June 2020) at the end of the review period. Net gearing at the end of the review period was 58,5%. Equity ratio at the end of the financial period has improved to 27,1% from negative equity at the end of financial year 2020.

The realization of the company's cash flow forecast for the next 12 months and thus ensuring the continuity of operations requires an increase in net sales and improved profitability. Covid-19 has raised the level of uncertainty in the industry and, depending on the development of the pandemic, may have potential impacts on our customers ability to operate, demand for their end products and the general industrial environment, especially in the Led Drivers and Power Supplies product categories.

The delivery times of the components required by the company are partly long and there may be difficulties in obtaining certain components from time to time, which may affect the delivery capacity. Covid-19 has also increased the level of uncertainty in each country, which may affect our delivery capacity. The effects of Covid-19 can be reflected in an unforeseen change in behavior in both supply chains and the company's customers.

A significant part of the company's working capital financing comes from the financing of invoice receivables, so the development of net sales and delivery capacity is a significant factor in the company's cash flow. In addition, the development of the margin has a significant effect on operating cash flow. Should the cash flow from operating activities be significantly weaker than forecasted, this would weaken the implementation of the company's strategy and increase liquidity risk over the next 12 months.

The company strives to manage financial risk through active planning and implementation of operational and financial alternatives. It is not yet possible to assess all the effects of Covid-19, and the company is actively planning to prepare for different scenarios.

Based on the overall assessment of the company's management, the company has considered it justified to prepare the financial statement release in accordance with the principle of going concern. However uncertainty about the impact of the Covid-19 pandemic on business and completion of a successful turn-around may cast doubt on the entity's ability to continue as a going concern.

Impairment testing

The company has conducted impairment testing for its Italian subsidiary (Enedo Spa) as the low financial performance of the subsisdiary and continuing uncertainty of its business environment provide evidence for possible need for impairment. The company did not conduct impairment testing for its Finnish Subsidiary (Enedo Finland) as there was no indication of need for impairment.

The impairment testing did not indicate impairments to goodwill but the present value of future cash flows of the Italian subsidiary (Enedo Spa) have decreased. As a result of the decreased present value of Enedo Spa’s cash flows, the parent company’s investment into the Italian subsidiary has been impaired by EUR 1,4 million which has no impact on Group’s financial result but does however, weaken the parent company’s equity.

The impairment test of capitalized development expenses resulted in impairment of EUR 0,2 million (EUR 0,1 million) of development expenses in Enedo SPA due to Strato Evo product performance.

Key assumptions and sensitivity analysis

Cash flow estimates are based on management approved estimates that cover a period of 5 years. The discount rate used in the testing has been defined as weighted average cost of capital (WACC). Enedo SpA’s discount rate, 14,90 % (15,87 %) is a pre-tax rate. The long-term growth factor is 0,9 % (2,0 %).

According to the sensitivity analysis, the present value of discounted cash flow would equal the carrying amount of the tested assets if EBITDA would be 19 % (13 %) lower for Enedo SpA during the years 2021-2026, or if the discount rate would be 6,02% (5,26 %) higher.

Based on the impairment testing, Enedo SpA’s value in use exceeds the tested book value of EUR 7,3 million by 84 % (30%).

NET SALES BY AREA, EUR million	1-6/21 6mo	1-6/20 6mo	1-12/20 12mo
Americas	3,3	3,6	7,0
EMEA	12,5	14,0	26,5
APAC	2,3	2,1	5,0
Total	**18,1**	**19,7**	**38,5**

NET SALES BY PRODUCT CATEGORIES, EUR million	1-6/21 6mo	1-6/20 6mo	1-12/20 12mo
Led Drivers	4,5	4,2	8,7
Power Supplies	10,6	12,7	24,1
Power Systems	3,0	2,7	5,7
Total	**18,1**	**19,7**	**38,5**

KEY FIGURES, EUR million	1-6/21 6mo	1-6/20 6mo	1-12/20 12mo
Earnings per share, basic, Continuing operations, eur**	-0,01	-0,28	-0,74
Earnings per share, basic, eur**	-0,01	-0,28	-0,70
Equity per share, eur**	0,13	0,16	-0,26
EBITDA, Continuing operations	-1,2	-0,1	-0,8
Adjusted EBITDA, Continuing operations	-0,6	0,1	-0,4
Operating profit/loss, Continuing operations	-2,9	-1,9	-4,3
Adjusted operating profit/loss, Continuing operations	-2,3	-1,7	-3,9
Return on equity (ROE), %**	-12,3	-95,3	-278,3
Return on investment (ROI), %**	-0,4	-11,4	-26,5
Net interest-bearing liabilities, MEUR	5,1	15,5	16,8
Solvency ratio, %	27,1	4,1	-7,4
Net gearing, % *	58,5	1181,9	-
Current ratio	0,9	0,7	0,7
Investments (intangible and tangible assets)	1,3	1,0	1,9
% of net sales	7,1	4,8	4,9
Average personnel	354	370	371
Average personnel, Continuing operations	354	370	371
Average number of outstanding shares (1000 pcs)	38 644	8 363	8 363
Number of outstanding shares at end of financial year (1000 pcs)	68 454	8 363	8 363

*The company is not presenting all net gearing and return on equity key figures for 2020 due to negative equity
**1-6/2021 figures include gross EUR 3,3 million benefit from loan cancellation as part of the completed loan arrangement and related transaction expenses EUR 0,4 million. Net impact EUR 2,9 million.

Financial position

The net interest-bearing liabilities were EUR 5,1 million (EUR 15,5 million) at the end of the review period. The net interest-bearing liabilities include EUR 0,8 million (EUR 1,1 million) of IFRS 16 lease liabilities. Main driver in the reduction of net interest bearing liabilities has been the completed share issues and loan arrangement in the first half of the year.

The cash flow from operating activities during the review period was EUR -1,8 million (EUR -1,9 million). In addition to generated loss, the negative cash flow was caused by increased need for working capital as the sales volumes were low and paying aged payables after the share issues. The cash flow after investing activities was EUR -3,1 million (EUR -2,7 million). The Group's solvency ratio was 27,1 % (4,1 %), net gearing 58,5% (1181,9%) and the closing balance sheet was EUR 32,5 million (EUR 32,0 million).

At the end of the review period, the group had EUR 4,9 million (EUR 10,8 million) of loans from financial institutions of which EUR 1,6 million will be repaid within the following 12 months. The liquidity reserves of the group consist of undrawn credit facilities in the amount of EUR 1,0 million (EUR 1,4 million). The cash position at the end of the financial year was EUR 3,6 million (EUR 1,0 million).

On April 7, 2021, we announced the final result of the rights and directed share issue with gross proceeds of EUR 12 million. Loan arrangement was completed after the new shares were registered on 9th of April 2021. As a result Enedo paid back EUR 5,3 million of loans and EUR 3,3 million of the loans were cancelled. Share issues and loan arrangement improved Enedo’s cash position by a net of EUR 5,5 million after loan payments and paying fees and transaction expenses. The share issues, together with the loan arrangement improved company's balance sheet position.

Maturities of financial liabilities

Maturities of financial liabilities, Jun 30 2021, EUR million	Carrying amount	Contractual cash flows*	< 6 mo	6–12 mo	> 12 mo
Trade payables and advances received	10,0	10,0	9,5	0,2	0,2
Loans from financial institutions	4,9	5,8	0,6	1,1	4,0
Lease liabilities	0,8	0,9	0,3	0,2	0,4
Overdraft and Factoring	3,0	3,0	3,0		
Total	**18,7**	**19,7**	**13,5**	**1,6**	**4,6**

Maturities of financial liabilities, Jun 30 2020, EUR million	Carrying amount	Contractual cash flows*	< 6 mo	6–12 mo	> 12 mo
Trade payables and advances received	9,6	9,6	9,4	0,1	0,1
Loans from financial institutions	10,8	12,4	2,0	2,2	8,3
Lease liabilities	1,1	1,2	0,3	0,2	0,7
Overdraft and Factoring	4,7	4,8	4,8		
Total	**26,1**	**28,0**	**16,4**	**2,5**	**9,1**

*Contractual cash flow includes interest payments

Credit risk and other counterparty risks, accounts receivable

The management of credit risk is primarily the responsibility of the operating units. The management of credit risk is based on the Group's credit policy and the aim is to obtain security when the customer's creditworthiness requires it. Impairment related to trade receivables is evaluated for significant receivables on a counterparty-specific basis to estimate impairment losses. Credit risks related to the investment of liquid assets and the signing of derivative agreements are minimized by establishing credit limits on counterparties and only signing agreements with leading domestic and international banks and financial institutions. Due to the COVID-19 pandemic, credit risk monitoring has been intensified to identify risky customers and to ensure that credit decisions are based on up to date information of customers liquidity and recent changes in liquidity. There were no credit losses during the review period. Substantial portion of group's receivables are within supplier and factoring financing. The group has in total EUR 5,3 million of unused supplier financing and factoring limits. The group bears risks relating to possible cancellation of factoring and supplier financing or a reduction to granted limits.

Fair values of derivative financial instruments

The group has a derivative in one of its loans in Italy to hedge interest risk. Fair value of the derivative instrument is EUR 0,0 million.

GROUP, CHANGES IN INTANGIBLE ASSETS

Jan. 1, 2020 – June 30, 2020

EUR million	Development costs	Immaterial rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost on 1 Jan.2020	14,7	3,2	4,7	0,1	4,3	26,9
Translation differences			0,0			0,0
Additions	0,6		0,0	0,0		0,6
Disposals	-0,1	0,0	0,0			-0,1
Reclassifications						0,0
Cost on 30 June 2020	**15,2**	**3,2**	**4,7**	**0,1**	**4,3**	**27,4**
Accumulated amortisation and impairment on 1 Jan 2020	-9,3	-3,0	-3,3	0,0	0,0	-15,7
Translation differences			0,0			0,0
Accumulated amortisation on disposals and reclassifications	0,1	0,0	0,0			0,1
Depreciation and Amortisation	-0,8	-0,2	-0,2			-1,1
Impairment	-0,1					-0,1
Accumulated amortisation and impairment on 30 June 2020	**-10,1**	**-3,2**	**-3,5**	**0,0**	**0,0**	**-16,7**
Carrying amount on 1 Jan 2020	5,4	0,2	1,3	0,1	4,3	11,3
Carrying amount on 30 June 2020	**5,1**	**0,0**	**1,2**	**0,1**	**4,3**	**10,7**

Jan. 1, 2021 – June 30, 2021

EUR million	Development costs	Immaterial rights	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost on 1 Jan.2021	15,4	3,2	4,6	0,1	4,3	27,6
Translation differences			0,0			0,0
Additions	0,7		0,0	-0,1		0,6
Disposals	-0,3	0,0	0,0	0,0		0,0
Cost on 30 June 2021	**15,8**	**3,2**	**4,6**	**0,0**	**4,3**	**28,2**
Accumulated amortisation and impairment on 1 Jan 2021	-10,5	-3,2	-3,7		0,0	-17,3
Translation differences			0,0			0,0
Accumulated amortisation on disposals and reclassifications	0,3	0,0	0,0			0,3
Depreciation and Amortisation	-0,7	0,0	-0,2			-0,9
Impairment	-0,2					-0,2
Accumulated amortisation and impairment on 30 June 2021	**-11,1**	**-3,2**	**-3,8**		**0,0**	**-18,1**
Carrying amount on 1 Jan 2021	4,9	0,0	1,0	0,1	4,3	10,3
Carrying amount on 30 June 2021	**4,7**	**0,0**	**0,8**	**0,0**	**4,3**	**9,8**

GROUP, CHANGES IN TANGIBLE ASSETS

Jan. 1, 2020 – June 30, 2020

EUR million	Buildings and structures	Buildings, right-of-use assets	Machinery and equipment	Machinery, right-of-use assets	Other tangible assets	Advance payments and work in progress	Total
Cost on 1 Jan.2020	0,0	1,3	15,0	1,1	1,1	0,0	18,6
Translation differences		0,0	0,0		0,0		0,0
Additions		0,1	0,4	0,1		0,0	0,6
Disposals		-0,2	-0,1	-0,8	0,0	0,0	-1,1
Reclassifications							0,0
Cost on 30 June 2020	**0,0**	**1,2**	**15,2**	**0,5**	**1,1**	**0,0**	**18,1**
Accumulated amortisation and impairment on 1 Jan 2020	0,0	-0,5	-12,5	-0,9	-0,9		-14,9
Translation differences		0,0	0,0		0,0		0,0
Accumulated amortisation on disposals and reclassifications		0,2	0,1	0,8	0,0		1,0
Depreciation and Amortisation	0,0	-0,2	-0,4	-0,1	0,0		-0,6
Impairment							0,0
Accumulated amortisation and impairment on 30 June 2020	**0,0**	**-0,5**	**-12,8**	**-0,2**	**-1,0**		**-14,5**
Carrying amount on 1 Jan 2020	0,0	0,8	2,4	0,2	0,2	0,0	3,7
Carrying amount on 30 June 2020	**0,0**	**0,7**	**2,4**	**0,3**	**0,1**	**0,0**	**3,6**

Jan. 1, 2020 – June 30, 2020

EUR million	Buildings and structures	Buildings, right-of-use assets	Machinery and equipment	Machinery and equipment, right-of-use assets	Other tangible assets	Advance payments and work in progress	Total
Cost on 1 Jan.2021	0,0	1,3	15,3	0,6	1,1	0,1	18,5
Translation differences		0,0	0,0		0,0		0,0
Additions		0,0	0,7	0,0	0,0		0,7
Disposals		0,0	-0,2		0,0		-0,2
Reclassifications			0,1			-0,1	0,0
Cost on 30 June 2021	**0,0**	**1,3**	**16,0**	**0,6**	**1,1**	**0,0**	**19,1**
Accumulated amortisation and impairment on 1 Jan 2021	0,0	-0,6	-13,1	-0,3	-1,0		-15,0
Translation differences		0,0	0,0		0,0		0,0
Accumulated amortisation on disposals and reclassifications		0,0	0,1		0,0		0,1
Depreciation and Amortisation	0,0	-0,2	-0,3	-0,1	0,0		-0,6
Accumulated amortisation and impairment on 30 June 2021	**0,0**	**-0,8**	**-13,3**	**-0,4**	**-1,0**		**-15,5**
Carrying amount on 1 Jan 2021	0,0	0,7	2,2	0,3	0,1	0,1	3,5
Carrying amount on 30 June 2021	**0,0**	**0,5**	**2,6**	**0,3**	**0,1**	**0,0**	**3,6**

GROUP CONTINGENT LIABILITIES

EUR million	June 30, 2021	June 30, 2020	Dec. 31, 2020
Contingent liabilities			
Security given on own behalf:			
Business mortgages	1,0	15,2	15,2
Liabilities guaranteed by business mortgages:			
Loans from credit institutions *)	0,1	7,4	6,9
Factoring in use	0,0	1,3	0,0
Total	0,1	8,7	6,9

* Subsidiary shares with the carrying amount of EUR 3.6 million had been given on behalf of parent company's loans from credit institutions 30 June 2020 and 31 Dec 2020.

Events after the end of the review period

There were no events after the review period.

Calculation of key figures

EBITDA = Operating Profit/loss + 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

$$\text{Return on investment (ROI), \%} = \frac{\text{Profit before taxes + interest and other financing expenses}}{\text{Equity + interest bearing liabilities (average)}} \times 100$$

$$\text{Return on Equity (ROE), \%} = \frac{\text{Profit/loss for the period}}{\text{Equity (average)}} \times 100$$

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\text{Solvency ratio, \%} = \frac{\text{Equity}}{\text{Total assets – advance payments received}} \times 100$$

Net interest-bearing liabilities = Interest bearing liabilities – financial assets at fair value through profit or loss – cash and cash equivalents

$$\text{Gearing, \%} = \frac{\text{Net interest-bearing liabilities}}{\text{Equity}} \times 100$$

$$\text{Earnings per share} = \frac{\text{Profit or loss attributable to ordinary equity holders of the parent entity}}{\text{The weighted average number of shares outstanding}}$$

$$\text{Earnings per share (diluted)} = \frac{\text{Profit or loss attributable to ordinary equity holders of the parent entity}}{\text{The weighted average number of shares outstanding including dilutive effect}}$$

$$\text{Equity per share} = \frac{\text{Equity}}{\text{Number of shares at balance sheet date}}$$

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.

ENEDO PLC

Board of Directors

For further information please contact Mr. Mikael Fryklund, CEO, tel. +358 40 500 6864,
On 12th of August at 15:00–16:00

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Enedo

Enedo is a European designer and producer of high-quality electronic power supplies and systems for critical equipment even in the most demanding environments. Enedo´s mission is to make electricity better – more reliable, more secure, more energy efficient – and just right to fit its purpose. Enedo´s three main product categories are Led Drivers, Power supplies and Power Systems. In 2020 the group´s revenue was EUR 38,5 million. Enedo has 354 employees and its main functions are located in Finland, Italy, Tunisia and USA. The group´s head office is in Finland and parent company Enedo Oyj is listed on Nasdaq Helsinki Oy.

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