

EFFECTE PLC -- FINANCIAL STATEMENTS BULLETIN 2019 -- 23 MARCH 2020 at 18.45

Effecte Plc's s Financial Statements Bulletin 2019 - international SaaS grew by 69%

- SaaS grew by 23% and international SaaS by 69%
- Total net sales grew by 13% to 13.8 million euro (12.2)
- SaaS was 51% and Services 38% of total net sales
- EBITDA was -1.0 million euro (-2.0) and operating profit -1.4 million euro (-2.4)
- Operating profit percentage improved from -19% to -10%
- Guidance: Due to the Coronavirus situation, Effecte will issue guidance for year 2020 later

Group key figures

1000 EUR	7-12/2019	7-12/2018	2019	2018
Net sales	6 955	6 240	13 839	12 224
EBITDA	-193	-950	-998	-1 988
EBITA	-402	-1 134	-1 377	-2 339
Operating profit	-412	-1 143	-1 396	-2 382
Profit for the period	-415	-1 163	-1 373	-2 419
Earnings per share, eur	-0,07	-0,20	-0,23	-0,42
Equity per share, eur	0,37	0,59	0,37	0,59
SaaS MRR	640	523	640	523

CEO Niilo Fredrikson:

The year 2019 was a year of development for Effecte. We made significant progress in executing our strategy while delivering solid SaaS growth of 23% and international SaaS growth of 69%. I am especially pleased with us being able to do this all the while improving profitability to -10% EBIT (-19%) and maintaining a strong cash position 3.4 million euro (4.2). I want to thank the entire Effecte team for making this happen.

Growing in Europe is central to our strategy. Our efforts paid off with net sales outside Finland growing to 2.6 million euro (1.8), forming now 19% (15%) of total net sales. I am also happy with the continued growth in Finland. In addition to the progress in Germany, it was delighting to see the business pick up also in Sweden. A key enabler for our international growth was that we worked much better as one team across all our countries and functions. This was enabled by the determined development of culture and processes by the entire Effecte team.

We help service organizations digitalize and automate their work. Everything is based on our product, the Effecte cloud, that our customers use for ticketing as well as asset, contract and access management and more. The most notable product launch of 2019 was that of the Kanban board feature, which got an excellent reception from our customers. In 2020, we will continue developing our user interfaces and introduce first AI enabled features in our cloud services.

The pandemic caused by COVID-19 is blurring the short-term outlook, especially for services revenue but its effect to the recurring SaaS revenue is mainly limited to new sales and implementations. During 2019, the legacy maintenance revenue remained, exceptionally, stable at previous year levels but during 2020 we expect it to return to a downward trajectory, as customers are increasingly moving to SaaS based solutions. Other than that, Effecte's growth fundamentals are strong and we are fully focused on continuing our growth story in 2020 by being the European alternative to global players in our space.

Long-term financial targets

Efecte aims for over 20% annual organic growth of SaaS net sales on average in 2020 - 2023. Substantial investments in international growth and product development will decrease operating profit in the next few years, but the company aims for a double-digit operating profit percentage by the end of the strategy period.

Guidance for year 2020

Due to the Coronavirus situation, Efecte will issue guidance for year 2020 later

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This release is unaudited. The amounts in this report have been rounded from exact numbers.

REVIEW ON 7-12/2019

Efecte's net sales in 7-12/2019 were 7.0 million euro and growth was 11%. Growth without perpetual licenses was 14%. EBITDA was -0.2 million euro and operating profit -0.4 million euro.

Net sales by type

Net sales, 1000 EUR	7-12/19	7-12/18	2019	2018
SaaS	3 687	3 024	7 094	5 754
Licenses	38	184	185	487
Maintenance	642	646	1 287	1 292
Services	2 589	2 386	5 272	4 691
Group total	6 955	6 240	13 839	12 224

In 7-12/2019 the current main businesses SaaS grew by 22% and services by 9%. Net sales of perpetual licenses decreased by 79% from previous year and related maintenance decreased by 1%. The business developed steadily across all countries.

YEAR 2019

EFFECTE IN BRIEF

Efecte is a Finnish software company that helps service organizations digitalize and automate their work. With Efecte's software, organizations can flexibly manage all internal and external services, for example, an IT, HR or finance department's services, customer service and access rights. Efecte is one of the leading software vendors in its field for medium-sized and public organizations in Finland and the Nordic countries and has also become a competitive actor on the German market. The company was established in 1998 and is listed on the Nasdaq First North Growth Market Helsinki marketplace. Efecte operates across Europe with offices in Finland, Sweden, and Germany.

Efecte's business is based on its own software products and the services that support them. Software products that are delivered primarily as cloud services form the core of the company's business. Services that support software business include for example implementation projects, integrations, training and continuous development of customers' solutions.

NET SALES AND PROFIT

Efecte's net sales in 1-12/2019 were 13.8 million euro (12.2). Net sales by type were: SaaS 7.1 million euro (5.8), Services 5.3 million euro (4.7), licenses 0.2 million euro (0.5) and Maintenance 1.3 million euro (1.3).

Net sales for cloud-based solutions grew substantially. SaaS grew by 23%. Services grew by 12%. Perpetual licenses decreased according to strategy by 62% and related maintenance stayed, exceptionally, at the previous year's level. Total net sales growth was 13%. Without perpetual licenses the growth was 16%.

International net sales grew more rapidly than net sales in Finland. The foreign subsidiaries generated 2.6 million euro (1.8) net sales, corresponding to 19% of total net sales (15%).

The recurring revenue (SaaS and maintenance) was 8.4 million euro (7.0), corresponding to approximately 61% of net sales (58%).

Efecte's EBITDA was -1.0 million euro (-2.0) and operating profit was -1.4 million euro (-2.4). Profitability improved in accordance with our expectations with the growth bringing economies of scale and foreign net loss shrinking.

Taxes corresponding to the profit of the period have been entered as tax expense. Efecte has confirmed tax losses in the taxation for Finland, so there was no income tax expense in Finland.

Net profit for the period was -1.4 million euro, while it was -2.4 million euro last year.

FINANCE AND INVESTMENTS

At the end of the reporting period, the balance sheet for Efecte group totaled 7.5 million euro (7.6). Equity ratio was 42% (59%) and net gearing was -159% (-124%).

At the end of reporting period, the Company's financial loans were 0 euro (0). The company's cash and liquid assets were 3.4 million euro (4.2).

Cash flow from operating activities for the reported period was -0.3 million euro (-1.7) and cash flow from investing activities was -0.3 million euro (0.4). Investments in tangible and intangible assets were 0.6 million euro (0.4) and were mainly activated R&D expenses as well as deployment costs for the new ERP system.

BUSINESS DEVELOPMENTS

During 2019, our business grew well and we continued growing according to plan: our SaaS net sales grew by 23% and international SaaS growth accelerated to 69%. By the end of the year, SaaS constituted a majority of our net sales, whereas the total share of licenses and maintenance shrank to 10.6% of total net sales.

We have been determined in creating the prerequisites for growth especially in the DACH area and Sweden. In 2019, we saw stable growth both in Sweden and in the DACH area and the share of foreign net sales rose to 19% of our total net sales. During the year, we won notable new customers in the DACH area such as Bechtle Hamburg and our first Swiss customer, Hotelplan Group. International growth is expected to continue but to be phased, as typical new customer contracts, especially in Germany, are relatively large compared to the current scale of local business. In Scandinavia, we streamlined our processes and centralized our operations in Sweden. In customer projects, we also used our consultants increasingly on a cross-border basis.

The right partnerships are important ingredients especially in Efecte's international growth and expansion. During the reporting period, we invested in developing the right partnerships on three areas: Value-Adding Resellers which resell licenses to the company's services and implement projects; technology partners whose solutions complement Efecte's own product portfolio; and implementation partners which allow us to scale up Efecte solutions' installation base faster than by only using our own consulting unit's resources.

Another focus area for the reporting period was local service providers and we took a programmatic approach to identify and respond to their needs. During the year, we won a total of 10 new service provider customers. A part of these service providers are also our partners. One example of this work bearing fruit was Efecte's selection as the solution provider for service management for Kuntien Tiera and the successful cooperation with the municipal and public healthcare service provider Istekki.

During the year, we separated the identity and access management business into its own business unit. In close operation with the main business, the business unit was able to answer our customers' specific needs relating to access management even better.

The company's headcount and other expenses grew only moderately, and we managed to generate stable growth and improve our profitability at the same time. This was achieved by developing procedures and concentrating on the scalability of our operations. The improvements in employee satisfaction and reduced employee turnover also played a central role in this regard. Our expenses grew moderately and at the same time we invested in product development and published new features such as the Kanban board that simplifies task management.

In our sales efforts, we have focused on acquiring new customers and on distributing the full range of Efecte solutions to existing customers. Especially in Germany, however, the orders from new customers play a key role.

EMPLOYEES

The headcount at the end of the review period was 107 (104). Of these, 88 were in Finland (80), 7 in Sweden (10), 0 in Denmark (2) and 12 in Germany (12). The average number of employees during the period under review was 106 (103).

During the period, Taru Mäkinen was appointed as interim CFO and member of the company's Leadership Team and in December as the CFO. Christian Frauen, Country Manager, DACH, was promoted to the Leadership Team. CFO Hannu Nyman and Sales Director Johannes Niemi left the company.

Efecte performed well in the Great Place to Work study in late 2019 and was ranked as 10th (29th in 2018) in the mid-sized companies' series in Finland. According to our own surveys, employee satisfaction was on an excellent level throughout the year. Employee turnover saw a notable decrease compared to 2018.

MARKET OUTLOOK

IT Service Management (ITSM) is increasingly seen as an enabler for digital disruption. When digitalizing their operations, organizations must not only digitalize their customer interface but also related background processes. Four drivers can be identified behind the growth of the ITSM market:

1. The need to enhance internal efficiency in IT organizations. Modern ITSM tools enable the digitalization of IT processes by streamlining work and automating routine tasks. Limited resources and time within IT units can be spared for developing new things.
2. Offering outstanding employee experience with seamless internal services. Employee experience is taking center stage in organizations. Building employee experience requires tools through which the employee can access IT, HR, facility and legal services on a one-stop-shop basis. Using one ITSM tool for the management of all enterprise services (Enterprise Service Management, ESM) enables the creation of a single self-service portal and seamless employee experience throughout the organization.
3. Ever more industries moving away from selling products towards selling services, and the need for managing these services. Throughout industries, products which were previously bought by the customer are increasingly sold as services. The term Everything as a Service (XaaS) is used to describe this development. To support this development, the organization needs a tool to enhance the transparency of its service levels, to follow costs and to enable effortless delivery and resourcing of the services. These are typical benefits of ITSM solutions.
4. Fast transition of applications from on-premises environments to cloud continues. This development also concerns ITSM applications.

Due to the above reasons, the market for cloud based ITSM solutions is expected to continue on a strong growth trajectory. The growth estimates for the global cloud based ITSM market for 2020 to 2025 vary between 16% and 20% annually. On Efecte's target market in Europe, the growth is expected to be as fast or slightly faster than globally. The global market is mainly dominated by American companies but Efecte is delightfully mentioned on various analysts' reports as a serious challenger for the global giants.

The global growth in the company's second main business area, identity and access management (IAM), is estimated to range between 24% and 26% annually for the following five years. In Efecte's market area in Europe, the annual growth is expected to be a few percentage points slower. As companies' operations are increasingly digitalized, managing identities for both persons as well as physical objects increases in importance, which in turn drives the demand for IAM solutions. Because organizations must efficiently meet both internal and external data security requirements, the cloud development and various hybrid cloud solutions will drive further increase in the demand for IAM solutions.

The coronavirus pandemic of early 2020 has created further uncertainty in the market, and first signs of slowing down of the customers' decision making are visible. While writing this it is yet impossible to estimate whether the pandemic will only be a temporary bump or cause long term effects on the growth of the market in general. The effects are in the short term most visible in the services business. The SaaS business is more stable by nature, but also there, the effects are already visible as the customers' decision making processes are slowing down.

RESEARCH AND DEVELOPMENT

Research and development investments were focused on building capabilities for agile service management in the Efecte platform. New capabilities such as the Kanban board enable customers to transition to an agile way of working. Supportive features such as team huddles around major issues, also called agile swarming, have been released to improve customer satisfaction. Furthermore, Efecte launched a new solution for Identity Governance and Administration (IGA) in the beginning of the year. The IGA solution automates the processing of access rights requests with intelligent workflows.

Research and development actions are performed in Efecte Finland Oy. Research and development is mainly done by own personnel, but subcontractors are also used to increase flexibility and cost efficiency.

The company enters the research and development cost as expense to the current period. Those development costs that are related to new products or functionalities, are activated in balance sheet as immaterial assets since when the product is technically feasible, it can be utilized commercially and is expected to generate economic benefits in future.

Group's research and development costs in 2017-2019

Million euro	2019	2018	2017
Research and development costs	2,0	1,9	1,6
Research and development costs, % of net sales	14,7	15,9	15,3

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting held on 4 April 2019 adopted the financial statements for 1.1.-31.12.2018 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting decided that no dividend is distributed for the year 2018.

The Annual General Meeting decided that the Chairman of the Board will be paid EUR 3,000 per month and the other members of the Board of Directors will be paid EUR 1,500 per month each. Approximately 40% of the remuneration will be paid in Efecte Plc's shares and approximately 60% will be paid in cash.

Pertti Ervi, Turkka Keskinen, Kari J. Mäkelä, Päivi Rekonen and Hannu Vaajoensuu were elected as members of the Board of Directors. The organization meeting of the Board of Directors elected Pertti Ervi as the Chairman of the Board of Directors.

Ernst & Young Oy acts as the auditor, and Juha Hilmola (KHT) is the auditor in charge.

DIRECTED SHARE ISSUE

The company carried out in March 2019 a directed share issue to the company itself. A total of 40 000 new shares were issued without payment in order for the company to have own shares available for the payment of the share portion of the annual remuneration of the Board members.

SHARES AND TRADING

The company has one share series and all shares carry equal rights. At the end of the review period Efecte Plc's share capital consisted of 5 957 488 shares. The company owned 36 133 treasury shares, approx. 0.6% of the total amount of the shares.

During the period, the number of Efecte Plc shares grew by 143 500 shares due to the directed share issue without payment and option subscriptions.

The company's share has been trading on the First North marketplace. During the review period the highest share price was 5.50 euro, the lowest price 3.86 euro and the closing price 5.40 euro. The market value of shares was 32.0 million euro at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 1 364 owners on 31 December 2019. The list of the largest owners and the distribution of shareholders can be found on the company's web site.

10 largest shareholders as of 31 December 2019:

	Shareholder	Shares	%
1	First Fellow Oy	1 010 499	17.0
2	Oy Fincorp Ab	770 569	12.9
3	Sijoitusrahasto Aktia Nordic Micro Cap	325 530	5.5
4	Mandatum Henkivakuutusosakeyhtiö	310 649	5.2
5	Innovestor Kasvurahasto I Ky	298 992	5.0
6	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	290 909	4.9
7	Montonen Markku	263 571	4.4
8	OP-Suomi Mikroyhtiöt	205 000	3.4
9	Havacment Oy	121 107	2.0
10	Kosonen Jukka	120 000	2.0

The ownership of the Board members, CEO and their controlled entities totaled approximately 5.1%. Additionally, the options held by the CEO entitle him to subscribe a number of shares which represents approximately 2.3% of the outstanding shares.

The total proportion of nominee registered shares was approximately 5.7 % of all shares.

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 4 April 2019 authorized the Board of Directors to decide to acquire the company's own shares with distributable funds. A maximum of 450 000 shares may be acquired. The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2020.

The Annual General Meeting held on 4 April 2019 authorized the Board of Directors to issue a maximum of 1,000,000 shares through a share issue and/or by issuing option rights or other special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. The Board may decide to issue new shares or shares held by the company. At the time of the granting, the maximum authorization represented approximately 17.2% of all shares in the company. The authorization includes the right to issue shares and option rights and/or other special rights entitling to the shares through private offering, in other words, to deviate from the shareholders' pre-emptive right subject to the requirements set forth in the Limited Liability Companies Act. In addition, the authorization includes a right to issue shares and option rights and/or other special rights entitling to shares with or without payment. Under the authorization, the Board of Directors will be entitled to decide on the terms and conditions of any share issue and the issuance of option rights and other special rights entitling to shares, including the recipients and the remuneration to be paid. The authorization is effective until the next Annual General Meeting, however, at the latest until 30 June 2020.

OPTION PROGRAMS

Option program 2011

Option program 2011 consist of 130 000 options that entitle the holders to subscribe a maximum of 390 000 new shares. Each option entitles to subscribe three new shares. The share subscription period will end on 31 December 2020. The subscription price of a share is 0.58 euro. By 31 December 2019 a total of 338 895 shares have been subscribed with the options. There are 17 035 unused options that can be used to subscribe 51 105 shares.

Option program 2015

Option program 2015 consists of 135 000 options that entitle the holders to subscribe a maximum of 405 000 shares. The options are divided to four series: A series 45 000 options (of which 24 500 are allocated), B series 45 000 options (33 000 allocated), C series 30 000 options (26 500 allocated) and D series 15 000 options (all allocated). Each option entitles to subscribe three shares.

The share subscription period for the options is 30.4.2017-31.12.2020. The right to subscribe shares has the following schedule: A series vested on 30.4.2017, B series on 30.4.2018 and C series on 30.4.2019. D series vests on 30.4.2020 upon fulfilment of the vesting conditions defined by the Board of Directors.

The subscription prices are as follows: A series: 1.50 euro/share, B series: 1,6666667 euro/share, C series 1,6666667 euro/share, and D series 3,34 euro/share. By 31 December 2019 a total of 123 000 shares have been subscribed with the options.

Option program 2018

Option program 2018 consists of 450 000 options that entitle the holders to subscribe one share per option. The options are divided to three series: A series of 170 000 options with subscription price of 5.75 eur/share and subscription period of 2.5.2021-31.5.2022; B series of 140 000 options with subscription price of 5-day average price after Q1/2019 results and subscription period of 2.5.2022-31.5.2023; and C series of 140 000 options with subscription price of 5-day average price after Q1/2020 results and subscription period of 2.5.2023-31.5.2024. A series options have been allocated in 2018, B series in 2019 and will be allocated C series in 2020. In connection to the 2018 option program, the Board of Directors has set a share-ownership requirement for the participants.

ASSESSMENT OF RISKS AND UNCERTAINTIES

The Coronavirus situation creates uncertainty in Efecte's operating environment and in the global economy more generally. The situation may slow down Efecte's customers' decision making processes and delay purchases. In case of prolonged epidemic, Efecte's customers' solvency may also be affected.

Reliable service delivery to customers is essential in cloud services business. There are risks related, for example, to the functionalities of the software, data security, operating the company's own services, and to the outsourced computing capacity and network connections. Possible disruptions in the service or data breaches can lead to reimbursement liabilities and to a decrease in customer satisfaction, which may in future lead into decreases in net sales and profitability.

In its customer projects, the company configures its products to operate with the customer's existing systems. There may be delays or unexpected work related to customer projects. Although the majority of the projects are time and materials based, there are also fixed price projects. Especially the long-term identity and access management projects may produce unexpected and hard-to-forecast delays, or the needed work amount of the project may turn out to be significantly larger than originally expected.

Risks relating to intellectual property rights (IPR) are significant for the company. Risks include both the loss/leaking of own IPRs to others, as well as breaches of third-party IPR by Efecte. Efecte seeks to minimize the risk with strict control of customer agreements and with careful evaluation of third-party software components taken into use.

The European Union General Data Protection Regulation (GDPR) requires that the cloud service provider enters into an agreement concerning the appropriate processing of personal data. Efecte has entered into such agreements with its customers and the obligations in these agreements may lead to notable liabilities upon breaches of the GDPR.

The company's research and development activities as well as the service delivery are based on skillful personnel. If the company is unable to recruit and retain skillful employees, the quality of the services may decrease, which can decrease net sales and profitability. Part of the research and development and service delivery are provided through subcontractors. If the operations of the subcontractors are disrupted the effect is equivalent to lack of skillful personnel.

Investments into accelerating international growth increase the fixed costs, e.g. due to forward-looking recruitments, and may decrease profitability, if achieving growth turns out to be harder than expected.

The company's equity stands at a sufficient level if the profitability development continues on the planned trajectory. If changes in the operating environment or other factors would weaken the company's profitability, the company could have to explore options to strengthen its equity.

PROFIT DISTRIBUTION PROPOSAL

The net profit of the parent company was -702,433.22 euro for the period and the distributable equity of the parent company 7,681,779.87 euro. The Board of Directors proposes that no dividend is distributed from the financial period of 2019 and the profit is left in equity.

LONG-TERM FINANCIAL TARGETS

Efecte aims for over 20% annual organic growth of SaaS net sales on average in 2020 - 2023. Substantial investments in international growth and product development will decrease operating profit in the next few years, but the company aims for a double-digit operating profit percentage by the end of the strategy period.

FUTURE OUTLOOK

Before the escalation of the Coronavirus situation, our expectations for year 2020 were in line with our long-term financial targets. We expect the net sales in traditional maintenance to decrease in 2020 but currently it makes up only 10 % of our total net sales. The fundamentals for SaaS growth are strong.

Due to the Coronavirus, we do not at this stage give guidance for year 2020. The states of emergency and travel as well as other restrictions will affect our business but the duration and the scope of the effects remain unclear at this stage.

The effects are in the short term most visible in the services business. The SaaS business is more stable by nature, but also there the effects are already visible as the customers' decision making processes are slowing down.

NEXT EARNINGS RELEASE

Efecte will publish a business review for 1-3/2020 on Wednesday 29 April 2020 and the half-yearly report 1-6/2020 on Wednesday 26 August 2020.

Additional information:

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Financial information:

1. Consolidated income statement, balance sheet, cash flow statement and statement of changes in equity
2. Notes
3. Key figures

1. Consolidated income statement, balance sheet, cash flow statement and statement of changes in equity

CONSOLIDATED INCOME STATEMENT

(1 000 EUR)	7-12/19	7-12/18	2019	2018
Net sales	6 955	6 240	13 839	12 224
Other operating income	0	2	0	2
Materials and services	-558	-631	-1 206	-1 151
Personnel expenses	-4 565	-4 717	-9 701	-9 356
Other operating expenses	-2 026	-1 844	-3 931	-3 706
EBITDA	-192	-950	-998	-1 987
Other depreciation and amortisation	-209	-183	-378	-351
EBITA	-402	-1 134	-1 377	-2 339
Goodwill amortisation	-9	-9	-19	-19
Group goodwill amortisation	-	-	-	-24
Operating profit	-412	-1 143	-1 396	-2 382
Financial income and expenses	-1	-15	25	-32
Profit before income tax	-413	-1 158	-1 371	-2 414
Income tax	-2	-5	-2	-5
Profit for the period	-415	-1 163	-1 373	-2 419

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	12/2019	12/2018
Non-current assets		
Development expenses	1 063	991
Other intangible assets	167	11
Goodwill	42	61
Machinery and equipment	23	39
Current assets		
Inventories, work in progress	1	2
Trade and other receivables (long-term)	60	53
Trade and other receivables (short-term)	2 659	2 276
Short-term investments	1 973	2 182
Cash and cash equivalents	1 475	2 027
Total assets	7 464	7 643
Equity attributable to owners of the parent Company		
Share capital	80	80
Reserve of invested non-restricted equity	10 708	10 588
Retained earnings	-8 623	-7 249
Total equity	2 165	3 419
Current liabilities		
Received advances	2 316	1 858
Trade payables	450	467
Other payables	1 050	750
Accruals	1 483	1 150
Total liabilities	5 299	4 224
Equity and liabilities	7 464	7 643

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	2019	2018
Cash flows from operating activities		
Profit before income tax	-1 371	-2 415
Adjustments to profit for the period	372	419
Change in working capital	685	331
Interest and other financial cost paid	-12	-15
Interest and other financial income received	0	5
Income taxes paid	-2	-5
Net cash from operating activities	-328	-1 680
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-591	-419
Investments to short-term investments	-1 300	-1 600
Proceeds from short-term investments	1 546	2 396
Net cash from investing activities	-345	377
Cash flows from financing activities		
Share issues	120	231
Net cash from financing activities	120	231
(Decrease)/increase in cash and cash equivalents	-553	-1 071
Cash and cash equivalents at the beginning of the period	2 027	3 098
Cash and cash equivalents at the end of the period	1 475	2 027

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1000 eur	31.12.2019	31.12.2018
Permanent equity		
Share capital 1.1.	80	80
Share capital 31.12.	80	80
Permanent equity in total	<u>80</u>	<u>80</u>
Distributable equity		
Reserve of invested non-restricted equity 1.1.	10 588	10 356
Share issue	120	231
Reserve of invested non-restricted equity 31.12.	10 708	10 588
Retained earnings 1.1.	-7 249	-4 822
Translation differences	-1	-8
Retained earnings 31.12.	-7 250	-4 830
Profit (loss) for the period	<u>-1 373</u>	<u>-2 419</u>
Distributable equity	2 085	3 339
Total equity	<u><u>2 165</u></u>	<u><u>3 419</u></u>

2. Notes

2.1 Basis of preparation

This interim report has been prepared in accordance with the FAS recognition and measurement principles.

2.2 Net sales by type

(1 000 EUR)	7-12/19	7-12/18	2019	2018
SaaS	3 687	3 024	7 094	5 754
Perpetual licenses	38	184	185	487
Maintenance	642	646	1 287	1 292
Services	2 589	2 386	5 272	4 691
Group total	6 955	6 240	13 839	12 224

2.3 Development of number of shares

	<u>Number of shares</u>
1.1.2018	5 524 101
Exercise of share options	286 887
30.6.2018	5 810 988
Exercise of share options	3 000
31.12.2018	5 813 988
1.1.2019	5 813 988
Directed share issue without consid- eration to the company itself	40 000
Exercise of share options	90 000
30.6.2019	5 943 988
Exercise of share options	13 500
31.12.2019	5 957 488

On 31 December 2019 Efecte Plc owns 36 133 treasury shares, approx. 0.6% of the total amount of the shares.

2.4 Related party transactions

During the reporting period, the company purchased services from a family member of a Board member for a total of approximately 7 thousand euro. Related party transactions were made at arm's length.

2.5 Commitments

The following tables present the company's commitments not in the balance sheet on 31 December 2019 and 31 December 2018.

Guarantees given (thousand euro)	<u>31.12.2019</u>	<u>31.12.2018</u>
Office lease agreements	56	42
Liabilities secured by mortgage	1 000	1 000
Total	<u>1 056</u>	<u>1 042</u>

Lease commitment amounts (thousand euro)	<u>31.12.2019</u>	<u>31.12.2018</u>
During next 12 months	117	146
Later	121	206
Total	<u>237</u>	<u>352</u>

Lease agreements for computer equipment are mainly three-year lease agreements, and the equipment can be purchased at the end of the period with approx. 2-5% remainder value.

Other commitments

Parent company Efecte Plc has an ongoing office lease agreement. The lease period started on 1 July 2017 and the agreement can be terminated with a termination period of nine months and one-time payment of three months' rent. The monthly rent is approx. 20 thousand euro. The company's lease liability from this contract is approx. 294 thousand euro.

	31.12.2019	31.12.2018
	(thousand euro)	
Payable during the next 12 months	301	314
Payable later	59	63
Total	360	377

2.6 Auditor fees

The fees for the company's auditor Ernst & Young Oy totaled 60 thousand euro, of which Efecte Finland Oy's share is 29 thousand euro and Efecte Plc's share 20 thousand euro. The value of assignments referred to in Section 1 Subsection 1 Item 2 of the Finnish Auditing Act was 2.3 thousand euro.

3. Key figures

1000 eur	7-12/2019	7-12/2018	2019	2018
Net Sales	6 955	6 240	13 839	12 224
SaaS	3 687	3 024	7 094	5 754
Licenses	38	184	185	487
Maintenance	642	646	1 287	1 292
Services	2 589	2 386	5 272	4 691
Domestic net sales	5 510	5 349	11 275	10 374
International net sales	1 446	891	2 564	1 849
Domestic sales (% of net sales)	79 %	86 %	81 %	85 %
International (% of net sales)	21 %	14 %	19 %	15 %
Recurring revenue	4 328	3 670	8 381	7 045
Recurring revenue (% of net sales)	62 %	59 %	61 %	58 %
SaaS MRR, monthly net sales at the end of the period	640	523	640	523
Net sales growth%	11,5 %	11,9 %	13,2 %	15,2 %
EBITDA	-193	-950	-998	-1 988
EBITDA%	-2,8 %	-15,2 %	-7,2 %	-16,3 %
EBITA	-402	-1 134	-1 377	-2 339
EBITA%	-5,8%	-18,2%	-9,9%	-19,1%
Operating profit (EBIT)	-412	-1 143	-1 396	-2 382
Operating profit (EBIT)%	-5,9 %	-18,3 %	-10,1 %	-19,5 %
Earnings for the period	-415	-1 163	-1 373	-2 419
Earnings/share (EPS), eur	-0,07	-0,20	-0,23	-0,42
Equity/share, eur	0,37	0,59	0,37	0,59
Balance sheet total	7 464	7 643	7 464	7 643
Equity	2 165	3 419	2 165	3 419
Net debt	-3 447	-4 209	-3 447	-4 209
Return on invested capital (ROI)%	-35 %	-57 %	-49 %	-53 %
Equity ratio%	42 %	59 %	42 %	59 %
Net gearing%	-159 %	-123 %	-159 %	-123 %
Research and development cost	1 002	937	2 039	1 944
Research and development cost,% of net sales	14 %	15 %	15 %	16 %
Number of employees on average during the period	108	103	106	103
Number of employees at the end of the period	107	104	107	104
Number of shares (on average during period)	5 913 451	5 806 463	5 864 987	5 704 025

Number of shares at the end of the period	5 921 375	5 809 235	5 921 375	5 809 235
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