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Efecte Plc Financial Statements Bulletin 2021

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Efecte Plc's Financial Statements Bulletin 2021 – Full year SaaS +24%, EBITDA margin 5%

10-12/2021

- Total net sales grew by 20% and was 4.9 million euro (4.0)
- SaaS grew by 24% and international SaaS by 43%
- EBITDA was 0.1 million euro (0.2) and EBIT 0.0 million euro (0.0)
- EBITDA margin was 2% (4%)
- Services grew by 21% driven by strong demand and a soft comparison period
- Through a new partnership, the Netherlands became the 12th country for Efecte

1-12/2021:

- Total net sales grew by 19% and was 17.8 million euro (14.9)
- SaaS grew by 24% and international SaaS by 38%
- EBITDA was 0.9 million euro (0.1) and EBIT 0.4 million euro (-0.3)
- EBITDA margin was 5% (1%)
- Operating cash flow was 0.8 million euro (2.3)

GUIDANCE FOR 2022

SaaS net sales is expected to grow over 20% and EBITDA to be positive, excluding any potential costs from inorganic activities.

GROUP KEY FIGURES

1000 EUR	10-12/2021	10-12/2020	7-12/2021	7-12/2020	2021	2020
Net sales	4 853	4 042	9 078	7 495	17 764	14 888
EBITDA	95	171	494	492	935	126
EBITA	-34	46	235	260	450	-314
Operating profit	-38	41	226	250	431	-332
Profit for the period	-49	37	213	245	412	-368
Earnings per share, eur	-0.01	0.01	0.03	0.04	0.07	-0.06
Equity per share, eur	0.53	0.33	0.53	0.33	0.53	0.33
SaaS MRR	992	808	992	808	992	808



“ Our full-year net sales growth was the fastest we’ve delivered since our IPO in 2017, we have customers in more countries than ever before, and despite growth investments we set an all-time high with our year-end cash position”

– CEO NIILLO FREDRIKSON

CEO NIILLO FREDRIKSON:

2021 was a true year of growth for Efecte as we executed our strategy and strengthened our position as the European Alternative to the global goliaths in our space. Our full-year net sales growth was the fastest we’ve delivered since our IPO in 2017, we have customers in more countries than ever before, and despite growth investments we set an all-time high with our year-end cash position.

I want to thank our customers and partners for placing their trust in Efecte, and the Efecte team for their dedication and commitment to our mission. It’s an honor to be part of this team. We are in a great position at the beginning of the new year, as we continue to grow organically. We also explore inorganic avenues for growth.

SaaS growth on track

Consistent SaaS growth has formed the foundation of our success in recent years. During the last quarter of the year, SaaS growth accelerated to 24%, supported by international SaaS growth of 43% and continuing healthy demand in Finland. This marked our 17th consecutive quarter - every quarter since we listed - of growing SaaS over 20%. Full year SaaS growth was also 24%, landing at the upper end of our guidance range. Our net retention rate of 115% was exceptionally strong, driven by existing customers expanding usage and buying new solutions such as Efecte Whistleblower. After the review period, we reached another milestone as our monthly recurring SaaS revenue (SaaS MRR) exceeded one million euro during January.

Investing in the product and the team

Growing our topline has allowed us to invest in long-term growth. With our Q4 release, we brought to market IGA Starter, a new entry level offering for identity governance and administration. It makes it easier for customers to get started on their identity management journey with Efecte. Early customer feedback indicates a good product market fit. We also shipped important platform improvements, including better integration capabilities and another set of enhancements to the AI-powered Virtual Coach feature.

In line with the earlier communicated increase in investments, we recruited actively and increased subcontracting towards the end of the year. We also continued to ensure that Efecte is a great place to work for our existing team. Thanks to attrition below 10% and success in recruiting, we grew full-time equivalent headcount by 18% during 2021. We expect recruitments to continue at full speed in 2022. In 2021, increased personnel expenses were mostly offset by faster than normal service revenue growth. This year, we expect investments to have a bigger impact on profitability, especially in the first quarter.

Next phase of growth

We maintain our optimistic view of the market. Helping people digitalize and automate their work with a cloud-based service management platform is a great business to be in. We continue to invest in growing our existing markets and explore new direct and partner-based markets across the EMEA region. During 2022, we expect to pilot at least one new direct market. In December, through a new partner, Netherlands became already the 12th country where we have customers or an official Efecte partner. We have also screened opportunities for M&A to strengthen our product and go-to-market and will continue that work.

In March, we plan to publish an update to our strategy, with the aim of fully capitalizing the market opportunity. We will arrange a capital markets day on March 9th to discuss our plans in more detail. Our ambition is to make Efecte the undisputed #1 in Europe: The Leading European Alternative in cloud-based service management.

Additional information

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NET SALES AND TYPE

Net sales, 1000 EUR	10- 12/2021	10- 12/2020	7-12/ 2021	7-12/ 2020	2021	2020
SaaS	2 930	2 358	5 692	4 640	10 886	8 806
Licenses	27	49	37	49	44	93
Maintenance	254	276	509	512	1 014	1 010
Services	1 640	1 359	2 841	2 295	5 820	4 980
Group total	4 853	4 042	9 078	7 495	17 764	14 888

NET SALES AND PROFIT

Efecte's net sales in 1-12/2021 were 17.8 million euro (14.9), a growth of 19%. Net sales for customers outside Finland were 4.4 million euro (3.6), corresponding to 25% of total net sales (24%).

Software as a Service (SaaS) grew 24% and services net sales increased by 17%. Net sales of perpetual licenses continued to be insignificant in line with our strategy. Net sales generated by maintenance relating to perpetual licenses have also been on a long-term declining trend but did exceptionally not decline in absolute terms during the review period due to price increases and low churn. Our total recurring revenue (SaaS and maintenance) amounted to 11.9 million euro (9.8), corresponding to approximately 67% of net sales (66%).

SaaS MRR was 992 thousand euro in the end of December, growing 23% year-over-year. Of that growth, 15 percentage points came from existing customers (net retention rate 115%) and 8 percentage points from new customers since 12/2020. Gross churn amounted to 4.7% (3.4%). Our recurring gross margin at the end of December was 81% (77%). We determine recurring gross margin on a rolling 12-month basis through subtracting the total cost of support, cloud infrastructure, cloud operations, 3rd party licenses and enhanced service level packages from our total recurring revenue and dividing the outcome by total recurring revenue. In deviation to our previous reports, we included the costs of enhanced service level packages in the calculation. The change in the calculation method decreased recurring gross margin by approximately 1 percentage point.

Our average customer acquisition cost (CAC) on a rolling 12 months basis was 82 thousand euro, and the average life-

time value (LTV) of an acquired new customer was 678 thousand euro. Accordingly, the LTV/CAC ratio was 8.3. This means that the cost of customer acquisition is earned 8.3 times during the lifetime of the customer. LTV/CAC ratio was higher than usual due to a large order from the Social Insurance Institution of Finland (Kela). We determine customer acquisition cost through multiplying sales and marketing costs by 0.7 divided by number of new customers. The multiplier 0.7 reflects the fact that some of sales & marketing cost goes towards serving existing customers. Lifetime value is defined as MRR orders of new customers divided by gross churn multiplied by recurring gross margin divided by number of new customers.

Services net sales development was strong due to several significant new Efecte deployments and existing customers expanding the usage of Efecte, as well as a soft comparison period. Our strategy is to focus on growing our SaaS business and Services business is there to support adoption with the help of our partner network. SaaS formed already 61% of total net sales (59%).

EBITDA was 0.9 million euro (0.1) and operating profit was 0.4 million euro (-0.3). Profitability improved supported by topline growth and economies of scale.

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 0.4 million euro (-0.4).

FINANCE AND INVESTMENTS

At the end of the review period, the balance sheet for Efecte group totaled 10.5 million euro (8.7). Equity ratio was 46% (35%) and net gearing was -197% (-270%).

At the end of the review period, the Company's financial loans were 0 euro (0). The company's cash and liquid assets were 6.5 million euro (5.3).

Cash flow from operating activities for the reported period was 0.8 million euro (2.3) and cash flow from investing activities was -0.6 million euro (1.4). Investments in tangible and intangible assets were 0.6 million euro (0.5) and were mainly activated R&D expenses. Cash flow from financing activities was 0.9 million euro (0.2). Cash flow from financing activities consisted of subscriptions relating to stock options.

“ Our strategy has been to focus on SaaS growth, and that is the plan also going forward. Services play an important role in helping customers adopt Efecte and later expand their use. ”

BUSINESS DEVELOPEMENTS

During the review period, we focused again on helping customers digitalize and automate their work. Customers used our cloud-based service management platform to digitalize and automate processes in three key areas: IT Service Management (ITSM), Enterprise Service Management (ESM) and Identity Governance and Administration (IGA).

We were able to grow SaaS by 24%, supported by strong demand from both existing and new customers. On a rolling 12 months basis, existing customers accounted for 65% of the SaaS MRR growth. We helped them expand the usage of Efecte in ITSM, but increasingly also for ESM use cases such as HR, finance, and customer services. Several existing customers also expanded their Efecte usage with our IGA solution. We signed 38 new customers during the review period, of which 17 through partners. Winning a large public tender by the Social Insurance Institution of Finland (Kela) was a definite highlight of new customer acquisition.

Our professional services business performed well with services growing by 17%, and during Q3 and Q4 even over 20%. This was driven by strong demand from existing and new customers and a soft comparison period impacted by the pandemic. Our strategy has been to focus on SaaS growth, and that is the plan also going forward. Services play an important role in helping customers adopt Efecte and later expand their use. We continued to improve our delivery model and standardize solution offerings while also reaching high customer satisfaction in our professional services engagements.

The long-term trend of customers moving away from the legacy license and maintenance model continued. However, in the review period, our legacy maintenance sales remained at the

level of the year before due to price increases and low churn.

Our main markets continued to be Finland, Scandinavia and DACH regions. We saw all existing regions grow and started building a go-to-market in new markets through expanding our partner network. We added partners in Croatia, Czech Republic, Turkey and UK during the first three quarters year, and during Q4 we also added a new partner in the Netherlands. While creating a transactional partner business is a long-term effort, we were able to sign first customers in the UK and Czech Republic, and secured commitment for the first customer in Poland, with the actual purchase order received after year end in early 2022.

We also built a pipeline of additional partner candidates in multiple markets across the EMEA region (Europe, Middle East and Africa), and will continue to expand our partner ecosystem. That said, we will increasingly focus on sales enablement of existing partners during 2022. Exploring new direct markets in Europe is also part of the plan as we seek to expand our reach. We expect to pilot at least one new direct market in 2022.

During the review period, we also started to screen potential opportunities for inorganic growth. We are primarily looking for potential add-on technologies that can be integrated into our SaaS offering. Additionally, we are exploring inorganic opportunities for strengthening our market presence in selected geographies. During the year, we identified and started to engage with several interesting companies. We see this effort as a long-term initiative and will continue to have a high standard for any potential transaction.

EMPLOYEES

The number of full-time equivalent employees (FTE) at the end of the review period was 125 (106). Of these, 105 (88) were in Finland, 7 (7) in Sweden and 13 (11) in Germany. Our central team in Finland acts globally supporting customers, partners and sales in international markets and includes the FTEs responsible for our new markets operation. The average number of FTEs during Q4 was 122 (104) and during 2021 it was 114 (103).

During the review period, we continued active recruitment to support our growth ambitions. We are proud that so many new colleagues chose to join Efecte and that we maintained high employee satisfaction and attrition below 10% in a very challenging job market. We also built a pipeline of high-quality talent from various channels that we can leverage as we grow our team. This positions us well for growing our business again in the new year.

Santeri Jussila joined Efecte in March as new Chief Product Officer, driving Efecte's product strategy and roadmaps. Santeri has long experience in product leadership and a proven track record to build scalable world-class product management teams and processes.

At the end of the review period, the following people formed Efecte's leadership team: Niilo Fredrikson (CEO), Taru Mäkinen (CFO), Niina Hovi (people and culture), Steffan Schumacher (sales, marketing and services), Topias Marttila (technology) and Santeri Jussila (products).

We moved into new headquarters during the first half of 2021.

The new premises were set up to support a modern way of working with a mix of remote and office work. Our people and our culture are central to Efecte's success, and the new headquarters provide a world-class environment for our team to thrive and grow.

“ We are proud that so many new employees chose to join Efecte and that we maintained high employee satisfaction and attrition below 10% in a very challenging job market.”

MARKET OUTLOOK

There were no significant changes in the market outlook during the review period. IT service management (ITSM) platforms continue to be an enabler for digital transformation as servitization (everything as a service) becomes mainstream. Companies across different industries look for cloud-based solutions to digitalize and automate their operations to provide greater agility to the business, improve end-user experiences, and to save costs.

We expect the market for cloud ITSM solutions to continue on a strong growth trajectory. The pandemic has had both positive and negative impacts on the market: appetite for cloud solutions in general has increased, and at the same time some customers' decision making has become slower. We also see support for enterprise service management (ESM), customer and employee experience and increased automation being

increasingly relevant for our customers and driving market growth.

Analyst estimates for global cloud ITSM market growth fall generally between 15-20% compound annual growth rate (CAGR) for the next three to five years. In Europe, growth is typically expected to be close to the global average, with Asia growing faster and North America slower. The global market is dominated by American companies. Efecte is mentioned in multiple analyst reports as a challenger, and we will continue to grow as the European Alternative to the global goliaths.

Cloud identity and access management (IAM) will according to analyst estimates grow between 19% and 27% annually for the next three to five years. We see high demand for focused IGA solutions that address the identity lifecycle management, governance and access management parts of IAM market. Widespread remote work, an evolving threat landscape, EU regulations and increasing digitalization of business services are driving small and medium size organizations to consider more affordable and easier alternatives than the traditional IAM system offerings. Our new IGA solutions aim to address this need and market.

RESEARCH AND DEVELOPMENT

During the review period, we continued to strengthen our offering guided by four strategic portfolio investment themes: User Experience, AI & Automation, Digital Identities and Platform Ecosystem.

We worked throughout the year on our user experience modernization program. Our flagship initiative to develop next generation self-service progressed well and is now ready to start early customer piloting. We also introduced a number of usability and accessibility improvements across our existing tools.

Our investments into AI & Automation capabilities continued. We released important new enhancements to our AI-feature Virtual Coach, including machine-suggested ticket categorization and Quickfill for automated new ticket population. We also improved our new customers' onboarding process, and by the end of the year enhanced cloud automation was in full swing, improving new customers' experience as they take Efecte into use.

For Digital Identities, the review period included a significant milestone with the release of a new IGA Starter solution. Traditionally, our user licenses have enabled all use cases in the respective solution area. IGA Starter is a new way of packaging and licensing Efecte solutions, with out-of-the-box configurations licensed only for a limited set of use cases. This includes access management, provisioning, governance and life-cycle management of digital identities. Going forward we plan to release upper-tier packages that enable the customer to further expand the usage. We believe the new packaging is

compelling for customers and lowers the threshold for midmarket companies to get started with identity management.

We continued to strengthen our capabilities in the Platform Ecosystem area as well. In the first half of the year, we launched a new Efecte Whistleblower solution that provides a cost-efficient option for Efecte customers to expand the use of their platforms to address the requirements of the EU whistleblower directive. Later in the year, we released a new REST API that gives Efecte customers an open and more developer-friendly interface to connect the platform with other systems in the IT ecosystem. We also added support for RedHat LDAP, OpenLDAP and IBM Directory Server, as well as an updated integration to Office 365 that ensures future-proof use of Microsoft APIs.

Efecte's total research and development investment during the review period was 3.1 million euro (2.7). Research and development costs amounted to 2.6 million euro (1.9). In addition, 0.5 million euro (0.4) was capitalized, and 0.0 million euro (0.3) was covered through public funding. Research and development actions are performed in Efecte Finland Oy. In addition to own personnel, subcontractors are used to increase flexibility and cost efficiency. We are planning to grow investments in R&D during 2022 and expect the R&D capitalization level to substantially increase.

GROUP'S RESEARCH AND DEVELOPMENT INVESTMENT LEVEL IN 2019-2021

	2021	2020	2019
Research and development investment (million euro)	3.1	2.7	2.5
Research and development investment (% of net sales)	18%	18%	18%

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting held on 23 March 2021 adopted the financial statements for 1 January - 31 December 2020 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 2020.

The Annual General Meeting decided that the Chairman of the Board is paid EUR 3 423 per month and the other members of the Board of Directors will be paid EUR 1 795 per month each. Approximately 40% of the remuneration was paid in Efecte Plc's shares and approximately 60% in cash.

Esther Donatz, Pertti Ervi, Brigitte Falk, Turkka Keskinen, Kari J. Mäkelä and Päivi Rekonen were re-elected as members of the Board of Directors. The organizational 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

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 6 235 873 shares. The company owned 16 404 treasury shares, approx. 0.3% of the total amount of the shares.

The company's share has been trading on the Nasdaq First North Growth Market Finland marketplace. During the review period the highest share price was 17.10 euro, the lowest price 12.70 euro and the closing price 13.10 euro. The market value of shares was 81.5 million euro at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 2 696 owners on 31 December 2021 (2 376). The list of the largest owners and the distribution of shareholders can be found on the company's web site.

The ownership of the Board members, CEO and their controlled entities totaled approximately 3.2% at the end of the review period. Additionally, the options held by the CEO entitle him to subscribe shares representing approximately 1.8% of the outstanding shares.

The total proportion of nominee registered shares was approximately 25.7 % of all shares.

10 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2021:

	Shareholder	Shares	%
1	First Fellow Oy	810 499	13.0
2	Sijoitusrahasto Aktia Nordic Micro Cap	469 269	7.53
3	Oy Fincorp Ab	410 000	6.58
4	Op-Suomi Mikroyhtiöt - Erikoissijoitusrahasto	351 969	5.64
5	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	290 909	4.67
6	Montonen Markku	210 571	3.38
7	Nordea Nordic Small Cap Fund	136 662	2.19
8	Ervi Pertti	88 391	1.42
9	Säästöpankki pienyhtiöt	80 000	1.28
10	Urpalainen Jörgen	72 939	1.17

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 23 March 2021 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 2022.

The Annual General Meeting held on 23 March 2021 authorized the Board of Directors to issue a maximum of 608 000 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. 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 2022.

OPTION PROGRAMS

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 into three series: A, B and C series. Series A consists of 170 000 options (of which 163 750 allocated) with subscription price of 5.75 euro/share and subscription period of 2 May 2021 - 31 May 2022; series B of 140 000 options (of which 132 325 allocated) with subscription price of 5.00 euro and subscription period of 2 May 2022 - 31 May 2023; and C series of 140 000 options (of which 124 250 allocated) with subscription price of 4.39 euro and subscription period of 2 May 2023 - 31 May 2024.

By 31 December 2021 a total of 154 750 shares have been subscribed with the options in the 2018 A series.

In connection with the 2018 option program, the Board of Directors has set a share-ownership requirement for the participants.

Option program 2021

Option program 2021 consists of 450 000 options that entitle the holders to subscribe one share per option.

The options are divided into three series: A series of 150 000 options (of which 139 350 allocated) with subscription price of 15.55 eur/share and subscription period of 2.5.2024 - 31.5.2026; B series of 150 000 options with subscription price of 20-day volume weighted average price after Q1/2022 results and subscription period of 2.5.2025 - 31.5.2027; and C series

of 150 000 options with subscription price of 20-day volume weighted average price after Q1/2023 results and subscription period of 2.5.2026 - 31.5.2028. B series options are intended to be allocated in 2022 and C series in 2023.

In connection with the 2021 option program, the Board of Directors has set a share-ownership requirement for the participants.

ASSESSMENT OF RISKS AND UNCERTAINTIES

Malfunctioning of the software or failures in operating the company's own services or the outsourced computing capacity and network connections may cause disruptions in services that may lead to reimbursement liabilities, reputational harm and to a decrease in customer satisfaction. This could lead to decreases in net sales and profitability.

Risks to data security such as non-intentional or intentional data breaches, including software vulnerabilities and ransomware attacks may cause reimbursement liabilities to customers or other third parties as well as significant reputational harm.

Competition for skillful personnel in the IT sector is increasing. If the company is unable to recruit and retain employees, the quality of its products and services may decrease, which can decrease revenue 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 skilled personnel.

The company configures its products to operate with the customer's existing systems. Delays or unexpected warranty work related to customer projects may create costs and liabilities. Although most of the projects are time and materials based, there are also fixed price projects. Potential customer dissatisfaction could result in compensation claims, negative publicity, and loss of future business.

Investments in international growth such as forward-looking recruitments and ongoing investments in the partner program increase fixed costs. The costs may decrease profitability, if

achieving growth turns out to be harder or slower than expected.

The company is exploring potential targets for mergers and acquisitions (M&A). Risks relating to potential M&A transactions include failure in the integration of the acquired business, failure to retain key personnel, target failing to meet forecasted financial performance as well as claims, disputes and litigation relating to the transaction.

Risks relating to intellectual property rights (IPRs) such as the loss/leaking of own IPRs to others, and breaches of third-party IPR by Efecte are material for 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.

Efecte has entered into agreements with its customers concerning the processing of personal data. A failure to comply with contractual obligations in these agreements, or the requirements of the General Data Protection Regulation more broadly, may lead to significant liabilities or reputational harm.

Efecte operates in several jurisdictions and has customers and other business partners also in additional jurisdictions outside these. Exposure to different legal and tax frameworks heighten the risk of perceived or real non-compliance.

The company's equity stands at a sufficient level if the profitability development continues the planned trajectory. If changes in the operating environment or other factors would weaken the company's profitability, the company may have to strengthen its equity on terms that are not favorable to the company.

Some customer agreements especially in the public sector limit

the Company's pricing power in case of rise in the costs of production. The Company might not be able to pass on increasing production costs in case of rapid inflation or an increase in the company's production costs.

An upsurge in the COVID-19 pandemic could cause delays in customers' and prospective customers' decision making, delays in purchases and cancellation of subscriptions. If many employees or subcontractors are infected by COVID-19 simultaneously, delays in customer projects or lower customer satisfaction could ensue.

PROFIT DISTRIBUTION PROPOSAL

The net profit of the parent company was 110 442.42 euro for the period and the distributable equity of the parent company was 8 119 330.33 euro. The Board of Directors proposes that no dividend is distributed from the financial period of 2021 and the profit is left in equity.

According to its strategy, Efecte will invest substantially in growth in the next few years, due to which the company does not aim to pay dividends for the foreseeable future.

LONG-TERM FINANCIAL TARGETS

Long-term financial targets will be updated during strategy update in March.

GUIDANCE FOR THE YEAR 2022

SaaS net sales is expected to grow over 20% and EBITDA to be positive, excluding any inorganic scenarios.

NEXT EARNINGS RELEASE

Efecte will publish a business review for 1-3/2022 on 29 April 2022.

Efecte Plc
Board of Directors

Additional information:

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CEO Niilo Fredrikson, +358 50 356 7177

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An online briefing for analysts, investors and media will be arranged on Friday 11 February 2021 at 15:00 Finnish time. All participants can register to the webcast online at <https://efecte.videosync.fi/2021-q4/>. The webcast will be held in English and questions can be presented in written form in the webcast portal. A recording of the webcast and presentation materials will be made available afterwards on the company's investor pages at investors.efecte.com.

Efecte will organize its Capital Markets Day 2022 as a webcast on Wednesday, 9 March 2022 starting at 15:00.

You can register to and follow the event here:

<https://efecte.videosync.fi/2022-cmd>.

Efecte Plc

Efecte helps service organizations digitalize and automate their work. Customers across Europe leverage our cloud service to operate with greater agility, to improve the experience of end-users, and to save costs. The use cases for our solutions range from IT service management and ticketing to improving employee experiences, business workflows, and customer service. We are the European Alternative to global players in our space. Our headquarters is located in Finland and we have regional hubs in Germany and Sweden. Efecte is listed on the Nasdaq First North Growth Market Finland marketplace.

www.efecte.com

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Financial Information

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and statement of changes in equity
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1. CONSOLIDATED INCOME STATEMENT, BALANCE SHEET, CASH FLOW STATEMENT AND STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED INCOME STATEMENT

(1 000 EUR)	7-12/2021	7-12/2020	2021	2020
Net sales	9 078	7 495	17 764	14 888
Other operating income	20	287	50	292
Materials and services	-910	-642	-1 832	-1 263
Personnel expenses	-5 457	-4 846	-11 107	-10 126
Other operating expenses	-2 238	-1 803	-3 940	-3 665
EBITDA	494	492	935	126
Other depreciation and amortisation	-258	-232	-485	-439
EBITA	235	260	450	-314
Goodwill amortisation	-9	-9	-19	-19
Operating profit	226	250	431	-332
Financial income and expenses	-5	-3	-9	-31
Profit before income tax	221	247	422	-363
Income tax	-9	-2	-11	-4
Profit for the period	213	245	412	-368

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	12/2021	12/2020
Non-current assets		
Development expenses	1 212	1 131
Intangible rights	156	211
Goodwill	5	24
Other long-term expenses	9	-
Machinery and equipment	106	17
Current assets		
Trade and other receivables (long-term)	52	53
Trade and other receivables (short-term)	2 495	1 885
Cash and cash equivalents	6 508	5 391
Total assets	10 541	8 712
Equity attributable to owners of the parent Company		
Share capital	80	80
Share issue	23	-
Reserve of invested non-restricted equity	11 779	10 895
Retained earnings	-8 573	-8 976
Total equity	3 308	1 999
Current liabilities		
Received advances	3 310	2 943
Trade payables	468	401
Other payables	819	835
Accruals	2 636	2 534
Total liabilities	7 233	6 713
Equity and liabilities	10 541	8 712

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	2021	2020
Cash flows from operating activities		
Profit before income tax	422	-362
Adjustments to profit for the period	504	503
Change in working capital	-89	2 197
Interest and other financial cost paid	-9	-7
Income taxes paid	-11	-4
Net cash from operating activities	818	2 325
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-608	-546
Proceeds from short-term investments	-	1 950
Net cash from investing activities	-608	1 404
Cash flows from financing activities		
Share issues	906	187
Net cash from financing activities	906	187
(Decrease)/increase in cash and cash equivalents	1 117	3 916
Cash and cash equivalents at the beginning of the period	5 391	1 475
Cash and cash equivalents at the end of the period	6 508	5 391

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1000 eur	31.12.2021	31.12.2020
Permanent equity		
Share capital 1.1.	80	80
Share capital 31.12	80	80
Permanent equity in total	80	80
Distributable equity		
Share issue 1.1	-	-
Share issue 31.12	23	-
Reserve of invested non-restricted equity 1.1.	10 895	10 708
Share issue	883	187
Reserve of invested non-restricted equity 31.12	11 779	10 895
Retained earnings 1.1.	-8 976	-8 623
Translation differences	-8	14
Retained earnings 31.12	-8 985	-8 609
Profit (loss) for the period	412	-368
Distributable equity	3 228	1 919
Total equity	3 308	1 999

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)	7-12/2021	7-12/2020	2021	2020
SaaS				
Perpetual licenses	5 692	4 640	10 886	8 806
Maintenance	37	49	44	93
Services	509	512	1 014	1 010
Group total	2 841	2 295	5 820	4 980

2.3 DEVELOPMENT OF NUMBER OF SHARES

	Number of shares
1.1.2020	5 957 488
Exercise of share options	16 002
30.6.2020	5 973 490
Exercise of share options	83 133
31.12.2020	6 056 623
Exercise of share options	28 500
30.6.2021	6 085 123
Exercise of share options	150 750
31.12.2021	6 235 873

On 31 December 2021 Efecte Plc owns 16 404 treasury shares, approx. 0.3% of the total amount of the shares.

2.4 COMMITMENTS

The following tables present the company's commitments not in the balance sheet on 31 December 2021, and 31 December 2020

Guarantees given (thousand euro)	31.12.2021	31.12.2020
Office lease agreements	52	49
Liabilities secured by mortgage	1 000	1 000
Total	1 052	1 049

Lease commitment amounts (thousand euro)	31.12.2021	31.12.2020
During next 12 months	50	92
Later	9	59
Total	59	151

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 a fixed-term office lease agreement the first possible expiration date of which is 31.3.2024. The company's lease liability from this contract is approx. 420 thousand euro.

	31.12.2021	31.12.2020
(thousand euro)		
Payable during the next 12 months	213	212
Payable later	233	420
Total	446	632

3. KEY FIGURES

1000 eur	7-12/2021	7-12/2020	2021	2020
Net Sales	9 078	7 495	17 764	14 888
SaaS	5 692	4 640	10 886	8 806
Licenses	37	49	44	93
Maintenance	509	512	1 014	1 010
Services	2 841	2 295	5 820	4 980
Domestic net sales	6 767	5 674	13 365	11 314
International net sales	2 311	1 821	4 339	3 574
Domestic sales (% of net sales)	75 %	76 %	75 %	76 %
International (% of net sales)	25 %	24 %	25 %	24 %
Recurring revenue	6 200	5 152	11 900	9 815
Recurring revenue (% of net sales)	68 %	69 %	67 %	66 %
SaaS MRR. monthly net sales at the end of the period	992	808	992	808
Net sales growth%	21.1 %	7.8 %	19.3 %	7.6 %
EBITDA	494	492	935	126
EBITDA%	5.4 %	6.6 %	5.3 %	0.8 %
EBITA	235	260	450	-314
EBITA%	2.6 %	3.5 %	2.5 %	-2.1 %

1000 eur	7-12/2021	7-12/2020	2021	2020
Operating profit (EBIT)	226	250	431	-332
Operating profit (EBIT)%	2.5 %	3.3 %	2.4 %	-2.2 %
Earnings for the period	213	245	412	-368
Earnings/share (EPS). eur	0.03	0.04	0.07	-0.06
Equity/share. eur	0.53	0.33	0.53	0.33
Balance sheet total	10 541	8 172	10 541	8 712
Equity	3 308	1 999	3 308	1 999
Net debt	-6 508	-5 391	-6 508	-5 391
Return on invested capital (ROI)%	14 %	28 %	16 %	-16 %
Equity ratio%	46 %	35 %	46 %	35 %
Net gearing%	-197 %	-270 %	-197 %	-270 %
Research and development cost	1 387	1 141	2 630	2 203
Research and development cost,% of net sales	15 %	15 %	15 %	15 %
Number of employees on average during the period	118	102	114	103
Number of employees at the end of the period	125	106	125	106
Number of shares (on average during period, excluding treasury shares)	6 214 470	5 978 885	6 136 005	5 955 842
Number of shares at the end of the period (excluding treasury shares)	6 219 469	5 987 901	6 219 469	5 987 901