

EFFECTE PLC -- FINANCIAL STATEMENTS BULLETIN -- 7 MARCH 2019 at 14.00

### Effecte Plc's Financial Statements Bulletin 2018 - SaaS grew by 24% - Order intake in Germany exceeded one million euro

- Net sales grew by 15% to 12.2 million euro. (17% growth without perpetual licenses)
- SaaS grew by 24% and was 47% of total net sales
- Services grew by 20% and was 38% of total net sales
- Investments into accelerating international growth decreased profitability, as anticipated. EBITDA was -2.0 million euro and operating profit -2.4 million euro
- Growth accelerated in Germany toward year-end and order intake exceeded one million euro
- Guidance: In 2019 SaaS net sales is expected to grow by over 20% and profitability to improve from the comparison period

#### Group key figures

1000 EUR	7-12/2018	7-12/2018	2018	2017
Net sales	6 240	5 577	12 224	10 615
EBITDA	-950	208	-1 988	305
EBITA	-1 134	68	-2 339	41
Operating profit	-1 143	-11	-2 382	-110
Profit for the period	-1 163	-730	-2 419	-841
Profit for the period (adjusted for listing cost)	-1 163	-16	-2 419	-122
Earnings per share, eur	-0.20	-0.16	-0.42	-0.19
Adjusted earnings per share, eur	-0.20	0.00	-0.42	-0.03
Equity per share, eur	0.59	1.02	0.59	1.02
SaaS MRR	523	425	523	425

CEO Niilo Fredrikson:

In 1-12/2018 Effecte's net sales grew by 15% to 12.2 MEUR (10.6 MEUR in 2017). Our current main businesses grew more rapidly: net sales of SaaS grew by 24% and services by 20%. Total growth of net sales was significantly impacted by fluctuation in our old license business: net sales of licenses decreased by 21% and related maintenance decreased by 11%. Without licenses, the growth in 2018 was 17%.

Our main business, cloud services, SaaS, grew steadily the whole year. Monthly recurring SaaS revenue (MRR) was 23% higher than in the previous year-end. In Finland a key factor in growth was expansions by the current customers, either more users or new solution areas.

Our international business generated approx. 15% of our net sales, growing slightly faster than Finland, but below our targets. Especially the development of Sweden and Denmark disappointed, with employee churn being one of the contributing factors.. We selected a new country manager for Sweden in late 2018 and he started before year-end.

In Germany the year was a period of strong investments. Earlier actions started to bear fruit in the last few months of the year and we won several new customers. The total order intake in Germany during the year exceeded one million euro. The orders received in the last few months will start to contribute into net sales from 2019 onward. In 2018 the net sales in Germany tripled to approx. 0.4 MEUR and the growth is expected to continue this year.

The forward-looking growth investments, especially the significant increase in the number of employees in Germany and Sweden, have decreased profitability in the review period, but were necessary for accelerating the international growth.

Year 2018 was in many ways significant for Efecte. Efecte celebrated its 20 years anniversary, and as growth continued, actions were needed to accommodate the new scale. Due to our growth, a significant portion of our employees have started during the last year and a half, which has caused us some operational pains and need for short term training & development actions on culture, processes and technology.

I moved from a board member to CEO in September, and we started the planning work for Efecte's next growth phase. We evaluated strategy, organization and processes, and did the first changes in late 2018. These actions were aimed to bring us benefits also in the short term, especially to accelerate sales in Germany, decrease employee churn and increase cloud operations efficiency. We succeeded in these three goals in the last quarter.

In 2019, we will continue to implement our strategy aiming for international growth. We have also refined our strategy by defining growth of SaaS net sales and customer success as key targets and have modified our long-term financial targets to match this. We will focus on landing our strategy across our organization and will increasingly highlight in our messaging the versatility of our service management offering. We have also defined local service providers as a key customer segment in addition to mid-sized organizations. Successes in 2018 have shown that we are competitive in this segment, and more focus will help us to succeed in international competition.

In addition to actions targeting growth, we will in 2019 continue actions to improve our operational efficiency to better reap the scale benefits from our growth and through that improve our profitability. For example, we will continue to increase automation in our cloud operations and better share our consultancy resources between our countries in cross-border customer deliveries.

I have now served as the CEO for almost half a year. During these first months I have actively met with our customers and employees in different countries. This has further strengthened my belief in Efecte's success, as our product portfolio has potential, we have motivated employees and a strong customer base, together with whom we can continue growth.

#### Long-term financial targets

Efecte aims for over 20% annual organic growth of SaaS net sales on average in 2019 - 2022. 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 2019

In 2019 SaaS net sales is expected to grow by over 20% and profitability to improve from the comparison period.

#### Additional information:

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

## REVIEW ON 7-12/2018

Efecte's net sales in 7-12/2018 were 6.2 million euro and growth was 12%. Growth without perpetual licenses was 16%. EBITDA was -1.0 million euro and operating profit -1.1 million euro.

Net sales by type

Net sales, 1000 EUR	7-12/18	7-12/17	2018	2017
SaaS	3 024	2 456	5 754	4 645
Licenses	184	367	487	615
Maintenance	646	712	1 292	1 453
Services	2 386	2 041	4 691	3 901
Group total	6 240	5 577	12 224	10 615

In 7-12/2018 the main businesses SaaS grew by 23% and services by 17%. Net sales of perpetual licenses decreased by 50% from previous year and related maintenance decreased by 9%. In the fourth quarter the growth was 18% without perpetual licenses.

In Finland the business grew in a stable fashion. Sweden developed weaker than our expectations and we changed the country manager there.

In Germany the marketing and sales activities started to bear fruit toward the year-end, and we won several good new customers, whose impact on net sales will materialize from 2019 onward. Thanks to the good performance in the last few months, the total order intake for the whole year exceeded one million euro.

The profitability in the latter year-half was negatively affected by approx. 0.2 MEUR costs related to the new CEO and the change of the country manager in Sweden.

## YEAR 2018

### EFFECTE IN BRIEF

Efecte is a Finnish software company offering cloud-based Service Management solutions and related supportive professional services. 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. The company was established in 1998 and is listed on the Nasdaq First North Helsinki marketplace. Efecte operates in Finland, Sweden, Germany, and Denmark.

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 1-12/2018 were 12.2 million euro (1-12/2017: 10.6 million euro). Net sales by type were: SaaS 5.8 MEUR (4.6 MEUR), Services 4.7 MEUR (3.9 MEUR), licenses 0.5 MEUR (0.6 MEUR) and Maintenance 1.3 MEUR (1.5 MEUR).

Net sales for cloud-based solutions continued to grow substantially. SaaS grew by 24% and Services grew by 20%. Net sales of perpetual licenses decreased by 21% and related maintenance decreased by 11%. Total growth of net sales was 15%. Without licenses the growth was 17%.

The international net sales grew slightly more rapidly than net sales in Finland and the foreign subsidiaries generated 1.8 MEUR (1.5 MEUR) net sales, corresponding to 15% of total net sales (14%).

The recurring revenue (SaaS and maintenance) was 7.0 MEUR (6.1 MEUR), corresponding to 58% of the net sales (58%).

Efecte's EBITDA was -2.0 MEUR (0.3 MEUR) and operating profit was -2.4 MEUR (-0.1 MEUR). Forward-looking growth investments, e.g. recruited employees, affected profit negatively. However, the recruitment pace was kept only moderate during the year as the net sales growth was below the original plans.

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 -2.4 MEUR, while it was -0.8 MEUR last year.

The order intake in the review period was 11.4 MEUR (11.9 MEUR). Orders having positive impact on net sales (new customers, expansions of current customers) were 8.8 MEUR (9.1 MEUR).

## FINANCE AND INVESTMENTS

At the end of the reporting period Efecte's balance sheet totaled 7.6 MEUR (12/2017: 9.3 MEUR). Equity ratio was 59% (12/2017: 71%) and net gearing was -123% (12/2017: -109%).

The financial loans were 0.0 MEUR (12/2017: 0.0 MEUR) at the end of reporting period. The company's cash and liquid assets were 4.2 MEUR (12/2017: 6.1 MEUR). The interest-bearing net debt was -4.2 MEUR (12/2017: -6.1 MEUR).

Cash flow from operating activities for the reported period was -1.7 MEUR (0.5 MEUR) and cash flow from investing activities was 0.4 MEUR (-3.3 MEUR). Investments in tangible and intangible assets were 0.4 MEUR (0.5 MEUR) and mainly were activated R&D expenses.

## BUSINESS DEVELOPMENTS

During 2018 our cloud business developed positively. SaaS and services net sales grew well but did not quite fully compensate for the decreasing impact of perpetual licenses and maintenance. Thus our total growth was below our long-term targets. Slower than expected progress in some large implementation projects, relatively high share of new employees as well as well employee churn in the early part of the year have contributed to that. Partially also changes in customers' own ramp-up schedules have impacted negatively on our net sales. Investments into international business did not yet fully contribute to the net sales growth, although the development in Germany was good toward the year-end.

Business in Finland developed in a stable fashion. Thanks to our strong market position the main part of the order intake is expansions by the current customers, either more users or expanding the usage of our solutions to new fields, e.g. for steering other business process of the customer.

The focus of our growth investments was on Germany during the year, and net sales there tripled to approx. 0.4 MEUR. During the early part of year we improved our brand awareness in Germany and built the sales prospect base. CEO Sakari Suhonen worked in Germany to promote the business there. However, order intake developed slower than anticipated, but accelerated toward year-end. In the second year-half we also improved our capabilities to quickly and efficiently demonstrate our solutions for local customers. In the last quarter we won several new deals that will impact on net sales since early 2019 onward. Total order intake during the year exceeded one million euro thanks to both our own sales and our partners. We will partially base our growth in Germany and nearby areas on partners also in future.

In 2019 we will also focus more on developing the consulting services in Germany, in addition to developing the sales. The new customers won in 2018 are from different industries like health care, banking, professional services, marketing services and IT services, which shows the versatile demand for Efecte's solutions also in the German market.

Developments in Sweden and Denmark in 2018 did not match our expectations. Employee churn affected our business negatively and growth fell clearly short of our targets. We have renewed our organization in

Sweden during 2018 and start year 2019 with a new country manager. We have also decided to combine Efecte Denmark operations to the Swedish organization and will manage Denmark via Sweden.

The number of employees has increased rapidly, and the organization has been developed to match the needs of growing business. We continue to develop our methods, processes and organization so that they support the current phase of our business development as well as possible. During this year we will focus not only on growth, but also on actions ensuring scalability of our business in order to get the financial benefits from the growth. Growth in the employee headcount and in the number of customers requires continuous development of our processes, methods and organization in order to ensure both the customer satisfaction and the employee satisfaction.

Efecte seeks to strongly accelerate the international growth and especially Germany and Sweden have been in focus of forward-looking investments, which decreases profitability in near future.

International growth will likely develop in stages for the next few years, as typical new customer agreements are relatively large compared to the current size of the local business, especially in Germany

We seek to win new customers in all our markets, and especially in Germany the orders are mainly from new customers. In addition to winning new customers, the sales efforts have also focused on further sales of Efecte's whole offering to the existing customers. The current customers are believed to offer significant growth potential, as typically a new customer initially uses only some of Efecte's solutions and expands usage later. Expansions by current customers made approx. half of the order intake in the period.

## **EMPLOYEES**

The number of employees was 104 persons at the end of the reporting period (96). 80 employees were based in Finland (74), 10 in Sweden (12), 2 in Denmark (2) and 12 in Germany (8). The average number of employees during the period was 103 (77).

Milla Kuosmanen and Topias Marttila were appointed to the leadership team during the year.

Efecte performed well in the Great Place to Work study in late 2018 and was ranked as 29th in the mid-sized companies series in Finland.

## **MARKET OUTLOOK**

Based on research organisations, the markets related to Efecte's main offering, IT Service Management (ITSM) and Identity and Access Management (IAM) are expected to grow strongly in Efecte's target markets in Europe.

The European cloud based ITSM market is expected to grow annually by 15% on average in 2016-2021. The small and medium sized companies' market is expected to grow annually by 21% on average, and the large enterprise market by 14% on average. The average annual growth in 2016-2021 is expected to be 15% for software and 18% for services.

The global cloud-based IAM market is expected to grow annually by 24% on average in 2016-2021. The European market is expected to grow annually by 22% on average in 2016-2021.

## **RESEARCH AND DEVELOPMENT**

Research and development actions were focused on extending the enterprise service management capabilities of the Efecte's service management solution. The IT Service Management solution was updated to the latest industry standards, and the solution received the PinkVerify certification, the globally recognized certification issuer for ITSM tools. The HR Service Management solution was also significantly enhanced in close co-operation with existing customers. Furthermore, Efecte added new capabilities to its solution enabling customers to meet the GDPR requirements for the anonymization and archiving of personal data. Also a new Identity Governance & Administration solution has been under development and is planned to be launched in 2019. Cloud operations' processes and efficiency has been developed to match the grown number of customers.

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 utilised commercially and is expected to generate economic benefits in future.

Group's research and development costs in 2016-2018:

Million euro	2018	2017	2016
Research and development costs	1.9	1.6	1.5
Research and development costs, % of net sales	15.9	15.3	17.6

## ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting held on 5 April 2018 adopted the financial statements for 1.1.-31.12.2017 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 2017.

The 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 60% will be paid in cash. The share compensation, in total 8807 shares, was paid to the board members in June.

Pertti Ervi, Niilo Fredrikson, 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 Chairman.

Niilo Fredrikson has been the CEO since 24 September 2018 and resigned from the board on the same date.

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

## CEO CHANGE

The company announced on 25 May 2018 that the CEO Sakari Suhonen will leave the company, and his employment ended in August. CFO Hannu Nyman acted as the interim CEO in July-September. Niilo Fredrikson has been the CEO since 24 September 2018 and resigned from Efecte's board on the same date.

## SHARES AND TRADING

The company has one share series and all shares have similar rights. At the end of the review period Efecte Plc's share capital consisted of 5 813 988 shares. The company owned 4 753 treasury shares, approx. 0.1 % of the total amount of the shares.

The company's share has been trading on the First North marketplace. During the review period the highest share price was 7.00 euro, the lowest price 3.75 euro and the closing price 3.86 euro. The market value of shares was 22.4 MEUR at the end of the period excluding the treasury shares.

## SHAREHOLDERS

The company had a total of 1504 owners on 31 December 2018. The list of the largest owners can be found in the company's web site.

10 largest shareholders as of 31 December 2018:

	Shareholder	Shares	%
1	First Fellow Oy	1 010 499	17,4
2	Oy Fincorp Ab	722 332	12,4
3	Stadigh Kari	334 546	5,8
4	Innovestor Kasvurahasto I Ky	298 992	5,1
5	Ilmarinen pension insurance	290 909	5,0
6	Montonen Markku	263 571	4,5
7	Aktia Nordic Micro Cap mutual fund	184 545	3,2
8	Sarkkinen Jussi-Pekka	183 015	3,1
9	OP-Suomi Mikroyhtiöt	154 433	2,7
10	Havacment Oy	121 107	2,1

The ownership of the board members, CEO and their controlled corporations totaled approx. 5.0%. Additionally, CEO has options for approx. 1.0% of shares.

### THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 5 April 2018 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 authorisation is effective until the next Annual General Meeting, however, at the latest until 30 June 2019.

The Annual General Meeting held on 5 April 2018 authorized the Board of Directors to offer a maximum of 800,000 shares through a share issue in one or several instalments. The Board may decide to issue new shares or shares held by the company. The authorisation includes the right to issue shares through private offering, in other words, to deviate from the shareholders' pre-emptive right subject to the requirements set forth in the law and the right to issue shares against payment or without charge. Under the authorisation, the Board of Directors will be entitled to decide on the terms and conditions of any share issue, including the recipients of the shares and the compensation to be paid. This authorisation can be exercised for purposes determined by the Board of Directors. The authorisation is effective until the next Annual General Meeting, however, at the latest until 30 June 2019.

### 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 31.12.2020. The subscription price of a share is 0.58 euro. 225 387 shares were subscribed during the period, and a total of 293 895 shares have been subscribed by 31.12.2018. There are 32 035 unused options that can be used to subscribe 96 105 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 25 500 are allocated), B series 45 000 options (25 500 allocated), C series 30 000 options (26 500 allocated) and D series 15 000 options (all allocated). Each option entitles to subscribe three new shares.

The share subscription period for the options is 30.4.2017-31.12.2020. The right to subscribe shares begins with the following schedule: A series vests on 30.4.2017, B series on 30.4.2018 and C series 30.4.2019. D series vests on 30.4.2020 with the following conditions: of D options a) 50% if Efecte's international net sales in 2019 exceed 3.2 million euro, b) 75% if it exceeds 4.0 million euro and c) 100% if it exceeds 4.7 million euro.

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. 64 500 shares have been subscribed with the options during the period.

### **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 will be allocated in 2019 and C series in 2020. In connection to the 2018 option program, the board has set a share-ownership requirement for the participants.

### **LEGAL PROCESSES**

The company has settled the dispute with a German headhunting company and the 55 KEUR cost impact is included in the review period's result.

### **ASSESSMENT OF RISKS AND UNCERTAINTIES**

Reliable service delivery to customers is essential in cloud-based business. There are risks related, for example, to the functionalities of the software, to the cloud operations by the company, and to the outsourced computing capacity and network connections. Possible disruptions in the service can lead into decrease in customer satisfaction, which may lead into decreases in net sales and profitability.

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

The company's research and development activities as well as the service delivery are based on skillful personnel. If the company is unable recruit and retain skillful employees, the quality of the services may decrease, which can decrease net sales and profitability.

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.

### **PROFIT DISTRIBUTION PROPOSAL**

The net profit of the parent company was -980 045.12 euro for the period and the distributable equity of the parent company totals 8 264 113.09 euro. The board of directors proposes that no dividend is distributed from the financial period of 2018 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 2019 - 2022. 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**

In 2019 SaaS net sales is expected to grow by over 20% and profitability to improve from the comparison period.



**NEXT EARNINGS RELEASE**

Efecte will publish a business review for 1-3/2019 on 8 May 2019 and the half-yearly report 1-6/2019 on 21 August 2019.

Efecte Plc  
Board of Directors

## Additional information:

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A briefing for analysts, investors and media will be arranged on Friday 8 March 2019 at 11.00 at Hotel Scandic Simonkenttä, Simonkatu 9, Helsinki.

Participants are kindly requested to register by phone +358 50 306 9913 or by e-mail:  
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[www.efecte.com](http://www.efecte.com)

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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)	7-12/18	7-12/17	2018	2017
Net sales	6 240	5 577	12 224	10 615
Other operating income	2	0	2	0
Materials and services	-631	-462	-1 151	-1 043
Personnel expenses	-4 717	-3 335	-9 356	-6 502
Other operating expenses	-1 844	-1 572	-3 706	-2 766
EBITDA	-950	208	-1 987	305
Other depreciation and amortisation	-183	-141	-351	-263
EBITA	-1 134	68	-2 339	41
Goodwill amortisation	-9	-6	-19	-6
Group goodwill amortisation	0	-73	-24	-145
Operating profit	-1 143	-11	-2 382	-110
Financial income and expenses	-15	-719	-32	-731
Profit before income tax	- 1 158	-730	-2 414	-841
Income tax	-5	0	-5	0
Profit for the period	-1 163	-730	-2 419	-841
Profit for the period, adjusted for IPO cost	-1 163	-11	-2 419	-122

**CONSOLIDATED BALANCE SHEET**

(1 000 EUR)	12/2018	12/2017
<b>Non-current assets</b>		
Development expenses	991	925
Other intangible assets	11	13
Goodwill	61	79
Group goodwill	0	24
Machinery and equipment	39	36
<b>Current assets</b>		
Inventories, work in progress	2	95
Trade and other receivables (long-term)	53	46
Trade and other receivables short-term)	2 276	2 027
Short-term investments	2 182	3 000
Cash and cash equivalents	2 027	3 098
<b>Total assets</b>	<b>7 643</b>	<b>9 344</b>
<b>Equity attributable to owners of the parent Company</b>		
Share capital	80	80
Reserve of invested non-restricted equity	10 588	10 356
Other reserves	0	0
Retained earnings	-7 249	-4 822
<b>Total equity</b>	<b>3 419</b>	<b>5 614</b>
<b>Current liabilities</b>		
Loans and borrowings	0	0
Received advances	1 858	1 435
Trade payables	467	410
Other payables	750	673
Accruals	1 150	1 211
<b>Total liabilities</b>	<b>4 224</b>	<b>3 729</b>
<b>Equity and liabilities</b>	<b>7 643</b>	<b>9 344</b>

**SUMMARY CONSOLIDATED CASH FLOW STATEMENT**

(1 000 EUR)	2018	2017
<b>Cash flows from operating activities</b>		
Profit for the period	-2 415	-841
Adjustments to profit for the period	419	1 144
Change in working capital	331	249
Interest and other financial cost paid	-15	-14
Interest and other financial income received	5	2
Income taxes paid	-5	-
<b>Net cash from operating activities</b>	<b>1 680</b>	<b>539</b>
<b>Cash flows from investing activities</b>		
Acquisition of tangible and intangible assets	-419	-501
Investments to short-term investments	-1 600	-3 000
Proceeds from short-term investments	2 396	250
<b>Net cash from investing activities</b>	<b>377</b>	<b>-3 251</b>
<b>Cash flows from financing activities</b>		
Share issues	231	5 694
Acquisition of treasury shares	-	-1
Repayments of non-current borrowings	-	-171
IPO costs	-	-719
Dividends paid to the owners of the parent company	-	-
<b>Net cash from financing activities</b>	<b>231</b>	<b>4 803</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>-1 071</b>	<b>2 091</b>
<b>Cash and cash equivalents</b>		
at the beginning of the period	3 098	1 007
Cash and cash equivalents at the end of the period	2 027	3 098

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

1000 eur	31.12.2018	31.12.2017
Permanent equity		
Share capital 1.1.	80	11
Capitalisation issue	-	69
Share capital 31.12.	80	11
Legal reserve 1.1.	-	0
Share issue	-	-0
Legal reserve 31.12.	-	0
Permanent equity in total	<u>80</u>	<u>80</u>
Distributable equity		
Reserve of invested non-restricted equity 1.1.	10 356	4 733
Capitalisation issue	-	-69
Share issue	231	5 694
Acquisition of treasury shares	-	-1
Reserve of invested non-restricted equity 31.12.	<u>10 588</u>	<u>10 356</u>
Retained earnings 1.1.	-4 822	-3 979
Translation differences	-8	-2
Retained earnings 31.12.	-4 830	-3 981
Profit (loss) for the period	-2 419	-841
Distributable equity	<u>3 338</u>	<u>5 534</u>
Total equity	<u><u>3 419</u></u>	<u><u>5 614</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)	7-12/18	7-12/17	2018	2017
SaaS	3 024	2 456	5 754	4 645
Perpetual licenses	184	367	487	615
Maintenance	646	712	1 292	1 453
Services	2 386	2 041	4 691	3 901
Group total	<u>6 240</u>	<u>5 577</u>	<u>12 224</u>	<u>10 615</u>

## 2.3 Development of number of shares

	<u>Number of shares</u>
1.1.2017	1 483 531
30.6.2017	1 483 531
Exercise of share options	2 500
Share split	2 972 062
Exercise of share options	31 008
Initial public offering	1 035 000
31.12.2017	5 524 101
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

On 31.12.2018 Efecte Plc owns 4 753 treasury shares, approx. 0.1% of the total amount of the shares.

## 2.4 Commitments

The following tables present the company's commitments not in the balance sheet on 31.12.2018 and 31.12.2017.

Guarantees given	<u>31.12.2018</u>	<u>31.12.2017</u>
	(thousand euro)	
Office lease agreements	42	42
Liabilities secured by mortgage	1 000	1 000
Total	1 042	1 042

Lease commitment amounts	<u>31.12.2018</u>	<u>31.12.2017</u>
	(thousand euro)	
During next 12 months	146	167
Later	206	265
Total	352	432

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 1.7.2017 and the agreement can be terminated with a termination period of nine months and one-time payment of six months. The monthly rent is approx. 19 thousand euro. The company's lease liability from this contract is approx. 290 thousand euro.

	<u>31.12.2018</u>	<u>31.12.2017</u>
	(thousand euro)	
Payable during the next 12 months	314	296
Payable later	63	293
Total	377	589

## 3. Key figures

1000 eur	7-12/2018	7-12/2017	2018	2017
Net Sales	6 240	5 577	12 224	10 615
SaaS	3 024	2 456	5 754	4 645
Licenses	184	367	487	615
Maintenance	646	712	1 292	1 453
Services	2 386	2 041	4 691	3 901
Domestic net sales	5 349	4 813	10 374	9 102
International net sales	891	764	1 849	1 513
Domestic sales (% of net sales)	86 %	86 %	85 %	86 %
International (% of net sales)	14 %	14 %	15 %	14 %
Recurring revenue	3 670	3 169	7 045	6 099
Recurring revenue (% of net sales)	59 %	57 %	58 %	57 %
SaaS MRR, monthly net sales at the end of the period	523	425	523	425
Net sales growth %	11.9 %	-	15.2 %	27.5 %
EBITDA	-950	208	-1 988	305
EBITDA %	-15.2%	3.7%	-16.3%	2.9 %
EBITA	-1 134	68	-2 339	41
EBITA %	-18.2%	1.2%	-19.1%	0.4 %
Operating profit (EBIT)	-1 143	-11	-2 382	-110
Operating profit (EBIT) %	-18.3%	-0.2%	-19.5%	-1.0 %
Earnings for the period	-1 163	-730	-2 419	-841
Adjusted earnings for the period	-1 163	-16	-2 419	-122
Earnings/share (EPS), eur	-0.20	-0.16	-0.42	-0.19
Equity/share, eur	0.59	1.02	0.59	1.02
Adjusted earnings/share (EPS), eur	-0.20	0.00	-0.42	-0.03
Balance sheet total	7 643	9 344	7 643	9 344
Equity	3 419	5 614	3 419	5 614
Net debt	-4 209	-6 098	-4 209	-6 098
Return on invested capital (ROI) %	-57 %	-1 %	-53%	-3 %
Equity ratio %	59 %	71 %	59 %	71 %
Net gearing %	-123 %	-109 %	-123 %	-109 %
Research and development cost	937	759	1 944	1 624
Research and development cost, % of net sales	15%	14 %	16%	15 %
Order intake	4 827	4 900	11 410	11 866
Number of employees on average during the period	103	85	103	77
Number of employees at the end of the period	104	96	104	96
Number of shares (on average during period)	5 806 463	4 437 783	5 704 025	4 516 679
Number of shares at the end of the period	5 809 235	5 510 541	5 809 235	5 510 541

Share-based key figures have been calculated as adjusted for 1:3 split that was done in October 2017.

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