

EFFECTE PLC -- HALF-YEAR REPORT -- 18 AUGUST 2020 at 9:30

Efecte Plc's Half-Year Report 1-6/2020 - strong SaaS growth continued

4-6/2020:

- SaaS grew by 24% and international SaaS by 69%
- EBITDA was -0.1 million euro (-0.4) and operating profit -0.2 million euro (-0.5)
- EBIT profitability improved from -14% to -5%
- Solid operational execution led to strong SaaS growth and bottom line performance
- COVID-19 impacted services revenue (-4% YoY) as expected, and on the other hand brought cost savings that temporarily improved profitability in Q2

1-6/2020:

- SaaS grew by 22% and international SaaS by 65%
- EBITDA was -0.4 million euro (-0.8) and operating profit -0.6 million euro (-1.0)
- EBIT profitability improved from -14% to - 8%

Guidance for 2020:

SaaS net sales is expected to grow between 20-25% and profitability to improve from the comparison period.

Group key figures

1000 EUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	2019
Net sales	3 701	3 432	7 393	6 884	13 839
EBITDA	-69	-387	-366	-806	-998
EBITA	-173	-471	-573	-975	-1 377
Operating profit	-178	-476	-583	-984	-1 396
Profit for the period	-179	-465	-612	-958	-1 373
Earnings per share, eur	-0.03	-0.08	-0.10	-0.16	-0.23
Equity per share, eur	0.27	0.43	0.27	0.43	0.37
SaaS MRR	747	587	747	587	640

CEO Niilo Fredrikson:

COVID-19 and the changing market environment during the second quarter posed a serious test for Efecte. Delivering strong SaaS growth and significantly improving profitability during a turbulent quarter is testimony to the dedication of our team. I want to extend special thanks to everybody at Efecte for staying focused and making it happen in the middle of many distractions.

While operational execution was the highlight of the quarter, we made also important progress advancing our strategy. We help service organizations digitalize and automate their work and are the European Alternative to the global goliaths in this space. This basic proposition is now more and more integrated in our messaging and resonating with customers and partners alike. The launch of our partner program in June and continued development of our digital go-to-market capabilities form the foundation for further scaling of Efecte's business across Europe.

Customer buying behavior evolved during the pandemic, with demand for SaaS remaining healthy, services demand softening, and digital customer journeys increasing in importance. Accordingly, we adjusted our sales approach and services organization, led by our new COO Steffan Schumacher. Reacting early and executing prudently helped us deliver solid results. In accordance with our strategy, we focus on growing our SaaS net sales, and we believe that the now seen decline of the share of services will continue.

Good execution in the DACH region continued, including winning a significant customer in the logistics industry and multiple customers starting successfully production use of Efecte. In DACH as well as Scandinavia, both SaaS and net sales grew over 50% during Q2 compared to Q2/2019. Finland delivered a strong quarter too in terms of SaaS growth, marked by many existing customers expanding their relationship with Efecte. Overall, almost half of our year-over-year SaaS Monthly Recurring Revenue (MRR) growth came from existing customers.

Based on the strong half-year results and outlook for the second half, we are well positioned to reach our guidance for the full year. The market remains however unpredictable, and we expect we need to stay fully focused to make it happen. A key milestone in Q3 will be our digital customer event on 22-23 September 2020, and any interested analysts, investors and media are also welcome to join (see www.efecte.com for details).

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

NET SALES AND PROFIT

Net sales by type

Net sales, 1000 EUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	2019
SaaS	2 158	1 746	4 166	3 408	7 094
Licenses	25	30	44	147	185
Maintenance	230	317	498	646	1 287
Services	1 287	1 340	2 685	2 684	5 272
Group total	3 701	3 432	7 393	6 884	13 839

Efecte's net sales in 1-6/2020 were 7.4 million euro and growth was 7%. International net sales grew significantly. The foreign subsidiaries generated 1.8 million euro (1.1) net sales, corresponding to 24% of total net sales (16%).

Net sales for cloud-based solutions continued to grow well as SaaS grew by 22%. Services net sales was at the same level with the comparison period. Net sales of perpetual licenses decreased in line with our strategy by 70% and related maintenance decreased by 23%. Our total recurring revenue (SaaS and maintenance) amounted to 4.7 million euro (4.1), corresponding to approximately 63% of net sales (59%).

SaaS MRR was 747 thousand euro in the end of June, growing 27% year-over-year. Of that growth, 12 percentage points came from existing customers (net churn -12%) and 15 percentage points from new customers since 6/2019.

Services net sales development was impacted by COVID-19 as expected. However, even without the pandemic, services growth would not have been more than single digit level. Part of our strategy is to focus on growing our SaaS business. To support that, we are constantly developing our offering to be truly "Software as a Service". One example of this are our new Plus and Premium service level offerings, which generated 0.1 million euro of SaaS net sales during the review period. SaaS formed already 58% of total net sales in Q2.

Efecte's EBITDA was -0.4 million euro (-0.8) and operating profit was -0.6 million euro (-1.0). Profitability improved as growth brought economies of scale, foreign net losses shrank and our cost saving measures helped keep costs down. However, some of the factors behind the profitability improvement such as the cost saving measures and other COVID-19 related cost reductions such as lower travel costs, may turn out to be temporary.

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 -0.6 million euro, while it was -1.0 million euro last year.

FINANCE AND INVESTMENTS

At the end of the reporting period, the balance sheet for Efecte group totaled 8.4 million euro (8.2). Equity ratio was 33% (49%) and net gearing was -266% (-195%).

At the end of reporting period, the Company's financial loans were 0 euro (0). The company's cash and liquid assets were 4.2 million euro (5.0).

Cash flow from operating activities for the reported period was 1.1 million euro (0.8) and cash flow from investing activities was 1.6 million euro (-1.0). Investments in tangible and intangible assets were 0.3 million euro (0.2) and were mainly activated R&D expenses and deployment costs for the new ERP system.

During the reporting period, 1.9 million euro were redeemed from short-term investments and turned into cash.

BUSINESS DEVELOPMENTS

During the first half of the year we developed our offering, go-to-market and organization to meet the changing needs and preferences of customers. At the same time, we put a lot of focus on operational excellence to be able to help our customers and continue to grow in the middle of exceptional market circumstances.

In all our markets, we helped new customers get successfully into production with their Efecte environments and helped existing customers expand their Efecte usage and further improve their return on the investment in the Efecte platform. Adopting fast a fully remote way of working, developing new ways to deliver for example training and consulting services remotely and adopting our sales approach were key to helping our customers succeed and at the same time also deliver growth and improved profitability.

During the first half of 2020, SaaS net sales grew by 22% and international SaaS growth was at 65%. We saw the decline in our maintenance business accelerate and expect it to continue to decline. Our license business is driven by a few customers with on-premise requirements and we expect the market trend favoring SaaS to continue. Consistent demand from existing customers was an important growth driver, with almost half of our MRR growth attributable to expansion sales. We signed new customers in all our markets, including a significant German company in the logistics industry and winning the Meidän IT ja Talous (MEITA) public tender in Finland. Overall, we signed 8 new customers during the review period.

International markets both in Scandinavia and DACH continued to grow well. As a consequence, our international net sales grew already to constitute 24% of our total net sales (16%). Norman Rohde joined Efecte in June and took over as the new country manager in the DACH region. Our market awareness in DACH is increasing and we were extremely proud to be the first vendor to receive the independent "Serview CERTIFIEDTOOL" -award for all of the 19 ITSM ITIL4 practices and associated processes by SERVIEW, a German-based independent management consultancy.

The first half of the year was marked by changes in customer demand and preferences. Demand for SaaS remained healthy, services demand was softened, and digital customer journeys increased in importance. These changes were accelerated by the COVID-19 pandemic, but they can also be seen as a longer term continuum where customers favor packaged SaaS solutions that can be procured and deployed fast with a competitive return on investment.

We accelerated the development of our digital go-to-market capabilities. This is an important foundational element for scaling further across Europe, and helps us also increase sales and marketing reach amongst existing customers. In addition to the adjustments in sales and marketing, we also reorganized and streamlined our services and support functions to better match the current market environment and aiming at delivering a five-star customer experience to every Efecte customer.

Efecte's partner ecosystem is crucial to support our local and international growth strategy, and the launch of our new partner program in June was an important milestone. The partner program provides new and existing partners an opportunity to differentiate in the market with Efecte through better agility, customer experience, and total cost of ownership. We are exploring possibilities to expand our partner ecosystem further, including European countries outside our current geographical scope.

In our Services business we are continuing to build high value packaged solution offerings that help our customers to adopt Efecte solutions as the platform of choice with a competitive total cost of ownership. These offerings will also help our expanding partner ecosystem to deliver high quality customer projects across our customer base. Customers expect agile deployment projects with fast time-to-value. We also started our first project with an "alliance model", where the customer, an Efecte partner, and Efecte work together sharing responsibility for the outcomes of the project.

We are continuing the digitalization and automation of our customer journey with the goal of providing our customers digital platforms and content to help expand the usage of Efecte solutions to services beyond IT Service Management to areas such as HR, finance, and customer service. Customer satisfaction has been a specific focus and we have improved our customer management processes, support, and implemented operations improvements and established Customer Advisory boards across all of our core markets. We measure our customer success through several points across the customer journey and have been seeing improved results and better customer engagement.

A key focus during the period was operational effectiveness including tight cost control, improved productivity and overall operational excellence. One important aspect of this is ensuring the privacy and security of our customers' data. As an external validation of our current operating practices, we achieved the ISO 27001 information security management certification in June, giving customers additional comfort that we operate according to highest standards also in this regard.

EMPLOYEES

The employee count excluding summer trainees at the end of the review period was 100 (106). Of these, 82 (84) were in Finland, 7 (9) in Sweden and 11 (13) in Germany. The average number of employees during the period under review was 104 (105).

Efecte performed well in the Great Place to Work study in late 2019 and during the review period it was announced that we ranked 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 review period.

During 29 April 2020 –14 May 2020, we held co-determination negotiations in Finland to discuss measures to address circumstances caused by COVID-19 and to reorganize to adapt to the new market situation. As a result of the negotiations, role and organizational changes as well as part-time layoffs were implemented. In addition, a total of five employments were terminated.

During the period, Steffan Schumacher joined as Chief Operating Officer, assuming responsibility for our new field organization including sales, marketing and services (deliveries and support). Country Managers report now to Steffan Schumacher and are part of the extended leadership team.

The company's leadership team composition after the end of the review period was the following: Niilo Fredrikson (CEO), Taru Mäkinen (CFO), Niina Hovi (people and culture), Steffan Schumacher (sales, marketing and services), Topias Marttila (technology) and Peter Schneider (products).

MARKET OUTLOOK

IT Service Management (ITSM) platforms are an enabler for digital transformation as servicification (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. More and more organizations are becoming service driven.

We expect the market for cloud based ITSM solutions to continue on a strong growth trajectory. The impact of the COVID-19 pandemic remains however unclear. Market analysts' growth estimates for the global cloud-based ITSM market for 2020 to 2025 (released before the pandemic) have been varying between 16% and 20% annually. In Europe, growth has been expected to be as fast or slightly faster than globally. The global market is mainly dominated by American companies but Efecte is mentioned on various analysts' reports as a challenger, and we will continue to pursue the market as the European Alternative to the global goliaths.

Global growth in the company's second business area, identity and access management (IAM), has been estimated to range between 24% and 26% annually for the following five years. In Europe, market analysts expect growth 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. Also here the impact of the pandemic is unclear, as it is on one hand increasing demand for solutions enabling remote work, like IAM, but at the same time general economic uncertainty can impact demand in the opposite way.

During the first half of 2020, we saw customers' decision making slowing down as the pandemic expanded. Especially demand for services slowed down significantly. Customer activity started to increase towards the end of the period, especially around SaaS, but we expect the market to remain softer for services and overall unpredictable for the foreseeable future.

RESEARCH AND DEVELOPMENT

Efecte has been extending its solution offering adding Financial Operations Management, Enterprise Contract Management, Project Management, and Crisis Ops to its portfolio running on the Efecte Platform. Efecte

delivered significant improvements to the solution development capabilities for customers on the Efecte platform enabling agile and controlled transport of innovations from development, to test, and then to production environments.

Efecte's R&D invested significant time and effort in user experience upgrades during the review period working on refreshing user interfaces to a modernized look and feel. The results of the user experience upgrades are targeted to be released during the second half of 2020. Additional development efforts have supported our internationalization efforts, for example through the development of better support for multi-language configurations.

We aim also to further improve user experience by adding augmented intelligence into our platform. The planned feature set will help support agents by providing useful data and suggestions based on the ticket history. These suggestions could include similar previous tickets, categorization suggestions, etc. We believe that by reducing the manual work of ticket resolution, we will improve both user experience and productivity of the support agent. We plan to invest in this area long-term, with the first augmented intelligence features scheduled to be launched during this year.

Efecte's research and development costs during the review period totaled 1.1 million euro (1.0). In addition, 0.3 million euro (0.2) was capitalized and 0.1 million euro (0.0) was covered through public funding from Business Finland. As described in our Business review on 1-3/2020, Business Finland has granted Efecte funding for two separate projects that totals 0.3 million euro, towards which 0.1 million of costs were incurred during the review period. Research and development actions are performed in Efecte Finland Oy. In addition to own personnel, subcontractors are used to increase flexibility and cost efficiency.

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting held on 22 April 2020 adopted the financial statements for 1 January - 31 December 2019 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 2019.

The Annual General Meeting decided that the Chairman of the Board is paid EUR 3 090 per month and the other members of the Board of Directors will be paid EUR 1 545 per month each. Approximately 40% of the remuneration was paid in Efecte Plc's shares and approximately 60% in cash.

Pertti Ervi, Turkka Keskinen, Kari J. Mäkelä and Päivi Rekonen were re-elected as members of the Board of Directors. Brigitte Falk and Esther Donatz were elected as new 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 5 973 490 shares. The company owned 24 289 treasury shares, approx. 0.4% 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 6.64 euro, the lowest price 3.90 euro and the closing price 4.66 euro. The market value of shares was 27.7 million euro at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 1 279 owners on 30 June 2020. 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 30 June 2020:

	Shareholder	Shares	%
1	First Fellow Oy	1 010 499	16.9
2	Oy Fincorp Ab	778 667	13.2
3	Sijoitusrahasto Aktia Nordic Micro Cap	325 530	5.4
4	Mandatum Henkivakuutusosakeyhtiö	306 649	5.1
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	209 775	3.5
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 3.1%. 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 6.2% of all shares.

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting held on 22 April 2020 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 2021.

The Annual General Meeting held on 22 April 2020 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. 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 2021.

OPTION PROGRAMS

Option program 2011

Option program 2011 consists 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 30 June 2020 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, of which vested 11 250). Each option entitles to subscribe three shares.

The share subscription period for the options is 30 April 2017-31 December 2020. The right to subscribe shares has the following schedule: A series vested on 30 April 2017, B series on 30 April 2018 and C series on 30 April 2019 and D series options vested on 30 April 2020. In accordance with the vesting conditions defined by the Board of Directors, the vesting rate of D series was 75%.

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 30 June 2020 a total of 139 000 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 euro/share and subscription period of 2 May 2021-31 May 2022; B series of 140 000 options with subscription price of 5.00 euro and subscription period of 2 May 2022-31 May 2023; and C series of 140 000 options with subscription price of 4.39 euro and subscription period of 2 May 2023-31 May 2024. A series options have been allocated in 2018, B series in 2019 and C series in May-June 2020. In connection to the 2018 option program, the Board of Directors has set a share-ownership requirement for the participants.

EVENTS AFTER PERIOD-END

The company issued a positive profit warning and updated its guidance for 2020 on 11 August 2020.

DISCLOSURE POLICY

After the end of the reporting period, the company adjusted its disclosure policy in relation to the use of press releases for news items. The amended disclosure policy can be found on the company's investor pages at investors.efecte.com.

ASSESSMENT OF RISKS AND UNCERTAINTIES

The pandemic caused by COVID-19 continues to create uncertainty in Efecte's operating environment and in the global economy more generally. Further outbreaks or spread of the disease may delay or even prevent customer's decision making and purchases, affecting the company's business. In case of a prolonged pandemic and economic downturn, Efecte's customers' ability to honor their contractual commitments towards Efecte could be impacted for example due to insolvency.

Availability and reliability of our cloud services are essential to our customers. Malfunctioning of the software as well as failures in operating the company's own services or the outsourced computing capacity and network connections may cause disruptions in the service that may lead to reimbursement liabilities, reputational harm and to a decrease in customer satisfaction. This could in future lead into decreases in net sales and profitability.

Risks to data security such as intentional or non-intentional data breaches may cause reimbursement liabilities to customers or other third parties as well as major reputational harm.

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 most of the projects are time and materials based, there are also fixed price projects. Projects may produce unexpected and hard-to-forecast delays, the needed work amount of the project may turn out to be significantly larger than originally expected, and the outcomes might differ from original expectations. Potential customer dissatisfaction could result in negative publicity, compensation claims and loss of future business.

Risks relating to intellectual property rights (IPRs) 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.

Efecte has entered into agreements with its customers concerning the processing of personal data. As a processor 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.

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. 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.

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. Efecte seeks to minimize the risk through using high quality advisors and auditors.

Investments in international growth can increase 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.

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 THE YEAR 2020

In 2020, SaaS net sales is expected to grow between 20-25% and profitability to improve from the comparison period.

NEXT EARNINGS RELEASE

Efecte will publish a business review for 1-9/2020 on Tuesday 27 October 2020.

Efecte Plc
Board of Directors

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An online briefing for analysts, investors and media will be arranged on Tuesday 18 August 2020 at 16.00. Instructions for joining are posted on Efecte's investor web site <http://investors.efecte.com/>.

Efecte organizes a digital customer event on 22-23 September 2020. Analysts, investors and media are also welcomed to join the event. Registration and more details at www.efecte.com.

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

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)	1-6/2020	1-6/2019	2019
Net sales	7 393	6 884	13 839
Other operating income	4	0	0
Materials and services	-622	-648	-1 206
Personnel expenses	-5 280	-5 139	-9 701
Other operating expenses	-1 862	-1 902	-3 931
EBITDA	-366	-806	-998
Other depreciation and amortisation	-207	-169	-378
EBITA	-573	-975	-1 377
Goodwill amortisation	-9	-9	-19
Operating profit	-583	-984	-1 396
Financial income and expenses	-27	26	25
Profit before income tax	-610	-958	-1 371
Income tax	-2	-	-2
Profit for the period	-612	-958	-1 373

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	6/2020	6/2019	12/2019
Non-current assets			
Development expenses	1 147	1 023	1 063
Other intangible assets	225	26	167
Goodwill	33	52	42
Machinery and equipment	18	29	23
Current assets			
Inventories, work in progress	-	15	1
Trade and other receivables (long-term)	52	55	60
Trade and other receivables (short-term)	2 714	1 987	2 659
Short-term investments	-	3 023	1 973
Cash and cash equivalents	4 235	1 952	1 475
Total assets	8 422	8 163	7 464
Equity attributable to owners of the parent Company			
Share capital	80	80	80
Reserve of invested non-restricted equity	10 749	10 686	10 708
Retained earnings	-9 236	-8 211	-8 623
Total equity	1 593	2 554	2 165
Current liabilities			
Received advances	3 637	2 904	2 316
Trade payables	326	429	450
Other payables	1 197	681	1 050
Accruals	1 669	1 593	1 483
Total liabilities	6 829	5 608	5 299
Equity and liabilities	8 422	8 163	7 464

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	1-6/2020	1-6/2019	2019
Cash flows from operating activities			
Profit before income tax	-610	-958	-1 371
Adjustments to profit for the period	243	149	372
Change in working capital	1 486	1 657	685
Interest and other financial cost paid	-4	-6	-12
Interest and other financial income received	-	0	0
Income taxes paid	-2	-	-2
Net cash from operating activities	1 113	843	-328
Cash flows from investing activities			
Acquisition of tangible and intangible assets	-343	-206	-591
Investments to short-term investments	-	-1 300	-1 300
Proceeds from short-term investments	1 950	491	1 546
Net cash from investing activities	1 607	-1 016	-345
Cash flows from financing activities			
Share issues	41	98	120
Net cash from financing activities	41	98	120
(Decrease)/increase in cash and cash equivalents	2 760	-75	-553
Cash and cash equivalents at the beginning of the period	1 475	2 027	2 027
Cash and cash equivalents at the end of the period	4 235	1 952	1 475

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1000 eur	30.6.2020	30.6.2019
Permanent equity		
Share capital 1.1.	80	80
Share capital 30.6.	80	80
Permanent equity in total	<u>80</u>	<u>80</u>
Distributable equity		
Reserve of invested non-restricted equity 1.1.	10 708	10 588
Share issue	41	98
Reserve of invested non-restricted equity 30.6.	10 749	10 686
Retained earnings 1.1.	-8 623	-7 249
Translation differences	-1	-3
Retained earnings 30.6.	-8 624	-7 253
Profit (loss) for the period	<u>-612</u>	<u>-958</u>
Distributable equity	<u>1 513</u>	<u>2 474</u>
Total equity	<u><u>1 593</u></u>	<u><u>2 554</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)	1-6/2020	1-6/2019	2019
SaaS	4 166	3 408	7 094
Perpetual licenses	44	147	185
Maintenance	498	646	1 287
Services	2 685	2 684	5 272
Group total	7 393	6 884	13 839

2.3 Development of number of shares

	<u>Number of shares</u>
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
1.1.2020	5 957 488
Exercise of share options	16 002
30.6.2020	5 973 490

On 30 June 2020 Efecte Plc owns 24 289 treasury shares, approx. 0.4% of the total amount of the shares.

2.4 Commitments

The following tables present the company's commitments not in the balance sheet on 30 June 2020, 30 June 2019 and 31 December 2019.

Guarantees given (thousand euro)	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>31.12.2019</u>
Office lease agreements	48	45	56
Liabilities secured by mortgage	1 000	1 000	1 000
Total	<u>1 048</u>	<u>1 045</u>	<u>1 056</u>

Lease commitment amounts (thousand euro)	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>31.12.2019</u>
During next 12 months	110	121	117
Later	80	136	121
Total	<u>191</u>	<u>256</u>	<u>237</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.

2.5 Other commitments

Efecte Plc has terminated the current office lease agreement and signed a new three-year office lease agreement starting on 1 April 2021. The company's lease liability from this contract is approx. 560 thousand euro.

Other commitments (thousand euro)	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>31.12.2019</u>
Payable during the next 12 months	211	308	301
Payable later	560	58	59
Total	<u>771</u>	<u>366</u>	<u>360</u>

3. Key figures

1000 eur	1-6/2020	1-6/2019	2019	2018
Net Sales	7 393	6 884	13 839	12 224
SaaS	4 166	3 408	7 094	5 754
Licenses	44	147	185	487
Maintenance	498	646	1 287	1 292
Services	2 685	2 684	5 272	4 691
Domestic net sales	5 640	5 765	11 275	10 374
International net sales	1 752	1 118	2 564	1 849
Domestic sales (% of net sales)	76 %	84 %	81 %	85 %
International (% of net sales)	24 %	16 %	19 %	15 %
Recurring revenue	4 664	4 053	8 381	7 045
Recurring revenue (% of net sales)	63%	59 %	61 %	58 %
SaaS MRR, monthly net sales at the end of the period	747	587	640	523
Net sales growth%	7.4 %	15.0 %	13.2 %	15.2 %
EBITDA	-366	-806	-998	-1 988
EBITDA%	-5.0 %	-11.7 %	-7.2 %	-16.3 %
EBITA	-573	-975	-1 377	-2 339
EBITA%	-7.8 %	-14.2 %	-9.9%	-19.1%
Operating profit (EBIT)	-583	-984	-1 396	-2 382
Operating profit (EBIT)%	-7.9 %	-14.3 %	-10.1 %	-19.5 %
Earnings for the period	-612	-958	-1 373	-2 419
Earnings/share (EPS), eur	-0.10	-0.16	-0.23	-0.42
Equity/share, eur	0.27	0.43	0.37	0.59
Balance sheet total	8 422	8 163	7 464	7 643
Equity	1 593	2 554	2 165	3 419
Net debt	-4 235	-4 975	-3 447	-4 209
Return on invested capital (ROI)%	-62 %	-64 %	-49 %	-53 %
Equity ratio%	33 %	49 %	42 %	59 %
Net gearing%	-266 %	-195 %	-159 %	-123 %
Research and development cost	1 062	1 037	2 039	1 944
Research and development cost,% of net sales	14 %	15 %	15 %	16 %
Number of employees on average during the period	104	105	106	103
Number of employees at the end of the period	100	106	107	104
Number of shares (on average during period)	5 932 545	5 815 720	5 864 987	5 704 025
Number of shares at the end of the period	5 949 201	5 907 875	5 921 375	5 809 235