

EFFECTE PLC -- FINANCIAL STATEMENTS BULLETIN 2020 -- 25 FEBRUARY 2021 at 8.30

Efecte Plc's s Financial Statements Bulletin 2020 – Strong SaaS growth and positive EBITDA

10-12/2020:

- SaaS grew by 25% and international SaaS by 43%
- EBITDA was 0.2 million euro (-0.2) and operating profit 0.0 million euro (-0.3)
- EBIT profitability improved from -9% to 1%
- COVID-19 impact on services started to decrease
- Significant product release, including the AI-enabled Virtual Coach feature

1-12/2020:

- SaaS grew by 24% and international SaaS by 63%
- EBITDA was 0.1 million euro (-1.0) and operating profit -0.3 million euro (-1.4)
- EBIT profitability improved from -10% to -2%
- 2.3 million euro positive operating cash flow (-0.3)

Guidance for 2021:

SaaS net sales is expected to grow 20-24% and EBITDA margin to be 1-4%.

Group key figures

1000 EUR	10-12/2020	10-12/2019	7-12/2020	7-12/2019	2020	2019
Net sales	4 042	3 683	7 495	6 955	14 888	13 839
EBITDA	171	-242	492	-193	126	-998
EBITA	46	-333	260	-402	-314	-1 377
Operating profit	41	-338	250	-412	-332	-1 396
Profit for the period	37	-341	245	-415	-368	-1 373
Earnings per share, eur	0.01	-0.06	0.04	-0.07	-0.06	-0.23
Equity per share, eur	0.33	0.37	0.33	0.37	0.33	0.37
SaaS MRR	808	640	808	640	808	640

CEO Niilo Fredrikson:

Last year was special in many ways. I want to thank our customers and partners for placing their trust in Efecte. I'm also deeply grateful to our team for helping customers succeed, taking care of each other and growing the business, no matter how difficult the environment was. Together, we have been proudly building a European Alternative for the global goliaths in our space.

In the fourth quarter, we continued what we did throughout the year: execute our strategy, deliver growth and improve profitability. Shipping the 2020.4 release of the Efecte service management platform was a significant achievement on our journey to help service organizations digitalize and automate their work. The AI-enabled Virtual Coach has already been taken into production use with excellent customer feedback. Improved multi-language and configuration management capabilities support our international ambitions.

Growing international SaaS by 63% during 2020 was an important proof point to us, achieved through successful local operations in Germany and Sweden. We have now started the second phase of our international expansion, covering new markets through digital sales and marketing combined with local partners. Signing Advatech as a partner in Poland was an important first step. In 2021, this motion will be one of our key investment areas, and we expect to add more partners and get also the first orders in new markets during the year.

For SaaS growth to make sense in the long-term, the underlying unit economics need to be strong. We have worked hard to ensure the scalability of our model. Reaching EBITDA break-even and delivering an operating cash flow of 2.3 million euro (-0.3) were signs that the direction is right. Our team is now stronger, and we have improved operationally. As a bonus, we can report faster and in more detail. Our recurring gross margin – reported for the first time – stood at 78% in 2020 (77%).

We are well positioned to grow in line with our long-term financial targets also this year. While we expect the market to remain turbulent, with impacts on new customer acquisition and churn, we also expect the healthy demand for our solutions to continue. We continue to prioritize growth investments over short term profitability, expanding Efecte's footprint across Europe. Our ability to execute our plans and make steady progress during the last two years has further increased my confidence in our long-term prospects. It's a privilege to be a part of this story: building the European Alternative for cloud-based service management.

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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	10- 12/2020	10- 12/2019	7-12/2020	7-12/2019	2020	2019
SaaS	2 358	1 893	4 640	3 687	8 806	7 094
Licenses	49	9	49	38	93	185
Maintenance	276	329	512	642	1 010	1 287
Services	1 359	1 452	2 295	2 588	4 980	5 272
Group total	4 042	3 683	7 495	6 955	14 888	13 839

Efecte's net sales in 1-12/2020 were 14.9 million euro (13.8), a growth of 8%. International net sales grew significantly. The foreign subsidiaries generated 3.6 million euro (2.6) net sales, corresponding to 24% of total net sales (19%).

Net sales for cloud-based solutions continued to grow well as SaaS grew by 24%. Services net sales decreased by 6%. Net sales of perpetual licenses decreased in line with our strategy by 50% and related maintenance decreased by 22%. Our total recurring revenue (SaaS and maintenance) amounted to 9.8 million euro (8.4), corresponding to approximately 66% of net sales (61%).

SaaS MRR was 808 thousand euro in the end of December, growing 26% year-over-year. Of that growth, 13 percentage points came from existing customers (net retention rate 113%) and 13 percentage points from new customers since 12/2019. Gross churn amounted to 3.4%. Our recurring gross margin stood at 78% in 2020 (77%). We determine recurring gross margin through dividing the total cost of support, cloud infrastructure, cloud operations and 3rd party licenses by our total recurring revenue.

Services net sales development was impacted by COVID-19 as expected. However, even without the pandemic, services growth would have been modest. 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". As an example of this are our new Plus and Premium service level offerings, which generated 0.3 million euro of SaaS net sales during the review period. SaaS formed already 59% of total net sales (51%).

Efecte's EBITDA was 0.1 million euro (-1.0) and operating profit was -0.3 million euro (-1.4). Profitability improved as growth brought economies of scale, foreign net losses shrank, and our cost saving measures helped keep costs down.

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 (-1.4).

FINANCE AND INVESTMENTS

At the end of the reporting period, the balance sheet for Efecte group totaled 8.7 million euro (7.5). Equity ratio was 35% (42%) and net gearing was -270% (-159%).

At the end of reporting period, the Company's financial loans were 0 euro (0). The company's cash and liquid assets were 5.3 million euro (3.4).

Cash flow from operating activities for the reported period was 2.3 million euro (-0.3) and cash flow from investing activities was 1.4 million euro (-0.3). Investments in tangible and intangible assets were 0.5 million euro (0.6) 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

Customer demand changed during the pandemic caused by COVID-19. Accordingly, we adjusted our organization and go-to-market approaches for an increasingly on-line world, including launching a free online trial of Efecte's key offerings. With the help of these measures, we were able to continue strong SaaS growth. On the other hand, services net sales was impacted by the pandemic. However, this was driven more by softer demand for identity management projects than our main service management business, where customer demand was more solid. The long-term trend of customers moving from the legacy license and maintenance model to cloud-based solutions continued.

Expanding Efecte usage within existing customers was an important growth driver, with about half of our MRR growth attributable to our install base. Strong operational focus was put into helping our existing customers to take full benefit of the Efecte platform to ensure we provide them the experience, business agility and total cost of ownership that Efecte stands for. We continued helping customers expand their usage of Efecte solutions to services beyond IT Service Management to areas such as HR, finance, and customer service. In the identity and access management space, the Identity Governance and Administration (IGA) solution launched in 2019 saw healthy demand from both existing and new customers.

While new customer acquisition was slower than usual due to the pandemic, we were able to keep that motion going as well. We signed new customers in all our markets, including a logistics industry customer in Germany, a German company in the maintenance industry and a ServiceNow replacement deal with a public sector customer in Sweden. Overall, we signed 17 new direct customers during 2020 (33).

While we helped our customers to digitalize and automate their processes, we also moved into fully remote delivery process in the company. Digitalize & Automate was also the leading theme for our main customer event of the year. The event was held in virtual format over two days and exceeded our expectations. Over 1200 people signed up for the "Digitalize & Automate" event and over 1000 persons from 22 countries have watched one or more of the recorded sessions, which continue to generate on-demand views. This was a good example of a general drive to do more with less during the year, driving operational effectiveness, tight cost control and improved productivity across all our operations.

During 2020, we started to build digital go-to-market and partner capabilities to help us scale faster across Europe. Our digital sales & marketing capabilities combined with the new partner program we launched form the foundation for the second phase of our international expansion. They are our platform to cover new markets without having to have Efecte employees in each country, and they also helped us expand market reach in our existing markets. In December, as a concrete first milestone, we announced a partnership with Advatech to enter the Polish market. We have continued active partner recruitment and after the review period, in January 2021, we announced a partnership with Solutia in the Czech Republic. We continued also to strengthen partnerships in existing markets, and especially in DACH we saw good progress in this regard.

In our services business, we continued developing our delivery models and standardized solution offerings. The offerings will help us and our expanding partner ecosystem to deliver a more consistent experience to all customers. Customer satisfaction throughout the digital customer journey has been in our focus and we implemented operations improvements and established Customer Advisory boards in all our regions. Customer satisfaction measurement results showed significant improvement year-over-year.

EMPLOYEES

The number of full-time equivalent employees at the end of the review period was 106 (107). Of these, 88 (88) were in Finland, 7 (7) in Sweden and 11 (12) in Germany. The average number of employees during Q4 was 104 and during 1-12/2020 it was 103 (106).

During the first half of the year, 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. The part-time layoffs were ended during Q3, ahead of the original schedule.

During the second half of the year, we continued to develop our team and organization to support our growth ambitions. This included building a recruitment pipeline of high-quality talent, that we can leverage as we grow our team in 2021.

The company's leadership team composition at 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 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. Accordingly, also the analysts' estimates indicate now a slightly broader spread between lower and upper estimates. The compound annual growth rate (CAGR) estimates for the next five years for cloud ITSM range between 15-21%. In Europe, growth is generally expected to be close to the global average, with Asia growing faster and North America slower. The global market is dominated by American companies, but Efecte is mentioned on various analysts' reports as a challenger, and we will continue to grow as the European Alternative to the global goliaths.

For the company's second business area, cloud-based identity and access management (IAM), analysts' estimates range between 17% and 26% annually for 2020-2025. 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. The impact of the pandemic is ambiguous, 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.

RESEARCH AND DEVELOPMENT

During the reporting period, Efecte continued extending and improving its offering through investments in its platform and solutions. Highlights included the launch of the company's first AI-enabled feature, Virtual Coach, in November. The Virtual Coach helps support agents become more productive through AI-enabled insights. Better support for multi-language solution configurations was another important new feature, enabling international organizations to cooperate using the same process configuration across language borders.

Another focus area for R&D during the review period was continued investments in user experience. The first results of the user experience upgrades were released during the second half of 2020. User experience continues to be a focus area during 2021. Efecte will be investing in both end user and support agent user experience and improving our position in the enterprise application ecosystem through modern REST APIs. We will also invest in delivery standardization of our solution offering, documentation and additional language support in order to enable the success of service provider customers and our growing European partner ecosystem.

We extended our solution offering, adding Financial Operations Management, Enterprise Contract Management, Project Management, and Crisis Ops solutions to our portfolio running on the Efecte platform. We 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. Our Identity Governance and Administration (IGA) solution improved also during the year, as we develop it further based on feedback from the first customer deployments.

We received also external recognition for our efforts. In June, Efecte became the world's first ITSM vendor with ITIL4 certification for all 19 ITSM processes and received the ISO 27001 information security certification.

Efecte's total research and development investment during the review period was 2.7 million euro (2.5). Research and development costs amounted to 1.9 million euro (2.0). In addition, 0.4 million euro (0.4) was capitalized and 0.3 million euro (-) was covered through public funding from Business Finland. As described in our Business review on 1-3/2020, Business Finland granted Efecte funding for two separate projects that totaled 0.3 million euro, of which almost all was used during the review period. The funding was used for the development of the Virtual Coach, which received 0.2 million euro from Business Finland's R&D program, as well as user experience improvements and improvements in the IGA solution, which received 0.1 million euro

from Busines Finland's COVID-19 program. Research and development actions are performed in Efecte Finland Oy. In addition to own personnel, subcontractors are used to increase flexibility and cost efficiency.

Group's research and development investment level in 2018-2020

Million euro	2020	2019	2018
Research and development investment	2.7	2.5	2.3
Research and development investment, % of net sales	18%	18%	19%

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 6 056 623 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 11.40 euro, the lowest price 3.90 euro and the closing price 10.80 euro. The market value of shares was 64.7 million euro at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 2 376 owners on 31 December 2020 (1 364). The list of the largest owners and the distribution of shareholders can be found on the company's web site.

10 largest shareholders as of 31 December 2020:

	Shareholder	Shares	%
1	First Fellow Oy	1 010 499	16.7
2	Oy Fincorp Ab	678 500	11.2
3	Sijoitusrahasto Aktia Nordic Micro Cap	475 530	7.9
4	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	290 909	4.8
5	OP-Suomi Mikroyhtiöt	264 516	4.4
6	Montonen Markku	263 571	4.4
7	Stadigh Kari	250 053	4.1
8	Havacement Oy	89 407	1.4

9	Ervi Pertti	87 401	1.4
10	Rausanne Oy	75 000	1.2

The ownership of the Board members, CEO and their controlled entities totaled approximately 3.2% at the end of the reporting period. Additionally, the options held by the CEO entitle him to subscribe shares representing approximately 2.3% of the outstanding shares.

The total proportion of nominee registered shares was approximately 13.8% 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 consisted of 130 000 options that entitled the holders to subscribe a maximum of 390 000 new shares. Each option entitled to subscribe three new shares.

The share subscription period ended on 31 December 2020 and final shares subscribed with 2011 options were registered with the trade register on 24 February 2021, after the end of the reporting period.

By end of the subscription period on 31 December 2020, a total of 379 530 shares had been subscribed with the options, with the remaining 3490 options, which would have entitled to subscribe 10 470 shares, having been returned to the company.

Option program 2015

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

The share subscription period for the options ended on 31 December 2020.

The right to subscribe shares had 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 for the 10,000 options rights in D series allocated in November 2019 was 75%.

At the end of the subscription period on 31 December 2020, a total of 225 000 shares had been subscribed with the options. The remaining 60 000 options, which would have entitled to subscribe 180 000 shares, had been returned to the company or remained unvested at the end of the subscription 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, 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 137 500 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 129 500 allocated) with subscription price of 4.39 euro and subscription period of 2 May 2023 - 31 May 2024.

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

EVENTS AFTER PERIOD-END

Since spring 2019, the company has had no employees in Denmark and its operations in Denmark have been carried out from the company's Scandinavian hub in Sweden. To simplify the company's legal structure, the company's Danish subsidiary, Efecte Denmark A/S, was merged into Efecte AB in a cross-border intra-group merger, completed and registered with the Swedish and Danish trade registers on 14-15 January 2021.

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 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.

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 negative publicity, compensation claims and loss of future business.

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

Investments in international growth increase fixed costs, for example due to forward-looking recruitments and ongoing investments in the partner program. The costs may decrease profitability, if achieving growth turns out to be harder or slower than expected.

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 significant 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.

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.

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 may have to strengthen its equity on terms that are not favorable to the company.

While the risks relating to COVID-19 have decreased during the second half of 2020, risks still exist. A continued pandemic creates uncertainty in Efecte's operating environment including potential delays in customers' and prospective customers' decision making, delays in purchases and cancellation of subscriptions. A prolonged economic downturn can also affect Efecte's customers', partners', subcontractors' and other vendors' ability to honor their contractual commitments towards Efecte, for example due to insolvency.

PROFIT DISTRIBUTION PROPOSAL

The net loss of the parent company was -766,422.76 euro for the period and the distributable equity of the parent company was 7,102,545.41 euro. The Board of Directors proposes that no dividend is distributed from the financial period of 2020 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

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 2021

SaaS net sales is expected to grow 20-24% and EBITDA margin to be 1-4%.

NEXT EARNINGS RELEASE

Efecte will publish a business review for 1-3/2021 on 29 April 2021.

Efecte Plc
Board of Directors

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An online briefing for analysts, investors and media will be arranged on Thursday 25 February 2020 at 16:00 Finnish time. All participants can register to the webcast online at <https://www2.efecte.com/efecte-2020-results>. 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 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)	7-12/2020	7-12/2019	2020	2019
Net sales	7 495	6 955	14 888	13 839
Other operating income	287	0	292	0
Materials and services	-642	-558	-1 263	-1 206
Personnel expenses	-4 846	-4 565	-10 126	-9 701
Other operating expenses	-1 803	-2 026	-3 665	-3 931
EBITDA	492	-192	126	-998
Other depreciation and amortisation	-232	-209	-439	-378
EBITA	260	-402	-314	-1 377
Goodwill amortisation	-9	-9	-19	-19
Operating profit	250	-412	-332	-1 396
Financial income and expenses	-3	-1	-31	25
Profit before income tax	247	-413	-363	-1 371
Income tax	-2	-2	-4	-2
Profit for the period	245	-415	-368	-1 373

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	12/2020	12/2019
Non-current assets		
Development expenses	1 131	1 063
Other intangible assets	211	167
Goodwill	24	42
Machinery and equipment	17	23
Current assets		
Inventories, work in progress	-	1
Trade and other receivables (long-term)	53	60
Trade and other receivables (short-term)	1 885	2 659
Short-term investments	-	1 973
Cash and cash equivalents	5 391	1 475
Total assets	8 712	7 464
Equity attributable to owners of the parent Company		
Share capital	80	80
Reserve of invested non-restricted equity	10 895	10 708
Retained earnings	-8 976	-8 623
Total equity	1 999	2 165
Current liabilities		
Received advances	2 943	2 316
Trade payables	401	450
Other payables	835	678
Accruals	2 534	1 854
Total liabilities	6 713	5 299
Equity and liabilities	8 712	7 464

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	2020	2019
Cash flows from operating activities		
Profit before income tax	-362	-1 371
Adjustments to profit for the period	503	372
Change in working capital	2 197	685
Interest and other financial cost paid	-7	-12
Interest and other financial income received	-	0
Income taxes paid	-4	-2
Net cash from operating activities	2 325	-328
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-546	-591
Investments to short-term investments	-	-1 300
Proceeds from short-term investments	1 950	1 546
Net cash from investing activities	1 404	-345
Cash flows from financing activities		
Share issues	187	120
Net cash from financing activities	187	120
(Decrease)/increase in cash and cash equivalents	3 916	-553
Cash and cash equivalents at the beginning of the period	1 475	2 027
Cash and cash equivalents at the end of the period	5 391	1 475

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1000 eur	31.12.2020	31.12.2019
Permanent equity		
Share capital 1.1.	80	80
Share capital 31.12.	80	80
Permanent equity in total	<u>80</u>	<u>80</u>
Distributable equity		
Reserve of invested non-restricted equity 1.1.	10 708	10 588
Share issue	187	120
Reserve of invested non-restricted equity 31.12.	<u>10 895</u>	<u>10 708</u>
Retained earnings 1.1.	-8 623	-7 249
Translation differences	14	-1
Retained earnings 31.12.	<u>-8 609</u>	<u>-7 250</u>
Profit (loss) for the period	-368	-1 373
Distributable equity	<u>1 919</u>	<u>2 085</u>
Total equity	<u>1 999</u>	<u>2 165</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)	7-12/2020	7-12/2019	2020	2019
SaaS	4 640	3 687	8 806	7 094
Perpetual licenses	49	38	93	185
Maintenance	512	642	1 010	1 287
Services	2 295	2 589	4 980	5 272
Group total	7 495	6 955	14 888	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
Exercise of share options	83 133
31.12.2020	6 056 623

On 31 December 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 31 December 2020 and 31 December 2019.

Guarantees given	31.12.2020	31.12.2019
(thousand euro)	<hr/>	
Office lease agreements	49	56
Liabilities secured by mortgage	1 000	1 000
Total	<hr/> 1 049	<hr/> 1 056

Lease commitment amounts	31.12.2020	31.12.2019
(thousand euro)	<hr/>	
During next 12 months	92	117
Later	59	121
Total	<hr/> 151	<hr/> 237

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

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.

	31.12.2020	31.12.2019
(thousand euro)		
Payable during the next 12 months	212	301
Payable later	420	59
Total	632	360

3. Key figures

1000 eur	7-12/2020	7-12/2019	2020	2019
Net Sales	7 495	6 955	14 888	13 839
SaaS	4 640	3 687	8 806	7 094
Licenses	49	38	93	185
Maintenance	512	642	1 010	1 287
Services	2 295	2 589	4 980	5 272
Domestic net sales	5 674	5 510	11 314	11 275
International net sales	1 821	1 446	3 574	2 564
Domestic sales (% of net sales)	76 %	79 %	76 %	81 %
International (% of net sales)	24 %	21 %	24 %	19 %
Recurring revenue	5 152	4 328	9 815	8 381
Recurring revenue (% of net sales)	69 %	62 %	66 %	61 %
SaaS MRR, monthly net sales at the end of the period	808	640	808	640
Net sales growth%	7.8 %	11.5 %	7.6 %	13.2 %
EBITDA	492	-193	126	-998
EBITDA%	6.6 %	-2.8 %	0.8 %	-7.2 %
EBITA	260	-402	-314	-1 377
EBITA%	3.5 %	-5.8 %	-2.1 %	-9.9 %
Operating profit (EBIT)	250	-412	-332	-1 396
Operating profit (EBIT)%	3.3 %	-5.9 %	-2.2 %	-10.1 %
Earnings for the period	245	-415	-368	-1 373
Earnings/share (EPS), eur	0.04	-0.07	-0.06	-0.23
Equity/share, eur	0.33	0.37	0.33	0.37
Balance sheet total	8 712	7 464	8 712	7 464
Equity	1 999	2 165	1 999	2 165
Net debt	-5 391	-3 447	-5 391	-3 447
Return on invested capital (ROI)%	28 %	-35 %	-16 %	-49 %
Equity ratio%	35 %	42 %	35 %	42 %
Net gearing%	-270 %	-159 %	-270 %	-159 %
Research and development cost	1 141	1 002	2 203	2 039
Research and development cost,% of net sales	15 %	14 %	15 %	15 %
Number of employees on average during the period	102	108	103	106
Number of employees at the end of the period	106	107	106	107
Number of shares (on average during period)	5 978 885	5 913 451	5 955 842	5 864 987
Number of shares at the end of the period	5 987 901	5 921 375	5 987 901	5 921 375