



EFORE
ENERGY FOR ELECTRONICS

Efore Group
Interim Report Q3
1.1.2015–30.9.2015

EFORE PLC'S INTERIM REPORT JANUARY 1, – September 30, 2015

July – September 2015 in brief:

- Net sales totalled EUR 22.8 million (EUR 22.1 million), up 3.2 % compared with the corresponding period last year
- Results from operating activities without one-time items resulted EUR 0.0 million (EUR 1.6 million)
- Result from operating activities resulted EUR -0.3 million (EUR 1.6 million)
- Earnings per share were EUR 0.00 (EUR 0.02)

January – September 2015 in brief:

- Net sales totalled EUR 70.1 million (EUR 63.8 million), up 9.8 % compared with the corresponding period last year
- Results from operating activities without one-time items were EUR 0.7 million (EUR 0.6 million)
- Result from operating activities were EUR 0.4 million (EUR -0.6 million)
- Earnings per share were EUR -0.01 (EUR -0.04)

Key indicators, EUR million	7-9/15 3 mo	7-9/14 3 mo	Change %	1-9/15 9 mo	1-9/14 9 mo	Change %	1-12/14 12 mo
Net Sales	22,8	22,1	3,2	70,1	63,8	9,8	85,3
Telecommunication sector	11,9	12,2	-2,5	37,1	35,0	6,0	46,0
Industrial sector	10,9	10,0	9,0	33,0	28,9	14,2	39,3
Results from operating activities without one-time items	0,0	1,6		0,7	0,6		0,1
Results from operating activities	-0,3	1,6		0,4	-0,6		-2,0
Result before taxes	-0,2	1,2		-0,4	-1,5		-3,1
Net result	-0,1	1,1		-0,6	-1,7		-2,6
Earnings per share, EUR	0,00	0,02		-0,01	-0,04		-0,05
Solvency ratio, %	37,6	38,5	-2,3	37,6	38,5	-2,3	38,1
Gearing, %	4,1	7,1	-42,3	4,1	7,1	-42,3	9,0
Cash flow from business operations	0,4	1,0		4,6	4,6		3,8

Key indicators quarterly, EUR million	Q3/2015	Q2/2015	Q1/2015	Q4/2014	Q3/2014	Q2/2014
Net Sales	22,8	23,7	23,5	21,4	22,1	22,5
Telecommunication sector	11,9	12,1	13,1	11,0	12,2	13,1
Industrial sector	10,9	11,6	10,4	10,4	10,0	9,5
Results from operating activities without one-time items	0,0	0,0	0,7	-0,5	1,6	-0,4
Results from operating activities	-0,3	0,0	0,7	-1,3	1,6	-1,6

Financial estimate for 2015

Efore Plc lowered its financial estimate for 2015 and published a new financial estimate on October 1, 2015 as follows:

The Company estimates its net sales of financial year 2015 to be EUR 86 to 92 million and results from operating activities without one-time items to be at break-even level or mildly positive.

Heikki Viika, President and CEO:

"The third quarter net sales decreased from the previous quarter and were slightly lower than expected. Anyhow, the net sales increased by 3.2 % to EUR 22.8 million compared with the previous year. The results from operating activities were lower than expected due to too high personnel and material costs in manufacturing.

The net sales of the telecommunication sector were EUR 11.9 million decreasing slightly compared with the previous quarter. Strong demand at the end of the second quarter slowed down towards the end of the summer.

The net sales of the industrial sector were EUR 10.9 million decreasing 6.0 % compared with the previous quarter. The background for the change compared with the previous quarter was a slight recovery from the excellent second quarter, during which especially DC systems demand was at a high level. However, the net sales increased by 9 % compared with the previous year. Furthermore, the industrial sector is a focal growth area for Efore in the future.

We have developed a new strategy for Efore during the summer. We are focusing to be The Trusted Power Partner based on reliability in our products and operation. The four cornerstones of our strategy are: Efficient cost base, Empower competent employees, Evolve game changing technologies and Expand selected markets.

In September we implemented a flatter organization structure based on strong global functions. The target of the new structure is to focus the resources of the whole company to better serve our customers.

During the summer we have implemented new actions in order to further improve cost efficiency. Our manufacturing process in Suzhou has been reorganized in order to improve factory throughput time. The target is to decrease the capital tied in the manufacturing process. One of our focal development areas is cost efficiency in manufacturing. In order to secure the efficiency improvements we have restructured Group manufacturing responsibilities.

The purpose of the human resource strategy is to secure our current high competency level when implementing the new strategy. We have started to review our competencies both for the present and target status.

Basis for our product strategy is reliability in all our products and in our operation. Analysis of the product lines is ongoing in order to secure our growth strategy in the best possible way.

Our growth strategy is based on high customer satisfaction in conjunction with our added value as well as growth especially in industrial sector. We strive to seek a high market positioning based on added value, for example in the LED lighting market.

Efore's long term target is to reach 10% EBIT level and an average annual net sales growth of 5-10%. In the short term Efore is focusing to improve the profitability.

Our previous target to reach at least 6% EBIT level by the end of 2015 will not materialize.

July - September net sales and financial development

The third quarter net sales totalled EUR 22.8 million (EUR 22.1 million) decreasing EUR 0.9 million compared with the previous year.

The net sales of the telecommunication sector were EUR 11.9 million (EUR 12.2 million) decreasing 1.7 % compared with the previous quarter.

The net sales of industrial sector were EUR 10.9 million (EUR 10.0 million) decreasing 6 % from the previous quarter.

Results from the operating activities went down clearly compared with the last year resulting EUR 0.0 million (EUR 1.6 million). The results from the operating activities included one-time items EUR 0.3 million (EUR 0.0 million) caused by the structural changes of the organization.

January – September net sales and financial development

Net sales totalled EUR 70.1 million (EUR 63.8 million).

The net sales of the telecommunication sector were EUR 37.1 million (EUR 35,0 million) increasing 6.0 % compared with the previous year.

The net sales of industrial sector were EUR 33.0 million (EUR 28.9 million) increasing 14.2 % from the previous year.

Results from the operating activities before one-time items improved slightly compared with the last year resulting EUR 0.7 million (EUR 0.6 million). Results from the operating activities including one-time items were EUR 0.4 million (EUR -0.6 million). Previous year results from the operating activities included one-time items EUR 1.3 million related mainly to the structural changes of Italian organization as a result of manufacturing transfer to Tunisia. The result of the previous year was inflated by certain costs relating to the whole year but not recorded until the fourth quarter of 2014.

Business development

The third quarter net sales decreased from the previous quarter and were slightly lower than expected. Anyhow, the net sales increased by 3.2 % to EUR 22.8 million compared with the previous year. The results from operating activities were lower than expected due to too high personnel and material costs.

The net sales of the telecommunication sector were EUR 11.9 million decreasing slightly compared with the previous quarter. Strong demand at the end of the second quarter slowed down towards the end of the summer.

The net sales of the industrial sector were EUR 10.9 million decreasing 6.0 % compared with the previous quarter. The background for the change compared with the previous quarter was a slight recovery from the excellent second quarter of the year, during which especially the demand of DC systems was at a high level. Anyhow, the net sales increased by 9 % compared with the previous year. Furthermore, the industrial sector is a focal growth area for Efore in the future.

Efore's new strategy was developed during the summer. According to the new strategy the focus is to be The Trusted Power Partner based on reliability in all products and operation. The four cornerstones of the strategy are: Efficient cost base, Empower competent employees,

Evolve game changing technologies and Expand selected markets.

Efore has invested in several R&D projects and especially in the telecom product portfolio a significant renewal has started. The products for the small base stations will be ready for production in 2016. In addition to the current customers Efore is focusing on new marketing channels and new customer acquisition in order to increase volume mainly in the industrial sector.

The key target for Efore is to continue to develop the company structure in order to improve profitability.

Outlook

During the last years the group has reached in to new markets enabling better opportunities for growth. The products based on the LTE (4G) technology are in a key role in network expansions and Efore has a strong position in this development. Large network roll-outs have been published creating a base for the stability of the demand. There is a trend towards smaller base stations where Efore also focuses product development investments.

Power supplies for LED lighting, instrumentation, medical equipment and infrastructure offer several growth areas for Efore in the industrial sector. Efore focuses on expanding its product selection especially in the segments where high reliability is required, where market fluctuations are lower and product life-cycles are longer.

Investments and R&D

The group investments in fixed assets during the period under review amounted to EUR 3.5 million (EUR 3.0 million) including EUR 2.5 million (EUR 2.1 million) capitalization of product development costs.

During the period under review the total expenditure on R&D activities was EUR 6.6 (EUR 6.5 million) of which EUR 2.5 million (EUR 2.1 million) were capitalized. The total R&D expenditure represented 9.4 % of net sales (10.2 %).

Financial position

The interest-bearing liabilities were higher than the consolidated interest-bearing cash reserves by EUR 0.9 million (EUR 1.6 higher) at the end of the period under review. The consolidated net financial expenses were EUR 0.8 million (EUR 0.9 million). The cash flow from business operations was EUR 4.6 million (EUR 4.6 million). The cash flow after investments was EUR 1.1 million (EUR 1.8 million).

The Group's solvency ratio was 37.6 % (38.5 %) and the gearing was 4.1 % (7.1 %).

Liquid assets excluding undrawn credit facilities totalled EUR 7.2 million (EUR 9.2 million) at the end of the period under review. The balance sheet total was EUR 58.3 million (EUR 58.6 million).

Personnel

The number of the Group's personnel including temporary personnel averaged 928 (906) during the period under review and at the end the period under review it was 856 (915). The decrease in personnel amount was mainly due to decrease in temporary personnel in manufacturing.

On September 7, 2015 the company launched its organization in order to better support the strategic and financial targets of the company.

With these changes in organization, the new Efore Executive Management Team comprises of the following persons and responsibility areas:

- Riitta Järnstedt, Finance and Administration
- Alessandro Leopardi, Sales and Marketing
- John Cahill, Manufacturing
- Ruben Tomassoni, Sourcing and Procurement
- Markku Kukkonen, Quality and Environment. He will also cover the role of Head of Technology in addition to his new role until January 6, 2016. Samuli Räisänen starts as head of Technology and Development function on January 7, 2016.
- Alexander Luiga, Human Resources
- Heikki Viika, President and CEO, Chairman of the Executive Management Team

Share, share capital and shareholders

At the end of the period under review the number of Efore Plc's own shares was 3 501 995 pcs.

The highest share price during the period under review was EUR 0.90 and the lowest price was EUR 0.74. The average price during the period under review was EUR 0.78 and the closing price was EUR 0.76. The market capitalization calculated at the final trading price during the period under review was EUR 39.7 million.

The total number of Efore shares traded on the Nasdaq OMX Helsinki during the period under review was 8.641.113 pcs and their turnover value was EUR 6.8 million. This accounted for 15.5 % of the total number of shares 55 772 891 pcs. The number of shareholders totalled 2759 (2937) at the end of the period under review.

Accounting policies

The report has been drawn up in accordance with IAS 34 Standard on Interim Financial Reporting and the Group's accounting principles presented in the 2014 annual report. In addition, Efore Plc has adopted new and or amended IFRS-standards that have been presented in the previous Financial Statements. These changes have no any major effect on the report. The information in this release is unaudited.

All the figures in the report have been rounded up/down, and the total of the individual figures when added together may differ from the totals shown.

Short-term risks and factors of uncertainty

The fluctuation in demand on the market can cause rapid changes in Efore's business. The business risks are related to the success of key customers in their markets and to Efore's capability to deliver to the key customers.

Progress of Efore's product development projects is dependent on the customers' own project schedules and the establishment of the whole market.

Expanding the company's product range to standard products in industrial sector means growth of product liability risk. It has been recognized that global economic development may have a negative effect on Efore's business environment.

A more comprehensive report on risk management is presented on the company's web-sites and in the Financial Statements of the prior year.

Long-term targets

Efore Group's long term target is to reach 10% EBIT level and an average annual net sales growth of 5-10%. Target is to grow especially in industrial the sector. Market driven product platforms and efficient R&D investment utilization are key factors to support group's target to improve profitability.

Efore does not consider the long term targets as market guidance for any given year. The Group will issue separate financial estimate.

Efore's Capital Markets Day

Efore arranges Capital Market Day for investors, analysts and media representatives in Helsinki on November 4, 2015.

TABLES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
EUR million	7- 9/15 3 mo	7- 9/14 3 mo	1/15- 9/15 9 mo	1/14- 9/14 9 mo	1- 12/14 12 mo
Net sales	22,8	22,1	70,1	63,8	85,3
Change in inventories of finished goods and work in progress	0,6	1,9	0,4	0,6	0,1
Work performed for own purposes and capitalised	0,0	0,0	0,1	0,0	0,1
Other operating income	0,1	0,2	0,5	0,8	1,2
Materials and services	-16,1	-15,4	-46,5	-42,0	-55,9
Employee benefits expenses	-4,3	-3,8	-13,8	-13,9	-18,9
Depreciation	-0,9	-0,9	-2,7	-2,7	-3,6
Impairment	0,0	0,0	0,0	0,0	-0,3
Other operating expenses	-2,6	-2,5	-7,6	-7,3	-9,9
Results from operating activities	-0,3	1,6	0,4	-0,6	-2,0
% net sales	-1,3	7,1	0,6	-1,0	-2,3
Financing income	1,0	1,1	3,5	1,5	2,1
Financing expenses	-0,8	-1,5	-4,3	-2,4	-3,3
Result before tax	-0,2	1,2	-0,4	-1,5	-3,1
% net sales	-0,7	5,3	-0,5	-2,4	-3,7
Tax on income from operations	0,0	-0,1	-0,2	-0,2	0,5
Result for the period	-0,1	1,1	-0,6	-1,7	-2,6
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Translation differences	-0,3	0,7	0,8	0,9	1,2
Total comprehensive income	-0,4	1,8	0,2	-0,9	-1,5
Net profit/loss attributable					
To equity holders of the parent	-0,1	1,1	-0,6	-1,9	-2,8
To non-controlling interest	0,0	0,0	0,0	0,2	0,2
Total comprehensive income attributable to:					
Equity holders of the parent	-0,4	1,8	0,2	-1,0	-1,6

Non-controlling interest	0,0	0,0	0,0	0,2	0,2
EARNINGS PER SHARE CALCULATED ON PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT:					
Earnings per share, basic,eur	0,00	0,02	-0,01	-0,04	-0,05
Earnings per share, diluted, eur	0,00	0,02	-0,01	-0,04	-0,05
NET SALES BY AREAS					
EUR million	7-9/15	7-9/14	1-9/15	1-9/14	1-12/14
	3 mo	3 mo	9 mo	9 mo	12 mo
Americas	2,6	2,9	8,9	9,4	12,9
EMEA	12,0	10,9	30,4	27,7	35,5
FINLAND	0,4	3,1	9,6	10,3	13,7
APAC	7,8	5,3	21,1	16,4	23,1
Total	22,8	22,1	70,1	63,8	85,3
NET SALES BY CUSTOMER GROUPS					
EUR million	7-9/15	7-9/14	1-9/15	1-9/14	1-12/14
	3 mo	3 mo	9 mo	9 mo	12 mo
Telecom	11,9	12,2	37,1	35,0	46,0
Industrial	10,9	10,0	33,0	28,9	39,3
Total	22,8	22,1	70,1	63,8	85,3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Sep 30,	Sep 30,	change	Dec 31,
	2015	2014	%	2014
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	9,4	8,0		8,1
Goodwill	1,1	1,1		1,1
Tangible assets	5,2	7,2		5,6
Trade receivables and other receivables, non-current	0,1	0,0		0,1
Other long-term investments	0,1	0,1		0,0
Deferred tax asset	3,3	2,2		2,7
Total non-current assets	19,3	18,7	3,2	17,7
CURRENT ASSETS				
Inventories	17,2	15,6		14,5
Trade receivables and other receivables	14,5	14,4		15,8
Tax receivable, income tax	0,1	0,8		0,8
Cash and cash equivalents	7,2	9,2		7,8
Total current assets	39,0	40,0	-2,5	38,9
TOTAL ASSETS	58,3	58,6	-0,7	56,6
EQUITY AND LIABILITIES				
EQUITY				
Share capital	15,0	15,0		15,0
Treasury shares	-2,4	-2,4		-2,4
Other reserves	28,8	28,7		28,7
Translation differences	3,4	2,2		2,6
Retained earnings	-22,8	-21,4		-22,3
Equity attributable to equity holders of the parent	21,9	22,1		21,5
Equity attributable to non-controlling interests	0,0	0,0		0,0

Total equity	21,9	22,1	-1,1	21,5
NON-CURRENT LIABILITIES				
Deferred tax liabilities	0,5	0,9		0,5
Interest-bearing liabilities	1,3	2,8		2,5
Interest-free liabilities	0,1	0,1		0,1
Pension provisions	1,5	1,6		1,6
Other provisions	0,3	0,8		0,3
Total non-current liabilities	3,8	6,2	-39,2	4,9
CURRENT LIABILITIES				
Interest-bearing liabilities	6,9	7,9		7,3
Trade payables and other liabilities	25,5	22,2		22,6
Tax liabilities	0,2	0,2		0,2
Provisions	0,1	0,0		0,1
Total current liabilities	32,6	30,3		30,1
Liabilities	36,4	36,5		35,1
TOTAL EQUITY AND LIABILITIES	58,3	58,6	-0,7	56,6

GROUP KEY FIGURES, EUR million	7-9/15 3 mo	7-9/14 3 mo	1-9/15 9 mo	1-9/14 9 mo	1-12/14 12 mo
Earnings per share, basic,eur	0,00	0,02	-0,01	-0,04	-0,05
Earnings per share, diluted, eur	0,00	0,02	-0,01	-0,04	-0,05
Equity per share, eur	0,42	0,42	0,42	0,42	0,41
Return on equity-%(ROE)	-2,7	20,4	-3,6	-10,0	-11,8
Return on investment-%(ROI)	-1,5	17,9	0,0	-3,4	-6,7
Net interest-bearing liabilities	0,9	1,6	0,9	1,6	1,9
Investments (intangible and tangible assets)	1,3	1,0	3,5	3,0	4,1
as percentage of net sales	5,7	4,6	5,1	4,7	4,8
Average personnel	877	928	928	906	914

CONSOLIDATED STATEMENT OF CASH FLOWS	1-9/15 9 mo	1-9/14 9 mo	Change %	1-12/14 12 mo
EUR million				
Cash flows from operating activities				
Cash receipts from customers	73,4	67,5		86,4
Cash paid to suppliers and employees	-67,4	-61,6		-80,9
Cash generated from operations	6,0	5,9		5,5
Interest paid	-0,3	-0,4		-0,5
Interest received	0,0	0,1		0,1
Other financial items	-1,1	-0,6		-1,1
Income taxes paid	-0,1	-0,3		-0,2
Net cash from operating activities (A)	4,6	4,6		3,8
Cash flows from investing activities				
Purchase of tangible and intangible assets	-3,4	-2,8		-3,9
Proceeds from sale of tangible and intangible assets	0,0	0,1		1,6
Income taxes paid	0,0	0,0		0,0
Net cash used in investing activities (B)	-3,4	-2,9	-19,9	-2,3
Cash flows from financing activities				
Proceedings from short-term borrowings	11,0	1,0		1,0
Repayment of short-term borrowings	-11,6	-2,4		-3,1
Repayment of long-term borrowings	-1,1	-1,1		-1,4
Financial leasing repayment	-0,2	-0,2		-0,2

Net cash used in financing activities (C)	-1,8	-2,7	-3,7
Net increase/decrease in cash and cash equivalents (A+B+C)	-0,7	-0,9	-2,3
Cash and cash equivalents at beginning of period	7,8	9,8	9,8
Net increase/decrease in cash and cash equivalents	-0,7	-0,9	-2,3
Change in group structure	0,0	-0,3	-0,3
Effects of exchange rate fluctuations on cash held	0,1	0,6	0,6
Cash and cash equivalents at end of period	7,2	9,2	7,8

GROUP CONTINGENT LIABILITIES

EUR million	30.9.2015	30.9.2014	31.12.2014
Security and contingent liabilities			
For others			
Other contingent liabilities	0,1	0,1	0,1
Operating lease commitments			
Group as lessee			
Non-cancellable minimum operating lease payments:			
Less than 1 year	0,8	0,7	0,8
1-5 years	0,6	0,2	0,5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A Share capital
B Treasury shares
C Unrestricted equity reserve
D Other reserves
E Translation differences
F Retained earnings
G Equity holders of the parent
H Non-controlling interests
I Total

EUR million	A	B	C	D	E	F	G	H	I
EQUITY	15,0	-2,4	28,0	1,0	1,4	-19,9	23,0	0,2	23,2
January 1, 2014									
Comprehensive income	0,0	0,0	0,0	0,0	0,9	-1,9	-1,0	0,2	-0,9
Share-based payments	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,0	0,1
Other changes	0,0	0,0	0,0	-0,3	0,0	0,4	0,0	0,0	0,0
Transaction costs for equity	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,3	-0,3
Equity September 30, 2014	15,0	-2,4	28,0	0,7	2,2	-21,4	22,0	0,0	22,1

EUR million	A	B	C	D	E	F	G	H	I
EQUITY	15,0	-2,4	28,0	0,7	2,6	-22,3	21,5	0,0	21,5
January 1, 2015									
Comprehensive income	0,0	0,0	0,0	0,0	0,8	-0,6	0,2	0,0	0,2
Share-based payments	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,0	0,1
EQUITY	15,0	-2,4	28,0	0,7	3,4	-22,7	21,9	0,0	21,9
September 30, 2015									

Return on investment (ROI), % = $\frac{\text{Profit before taxes + interest and other financing expenses}}{\text{Equity + interest bearing liabilities (average)}} \times 100$

Return on Equity (ROE), % = $\frac{\text{Profit/loss for the period}}{\text{Equity (average)}} \times 100$

Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$

Solvency ratio, % = $\frac{\text{Equity}}{\text{Total assets - advance payments received - own shares*}} \times 100$

Net interest-bearing liabilities = Interest bearing liabilities – financial assets at fair value through profit or loss – cash and cash equivalents

Gearing, % = $\frac{\text{Net interest-bearing liabilities}}{\text{Equity}} \times 100$

Earnings per share = $\frac{\text{Profit or loss attributable to ordinary equity holders of the parent entity}}{\text{The weighted average number of shares outstanding}}$

Earnings per share (diluted) = $\frac{\text{Profit or loss attributable to ordinary equity holders of the parent entity}}{\text{The weighted average number of shares outstanding including dilutive effect}}$

Dividend per share = $\frac{\text{Dividend for the financial year}}{\text{Number of shares - own shares*}}$

Dividend payout ratio, % = $\frac{\text{Dividend per shares}}{\text{Earnings per share}} \times 100$

Effective dividend yield, % = $\frac{\text{Dividend per share}}{\text{Adjusted share price at balance sheet date}} \times 100$

Equity per share	=	$\frac{\text{Equity} - \text{own shares}^*}{\text{Number of shares at balance sheet date}}$
P/E ratio	=	$\frac{\text{Adjusted share price at balance sheet date}}{\text{Earnings per share}}$
Market capitalization	=	Adjusted share price at balance sheet date x outstanding number of shares at balance sheet date
Average personnel	=	The average number of employees at the end of each calendar month during the accounting period

All share-specific figures are based on the outstanding number of shares.

Equity is the equity attributable to the shareholders of the parent company. Result for the period is the result attributable to the shareholders of the parent company.

* There were own shares held by company at the end of the period under review.

EFORE PLC

Board of Directors

Further information

For further information please contact Heikki Viika, President and CEO, on October 21, 2015 at 10 – 11 a.m., tel. +358 9 4784 6312.

DISTRIBUTION

Nasdaq OMX Helsinki Oy
Principal media

Efore Group

Efore Group is an international company which develops and produces demanding power products. Efore's head office is based in Finland and its production units are located in China and Tunisia. Sales and marketing operations are located in Europe, United States and China. In the fiscal year ending in December 2014, consolidated net sales totaled EUR 85,3 million and the Group's personnel averaged 914. The company's share is quoted on the Nasdaq OMX Helsinki Ltd. www.efore.com