



Efore Group
Half year financial
report H1/2016
1.1.–30.6.2016

Efore Plc's half year financial report January 1, – June 30, 2016

January – June 2016 in brief:

- Net sales totalled EUR 39.5 million (EUR 47.2 million), down -16.4 % compared with the corresponding period last year
- Adjusted operating result was EUR -2.6 million (EUR 0.7 million)
- Operating result was EUR -3.0 million (EUR 0.7 million)
- Earnings per share were EUR -0.06 (EUR -0.01)
- The outsourcing negotiations of China plant have progressed well

Key indicators, EUR million	1-6/16 6 mo	1-6/15 6 mo	Change %	1-12/15 12 mo
Net Sales	39,5	47,2	-16,4	89,9
Telecommunication sector	18,0	25,2	-28,6	44,8
Industrial sector	21,5	22,0	-2,3	45,1
Adjusted operating result */**	-2,6	0,7		-1,6
Operating result **	-3,0	0,7		-2,0
Result before taxes	-3,1	-0,2		-3,3
Net result	-3,3	-0,4		-3,4
Earnings per share, EUR	-0,06	-0,01		-0,07
Solvency ratio, %	28,3	37,2	-23,9	34,2
Gearing, %	32,1	-0,4		24,5
Cash flow from business operations	1,2	4,2		1,8

* Adjustments include items such as costs due to changes in organizational structure, impairment charges and impact from the sale of businesses

** Starting from H1/ 2016 the term "Operating result" is used instead of "Results from operating activities"

Key indicators Half year, EUR million	H1/2016	H2/2015	H1/2015
Net Sales	39,5	42,6	47,2
Telecommunication sector	18,0	19,6	25,2
Industrial sector	21,5	23,1	22,0
Adjusted operating result	-2,6	-2,3	0,7
Operating result	-3,0	-2,7	0,7

Financial estimate for 2016

Efore Plc downgraded its financial estimate for 2016 on August 4, 2016.

New financial estimate is:

The Company estimates its net sales of financial year 2016 to be lower than in the previous year (2015: EUR 89.9 million) and adjusted operating result to be lower than last year (2015: EUR -1.6 million) due to the new forecasts which indicate lower sales than earlier estimated. H2/2016 adjusted operating result will

not be as low as in the corresponding period of last year (H2/2015: EUR -2.3 million).

Previous financial estimate was:

The Company estimates its net sales of financial year 2016 to be lower than in the previous year (2015: EUR 89.9 million), and adjusted operating result (old term results from operating activities without one-time items) to be negative, but better than in the previous year (2015: EUR -1.6 million).

Jorma Wiitakorpi, Efore's President and CEO:

The first half of the year was especially characterized by a weaker than forecasted demand and an unfavorable product mix in the telecommunication sector. Certain telecom projects were delayed and due to this a portion of the net sales is postponed to the latter part of the year. Furthermore, a two-year long project delivery to one remarkable telecom customer was completed in 2015. Despite our efforts we have not been able to generate additional revenue to replace the deficit arising from this project. These all had a negative effect on net sales and profitability during the H1/2016. Thus H1/2016 net sales were lower than in the corresponding period of last year.

The industrial sector sales were almost on the same level as in the corresponding period of last year. The profitability of the industrial sector was at a satisfactory level.

The implementation of the renewed strategy and necessary efficiency programs have not progressed as planned. Furthermore, there have been changes in business environment which require adjustments to the strategy. Corrective actions were started early in the summer. The target is to reduce fixed costs significantly.

The outsourcing negotiations of manufacturing as well as manufacturing support functions at Suzhou plant in China have progressed well. The target remains to finalize the negotiations in time for the new partner to produce Efore's first products during H2/2016.

The before mentioned actions will improve significantly the company's profitability.

The most important action of Efore now is to successfully execute the outsourcing of manufacturing in Suzhou and cost savings. These concrete measures are taken to create conditions for positive operating result in 2017. New long-term targets will be published in Autumn.

Net sales development

January – June net sales totalled EUR 39.5 million (EUR 47.2 million).

The first half year 2016 net sales of telecommunication sector totalled EUR 18.0 million (EUR 25.2 million), with a year-on-year decrease of 28.6 %.

The first half of the year was especially characterized by a weaker than forecasted demand and an unfavorable product mix in the telecommunication sector. Certain telecom projects were delayed and a portion of the net sales was postponed to the latter part of the year. Furthermore, a two-year long project delivery to one remarkable telecom customer was completed in 2015. Despite our efforts we have not been able to generate additional revenue to replace the

deficit. These all had a negative effect on net sales and profitability during the H1/2016. Thus H1/2016 net sales were lower than in the corresponding period of last year.

The industrial sector sales were almost on the same level as in the corresponding period of last year and totalled EUR 21.5 million (EUR 22.0 million). The profitability of the industrial sector was at a satisfactory level.

Result development

The operating result decreased clearly compared with the last year resulting EUR -3.0 million (EUR 0.7 million) and adjusted operating result was EUR -2.6 million (EUR 0.7 million).

Main reasons for the weak result development were lower than forecasted demand of telecom sector and an unfavorable telecom product mix. The low utilization of production capacity weakened the operating result.

Business development

Sales of the telecommunication sector are expected not to grow this year. At the end of the reporting period Efore has won some projects improving sales in 2017 and onwards.

The net sales of the industrial sector went down slightly but the new customer acquisition of the sector has progressed well. New business has been acquired in Broad-Band Networking Application, Diagnostic Medical and Stage Lighting Mobile Heads.

Market 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. 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 and increasing its customer base especially in the segments where high reliability is required, where market fluctuations are lower and product life-cycles are longer.

Factors of uncertainty have been presented in the section "Short-term risks and factors of uncertainty".

Investments and product development

Group investments in fixed assets during the first half year amounted to EUR 1.6 million (EUR 2.2 million) which includes EUR 1.3 million (EUR 1.7 million) capitalization of product development costs. At the end of the first half year the capitalized product development investments amounted to EUR 7.8 million (EUR 7.0 million)

The full first half year product development expenditure amounted to EUR 4.9 million (EUR 4.6 million), 12.5 % (9.8 %) of net sales.

Financial position

The interest-bearing liabilities exceeded the consolidated interest-bearing cash reserves by EUR 5.0 million (EUR 0.1 million less) at the end of the first half year. The consolidated net financial expenses were EUR 0.2 million (EUR 1.0 million).

Exchange rate gains and losses arising from the translation of balance sheet items in foreign currency as well as exchange rate differences arising from sales, purchases and financial items are recognized as financial items. The net foreign exchange rate differences in financial items was EUR 0.2 million (EUR -0.5 million).

The cash flow from business operations was EUR 1.2 million (EUR 4.2 million). The cash flow after investments was EUR -0.4 million (EUR 2.0 million).

The Group's solvency ratio was 28.3 % (37.2 %) and the gearing was 32.1 % (-0.4%).

The liquid assets excluding undrawn credit facilities totalled EUR 7.1 million (EUR 9.5 million) at the end of the first half year. At the end of the first half year the Group had the undrawn credit facilities excluding factoring limits EUR 2.8 million. The balance sheet total was EUR 55.2 million (EUR 60.0 million).

At the end of the reporting period Efore Oyj had certain short-term loans of EUR 2.9 million and long term loans EUR 0.7 million from two different financiers related to which there are following covenants; gearing ratio, equity ratio and net debt/12 month Ebitda excluding one-time items. The equity ratio and net debt/12 month Ebitda excluding one-time item covenants were breached at the end of June 2016.

Waivers from the financiers are not yet received but according to the preliminary information received from the financiers we will receive those.

Personnel

The number of the Group's own personnel including temporary personnel averaged 769 (953) during the first half year and at the end the first half year it was 754 (948). The decrease in personnel amount was mainly due to decrease in personnel in manufacturing.

The Board of Directors of Efore Plc resolved on March 30, 2016, to issue stock options to the key employees of Efore Plc, based on the authorization received from the Annual General Meeting on March 30, 2016. In the same connection, the Board of Directors of Efore Plc has on March 30, 2016, resolved to cancel stock options "A", "B" and "C" from stock option plan 1/2014 which have not been allocated and/or have been returned to the company.

A separate stock exchange bulletin has been issued on resolutions of the Board of Directors on March 30, 2016.

The Board of Directors appointed Jorma Wiitakorpi CEO of Efore Plc on April 29, 2016 and he started as CEO on the same day. A separate stock exchange bulletin has been issued on the appointment on April 29, 2016.

Martin Raznovich was appointed Group CFO and a member of the Executive Management Team on June 29 and he started as CFO on July 1, 2016. A separate stock exchange bulletin has been issued on the appointment on June 29, 2016.

Share, share capital and shareholders

At the end of the first half year the number of the Group's own shares was 3 501 995 pcs.

The highest share price during the first half year was EUR 0.83 and the lowest price was EUR 0.65. The average price during the first half year was EUR 0.71 and the closing price was EUR 0.71. The market capitalization calculated at the final trading price during the first half year was EUR 37.1 million.

The total number of Efore shares traded on the Nasdaq Helsinki during the first half year was 1.5 million pcs and their turnover value was EUR 1.0 million. This accounted for 2.6 % of the total number of shares 55 772 891 pcs. The number of shareholders totalled 2652 (2972) at the end of the first half year.

Decisions of the Annual General Meeting and Board authorizations

A separate stock exchange bulletin has been issued on resolutions of the Annual General Meeting of Shareholders and AGM's authorizations granted for the Board of Directors as well as resolutions related to the Board of Directors' organizing on March 30, 2016.

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 2015 annual report. In addition, Efore Plc has adopted new and or amended IFRS-standards. These changes have no major effect on the report. The information in this release is unaudited.

In accordance with the new guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA) Efore Plc has revised the terminology used in its financial reporting. Alternative Performance Measures (APM) are used to better reflect the operational business performance and to facilitate comparisons between financial periods. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. As of H1/2016, the term "non-recurring items" (NRI) has been changed to the term "adjustments to operating result", however the definition remains the same. As before, adjustments are transactions that are not related to recurring business operations, such as restructuring costs, impairment charges and impact from the sale of businesses. Starting from H1/ 2016 the term "Operating result" is used instead of "Results from operating activities".

All the figures in the report have been rounded up/down, for which reason the total of the individual figures when added together may be different from the total shown.

Short-term risks and factors of uncertainty

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

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

In a short term, Efore can lose some customers because of outsourcing project in China but in longer term we trust Efore's competitiveness to be better and Efore can increase its net sales.

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 an effect on Efore's business environment.

Due to our weakened financing situation there are some risks related to the current undrawn credit facilities and adequate financing. We are minimizing the risks by actively planning and implementing different options.

The company actively monitors possible impacts of risks on both financing and liquidity.

A more comprehensive report on risk management is presented on the company's web-sites and in the Annual Report for 2015.

TABLES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1- 6/16 6 mo	1- 6/15 6 mo	1- 12/15 12 mo
Net sales	39,5	47,2	89,9
Change in inventories of finished goods and work in progress	0,1	-0,2	-0,6
Work performed for own purposes and capitalised	0,0	0,1	0,1
Other operating income	0,2	0,4	0,9
Materials and services	-26,8	-30,4	-59,5
Employee benefits expenses	-9,4	-9,5	-18,4
Depreciation	-1,7	-1,8	-3,6
Impairment	0,0	0,0	-0,5
Other operating expenses	-4,9	-5,0	-10,3
Results from operating activities	-3,0	0,7	-2,0
% net sales	-7,5	1,5	-2,3
Financing income	1,8	2,5	4,4
Financing expenses	-2,0	-3,5	-5,7
Result before tax	-3,1	-0,2	-3,3
% net sales	-7,9	-0,5	-3,7
Tax on income from operations	-0,1	-0,2	-0,1
Result for the period	-3,3	-0,4	-3,4
Other comprehensive income			
Items that will not be reclassified to statement of income			
Remeasurements of the net defined benefit liability	0,0	0,0	-0,2
Items that may be reclassified subsequently to profit or loss			
Translation differences	-0,2	1,1	0,9

Total comprehensive income	-3,5	0,7	-2,6
Net profit/loss attributable			
To equity holders of the parent	-3,3	-0,4	-3,4
To non-controlling interest	0,0	0,0	0,0
Total comprehensive income attributable to:			
Equity holders of the parent	-3,5	0,7	-2,6
Non-controlling interest	0,0	0,0	0,0
EARNINGS PER SHARE CALCULATED ON PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT:			
Earnings per share, basic,eur	-0,06	-0,01	-0,07
Earnings per share, diluted, eur	-0,06	-0,01	-0,07
NET SALES BY AREAS	1-		
EUR million	6/16	1-6/15	1-12/15
	6 mo	6 mo	12 mo
Americas	5,7	6,3	12,7
EMEA	20,5	18,4	44,0
FINLAND	5,7	9,1	9,7
APAC	7,6	13,3	23,4
Total	39,5	47,2	89,9
NET SALES BY CUSTOMER GROUPS	1-		
EUR million	6/16	1-6/15	1-12/15
	6 mo	6 mo	12 mo
Telecom	18,0	25,2	44,8
Industrial	21,5	22,0	45,1
Total	39,5	47,2	89,9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	June 30,	June 30,	change	Dec 31,
	2016	2015	%	2015
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	9,5	9,0		9,2
Goodwill	1,1	1,1		1,1
Tangible assets	4,5	5,4		5,0
Other receivables, non-current	0,1	0,1		0,1
Other long-term investments	0,1	0,0		0,1
Deferred tax asset	3,3	3,3		3,4
Total non-current assets	18,5	19,0	-2,3	19,0
CURRENT ASSETS				
Inventories	15,4	17,0		14,9
Trade receivables and other receivables	13,9	14,3		15,2
Tax receivable, income tax	0,3	0,1		0,3
Cash and cash equivalents	7,1	9,5		6,3
Total current assets	36,6	41,0	-10,6	36,7

TOTAL ASSETS	55,2	60,0	-8,0	55,6
EQUITY AND LIABILITIES				
EQUITY				
Share capital	15,0	15,0		15,0
Treasury shares	-2,4	-2,4		-2,4
Other reserves	28,7	28,8		28,7
Translation differences	3,3	3,7		3,5
Retained earnings	-28,9	-22,7		-25,7
Equity attributable to equity holders of the parent	15,6	22,3		19,0
Equity attributable to non-controlling interests	0,0	0,0		0,0
Total equity	15,6	22,3	-29,9	19,0
NON-CURRENT LIABILITIES				
Deferred tax liabilities	0,4	0,5		0,5
Interest-bearing liabilities	0,8	1,9		1,2
Other liabilities	0,0	0,1		0,1
Pension provisions	1,7	1,6		1,7
Other provisions	0,3	0,3		0,3
Total non-current liabilities	3,2	4,3	-25,7	3,8
CURRENT LIABILITIES				
Interest-bearing liabilities	11,2	7,5		9,8
Trade payables and other liabilities	24,8	25,5		22,6
Tax liabilities	0,2	0,2		0,3
Provisions	0,1	0,1		0,1
Total current liabilities	36,3	33,3		32,8
Liabilities	39,5	37,7		36,6
TOTAL EQUITY AND LIABILITIES	55,2	60,0	-8,0	55,6

GROUP KEY FIGURES, EUR million

	1-6/16 6 mo	1-6/15 6 mo	1-12/15 12 mo
Earnings per share, basic,eur	-0,06	-0,01	-0,07
Earnings per share, diluted, eur	-0,06	-0,01	-0,07
Equity per share, eur	0,30	0,43	0,36
Return on equity-%(ROE)	-37,7	-4,0	-16,8
Return on investment-%(ROI)	-19,8	0,7	-9,2
Net interest-bearing liabilities	5,0	-0,1	4,7
Investments (intangible and tangible assets)	1,6	2,2	4,5
as percentage of net sales	4,1	4,7	5,0
Average personnel	769	953	887

	1-6/16 6 mo	1-6/15 6 mo	Change %	1-12/15 12 kk
Adjusted operating result				
Operating result	-3,0	0,7	-506,2	-2,0
Adjustments to operating result				
Change in organizational structure	0,3	0,0		0,4
Total adjustments to operating result	0,3	0,0		0,4
Adjusted operating result	-2,6	0,7	-461,2	-1,6

CONSOLIDATED STATEMENT OF CASH FLOWS	1-6/16	1-6/15	Change	1-12/15
EUR million	6 mo	6 mo	%	12 mo
Cash flows from operating activities				
Cash receipts from customers	40,6	49,8		91,1
Cash paid to suppliers and employees	-39,2	-44,1		-87,4
Cash generated from operations	1,5	5,6		3,6
Interest paid	-0,2	-0,2		-0,4
Interest received	0,0	0,0		0,0
Other financial items	-0,1	-1,2		-1,2
Income taxes paid	0,0	-0,1		-0,2
Net cash from operating activities (A)	1,2	4,2		1,8
Cash flows from investing activities				
Purchase of tangible and intangible assets	-1,6	-2,2		-4,4
Proceeds from sale of tangible and intangible assets	0,0	0,0		0,0
Income taxes paid	0,0	0,0		0,0
Net cash used in investing activities (B)	-1,6	-2,1	26,6	-4,4
Cash flows from financing activities				
Proceedings from short-term borrowings	4,7	8,2		6,2
Repayment of short-term borrowings	-2,8	-8,1		-4,0
Repayment of long-term borrowings	-0,6	-0,6		-1,1
Financial leasing repayment	-0,1	-0,1		-0,2
Net cash used in financing activities (C)	1,3	-0,6		0,9
Net increase/decrease in cash and cash equivalents (A+B+C)				
	0,9	1,5		-1,6
Cash and cash equivalents at beginning of period	6,3	7,8		7,8
Net increase/decrease in cash and cash equivalents	0,9	1,5		-1,6
Effects of exchange rate fluctuations on cash held	-0,1	0,2		0,2
Cash and cash equivalents at end of period	7,1	9,5		6,3

GROUP CONTINGENT LIABILITIES

EUR million	30.6.2016	30.6.2015	31.12.2015
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	1,0	0,8
1-5 years	0,4	0,7	0,5
Fair values of derivate financial instruments			
Currency derivatives, for hedging (not IAS 39 hedge accounting)			
Derivatives			
Nominal amount	8,8	2,7	1,7
Negative fair value	0,0	0,0	-0,1

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 milloin	A	B	C	D	E	F	G	H	I
EQUITY January 1 2015	15,0	-2,4	28,0	0,7	2,6	-22,3	21,5	0,0	21,5
Comprehensive income	0,0	0,0	0,0	0,0	0,0	-0,4	-0,4	0,0	-0,4
Other comprehensive income									
Translation difference	0,0	0,0	0,0	0,0	1,1	0,0	1,1	0,0	1,1
Total comprehensive income	0,0	0,0	0,0	0,0	1,1	-0,4	0,7	0,0	0,7
Transactions between the shareholders									
Share-based payments	0,0	0,0	0,0	0,1	0,0	0,0	0,1	0,0	0,1
Total transactions between the shareholders	0,0	0,0	0,0	0,1	0,0	0,0	0,1	0,0	0,1
Equity June 30, 2015	15,0	-2,4	28,0	0,8	3,7	-22,7	22,3	0,0	22,3

EUR million	A	B	C	D	E	F	G	H	I
EQUITY January 1, 2016	15,0	-2,4	28,0	0,7	3,5	-25,7	19,0	0,0	19,0
Comprehensive income	0,0	0,0	0,0	0,0	0,0	-3,3	-3,3	0,0	-3,3
Other comprehensive income									
Translation difference	0,0	0,0	0,0	0,0	-0,2	0,0	-0,2	0,0	-0,2

Total comprehensive income	0,0	0,0	0,0	0,0	-0,2	-3,3	-3,5	0,0	-3,5
Transactions between the shareholders Share-based payments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total transactions between the shareholders	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EQUITY June 30, 2016	15,0	-2,4	28,0	0,7	3,3	-28,9	15,6	0,0	15,6

Calculation of key figures

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

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

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

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

$$\text{Net interest-bearing liabilities} = \text{Interest bearing liabilities - financial assets at fair value through profit or loss - cash and cash equivalents}$$

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

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

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

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

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

		<hr/>	Earnings per share	
Effective dividend yield, %	=	<hr/>	Dividend per share	x 100
			Adjusted share price at balance sheet date	
Equity per share	=	<hr/>	Equity – own shares*	
			Number of shares at balance sheet date	
P/E ratio	=	<hr/>	Adjusted share price at balance sheet date	
			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 Mr. Jorma Wiitakorpi, President and CEO, on August 10, 2016 at 9 -10 a.m., tel. +358 40 175 8510

DISTRIBUTION

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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 2015, consolidated net sales totaled EUR 89.9 million and the Group's personnel averaged 887. The company's share is quoted on the Nasdaq OMX Helsinki Ltd. www.efore.com