

Efore Plc to publish working capital statement and pro forma information on the acquisition of Powernet International Oy in the prospectus relating to the rights offering

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Efore Plc ('**Efore**' or the '**Company**') announced today that the Finnish Financial Supervisory Authority has approved the Company's Finnish language prospectus (the '**Prospectus**') relating to the rights offering of approximately EUR 11 million announced by the Company today (the '**Offering**').

In this release, the Company is publishing a previously unpublished working capital statement and previously unpublished pro forma information on the acquisition of Powernet International Oy.

Working Capital Statement

As at the date of the Offering Circular, the Company does not have sufficient working capital to finance its operations for the next 12 months. The Company's management estimates that the Company's working capital is sufficient until the end of December 2018.

The Company has agreed with its main financier bank on a reorganisation of its loans, conditional on the implementation of the Offering. A new payment programme for the next five years has been negotiated for the amortisations of the EUR 6.0 million in loans from the main financier bank maturing on 31 December 2018. The loan agreements signed with the main financier include the following covenants: (i) equity ratio, (ii) net debt/12 months rolling adjusted EBITDA, and (iii) adjusted EBITDA in euros. The covenants concerning the equity ratio and the adjusted EBITDA in euros were breached at the end of the 2017 financial year, but in February 2018, the Company received a waiver from the main financier bank to deviate from the loan covenants. Efore has agreed with the Company's main financier bank that the next measurement point for covenants will be 31 December 2018. The main financier bank has announced that it is prepared to grant a waiver if the covenants are not met in the measurement of 31 December 2018. The reorganisation of the loans is conditional upon the completion of the Offering.

Certain shareholders of the Company have undertaken with respect to short-term financing of EUR 4.4 million to use the capital and interest of this loan amount as at 31 December 2018, i.e. EUR 4.6 million, to subscribe for Offer Shares in the Share Issue. The loan in question matures on 31 December 2018.

The Italian subsidiary has a EUR 2.0 million loan with covenants concerning net debt/EBITDA and net debt/net equity covenants with the next measurement point being on 31 December 2018. The Company's management believes that, if these covenants are not met on 31 December 2018, it will be possible to negotiate the continued terms of the loan with the lender bank in a manner acceptable to the Company.

On 21 November 2018, the Company signed an agreement to acquire Powernet. The purchase price on a cash and debt free basis (enterprise value) is EUR 4.5 million and the purchase price for the shares at closing of the transaction is EUR 2.5 million. The Company intends to finance the acquisition of Powernet using the proceeds from the Offering. The acquisition of Powernet is conditional on the adequate implementation of the Share Issue in accordance with its terms in such a way that the Company raises at least EUR 8 million in proceeds through the Share Issue or succeeds in obtaining other financing for the payment of the purchase price.

The Company is carrying out the Offering, among other things, to secure sufficient working capital. The acquisition of Powernet is conditional on the adequate implementation of the Share Issue in accordance with its terms in such a way that the Company raises at least EUR 8 million in gross proceeds through the Share Issue or succeeds in obtaining other financing for the payment of the purchase price. For this reason, the Company's management estimates that there are two alternatives that must be taken into consideration. If the Company succeeds in raising over EUR 8 million through the Offering and, thus, fulfils the conditions for the acquisition of Powernet, the management estimates that the Company would need approximately EUR 8 million of the Offering, corresponding to approximately EUR 267 million Offer Shares,

together with cash flow from operations, in order to cover the acquisition of Powernet and the working capital needs for the next 12 months. If the Company does not succeed in raising EUR 8 million through the Offering and, thus, is not obligated to complete the acquisition of Powernet, the management estimates that the Company would need approximately EUR 5.3 million, corresponding to approximately 177 million Offer Shares, together with cash flow from operations to cover the working capital needs for the next 12 months.

Pro forma information on the acquisition of Powernet International Oy included in the Prospectus

The Prospectus includes previously unpublished pro forma figures on the acquisition of Powernet Oy. The pro forma figures are published as an appendix to this stock exchange release. The Prospectus includes a report by the Company's auditor concerning the pro forma information.

Helsinki, Wednesday 28. November 2018

Efore Plc

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

Basis of pro forma financial information

The unaudited pro forma information below (**'pro forma'**, **'pro forma financial information'**) has been presented on the acquisition of Powernet International Oy (**'Powernet'**), giving effect to the acquisition as if it had been completed:

- for the unaudited pro forma statement of comprehensive income as at 1 January 2018, and
- for the unaudited pro forma balance sheet as at 30 September 2018.

This unaudited pro forma financial information has been presented for illustrative purposes only. Because of its nature, it addresses a hypothetical situation to reflect the operating result of the Group, had the acquisition been completed as at 1 January 2018, and to reflect the balance sheet of the Group, had the acquisition been completed as at 30 September 2018. Efore intends to finance the Powernet acquisition using proceeds from the Offering and the impacts from the Offering are described in the pro forma information. The pro forma information also includes a description of the impact of the short-term financing arrangements of the Company in connection with the Offering. The pro forma information does not purport to represent Efore Group's results of operations for any future period or balance sheet at any future date. The pro forma information does not reflect the effect of possible synergies associated with the acquisition.

The pro forma adjustments are based on the available information and the assumptions made by management of Efore Group. There are no assurances that the assumptions made in preparation of the unaudited pro forma information will subsequently prove accurate.

On 21 November 2018 the Company announced that it will acquire the entire share capital of Powernet International Oy. Control over the Powernet Group has not passed to Efore by the date of the Prospectus. The acquisition of Powernet is conditional upon Efore receiving sufficient proceeds from the Offering, based on its terms and conditions, so that the Company will raise at least EUR 8 million from the Offering or is able to raise financing for the payment of the consideration some other way.

The unaudited pro forma financial information presented in this section should be read in conjunction with the following documents:

- The consolidated financial statements of Efore Plc for the financial year ended 31 December 2017
- The supplemented half-year report of Efore Plc for the six-month period ended 30 June, and
- Financial information on Efore Plc for the interim period ended 30 September 2018

Pro forma period and accounting principles

The tables below present:

- the unaudited pro forma statement of comprehensive income for the interim period ended 30 September 2018 (nine-month period) and
- the unaudited pro forma balance sheet as at 30 September 2018.

The statement of comprehensive income has been prepared assuming the Powernet acquisition had been completed as at 1 January 2018.

The unaudited pro forma financial information has been prepared in accordance with the IFRSs as adopted by the EU and applied by Efore Plc in its consolidated IFRS financial statements. The FAS-based accounting principles (Finnish Accounting Standards) for the financial statements of Powernet Group have been adjusted to comply in all material respects with those IFRS-based accounting principles of Efore Group.

No deferred taxes have been recorded on the pro forma adjustments as their effect is not material.

Sources of pro forma financial information

The unaudited pro forma information is based on financial data derived from the following sources:

- Unaudited financial information of Efore Plc for the interim period ended 30 September 2018.
- The unaudited consolidated balance sheet of Powernet International Oy as at 30 September 2018 and the consolidated income statement for the period 1 January–30 September 2018. The financial information of Powernet has been prepared in accordance with FAS. In the pro forma income statement and balance sheet the information is adjusted to IFRS as applied by Efore Group in all material respects to achieve comparability (refer to Note (C)).

Unaudited pro forma statement of comprehensive income for the period 1 January – 30 September 2018

MEUR	Consolidated statement of comprehensive income of Efore Group	Income statement of Power-net Group	Differences in accounting policies	Purchase price allocation: allocations to identifiable assets and liabilities	Purchase price allocation: other adjustments	Offering	Financing arrangements	Pro forma statement of comprehensive income
	(IFRS) (unaudited)	(FAS) (unaudited)						(IFRS) (unaudited)
Notes	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
Net sales	37,7	6,8	0,0	0,0	0,0	0,0	0,0	44,6
Change in inventories of finished goods and work in progress	-0,5	0,0	0,0	-0,1	0,0	0,0	0,0	-0,6
Work performed for own purposes and capitalised	0,1	0,3	0,0	0,0	0,0	0,0	0,0	0,4
Other operating income	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,1
Materials and services	-25,8	-4,3	0,0	0,0	0,0	0,0	0,0	-30,1
Employee benefits expenses	-8,0	-1,5	0,0	0,0	0,0	0,0	0,0	-9,5
Depreciation	-2,6	-0,7	0,3	0,0	0,0	0,0	0,0	-2,9
Impairment	-0,7	0,0	0,0	0,0	0,0	0,0	0,0	-0,7
Other operating expenses	-5,3	-1,0	0,0	-0,3	0,0	0,0	0,0	-6,6
Operating profit/loss	-4,8	-0,4	0,3	-0,4	0,0	0,0	0,0	-5,2
Financing income	1,3	0,0	0,0	0,0	0,0	0,0	0,0	1,3
Financing expenses	-2,1	-0,1	0,0	0,0	0,0	0,0	0,1	-2,1
Result before tax	-5,6	-0,5	0,3	-0,4	0,0	0,0	0,1	-6,0
Tax on income from operations	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,3
Result for the period	-5,3	-0,5	0,3	-0,4	0,0	0,0	0,1	-5,7

Other comprehensive income

Items that will not be reclassified to statement of income

Remeasurements of the net defined benefit liability	0,0	-	-	-	-	-	-	0,0
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Items that may be reclassified subsequently to profit or loss

Translation differences	-0,1	-	-	-	-	-	-	-0,1
Total comprehensive income	-5,4	-0,5	0,3	-0,4	0,0	0,0	0,1	-5,8

Unaudited pro forma balance sheet as at 30 September 2018

MEUR	Consolidated balance sheet of Efore Group 30.9.2018	Balance sheet of Powernet Group 30.9.2018	Differences in accounting policies	Purchase price allocation: allocations to identifiable assets and liabilities	Purchase price allocation: other adjustments	Offering	Financing arrangements	Pro forma balance sheet
	(IFRS) (unaudited)	(FAS) (unaudited)						(IFRS) (unaudited)
Notes	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
ASSETS								
NON-CURRENT ASSETS								
Intangible assets	9,9	0,9	0,0	0,0	0,0	0,0	0,0	10,7
Goodwill	1,1	0,0	0,0	0,0	3,9	0,0	0,0	5,0
Tangible assets	2,9	0,2	0,0	0,0	0,0	0,0	0,0	3,1
Other receivables, non-current	0,1	0,2	0,0	0,0	0,0	0,0	0,0	0,3
Other long-term investments	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,1
Deferred tax asset	3,2	0,0	0,0	0,0	0,0	0,0	0,0	3,2
Total non-current assets	17,3	1,3	0,0	0,0	3,9	0,0	0,0	22,5
CURRENT ASSETS								
Inventories	8,6	0,5	0,0	0,1	0,0	0,0	0,0	9,2
Trade receivables and other receivables	8,0	1,5	0,0	0,4	0,0	-0,2	0,0	9,6
Tax receivable, income tax	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,2
Cash and cash equivalents	1,7	0,0	0,0	0,0	-2,5	10,5	-5,3	4,4
Total current assets	18,5	2,0	0,0	0,4	-2,5	10,3	-5,3	23,4
TOTAL ASSETS	35,8	3,3	0,0	0,4	1,4	10,3	-5,3	45,9
EQUITY AND LIABILITIES								
EQUITY								
Share capital	15,0	0,0	0,0	0,0	0,0	0,0	0,0	15,0
Treasury shares	-2,4	0,0	0,0	0,0	0,0	0,0	0,0	-2,4
Other reserves	28,7	7,6	0,0	0,0	-7,6	10,3	0,0	38,9

Translation differences	3,3	0,0	0,0	0,0	0,0	0,0	0,0	3,3
Retained earnings	-42,9	-10,3	1,7	0,3	8,3	0,0	0,0	-42,9
Equity attributable to equity holders of the parent	1,6	-2,7	1,7	0,3	0,7	10,3	0,0	11,9
Equity attributable to non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total equity	1,6	-2,7	1,7	0,3	0,7	10,3	0,0	11,9
NON-CURRENT LIABILITIES								
Deferred tax liabilities	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,1
Interest-bearing liabilities	1,7	2,4	-1,7	0,0	0,0	0,0	0,0	2,3
Other liabilities	0,0	0,0	0,0	0,0	0,7	0,0	0,0	0,7
Pension provisions	1,3	0,0	0,0	0,0	0,0	0,0	0,0	1,3
Provisions	0,3	0,3	0,0	0,1	0,0	0,0	0,0	0,6
Total non-current liabilities	3,4	2,6	-1,7	0,1	0,7	0,0	0,0	5,1
CURRENT LIABILITIES								
Interest-bearing liabilities	15,4	1,5	0,0	0,0	0,0	0,0	-5,2	11,7
Trade payables and other liabilities	15,0	1,8	0,0	0,1	0,0	0,0	-0,1	16,8
Tax liabilities	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,2
Provisions	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,2
Total current liabilities	30,8	3,3	0,0	0,1	0,0	0,0	-5,3	28,9
Liabilities	34,2	6,0	-1,7	0,2	0,7	0,0	-5,3	34,0
TOTAL EQUITY AND LIABILITIES	35,8	3,3	0,0	0,4	1,4	10,3	-5,3	45,9

Pro forma notes

(A) Consolidated statement of comprehensive income and balance sheet of Efore Group

This column reflects Efore Group's unaudited IFRS consolidated statement of comprehensive income for the nine-month period ended 30 September 2018, and the unaudited IFRS consolidated balance sheet as at 30 September 2018. Efore's financial year is the calendar year

(B) Income statement and balance sheet of Powernet Group

This column reflects Powernet Group's unaudited FAS consolidated income statement for the nine-month period ended 30 September 2018, and the unaudited FAS consolidated balance sheet as at 30 September 2018. Powernet's financial year is the calendar year.

(C) Differences in accounting policies

This column reflects the impact of accounting policy alignment of the FAS-based historical financial information of Powernet to comply with the IFRS accounting principles of Efore Group. In this column adjustments are made to arrive at comparable figures.

Consolidated statement of comprehensive income

The goodwill amortisation recognised by Powernet Group for the period ended 30 September 2018, totalling EUR 0.3 million, has been reversed as a pro forma adjustment. Under IFRS goodwill is not amortised.

Balance sheet

The subordinated loan of Powernet Group, amounting to EUR 1.75 million, has been reclassified from liabilities to equity as the loan meets the recognition criteria for an equity item under IFRS. Items included in intangible assets of Powernet Group, EUR 0.0 million, have been reclassified to tangible assets.

(D) Purchase price allocation: allocations to identifiable assets and liabilities

This column reflects the adjustments made based on the provisional purchase price allocation, i.e. allocations to identifiable assets and liabilities. The purchase price allocation is provisional, since the transaction has not yet been effected. The final purchase price allocation will be prepared based on the acquisition-date fair values of Powernet's identifiable assets, liabilities and contingent liabilities when control over Powernet passes to Efore. The final purchase price allocation may differ from the provisional purchase price allocation below. A purchase price allocation is considered final after one year from the acquisition date at the latest.

Consolidated statement of comprehensive income

Inventories: The inventories measured at fair value are considered to be used over nine months. Consequently the adjustment to the item Change in inventories of finished goods and work in progress is negative EUR 0.1 million. The adjustment has a non-recurring impact on the Issuer.

Acquisition-related costs: IFRS 3 requires acquisition-related costs be recorded as expenses as they are incurred. The transaction costs related to the acquisition are in aggregate EUR 0.3 million and comprise both acquisition-related professional fees and the asset transfer tax. The said expenses are accounted for as if they had been incurred as at 1 January 2018. The adjustment has a non-recurring impact on the Issuer.

Balance sheet

Inventories: The preparation of the purchase price allocation has only been started. The Group has provisionally allocated part of the purchase price to the inventories of Powernet Group. The adjustment amounts to EUR 0.1 million. The adjustment has a non-recurring impact on the Issuer.

Other receivables and provisions: based on the Share Purchase Agreement, the seller may contractually indemnify against Efore against certain claims between Powernet and third parties that remained open by the date of the Prospectus. As a result, Efore obtains an indemnification asset that has been recorded as a pro forma adjustment, totaling EUR 0.4 million (increase). At the same time a pro forma adjustment of EUR 0.1 million has been made to provisions, resulting from the previously unrecognised obligations referred to above. The adjustments have a non-recurring impact on the Issuer.

Trade payables and other liabilities: the pro forma adjustment in question, EUR 0.1 million, arises from an obligation of Powernet to make payment for certain overtime pay. This liability incurred prior to the acquisition. The adjustment has a non-recurring impact on the Issuer.

(E) Purchase price allocation: other adjustments

This column reflects the other adjustments made based on the provisional purchase price allocation. The purchase price allocation is provisional, since the transaction has not yet been effected.

Balance sheet

The major identified adjustments to the pro forma balance sheet as at 30 September 2018 are as follows:

Goodwill: The preparation of the purchase price allocation has only been started. Therefore, currently the amount by which the consideration paid, EUR 2.5 million together with the estimated contingent consideration EUR 0.7 million, exceeds the fair value of the net assets acquired, negative EUR 0.7 million, is for the most part presented as goodwill, amounting to EUR 3.9 million. Efore Group has provisionally allocated part of the purchase price to the inventories of Powernet Group, refer to Note (D) above. The adjustment has a non-recurring impact on the Issuer.

It is probable that Efore Group may have to adjust the goodwill amount subsequently in completing said calculation, for example by allocating part of the amount to the intangible assets identified in the acquisition.

Cash and cash equivalents: the pro forma adjustment in question, EUR 2.5 million, reflects the impact resulting from the payment of the consideration and it is deducted from the item Cash and cash equivalents of the balance sheet. The adjustment has a non-recurring impact on the Issuer.

Equity: the negative IFRS equity of Powernet as at 30 September 2018, EUR 0.7 million, has been eliminated from the pro forma balance sheet. The adjustment has a recurring impact on the Issuer.

Other liabilities: the pro forma adjustment, EUR 0.7 million, reflects the impact from the estimated contingent consideration (additional purchase price). The contingent consideration is measured at fair value based on management's best estimate. The contingent consideration has not been discounted, since the payment term is 15 months from the acquisition date. The adjustment has a recurring impact on the Issuer by the payment date.

(F) Offering

Balance sheet

This column reflects the impacts of the Offering.

The Extraordinary General Meeting held on 3 May 2018 resolved on the proposal of the Board of Directors to authorise the Board of Directors to decide on a share issue according to the pre-emption rights of shareholders.

In preparation of the pro forma information, it has been assumed, considering the subscription commitments and pricing of the issue, that the Offering will be completed in full, for the gross amount of EUR 11 million. The resulting pro forma adjustments in respect of the Offering are as follows: increase to the equity item Unrestricted equity reserve (reserve for invested unrestricted equity), EUR 10.3 million, increase to the item Cash and cash equivalents, EUR 10.5 million, net of both estimated unrecognised offering costs, EUR 0.5 million, and the deduction to the item Trade receivables and other receivables EUR 0.2 million, which comprises the offering-related costs already incurred. Both cost items referred to above are recorded as a deduction to the reserve for invested unrestricted equity. The adjustments have a recurring impact on the Issuer. The reorganisation of the loans is conditional upon the completion of the Offering.

(G) Financing arrangements

Efore intends to pay for the Powernet acquisition amounting to EUR 2.5 million using net proceeds from the Offering. The acquisition of Powernet is conditional upon Efore receiving sufficient proceeds from the Offering, based on its terms and conditions, so that the Company will raise at least EUR 8 million from the Offering or is able to raise financing for the payment of the consideration some other way.

Certain major shareholders of Efore, including Jussi Capital Oy and Rausanne Group, have granted Efore a short-term loan of EUR 4.4 million. These shareholders have undertaken to use the loan amount with interest for share subscriptions by setting off against the subscription price. The accumulated interest on this short-term loan amounted to EUR 0.1 million as at 30 September 2018 and therefore the set-off presented in the pro forma calculations totals EUR 4.5 million.

Furthermore, Efore Group will repay financial liabilities of EUR 0.8 million in connection with the Offering, as Efore has agreed with its main financier that it will amortise the loans received by EUR 0.2 million if the Company succeeds in raising gross proceeds of at least EUR 8.0 million through the Offering. Furthermore, the Company has agreed with its main financier bank that it will amortise the loans from said bank by a sum corresponding to 20%, i.e. EUR 0.6 million, of the gross proceeds of the Offering to the extent that they exceed EUR 8.0 million.

The adjustments have a recurring impact on the Issuer.

Consolidated statement of comprehensive income

The pro forma adjustment, EUR 0.1 million, reflects the decrease of interest expenses on financial liabilities resulting from the financing arrangements described above. The adjustment has a recurring impact on the Issuer.

Balance sheet

The pro forma adjustments relating to the financing arrangements described above are as follows: a decrease of the item Cash and cash equivalents, EUR 5.3 million, a decrease of the item Current interest-bearing liabilities EUR 5.2 million, and a decrease of the item Trade payables and other liabilities EUR 0.1 million. The adjustments have a recurring impact on the Issuer.