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MARKKU HANGASJÄRVI

President and CEO

Efore Plc

REVIEW BY THE PRESIDENT AND CEO

OPERATIONAL ADJUSTMENTS LAY

THE GROUNDWORK FOR RENEWED GROWTH

Efore has had a difficult financial year. The growth in demand of the last few months of 2000 was followed by a drop in demand in January 2001. This decline continued throughout the year. Net sales for the year under review totaled EURm 56.3, which was 6% lower than in 2000. The main cause of the weak demand was a downturn in the telecommunications sector, in which profit warnings, layoffs, job cuts and plant closures were almost everyday occurrences.

When I assumed the duties of the President and CEO on April 1, 2001, Efore's financial performance was at a low point. Immediate action was required to adjust operations in line with the weaker than expected demand. To counter this weak demand, the Crash Action Program (CAP) was established. CAP succeeded in arresting the downward trend. The program was concluded in October 2001 and was a great success, generating direct savings of about EURm 1.4. As a result, the Group managed to keep its cash flow positive, its solvency ratio at satisfactory levels, and cut its net liabilities.

Nevertheless, Efore recorded a loss of EURm 3.5 in 2001. The poor performance was the result of high material costs due to commitments made at the beginning of the financial year, low capacity utilization at the production plants and a one-time extra-ordinary expense caused by obsolete materials, interrupted product development projects and job losses.

It is my belief, however, that with improved efficiency in production and materials management, cuts in fixed costs and more vigorous sales efforts will give a major boost to Efore's competitiveness and lay the groundwork for renewed growth. A record number of major product development projects for custom-designed products is under way, and most of them will reach the production stage during 2002. In addition, new contracts such as the one with Andrew Corporation announced in November are also in the pipeline.

CORE STRATEGY REMAINS UNCHANGED

Efore's strategy is founded on power supply expertise, and its aim is to provide customers with global service and build genuine, long-term partnerships. Efore's customers are leaders in their own fields and include ABB, Datex-Ohmeda, Ericsson, Nokia, Siemens, Tellabs and Wärtsilä. Our product range consists of custom-designed power supplies, DC power systems and inverters.

Despite the market turmoil, Efore has kept firmly to its strategy and was able to score a number of successes. Both the Chinese and US subsidiaries saw their net sales rise. Several new deals were concluded in the United States, some of which involved deliveries for Wärtsilä supplied power plants. The USA markets is of growing strategic importance for Efore, partly as a result of the new GSM/EDGE network contracts announced by our principal customer Nokia.



Efore plans on continuing its globalization drive during the ongoing fiscal year, having started by establishing a unit in Brazil. As a result we can now provide service to our customers on four continents and compete successfully with other leading power supply specialists.

POWERING YOUR SUCCESS

Demand for power supplies is expected to pick up during 2002. Efore's aim is to make its expertise available to its customers and to produce solutions for the needs of tomorrow, ensuring customer success well into the future. Our new slogan 'Powering Your Success' embodies this principle. After all,

when customers increase their market shares, we also grow faster than the power supply market as a whole.

Finally, I would like to extend my thanks to all our customers, personnel, suppliers, shareholders and other stakeholders for the past year. The many lessons we have all learned during the period should give us renewed power to succeed in the future.

EFORE GROUP

Efore Group designs and manufactures power supply equipment for customers whose products and operations depend on a constant supply of disturbance-free power.

The growing power quality requirements of the manufacturers of telecommunications, industrial automation and medical equipment place ever greater demands on these manufacturers. In addition, only quality power supply equipment can ensure the efficient functioning of such sectors as power generation and distribution, transportation, defense and rescue services. These areas require advanced power conversion technology that Efore supplies. Efore's custom-designed and standard power supply equipment ensures customers a constant flow of disturbance-free power.

Efore Group is well poised to meet the challenge of providing the world with the cleaner and more reliable power supply it demands.

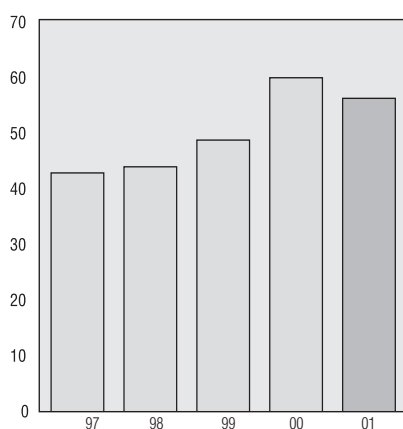
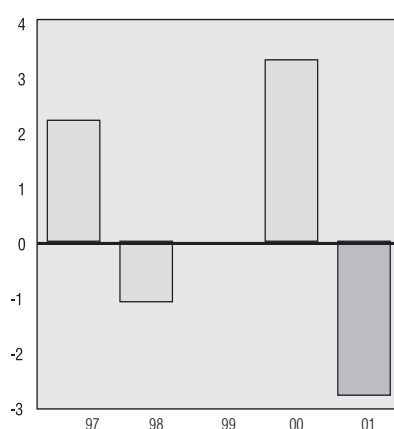
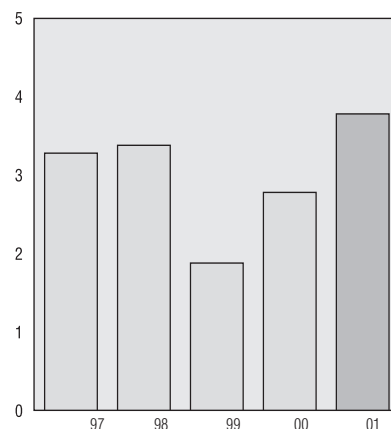
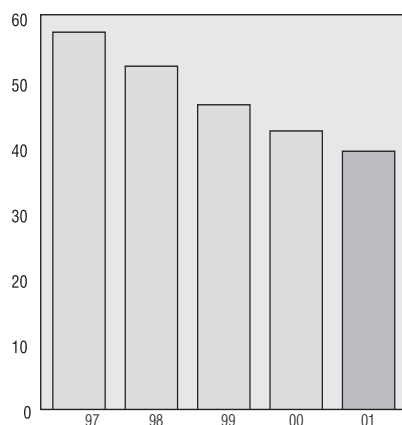
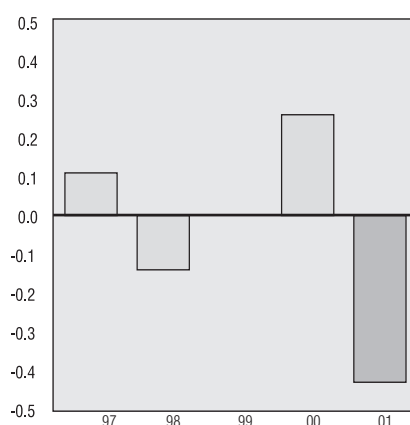
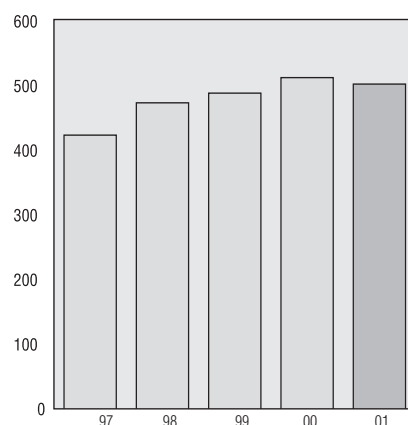
Efore Plc, the Group's parent company, was established in 1975. The years since then have been marked by continuous and determined efforts to ensure Efore as a reliable partner to leading companies in different sectors operating in a global market. Having Group companies in Finland, the USA, China and Brazil allows Efore operational flexibility close to its customers. Efore's success also maintains Finland's reputation as one of the leading product developers in power electronics.



EFORE GROUP KEY FIGURES

	2001	2000	1999	1998	1997
Net sales, M€	56.3	60.0	48.8	44.0	42.9
Operating profit (loss), M€	-2.8	3.3	0.0	-1.1	2.2
% of net sales	-5.0	5.5	0.0	-2.4	5.2
Profit (loss) before appropriations and taxes, M€	-3.5	3.2	0.2	-1.1	6.3
% of net sales	-6.2	5.4	0.4	-2.5	14.7
Net profit (loss), M€	-3.5	2.1	0.0	-1.1	4.0
% of net sales	-6.2	3.4	0.1	-2.6	9.2
Gross investments, M€	3.8	2.8	1.9	3.4	3.3
% of net sales	6.7	4.6	3.8	7.7	7.7
Balance sheet total, M€	29.0	36.7	32.1	30.0	31.5
Return on equity (ROE), %	-25.4	13.4	0.2	-6.7	5.7
Return on investment (ROI), %	-11.5	15.4	2.6	-2.7	12.5
Solvency ratio, %	39.7	42.8	46.8	52.7	57.9
Personnel, average	505	515	491	476	426
Earnings per share, €	-0.43	0.26	0.00	-0.14	0.11
Shareholders' equity per share, €	1.44	1.91	1.93	2.13	1.95

In calculation of key figures and key indicators own shares have been excluded from number of shares and the fund of own shares has been excluded from shareholders' equity. The capitalization of development expenses, introduced in 1999 in accordance of the Ministry of Trade and Industry, improved the result before taxes for the year 2001 0,9 M€ and year 2000 0,6 M€, year 1999 0,7 M€. If the same method had been used in the period 1997 - 1998, the result for each of those years would have improved by an estimated 0,2 - 0,4 M€.

NET SALES

OPERATING PROFIT

GROSS INVESTMENT

SOLVENCY RATIO, %

EARNINGS PER SHARE

PERSONNEL, AVERAGE


EXPERTISE AND GENUINE PARTNERSHIP WILL ENSURE FUTURE SUCCESS

Efore retains all aspects of its power supply expertise, from product development to manufacturing, under the same roof. The company has always been a technological pioneer willing and able to apply the latest technologies in its product development and manufacturing. An important advantage to our customers is that Efore designs its power supply products for manufacture in plants conceived for the purpose.

The development and introduction of switching-mode technology in nearly all power supply applications has marked the biggest step forward in the field during the past two decades. Efore has always been at the cutting edge in the application of this technology. A more recent development is distributed power architecture, both in product and in manufacturing technology. Efore's knowledge and expertise are shared by all its plants and business units, giving our customers a further advantage: quick and efficient service, worldwide.

In addition to technological expertise, Efore's strategy is based on genuine partnership with its customers and other partners. Successful partnerships have always been important to Efore. After all, the major part of Efore's business is based on the design and manufacture of custom-designed power supplies.

For our customers, developing a power supply for a competitive end product is always very demanding. Our customers know what they need, and they can fully rely on Efore to design and manufacture a product incorporating the very latest technology. Unlike subcontractors and contract manufacturers, Efore can provide our customer's end product with a power supply whose development and production are in the hands of one and the same company throughout the entire product life cycle. This enables our customer to focus resources on their own core areas.

Efore has truly deserved its position at the cutting edge of power supply technology and is determined to stay there.

POWERING YOUR
SUCCESS
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YOUR
POWERING YOUR SUCCESS

EFORE – THE CUTTING EDGE OF POWER SUPPLY TECHNOLOGY

PRODUCTS

CUSTOM-DESIGNED POWER SUPPLIES

The design and manufacture of custom-designed power supplies currently accounts for most of Efore's business. Power supplies are used for converting alternating current into direct current and vice versa, and for supplying customers' end products with any electrical power demanded. Power supplies are usually tailored to the needs of specific customers. A contract with a customer is always a cooperative undertaking starting with a product development project and continuing with a production agreement covering the entire life cycle of the product. A demanding product development process always involves major challenges and may last more than a year. Depending on the product and the customer, between 1,000 and 100,000 of each custom-designed power supplies are manufactured annually.

Efore has several dozen custom-designed projects in progress at any one time. By ensuring the seamless compatibility of product development, manufacturing and logistics processes between Efore and the customer, both parties can reap the benefits of cost-effectiveness. Efore's power supplies go to leading international equipment manufacturers such as ABB, Ericsson, Nokia and Siemens.

DC POWER SYSTEMS AND RECTIFIERS

Efore's DC power system products and rectifiers are used for converting the alternating current of the mains supply to direct current used by electronic systems, at the same time ensuring disturbance-free power input through the use of batteries. The rectifier units are based on the same technology as Efore's custom-designed power supplies, thus offering important synergy benefits. For example, the DC power systems are modular in character. They use standardized modules and mechanical components that can easily incorporate the

requirements of individual customers concerning system power and operating conditions. Standardization also means that more power can easily be added to existing systems so that the changing needs of customers can be met.

Efore's DC power systems and rectifiers are available in many different countries through a network of distributors. The company has invested heavily in expanding this distributor network in Europe and especially in the United States. Customers of Efore's DC power systems include teleoperators, railroads, process industry companies and manufacturers of industrial equipment such as Wärtsilä.

INVERTERS

Direct current cannot alone meet the world's power requirements. In our daily lives, we also need equipment that uses alternating current from the mains supply. It is also often necessary to ensure a disturbance-free flow of electricity at all times. Such vital equipment can include computers and printers, and in the field of telecommunications, control devices and Internet routers.

Inverters can be included in Efore DC power system products when the user environment also features equipment that uses alternating current. Inverters are needed for supplying alternating current equipment with power from direct current batteries; for example, during a power failure. Inverters can also be made into independent systems, depending on customer needs.

Power Innovation GmbH, Efore's German affiliate company, specializes in inverters. Efore's inverters have been favorably received in the United States, and they have been doing quite well in other markets. In addition to direct selling, they are also offered through Efore's distributors. As DC power systems and rectifiers and inverters usually go to the same markets, distributors in many countries supply all of these products.

BOARD OF DIRECTORS' REPORT

OPERATIONS IN GENERAL

Efore Plc is the parent company of Efore Group. The Group also conducts business through its subsidiary companies Efore Power Design Oy, Efore (UK) Ltd., Efore (USA), Inc., Efore (Suzhou) Electronics Co., Ltd., and Efore Ltda. Muuntolaite Oy merged with the parent company Efore Plc on January 31, 2001. The Group's business consists of custom-designed power supply products and inverter and rectifier systems for industrial customers in the main markets of Europe, the United States and Asia.

Efore's consolidated net sales for the full financial year amounted to EURm 56.3, down 6.1% on the previous year's figure (EURm 60.0). The Group recorded an operating loss of EURm 2.8 (operating profit 3.3 EURm) the period November 1, 2000 – October 31, 2001. The loss before appropriations and taxes totaled EURm 3.5 (profit EURm 3.2). The Group's Finnish companies switched over to the euro in their accounting and financial reporting at the start of the financial year, on November 1, 2000.

The Group's main targets for the financial year were to consolidate its global operations, to expand its customer base and to improve profitability. The US subsidiary was particularly successful in finding new customers. Progress was made in the Group's global operations, with the setting up of surface-mounting production at the US subsidiary and the realization of volume production in China. The component availability problems in the beginning of the fiscal year, which led to increases in stocks in the second quarter, meant a substantial drop in profitability. Price competition on international markets also depressed the margins on new products. Profitability was further weakened by the strong fluctuations in demand. In all, the operating year could be characterized as an exceptionally difficult one for Efore.

Mr. Markku Hangasjärvi was appointed President and CEO of the parent company Efore Plc following Berndt Schalin's announcement of his resignation in the spring. Mr. Hangasjärvi had been a deputy member of the Board of Directors since 2000. He took up his duties as President and CEO on April 1, 2001.

In response to changes in the market and a drop in profitability, the Group began a Crash Action Program in the spring. As a result of the joint negotiations held with personnel in July, a number of personnel reductions and layoffs were made. In the final quarter of the financial year the Group succeeded in halting the worsening financial performance, but the decrease in demand prevented Efore from making a profit for the year.

PRODUCT DEVELOPMENT

Developing custom-designed power supplies and inverter and rectifier systems is Efore's key strength and the core of its business. Its business model differs from that of contract manufacturers in that Efore products are developed by the company itself from the start and in close partnership with its customers. Competitiveness factors in product development include not only the technology but also production considerations and the cost of materials. Where necessary, technology upgrades are also incorporated into products already in production. A significant proportion of net sales is derived from custom-designed products and long-term framework agreements which include both product development and production and product support during the entire product life cycle.

Although a major element of the company's investment costs, product development later provides a return in the form of manufactured products. The key to higher production volumes is sound product development work, products which are easy to manufacture as well as Efore's customers' success in selling their own products. Market success was particularly difficult to predict during the past financial year for reasons which include the cautious investment behavior of teleoperators. The demand for older product generations was variable and has begun to decline, while the manufacture of new products was only at the start-up phase. Most ICT companies have experienced a reduction in growth or even a fall in net sales.

Efore assesses potential product development projects when the process of submitting product development bids. The key criteria it considers are an estimate of the prospects for staying competitive and future production volumes. The latter should reach relatively high figures. For logistical reasons, customers often require that production should take place in or close to their main markets.

Efore invested a total of EURm 4.0 (EURm 3.7) in its product development programs during the financial year. A total of EURm 0.9 (EURm 0.6) was capitalized as product development expenditure in long-term projects within the Group. The potential demand for new products at the start of their life cycle is estimated to be approximately EURm 200 - 400 in the next few years, depending on the level Efore's customers actually demand the products. Product development projects in progress at the end of the financial year numbered 27. Efore is actively involved in products which are used in the new GPRS, EDGE and UMTS mobile network solutions.

NET SALES BELOW TARGET

Consolidated net sales for the financial year totaled EURm 56.3 (EURm 60.0), down by 6.1% on the previous year's figure (a growth of 23%). The net sales of the parent company Efore Plc amounted to EURm 46.7 (EURm 45,0). When examining the net sales figures of the parent company Efore Plc, it should be noted that Muuntolaite Oy merged with Efore Plc on January 31, 2001.

Efore's principal customers were again major European telecommunications equipment manufacturers and industrial electronics users. The ten biggest customers accounted for 90% of net sales.

Considerable efforts were made to improve sales on the United States market. Supporting Efore's own sales effort is a comprehensive network of sales representatives in the most important states. The volume of Efore (USA), Inc's operations accounted for 15.8% of Group's net sales.

UNSATISFACTORY RESULT

The Group turned in a loss for the financial year. The factors contributing to the poor financial performance included low capacity utilization, the high value of the US dollar and the additional costs incurred as a result of the component availability problems. The result was also influenced by the depreciation of obsolete stocks which were above normal.

The consolidated operating loss totaled EURm 2.8 (operating profit EURm 3.3). The consolidated loss before appropriations and taxes was EURm 3.5 (profit EURm 3.2). The sum of EURm 0.9 (EURm 0.6) capitalized as product development expenditure must be taken into account when examining the result. The earnings per share totaled EUR -0.43 (EUR 0.26) and the return on investment was -11.5% (15.4%). Efore's German affiliated company Power Innovation GmbH experienced a substantial increase in net sales and turned in a slight profit for the year.

BALANCE SHEET

The total on the consolidated balance sheet was EURm 29.0 (EURm 36.7). The possible tax item of EURm 0.3 (EURm 0.3) resulting from the sale of the company's own shares that had come into its possession in the 1997 merger is still taken into account in the parent company as a voluntary provision. The tax authorities' interpretation is, however, still under appeal, and the company believes it has a good case. Voluntary provisions within the Group are included in non-distributable unrestricted equity.

FINANCING, INVESTMENTS AND SOLVENCY

Current assets at the close of the year were EURm 5.1 (EURm 4.3). Long-term (non-current) loans amounting to EURm 3.0 (EURm 0.8) were repaid and EURm 3.7 (EURm 0.1) of new loans were drawn. Net financial expenses totaled 1.2% (0.1%) of net sales. The financial position was affected by the increased stocks related to the materials procurement situation and the need for working capital essential in a global operation.

The Group's fixed asset investments were up on the previous year's figure and totaled EURm 3.8 (EURm 2.8), or 6.7% of net sales, of which capitalization of product development expenditure accounted for EURm 0.9 (EURm 0.6). The biggest new investment was at the Saarijärvi factory. The new surface-mounting technology (SMT) line has doubled the plant's SMT capacity and improved the potential for optimizing production.

Non-interest-bearing liabilities amounted to EURm 7.6 (EURm 11.3) and interest-bearing liabilities to EURm 9.6 (EURm 9.4) of Efore's total creditors figure. The solvency ratio was 39.7% (42.8%) and the gearing ratio 39.7% (32.2%).

PERSONNEL EMPLOYED

The average number of persons employed by the Group during the year was 505 (515) and at the close of the year 446 (520). Following the joint negotiations with personnel representatives begun in July, the number of personnel employed was reduced by 67 persons. A total of 43 fixed-term employment contracts were terminated and 24 employees were given notice of termination. Adjusting the number of personnel in line with operations has affected all of the Group's business locations with the exception of China.

ENVIRONMENTAL POLICY AND IMPACT

Development and maintenance of the environmental management system for Group companies operating in Finland is based on the international ISO 14001 standard, which is being applied to all operations. Certification under this standard was achieved for the Espoo, Saarijärvi and Vantaa operations in 2000. Efore's management is not aware of any environmental risks or liabilities that would have an impact on the financial position of the company.

GOVERNANCE AND AUDITORS

The Board of Directors of Efore Plc convened on 19 times during the financial year. Prior to the Annual General Meeting of March 6, 2001, the Board's

chairman was Hannes Fabritius and its members were Pirkko Fabritius, Risto Kari, Olli Kokkonen and Matti Tammivuori, who was also deputy chairman. Markku Hangasjärvi was deputy Board member.

Following the AGM of March 6, 2001, Hannes Fabritius continued as chairman of the Board, and Pirkko Fabritius, Risto Kari, Timo Syrjälä and Matti Tammivuori were elected as Board members. Matti Tammivuori continued as deputy chairman, and Olli Kokkonen became deputy Board member.

Efore's auditors were Tilintarkastajien Oy – Ernst & Young and Authorized Public Accountant Olli Mäkinen for the period up to March 6, 2001, and Tilintarkastajien Oy – Ernst & Young and Authorized Public Accountant Juha Nenonen for the period following March 6, 2001.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR

Market uncertainty will continue to be reflected in Efore's operations. The postponement of volume buildup of new mobile network solutions until the second half of the current year will affect the demand growth for Efore's custom-designed power supplies and rectifier systems during the year. Development will nevertheless continue in the telecommunications sector. Total sales of mobile phones in 2002 are estimated to rise to 445 million phones, compared to 395 million in 2001. This will be accompanied by growing investment in mobile networks. Companies operating in the United States are among those that have already announced their network investment intentions and are gradually switching over to GSM/EDGE network technology. The Asian markets are also expected to continue growing. In Europe, the focus of growth will switch to WCDMA network investments.

Many of the products under development will be transferred to production in the first six months of the year, serving to replace the dwindling demand for existing products. Additional growth in net sales will be sought from existing customers and by greater efforts to acquire new customers. These efforts have already brought good results on the US market, in particular. Examples of growth achieved with existing customers include the establishment of a new subsidiary, Efore Ltda, in Brazil.

With the growth in net sales, efforts to improve profitability will also continue. A special emphasis will be placed on developing materials management and on improving production efficiency at Efore's Saarijärvi and Vantaa plants.

BOARD PROPOSAL FOR DISTRIBUTION OF DIVIDENDS

As a result of the consolidated loss for the year and the amount of distributable funds, the Board of Directors is proposing that no dividend be distributed for the financial year.

EFORE PLC SHARES AND SHAREHOLDERS

SHARES AND SHARE CAPITAL

Efore Plc's shares are quoted on the Investors' list (I list) of the Helsinki Exchanges. The nominal value of one Efore share is EUR 1.70. On October 31, 2001 Efore's registered share capital was EUR 13,829,676.80 and the total number of Efore shares 8,135,104, of which 7,605,488 were series A shares and 529,616 series K shares. The series A shares each carry one vote and the series K shares 20 votes. The assignability of series K shares is restricted by a redemption clause under section 7 of Efore's Articles of Association. Efore shares are included in the book-entry system.

The Board of Directors is currently not authorized to increase the company's share capital.

Under the authority granted to it by the Annual General Meeting, Efore purchased 13,200 of its own series A shares during the period November 1, 2000 – March 5, 2001. The number of shares in company's possession was doubled in bonus issue on March 9, 2001. The average price of shares was EUR 3.31 per share, amounting to a total of EURm 0.09. The total number of Efore shares in the company's possession was 119,200, or 1.5% of the total shares and 0.7% of the total votes. Efore shares held by the company do not confer any voting rights nor is a dividend paid on them. On the basis of the AGM authorization, the maximum number of Efore shares that can be repurchased is 406,755, or 5% of the total number of shares. Shares may be acquired without regard to existing shareholder ownership via public trading arranged by Helsinki Exchanges.

Efore Plc has a market-making agreement with Nordea Securities Oyj, which has undertaken to provide quotations and to buy and sell Efore Plc shares.

TRADING AND SHARE PRICES

The total number of Efore Plc series A shares traded on the Helsinki Exchanges' I list during the financial year was 1,759,553, amounting to a value of EURm 6.6 and representing 21.6% of Efore's total shares.

1998 OPTION RIGHTS PROGRAM

The Annual General Meeting of 1998 decided to award option rights to Efore's management and to a broad range of salaried employees of the company and its Finnish subsidiaries. A total of 120,000 option rights were issued free of charge. The number was doubled to 240,000 in 2001 bonus issue. The options give entitlement to subscribe 240,000 Efore Plc series A shares in phases between April 1, 2000 and December 31, 2004 at a price of EUR 8.07 per share. The subscription price will be reduced after the issue of option rights by the amount of the dividends distributed during the validity period of the option rights (before December 31, 2004). The share subscription price must, however, be no less than the nominal value of the share. The option rights program forms part of the personnel incentive system, and entitlement to subscribe shares applies only to Efore personnel (based on employment contracts). The total number of shares subscribed on the basis of the option rights can be no more than 2.87% of the company's shares and 1.30% of the votes.

SHAREHOLDINGS OF EFORE MANAGEMENT

The total share ownership of Efore Plc's Board members, President and CEO and Executive Vice President under section 5, chapter 1, of the Securities Markets Act on October 31, 2001 was 1,205,440 series A shares and 273,976 series K shares. On the basis of the 1998 option rights, the company's President and CEO and Executive Vice President may subscribe a total of 4,800 series A shares which, once all option rights have been used, equals 0.06% of the share total. After all warrants launched in 1998 have been used, members of the Board, the President and CEO and the Executive Vice President will together own a maximum of 1,210,240 series A shares and 273,976 series K shares, amounting to 17.72% of the total shares and 37.77% of the total votes.

CORPORATE GOVERNANCE

The Group operates in accordance with the guidelines issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers on the governance of public companies. Efore Group has also observed the insider trading instructions issued by Helsinki Exchanges since their introduction on March 1, 2000.

GROUP STRUCTURE

Efore Group consists of the parent company Efore Plc and its subsidiaries Efore Power Design Oy, Efore (UK) Ltd., Efore (USA), Inc., and Efore (Suzhou) Electronics Co., Ltd. These companies are responsible for the business operations of the Group.

The governance and operations of the Group are the responsibility of the parent company's Annual General Meeting, Board of Directors, President and CEO, Executive Vice President and Group Management Board. The operations of the subsidiaries are the responsibility of their respective Boards of Directors, which includes members of the Efore Plc Board of Directors or the Group's senior management. The parent company provides the subsidiaries with services related to joint Group operations and is also responsible for strategic planning and funding.

The Group activities are divided into four business units. Three business units are focused on Custom-Designed Power Supplies, the fourth unit on DC Power Systems and Inverters. All business units report to the President and CEO. The joint Group functions in manufacturing, product development and materials report directly to the President and CEO. The subsidiaries operate as separate legal entities and their General Managers and Presidents report directly to the parent company President and CEO.

ANNUAL GENERAL MEETING

The duties of the Annual General Meeting as the company's supreme decision-making authority are defined in the Finnish Companies Act and the Articles of Association. Shareholders are able to use their decision-making power at the Annual General Meeting.

APPOINTING THE MEMBERS OF THE BOARD OF DIRECTORS

The Annual General Meeting elects the members and deputy members of the Board of Directors by simple majority vote for a term of office that ends with the close of the first Annual General Meeting following their election. The Board of Directors elects from its members a chairman and deputy chairman. Board members are elected at the Annual General Meeting. Nominees of potential Board members are made public with the invitations to Annual General Meeting, provided they have at least 20% of the total company votes.

BOARD OF DIRECTORS

According to the Articles of Association, the company's Board of Directors shall have a minimum of three members and a maximum of seven members, and a maximum of one deputy member. Currently the company's Board of Directors has five members and one deputy member. The company's CEO is not a Board member.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors has general judicial power in all company matters that are not stipulated by law or under the Articles of Association as the decision or action of another authority. The Board is responsible for the governance of the company and the appropriate organization of the company's operations. It also approves the company strategy, operational plans, the annual budget, and major investments. The Board of Directors meets eight to ten times a year.

PRESIDENT AND CEO AND EXECUTIVE VICE PRESIDENT

The Board of Directors appoints the company's President and CEO and Executive Vice President. Terms and conditions governing their employment are detailed in written employment contracts. The President and CEO manages and supervises Group operations within the guidelines and directives issued by the Board of Directors. When the President and CEO is temporarily prevented from carrying out his duties, the Executive Vice President assumes the powers of the President and CEO.

SUPERVISION

The Group has financial reporting systems for supervising its business operations and financial management. The supervision is carried out within guidelines approved by the Board of Directors covering the following matters:

- Management organization and governing principles
- Judicial powers and approval procedures
- Policies governing administration, financial planning and reporting, and guidelines on management fees.

Efore Plc's principal auditor is responsible for coordinating and organizing the Group's auditing. The Group does not have an internal auditing department organization of its own. The principal auditor and the company management jointly draw up an auditing plan each year.

As required by law, the auditors provide the company's shareholders an auditors' report with the annual financial statements. The auditors also report their findings to the Board of Directors.

PROFIT AND LOSS STATEMENT

1000 €	Notes to the financial statements	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
NET SALES	(1)	56 318	59 965	46 683	45 013
Change in stocks of finished and unfinished goods		-1 249	1 548	-586	23
Other operating income		121	193	662	1 045
Raw materials and services					
Raw materials and consumables					
Purchases during the financial year		29 916	36 456	28 463	27 162
Change in inventories		2 011	-3 098	1 838	-1 635
Raw materials and consumables in total		31 927	33 358	30 301	25 527
External charges		2 481	1 759	1 279	1 023
		34 408	35 117	31 580	26 550
Personnel costs	(2)				
Wages, salaries and fees		13 371	13 140	8 965	8 008
Social security expenses					
Pension expenses		1 829	1 644	1 414	1 085
Other social security expenses		1 102	1 136	660	601
		16 302	15 920	11 039	9 694
Reduction in value	(3)				
Depreciation according to plan		2 688	2 038	2 386	1 239
Depreciation on Group Goodwill			389		
		2 688	2 427	2 386	1 239
Other operating expenses	(4)	4 618	4 900	4 945	5 781
Share of loss of participating interests		0	67		
OPERATING PROFIT (LOSS)		-2 826	3 275	-3 191	2 817
Financial income and expenses	(5)				
Income from other investments and fixed assets		2	2	2	2
Other interest and financial income		240	637	272	476
Decrease in value of investments		-105	-55	-105	-55
Interest expenses and other financial expenses		-806	-621	-518	-375
		-669	-37	-349	48
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		-3 495	3 238	-3 540	2 865
Extraordinary items					
Extraordinary income	(6)			803	
PROFIT BEFORE APPROPRIATIONS AND AND TAXES		-3 495	3 238	-2 737	2 865
Appropriations					
Decrease in accelerated depreciation				167	127
Income taxes					
Income taxes for the period		-6	-1 225		-893
Income taxes for previous years		-14	-7	-13	-1
Change in deferred tax liability		56	50		
		36	-1 182	-13	-894
PROFIT (LOSS) FOR THE PERIOD		-3 459	2 056	-2 583	2 098

BALANCE SHEET

1000 €	Notes to the financial statements	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
ASSETS					
NON-CURRENT ASSETS (7)					
Intangible assets					
Development expenses		1 136	955	2 066	947
Intangible rights		244	271	205	202
Other capitalized long-term expenses		111	62	111	
		1 491	1 288	2 382	1 149
Tangible assets					
Land and water		173	173	173	
Buildings		506	544	506	
Machinery and equipment		6 735	5 889	4 816	3 399
Other tangible assets		211	88	29	40
Advance payments and work in progress			221		188
		7 625	6 915	5 524	3 627
Financial assets (8)					
Holdings in Group companies				3 151	5 030
Receivables from Group companies				4 171	5 112
Holdings in participating interests		94	102	262	269
Receivables from participating interests		102	102	102	102
Other shares and similar rights of ownership		32	41	31	29
Other receivables		78		78	
		306	245	7 795	10 542
CURRENT ASSETS					
Stocks					
Raw materials and consumables		6 057	8 068	4 402	4 616
Work in progress		443	935	370	238
Finished goods		1 414	2 171	849	698
		7 914	11 174	5 621	5 552
Current receivables (9)					
Trade receivables		5 629	10 967	3 780	7 508
Receivables from Group companies				3 751	4 259
Receivables from participating interests		80	106	80	105
Loan receivables		8	8	8	8
Other receivables		70	1 085	16	618
Prepayments and accrued income		843	681	758	560
		6 630	12 847	8 393	13 058
Investments (10)					
Own shares		234	334	234	334
Other shares and similar rights of ownership		25	21	25	22
Other securities		518	1 483	518	1 483
		777	1 838	777	1 839
Cash in hand and at banks		4 304	2 416	2 972	728
TOTAL ASSETS		29 047	36 723	33 464	36 495

BALANCE SHEET

1000 €	Notes to the financial statements	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
LIABILITIES					
SHAREHOLDERS' EQUITY					
	(11)				
Share capital		13 830	6 915	13 830	6 915
Premium fund		1	511		510
Other funds					
Fund of own shares		234	334	233	334
Reserve fund		209	5 323		5 114
Other funds		56			
Retained earnings		887	897	6 522	6 604
Profit (loss) for the period		-3 459	2 056	-2 583	2 098
		11 758	16 036	18 002	21 575
APPROPRIATIONS					
	(12)				
Depreciation				220	338
Voluntary provisions				288	288
				508	626
CREDITORS					
	(14)				
Non-current creditors					
Loans from credit institutions		4 199	2 185	3 105	1 009
Pension loans		2 123	2 240	2 123	1 500
Liabilities to Group companies				252	
Other liabilities			252		
Deferred tax liability	(13)	64	120		
		6 386	4 797	5 480	2 509
Current creditors					
Bonds			1 682		1 682
Loans from credit institutions		2 461	2 158	968	554
Pension loans		843	740	843	523
Trade payables		3 833	5 877	3 473	3 573
Liabilities to Group companies				903	1293
Other liabilities		363	387	230	263
Accruals and deferred income		3 403	5 046	3 057	3 897
		10 903	15 890	9 474	11 785
TOTAL LIABILITIES		29 047	36 723	33 464	36 495

CASH FLOW STATEMENT

1000 €	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
Cash flow from business operations				
Payments from sales	61 685	57 914	51 912	41 991
Payments from other operating income	43	231	442	1 002
Costs of business operations	-55 400	-55 348	-45 874	-41 497
Cash flow from business operations before financing items and taxes	6 328	2 797	6 481	1 496
Paid interests on business operations	-910	-620	-636	-375
Received interests on business operations	237	1 001	269	802
Paid direct taxes	-853	-89	-1 022	-288
Cash flow before extraordinary items	4 802	3 089	5 092	1 634
Share of loss of participating interests	0	0	0	0
Cash flow from business operations (A)	4 802	3 089	5 092	1 634
Cash flow from investments				
Received cash in merger			3	
Investments on tangible and intangible assets	-2 291	-2 775	-2 430	-1 040
Income from sale of tangible and intangible assets	56	0	8	44
Increase in non-current receivables	0	0	-681	-1 592
Increase in other investments	-62	0	-62	-428
Decrease in non-current receivables	0	0	1 150	579
Income from sale of other investments	32	0	32	0
Interest income from investments	0	2	0	0
Dividend income from investments	2	0	2	0
Cash flow from investments (B)	-2 263	-2 773	-1 977	-2 437
Cash flow from financing				
Share issue	0	590	0	590
Acquisition of company's own shares	-85	-394	-85	-394
Increase in current liabilities	0	0	161	0
Decrease in current liabilities	0	0	-608	0
Increase in non-current liabilities	2 153	109	2 153	0
Decrease in non-current liabilities	-3 249	-774	-2 853	-778
Dividends paid	-802	-737	-802	-737
Cash flow from financing (C)	-1 983	-1 207	-2 032	-1 318
Translation difference	170	-463	0	0
Change in cash flow (A+B+C): increase (+), decrease (-)	726	-1 353	1 082	-2 121
Cash in hand and at banks on Nov. 1, 2000	4 254	5 607	2 567	4 687
Non-monetary changes	100	0	100	0
Cash in hand and at banks on Oct. 31, 2001	5 081	4 254	3 749	2 566
	826	-1 353	1 182	-2 121

NOTES TO THE FINANCIAL STATEMENTS

1000 €	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
1. NET SALES IN MARKET AREAS BY CUSTOMERS				
Finland	24 643	33 388	22 886	26 480
Other European Union countries	19 839	17 671	14 682	15 436
USA	1 097	3 537	2 418	878
Other countries	10 739	5 369	6 697	2 218
Total	56 318	59 965	46 683	45 013
2. PERSONNEL COSTS				
Wages, salaries and fees	13 371	13 140	8 965	8 008
Pension costs	1 829	1 644	1 414	1 085
Other social security expenses	1 102	1 136	660	601
Presented in the profit and loss account	16 302	15 920	11 039	9 694
Management salaries and fees				
Members of the Boards of Directors, President and CEO, Executive Vice President	800	1 026	312	334
The President and CEO and the members of the Board of Directors employed by the company are covered by an optional pension scheme, which allows early retirement. The agreed age of retirement is 60 years.				
Total personnel, average				
Hourly paid	341	362	294	277
Salaried	164	153	92	69
Total	505	515	386	346
3. DEPRECIATION				
Depreciation according to plan:				
Development expenses	728	304	1 211	303
Intangible assets	100	76	78	46
Other capitalized expenditure	17	17	13	
Buildings and constructions	38	41	29	
Machinery and equipment	1 721	1 490	1 031	852
Other tangible assets	84	110	24	38
Total	2 688	2 038	2 386	1 239
Group goodwill				
		389		
4. OTHER OPERATING EXPENSES				
A write-off of 1.5 eurM from trade receivables from Efore (USA), Inc. has been done in the parent company in year 2000. Other operating expenses are normal operating expenses.				
5. FINANCIAL INCOME AND EXPENSES				
Income from non-current investments in total				
From Group companies				
From others	2	2	2	2
	2	2	2	2
Income from non-current investments in total				
	2	2	2	2
Other interest and financial income				
From Group companies			10	47
From others	240	637	262	429
	240	637	272	476
Reductions in value of current investments				
Shares	-105	-55	-105	-55
	-105	-55	-105	-55

1000 €	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
Interest expenses and other financial expenses				
For Group companies			-1	-3
For others	-806	-621	-517	-372
	-806	-621	-518	-375
Financial income and expenses in total	-669	-37	-349	48
The item 'financial income and expenses' includes exchange rate gains/losses, net	264	123	162	54
6. EXTRAORDINARY ITEMS				
Extraordinary income				
Merger profit			688	
Group contribution			115	
	0	0	803	0
7. NON-CURRENT ASSETS				
Intangible assets				
Development expenses				
Acquisition cost on Nov. 1	1 179	748	1 170	638
Increases Nov. 1 - Oct. 31	908	510	2 330	612
Decreases Nov. 1 - Oct. 31	0	-80	0	-80
Acquisition cost on Oct. 31	2 087	1 178	3 500	1 170
Accumulated planned depreciation on Nov. 1	223	0	223	0
Accumulated depreciation on decreases	0	-80	0	-80
Depreciations Nov. 1 - Oct. 31	728	304	1 211	303
Accumulated planned depreciation on Oct. 31	951	223	1 434	223
Balance sheet value on Oct. 31	1 136	955	2 066	947
For the largest individual projects, product development costs accruing income for three or more years have been capitalized as development expenses. For the Group, capitalized direct development expenditure totals MFIM 4.4.				
Intangible rights				
Acquisition cost on Nov. 1	462	346	301	237
Increases Nov. 1 - Oct. 31	73	121	82	70
Decreases Nov. 1 - Oct. 31	0	-6	0	-6
Acquisition cost on Oct. 31	535	461	383	301
Accumulated planned depreciation on Nov. 1	190	114	99	54
Accumulated depreciation on decreases	0	-1	0	-1
Depreciations Nov. 1 - Oct. 31	100	76	78	46
Accumulated planned depreciation on Oct. 31	291	190	178	99
Balance sheet value on Oct. 31	244	271	205	202
Group goodwill				
Acquisition cost on Nov. 1	3 127	3 127		
Increases Nov. 1 - Oct. 31	0	0		
Decreases Nov. 1 - Oct. 31	0	0		
Acquisition cost on Oct. 31	3 127	3 127		
Accumulated planned depreciation on Nov. 1	3 127	2 738		
Accumulated depreciation on decreases	0	0		
Depreciations Nov. 1 - Oct. 31	0	389		
Accumulated planned depreciation on Oct. 31	3 127	3 127		
Balance sheet value on Oct. 31	0	0		
Other non-current investments				
Acquisition cost on Nov. 1	158	158	0	
Increases Nov. 1 - Oct. 31	66	0	125	
Decreases Nov. 1 - Oct. 31	0	0	0	
Acquisition cost on Oct. 31	224	158	125	
Accumulated planned depreciation on Nov. 1	96	79	0	
Depreciations Nov. 1 - Oct. 31	17	17	14	
Accumulated planned depreciation on Oct. 31	113	96	14	
Balance sheet value on Oct. 31	111	62	111	

1000 €	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
Tangible assets				
Land				
Acquisition cost on Nov. 1	173	173	0	
Increases Nov. 1 - Oct. 31	0	0	173	
Acquisition cost on Oct. 31	173	173	173	
Balance sheet value on Oct. 31	173	173	173	
Buildings and constructions				
Acquisition cost on Nov. 1	947	947	0	
Increases Nov. 1 - Oct. 31	0	0	535	
Decreases Nov. 1 - Oct. 31	0	0	0	
Acquisition cost on Oct. 31	947	947	535	
Accumulated planned depreciation on Nov. 1	403	362	0	
Accumulated depreciation on decreases	0	0	0	
Depreciations Nov. 1 - Oct. 31	38	41	29	
Accumulated planned depreciation on Oct. 31	441	403	29	
Balance sheet value on Oct. 31	506	544	506	
Machinery and equipment				
Acquisition cost on Nov. 1	11 895	10 194	6 961	6 881
Translation difference	-233	487	0	0
Increases Nov. 1 - Oct. 31	2 740	1 912	2 486	576
Decreases Nov. 1 - Oct. 31	-53	-698	-40	-496
Balance sheet value on Oct. 31	14 349	11 895	9 407	6 961
Accumulated planned depreciation on Nov. 1	6 006	4 538	3 561	2 902
Translation difference	-105	258	0	0
Accumulated depreciation on decreases	-8	-280	-1	-192
Depreciations Nov. 1 - Oct. 31	1 721	1 490	1 031	852
Accumulated planned depreciation on Oct. 31	7 614	6 006	4 591	3 562
Balance sheet value on Oct. 31	6 735	5 889	4 816	3 399
Other tangible assets				
Acquisition cost on Nov. 1	865	844	648	716
Translation difference	-18	25	0	0
Increases Nov. 1 - Oct. 31	216	64	13	0
Covered by investment grants	-2	-68	0	-68
Acquisition cost on Oct. 31	1 061	865	661	648
Accumulated planned depreciation on Nov. 1	777	673	608	598
Translation difference	-11	22	0	0
Accumulated depreciation on decreases	0	-28	0	-28
Depreciations Nov. 1 - Oct. 31	84	110	24	38
Accumulated planned depreciation on Oct. 31	850	777	632	608
Balance sheet value on Oct. 31	211	88	29	40
Advance payments and work in progress				
Acquisition cost on Nov. 1	221	56	188	56
Increases Nov. 1 - Oct. 31	-221	165	-188	132
Acquisition cost on Oct. 31	0	221	0	188
Balance sheet value on Oct. 31	0	221	0	188
Financial assets				
Holdings in Group companies				
Shares on Nov. 1			5 030	4 610
Increases Nov. 1 - Oct. 31			0	420
Reductions in value Nov. 1 - Oct. 31			-1 879	0
Balance sheet value on Oct. 31			3 151	5 030
Receivables from Group companies				
Receivables on Nov. 1			5 112	4 100
Increases Nov. 1 - Oct. 31			681	1 591
Decreases Nov. 1 - Oct. 31			-1 622	-579

1000 €	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
Balance sheet value on Oct. 31			4 171	5 112
Holdings in participating interests				
Shares on Nov. 1	269	269	269	269
Translation difference	3	3	0	0
Increases Nov. 1 - Oct. 31	-8	0	-7	0
Decreases Nov. 1 - Oct. 31	0	0	0	0
Accrued adjustment in the shareholders' equity of the participating interests on Oct. 31	-171	-104	0	0
Share of loss of participating interests	1	-66	0	0
Balance sheet value on Oct. 31	94	102	262	269
Receivables from participating interests				
Receivables on Nov. 1	102	102	102	102
Increases Nov. 1 - Oct. 31				
Decreases Nov. 1 - Oct. 31	0	0	0	0
Balance sheet value on Oct. 31	102	102	102	102
Other shares and similar rights of ownership				
Shares on Nov. 1	41	41	29	29
Increases Nov. 1 - Oct. 31	-8	0	3	0
Decreases Nov. 1 - Oct. 31	-1	0	-1	0
Balance sheet value on Oct. 31	32	41	31	29
Other receivables				
Shares on Nov. 1	0		0	
Increases Nov. 1 - Oct. 31	78		78	
Decreases Nov. 1 - Oct. 31	0		0	
Balance sheet value on Oct. 31	78		78	
Summary of fixed assets				
Acquisition cost on Nov. 1	19 440	17 006	19 811	17 639
Translation difference	-248	516	0	0
Increases Nov. 1 - Oct. 31	3 681	2 669	6 317	3 402
Decreases Nov. 1 - Oct. 31	-63	-919	-3 550	-1 230
Acquisition cost on Oct. 31	22 810	19 272	22 578	19 811
Accumulated planned depreciation on Nov. 1	10 824	8 505	4 492	3 554
Translation difference	-116	281	0	0
Accumulated depreciation on decreases	-8	-389	-1	-301
Depreciations Nov. 1 - Oct. 31	2 688	2 427	2 386	1 239
Accumulated planned depreciation on Oct. 31	13 388	10 824	6 877	4 492
Balance sheet value on Oct. 31	9 422	8 448	15 701	15 319
Book value on Oct. 31				
Production machinery and equipment	5 353	4 603	4 024	2 645

8. SHARES AND SIMILAR RIGHTS OF OWNERSHIP

Subsidiary companies	Nominal value	No.	Group holding	Shareholders' equity held by Group 1000 €	Book value 1000 €	Last financial statement Profit/loss 1000€
FI-Systems Oy, Espoo	3 363 EUR	20	100 %	5	3	0
Efore Power Design Oy, Vantaa	180 000 EUR	20 000	100 %	687	2 414	0
Efore (UK) Ltd, United Kingdom	25 000 GBP	25 000	100 %	67	28	16
Efore (USA), Inc., Texas, USA	100 USD	10 000	100 %	-6 290	0	-525
Efore (Suzhou) Electronics Co. Ltd, China	700 000 USD		100 %	1 744	705	777
Associated companies						
Power Innovation GmbH, Germany	50 000 DEM	1	25%	94	262	68
Other shares and similar rights of ownership owned by parent company						
Book value		31		31		
Other shares and similar rights of ownership owned by subsidiaries						
Book value		1		1		

1000 €	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
9. RECEIVABLES				
Current receivables				
Trade receivables	5 629	10 967	3 780	7 508
Loan receivables	8	8	8	8
Other receivables	70	1 085	16	618
Prepaid expenses and accrued income	843	681	758	560
	6 550	12 741	4 562	8 694
Current receivables from Group companies				
Trade receivables			3 197	3 640
Loan receivables			0	300
Prepaid expenses and accrued income			554	319
	0	0	3 751	4 259
Current receivables from participating interests				
Trade receivables	3	29	3	29
Loan receivables	77	77	77	76
	80	106	80	105
Current receivables in total				
	6 630	12 847	8 393	13 058
Prepaid expenses and accrued income				
Group and parent company prepaid expenses and accrued income include the following key items:				
Distribution of personnel costs	128	153	105	105
Distribution of financial income	7	43	7	37
Income taxes	332	332	332	332
Group companies	0	0	554	319
Other items	376	152	313	86
Participating interests	843	680	1 311	879
10. INVESTMENTS				
Market value	810	1 861	810	1 861
Corresponding book value	777	1 839	777	1 839
Difference	33	22	33	22
11. SHAREHOLDERS' EQUITY				
Share capital on Nov. 1				
	6 915	6 702	6 915	6 702
Increase in share capital from 1994 option rights	0	139	0	139
Bonus issue	6 915	74	6 915	74
Share capital on Oct. 31	13 830	6 915	13 830	6 915
Premium fund on Nov. 1				
	511	61	510	60
Increases Nov. 1 - Oct. 31	0	450	0	450
Decreases Nov. 1 - Oct. 31	-510	0	-510	0
Premium fund on Oct. 31	1	511	0	510
Fund for own shares on Nov. 1				
	334	0	334	0
Increases Nov. 1 - Oct. 31	0	394	0	394
Write-off of own shares	-100	-60	-101	-60
Fund for own shares on Oct. 31	234	334	233	334
Reserve fund on Nov. 1				
	5 323	5 397	5 114	5 188
Increase in share capital	-5 114	-74	-5 114	-74
Reserve fund on Oct. 31	209	5 323	0	5 114
Other funds on Nov. 1				
	0			
Other changes	56			
Other funds on Oct. 31	56	0	0	0

1000 €	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
Retained earnings on Nov. 1	2 953	2 785	8 702	7 735
Dividend distribution	-801	-737	-802	-737
Transfer to fund of own shares	-87	-394	-88	-394
Transfer to other funds	-56	0	0	0
Increase in share capital	-1 291	0	-1 291	0
Other changes	0	4	0	0
Translation and exchange differences	170	-761	0	0
Retained earnings on Oct. 31	887	897	6 522	6 604
Result for the financial year	-3 459	2 056	-2 583	2 098
Shareholders' equity total	11 758	16 036	18 002	21 575
Calculation of distributable earnings				
Retained earnings	887	897	6 522	6 604
Result for the financial year	-3 459	2 056	-2 583	2 098
Equity share of accelerated depreciation	-156	-293		
Voluntary provision	-288	-288		
Distributable earnings from shareholders' equity	-3 016	2 372	3 939	8 702
Parent company share capital is divided by share category as follows:	2001		2000	
	No.	eur	No.	eur
Series A (1 vote/share)	7 605 488	12 929 330	3 802 744	6 464 665
Series K (20 votes/share)	529 616	900 347	264 808	450 173

By the end of October, 2001, the Parent Company Efore Plc had with the Board's authorization repurchased 119,200 of its own series A-shares at a total acquisition cost of 481 237.83 eur, nominal value 202 640 eur, book value 233 622 eur.

The Annual General Meeting of 1998 approved option rights to the management and a broad range of salaried employees.

The option rights give entitlement to subscribe 240 000 Efore Plc series A shares between April 1, 2000 and Dec. 31, 2004 at a price of 8,07 eur per share.

12. APPROPRIATIONS

Accumulated difference between depreciation according to plan and depreciation allowance

Intangible rights			155	-1
Machinery and equipment			56	310
Other tangible assets			9	28
Voluntary provisions			288	288
Total	0	0	508	626

13. DEFERRED TAX LIABILITIES AND RECEIVABLES

Deferred tax liabilities

Accelerated depreciation	64	120		
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14. LIABILITIES

Non-current loans

Loans from credit institutions	4 199	2 185	3 105	0
Pension loans	2 123	2 240	2 123	1 009
Other loans	0	252	0	1 500
Deferred tax liability	64	120	0	0
	6 386	4 797	5 228	2 509
Non-current liabilities to Group companies				
Other liabilities			252	
Non-current liabilities in total	6 386	4 797	5 480	2 509
Liabilities falling due after more than five years				
Loans from credit institutions				
Pension loans	0	541	0	541
	0	541	0	541

1000 €	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
Current liabilities				
Bonds	0	1 682	0	1 682
Loans from credit institutions	2 461	2 158	968	554
Pension loans	843	740	843	523
Accounts payable	3 833	5 877	3 473	3 573
Other liabilities	363	387	230	263
Accruals and deferred income	3 403	5 046	3 057	3 897
	10 903	15 890	8 571	10 492
Current liabilities to Group companies				
Accounts payable			783	727
Other liabilities			13	459
Accruals and deferred income			107	107
	0	0	903	1 293
Current liabilities in total	10 903	15 890	9 474	11 785
Accruals and deferred income				
Group and parent company accruals and deferred income include the following key items:				
Distribution of holiday pay	1 520	1 521	1 270	1 125
Distribution of other personnel costs	662	800	608	540
Distribution of financial expenses	548	1 090	545	1 016
Group companies	0	0	107	107
Other items	673	1 635	634	1 216
	3 403	5 046	3 164	4 004
15. SECURITY, CONTINGENT LIABILITIES AND OTHER COMMITMENTS GIVEN				
Security given on own behalf				
Property mortgages	588	588	588	0
Corporate mortgages	6 404	6 236	6 236	4 921
Pledges given	11	92	0	66
Corporate mortgages			168	965
Guarantees			2 610	3 761
Total				
Property mortgages	588	588	588	0
Corporate mortgages	6 404	6 236	6 404	5 886
Pledges given	11	92	0	66
Guarantees			2 610	3 761
Derivative contracts				
The Group has no derivative contracts.				
Mortgages to property as security for loans				
Pension loans	57	172	57	
Mortgages given	588	588	588	
Corporate mortgages as security for loans				
Pension loans	2 966	2 807	2 966	1 851
Mortgages given	3 208	3 208	3 208	2 129
Loans from credit institutions	3 461	2 601	2 355	1 413
Mortgages given	3 196	2 187	3 028	2 018
Mortgages as security for loans in total	6 404	5 395	6 236	4 147
Rent and leasing commitments on own behalf				
Payable in current period	1 267	1 102	935	717
Payable later	2 905	2 970	1 881	1 784

ACCOUNTING PRINCIPLES

Efore Group's consolidated financial statements have been prepared in accordance with accounting principles defined in the Finnish Accounting Act, which came into effect in 1998.

SCOPE OF THE CONSOLIDATION AND ACCOUNTING PRINCIPLES APPLIED

The consolidated financial statements include the parent company Efore Plc and all the enterprises in which the parent company held, directly or indirectly, more than 50 per cent of the votes conferred by shares or holdings at the close of the financial year.

The consolidated accounts have been compiled using the acquisition cost method. The amount of the acquisition cost of the subsidiaries in excess of their shareholders' equity at the time of acquisition is shown on the balance sheet as a separate item under Group goodwill and has been amortized according to plan over a period of five years. The Group goodwill has been amortized by the end of financial period November 1, 1999 – October 31, 2000. All intracompany transactions, unrealized margins on internal deliveries, receivables and liabilities, and internal profit distribution have been eliminated. The affiliate company Power Innovation GmbH has been consolidated using the equity method.

TRANSLATION OF THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

In the consolidated accounts the balance sheet items of the foreign subsidiaries have been translated into euros using the middle rates of European Central Bank quoted on the balance sheet date. The profit and loss accounts have been translated into euros using the average rates of exchange for the financial year calculated on the basis of the European Central Bank middle rates for each month. The translation differences arising from this, as with the translation differences for shareholders' equity, are presented in the balance sheet liabilities under the item 'retained earnings'.

FOREIGN CURRENCY ITEMS

Transactions in foreign currencies have been recorded at the rate of exchange prevailing on the date of transaction. The outstanding receivables and liabilities in foreign currencies at the end of the financial year have been valued using the middle rates of exchange published by the European Central Bank on the balance sheet date. Exchange rate gains and losses relating to ordinary business operations have been adjusted against sales and purchases. Exchange rate gains and losses from financing have been entered as net amounts in financial income and financial expenses. Unrealized exchange-rate losses from non-current loan receivables have been entered in the 'accruals and deferred income' item under liabilities on the balance sheet.

FIXED ASSETS

The values of fixed assets are based on their historical cost. For tangible fixed assets, straight-line depreciation according to plan is used, which is based on expected useful lifetime. No depreciation is made on the value of land. Profit and loss from the sale of fixed assets are included in the operating result. Profit and loss from the sale of fixed assets are included in the operating result.

The expected useful lifetimes of different commodity groups is as follows:

Development expenses	3-5 years
Intangible rights	5 years
Other capital expenditure	5-10 years
Group goodwill	5 years
Buildings and construction	15 years
Machinery and equipment	5-10 years
Other tangible assets	5-20 years

STOCKS

Raw materials included in stocks are stated at their weighted average cost. The value of stock is comprised of direct costs. The inventory value of slow-moving materials in stock has been reduced for the Group by FIMm 3.9.

CURRENT INVESTMENTS

Shares have been valued at the lower of cost or market value at the balance sheet date.

OWN SHARES

Company's own shares have been recorded as current investments in the balance sheet. Shares have been valued at the lower of cost or market value at the balance sheet date. In calculation of key figures own shares have been eliminated from shareholders' equity and number of shares.

APPROPRIATIONS AND DEFERRED TAX LIABILITIES

The appropriations in the consolidated balance sheet, consisting of accelerated depreciation and voluntary provisions, have been divided into shareholders' equity and deferred tax liability. The deferred part of the changes in depreciation reserve for fixed assets in the profit and loss accounts of Group companies has been separated as a tax item for the period in the financial statements. Under the Companies Act, the appropriations included in the Group shareholders' equity are not distributable shareholders' equity.

According to the prudence principle deferred tax receivable from accrued losses of group companies has not been included.

A voluntary provision for tax consequence of 288.4 thousand euros (net

cost) was made during previous financial year in parent company. The provision is resulting from the sale of company's own shares that had come into its possession in the earlier merger. This is, however, under appeal, and the company believes it has a good case. Voluntary provisions within the Group are included in non-distributable unrestricted equity.

NET SALES

In calculating net sales, indirect sales taxes and sales discounts as well as exchange-rate losses have been deducted from sales revenue.

PRODUCT DEVELOPMENT EXPENSES

Development expenses accruing income over three or more years, in the case of largest individual projects, have been capitalized under intangible assets and amortized over 3 – 5 years. Company therefore intends to more accurately divide development expenses amongst the financial years in which it accrues income. In capitalizing product development expenditure, company has complied with the Ministry of Trade and Industry's decision on capitalizing development expenses in balance sheet. For the Group, the capitalized direct product development expenditure amounts to 1.1 million euros.

PENSION COSTS

Pension costs have been charged against income in the result, each in accordance with the appropriate practice of the countries concerned. The pension cover of the company's Finnish employees has been arranged through a pension insurance company.

INCOME TAXES

The consolidated income statement includes income taxes calculated on the basis of results for the financial year and local tax regulations and corrections for previous years' taxes. In the consolidated profit and loss statement change in deferred tax liability is included in taxes.

This document, prepared for the international business community, is a translation of Efore Plc's Annual Report 2001 in Finnish. In the event of any conflict in interpretation, reference should be made to the Finnish version of this report, which represents the official text.

KEY FIGURES

EFORE GROUP KEY FIGURES	2001	2000	1999	1998	1997
Net Sales, M€	56.3	60.0	48.8	44.0	42.9
Change, %	-6.1	23.0	10.9	2.4	38.8
Operating profit (loss), M€	-2.8	3.3	0.0	-1.1	2.2
% of net sales	-5.0	5.5	0.0	-2.4	5.2
Profit (loss) before extraordinary items, M€	-3.5	3.2	0.2	-1.1	2.2
% of net sales	-6.2	5.4	0.4	-2.5	5.0
Profit (loss) before appropriations and taxes, M€	-3.5	3.2	0.2	-1.1	6.3
% of net sales	-6.2	5.4	0.4	-2.5	14.7
Net profit (loss), M€	-3.5	2.1	0.0	-1.1	4.0
% of net sales	-6.2	3.4	0.1	-2.6	9.2
Gross investments, M€	3.8	2.8	1.9	3.4	3.3
% of net sales	6.7	4.6	3.8	7.7	7.7
Non-current assets, M€	9.4	8.4	8.4	9.2	7.8
Stocks, M€	7.9	11.2	6.5	6.1	6.5
Receivables, M€	6.6	12.8	11.6	12.3	11.6
Cash in hand and at banks, M€	5.1	4.3	5.6	2.4	5.7
Share capital, M€	13.8	6.9	6.7	6.7	3.3
Other shareholders' equity, M€	-2.0	9.1	8.2	9.1	14.3
Non-current creditors, M€	6.4	4.8	7.4	7.9	4.9
Current creditors, M€	10.9	15.9	9.7	6.3	8.1
Balance sheet total, M€	29.0	36.7	32.1	30.0	31.5
Return on equity (ROE), %	-25.4	13.4	0.2	-6.7	5.7
Return on investment (ROI), %	-11.5	15.4	2.6	-2.7	12.5
Net interest bearing debt, M€	4.5	5.1	4.2	6.3	1.2
Gearing, %	39.7	32.2	28.5	38.4	-2.4
Current ratio	1.80	1.78	2.43	3.29	2.93
Solvency ratio, %	39.7	42.8	46.8	52.7	57.9
Personnel, average	505	515	491	476	426
Product development expenditure (booked as costs), M€	3.1	3.1	3.3	3.3	1.9
Previous product development expenditure, % of net sales	5.5	5.2	6.7	7.4	4.4
Product development expenditure (capitalized in balance sheet), M€	0.9	0.6	0.7	0.0	0.0
Previous product development expenditure, % of net sales	1.6	1.0	1.5	0.0	0.0
KEY FINANCIAL INDICATORS PER SHARE	2001	2000	1999	1998	1997
Earnings per share, €	-0.43	0.26	0.00	-0.14	0.11
Dividend per share for the financial year, €	0.00	0.20	0.18	0.16	0.67
Dividend per share, adjusted, €	0.00	0.10	0.09	0.08	0.34
Dividend payout ratio, %	0.0	39.1	2499.1	-	151.6
Dividend yield, %	0.0	2.8	4.5	2.6	2.8
Shareholders' equity per share, €	1.44	1.91	1.93	2.13	1.95
Adjusted share price, October 31, €	1.80	3.60	2.07	3.28	6.10
P/E ratio	-4.17	14.08	560.47	-22.82	54.96
Market capitalization, M€	14.4	29.3	16.5	26.1	24.2
Dividend distribution, M€ (for shares in circulation)	0.0	0.8	0.7	0.7	1.3
Number of series A shares traded	1 760	4 174	2 142	1 307	1 208
As % of the total number of series A shares	23.1	102.6	57.6	35.3	65.2
Value of trading, M€	6.6	28.6	12.8	19.8	27.9
Number of shares adjusted					
- average number	8 135 104	8 135 104	7 969 244	7 947 244	7 947 244
Actual number of shares on October 31	8 135 104	8 135 104	7 969 244	7 947 244	7 947 244
Actual number of shares on October 31 excl. own shares	8 015 904	8 042 304	7 969 244	7 947 244	7 947 244
Actual share price, €					
lowest	1.01	2.01	1.90	2.69	9.25
highest	4.20	6.48	4.50	16.48	13.46
at balance sheet date	1.80	3.60	2.07	3.28	12.19
average	2.50	3.74	2.99	7.58	11.62

In calculation of key figures and key indicators own shares have been excluded from number of shares and the fund of own shares has been excluded from shareholders' equity. The capitalization of development expenses, introduced in 1999 in accordance of the Ministry of Trade and Industry, improved the result before taxes for the year 2001 0.9 M€ and year 2000 0.6 M€, year 1999 0.7 M€. If the same method had been used in the period 1997 - 1998, the result for each of those years would have improved by an estimated 0.2 - 0.4 M€.

CALCULATION OF KEY FIGURES AND RATIOS

Return on investments (ROI), %	=	$\frac{\text{Profit before extraordinary items+interest expenses+other financial expenses}}{\text{Balance sheet total-Interest-free liabilities (ave. for financial year)}}$	x 100
Return on equity (ROE), %	=	$\frac{\text{Profit before extraordinary items - income taxes}}{\text{Shareholders' equity (ave for financial year)}}$	x 100
Current ratio	=	$\frac{\text{Liquid assets + stocks}}{\text{Current liabilities}}$	
Solvency ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advance payments received}}$	x 100
Net interest-bearing debt	=	Interest-bearing debt - cash in hand and at bank and financial assets	
Gearing	=	$\frac{\text{Net interest-bearing debt}}{\text{Shareholders' equity + minority interest}}$	x 100
Earnings per share	=	$\frac{\text{Profit before extraordinary items - income taxes}}{\text{Adjusted average number of shares}}$	
Adjusted dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Product of adjustment coefficients for issues after the end of financial year}}$	
Dividend payout ratio, %	=	$\frac{\text{Adjusted dividend per share}}{\text{Earnings per share}}$	x 100
Dividend yield, %	=	$\frac{\text{Adjusted dividend per share}}{\text{Adjusted share price at balance sheet date}}$	x 100
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted average number of shares}}$	
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 actual number of shares	

SHARES AND SHAREHOLDERS

DISTRIBUTION OF SHARE CAPITAL BY SHARE SERIES, OCTOBER 31, 2001

	Shares	% of shares	Votes pcs	% of votes
Series A	7 605 488	93.49	7 605 488	41.79
Series K	529 616	6.51	10 592 320	58.21
Total	8 135 104	100.00	18 197 808	100.00

EFORE PLC'S 20 LARGEST SHAREHOLDERS, OCTOBER 31, 2001

	Series K shares	Series A shares	Series A shares, total	Total shares	Total votes	Proportion of shares, %	Proportion of votes, %
Tammivuori Esko	255 356		804 364	1 059 720	5 911 484	13.03	32.48
Tapiola Group							
Tapiola Mutual Pension Insurance Company		248 000					
Tapiola Mutual Insurance Company		223 200					
Tapiola Mutual Life Insurance Company		183 680					
Tapiola Corporate Life Insurance Company		<u>82 800</u>	737 680	737 680	737 680	9.07	4.05
Fabritius Hannes	180 064		415 028	595 092	4 016 308	7.32	22.07
Fabritius Pirkko	93 912		324 400	418 312	2 202 640	5.14	12.10
The Local Government Pension Institution			348 320	348 320	348 320	4.28	1.91
Martnok Oy			304 600	304 600	304 600	3.74	1.67
Sampo Group							
Sampo Life Insurance Company Ltd.		138 800					
Sampo Insurance Company Ltd.		<u>116 400</u>	255 200	255 200	255 200	3.14	1.40
Maijos Oy			216 120	216 120	216 120	2.66	1.19
Svenska Handelsbanken Ab			148 700	148 700	148 700	1.83	0.82
Q&A Consulting Ab			136 400	136 400	136 400	1.68	0.75
Suomi Group							
Suomi Mutual Life Insurance Company		73 040					
Insurance Company Suomi II		<u>40 000</u>	113 040	113 040	113 040	1.39	0.62
Rausanne Oy			110 000	110 000	110 000	1.35	0.60
Leimark Invest Oy			100 000	100 000	100 000	1.23	0.55
Oy Ing-Stock Ltd			100 000	100 000	100 000	1.23	0.55
Syrjälä Timo			98 800	98 800	98 800	1.21	0.54
Ing-Finance Oy			82 000	82 000	82 000	1.01	0.45
Jokinen Arto			80 000	80 000	80 000	0.98	0.44
Nelimarkka Heikki			68 200	68 200	68 200	0.84	0.37
Placeringsfonden Aktia Capital			66 728	66 728	66 728	0.82	0.37
Polar 2000 Oy			66 200	66 200	66 200	0.81	0.36
TOTAL	529 332		4 575 780	5 105 112	15 162 420	62.75	83.32
Proportion of total, %	99.95		60.16	62.75	83.32		

Total shares	8 135 104	A: 7 605 488	K: 529 616
Total votes	18 197 808	A: 7 605 488	K: 10 592 320

NOMINEE REGISTERED

				Proportion of shares, %	Proportion of votes, %
Merita Bank Plc.		332 340	332 340	332 340	4.09
HSS/Skandinaviska Enskilda Banken		4 400	4 400	4 400	0.05
Total		336 740	336 740	336 740	4.14
Efore Plc's shares in company's possession		119 200	119 200	119 200	1.47

DISTIBUTION OF SHAREHOLDINGS BY SHAREHOLDER CATEGORY, OCTOBER 31, 2001

	Number of shareholders	Proportion of shareholders %	Shares	Proportion of shares %	Votes	Proportion of votes %
PRIVATE ENTERPRISES	117	8.58	1 795 130	22.07	1 800 526	9.89
FINANCIAL AND INSURANCE INSTITUTIONS	14	1.03	1 451 418	17.84	1 451 418	7.98
PUBLIC SECTOR ENTITIES	2	0.15	596 320	7.33	596 320	3.28
NON-PROFIT ORGANIZATIONS	6	0.44	26 732	0.33	26 732	0.15
HOUSEHOLDS	1 217	89.29	4 196 046	51.58	14 253 354	78.32
ABROAD	7	0.51	68 180	0.84	68 180	0.37
IN JOINT ACCOUNT			1 278	0.02	1 278	0.01
NUMBER ISSUED	1 363	100.00	8 135 104	100.00	18 197 808	100.00

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF HOLDING, OCTOBER 31, 2001

Series A and K shares	Number of shareholders	Proportion of shareholders %	Series A shares	Proportion of series A shares %	Series K shares	Proportion of series K shares %	Votes	Proportion of votes %
1 - 100	77	5.65	4 816	0.06	0	0.00	4 816	0.03
101 - 500	430	31.55	135 868	1.79	284	0.05	141 548	0.78
501 - 1 000	363	26.63	291 852	3.84	0	0.00	291 852	1.60
1 001 - 5 000	377	27.66	847 046	11.14	0	0.00	847 046	4.65
5 001 - 10 000	47	3.45	357 480	4.70	0	0.00	357 480	1.96
10 001-100 000	53	3.89	1 797 696	23.64	0	0.00	1 797 696	9.88
100 001 - 999 999	15	1.10	4 050 252	53.25	529 332	99.95	14 636 892	80.43
TOTAL	1 362	99.93	7 485 010	98.42	529 616	100.00	18 077 330	99.34
In joint account			1 278	0.02	0	0.00	1 278	0.01
Shares in companys's possession	1	0.07	119 200	1.57	0	0.00	119 200	0.66
NUMBER ISSUED	1 363	100.00	7 605 488	100.00	529 616	100.00	18 197 808	100.00

INCREASES IN SHARE CAPITAL, 1996 - 2001

Subscription share ratio	Price, €	Subscription period	Dividend right	Increase, shares	Increase, shares 1 000 €	New sharecapital 1 000 €
New issue 1A:1A;1K:1K	6.73	Apr. 1 - 30, 1996	1996	814 540	1 370	2 741
Merger consideration		Jan. 10, 1997	1997	255 000	429	3 170
Bonus issue 10A:K;1A:K		Apr. 1 - 30, 1997	1997	180 618	304	3 342
Bonus issue 1A:1A;1K:1K		Apr. 1 - 30, 1998	1998	1 986 811	3 342	6 683
Subscriptions made on basis of options	7.11	July 1, 1999	2000	11 000	19	6 702
Subscriptions made on basis of options	7.11	Apr. 14, 2000	2000	82 930	139	6 841
Bonus issue (Change of nominal value into euros)				74	6 915	
Bonus issue		March 9, 2001	2001	4 067 552	6 915	13 830

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF RETAINED EARNINGS

According to the final accounts at October 31, 2001, the parent company's distributable shareholders' equity is 3,939,038.26 euros. The Group's distributable shareholders' equity is negative, once the Groups's shareholders' equity has been reduced by the proportion transferred from voluntary provisions and depreciation reserve and by the other non-distributable items.

The Board of Directors proposes to the Annual General Meeting that no dividend will be distributed and the loss for the period, 2,583,472.63 euros, to be entered under the item "retainend earnings".

Espoo, January 8, 2002

Hannes Fabritius
Chairman of the Board

Matti Tammivuori
Deputy Chairman

Pirkko Fabritius

Risto Kari

Timo Syrjälä

Olli Kokkonen
Deputy Board Member

Markku Hangasjärvi
President and CEO

AUDITORS' REPORT

TO THE SHAREHOLDERS OF EFORE PLC

We have audited the accounting, the financial statements and the corporate governance of Efore Plc for the period November 1, 2000 to October 31, 2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require, that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

Espoo, January 21, 2002

TILINTARKASTAJIEN OY - ERNST & YOUNG
Authorized Public Accounting Firm

Juha Nenonen
Authorized Public Accountant

INFORMATION FOR SHAREHOLDERS AND INVESTORS

The Annual General Meeting of Efore Plc will be held on Thursday, March 7, 2002, at 5.30 pm at the following address: Diana-auditorium, Erottajankatu 5, 00130 Helsinki, Finland.

Those shareholders who are listed in the company's shareholders listing in Finnish Central Securities Ltd by February 22, 2002 and who have notified of their participation no later than Monday, March 4, 2002, 2.00 p.m. have the participation rights at the Annual General Meeting.

We would like to ask those wishing to participate to notify

Efore Plc, B.O.Box 61 (Piispanportti 12 A), FIN-02211 Espoo, Finland, Tel. +358 9 478 466, fax +358 9 478 46500, e-mail: susanna.laine@efore.fi

Efore will publish three Interim Reports in 2002

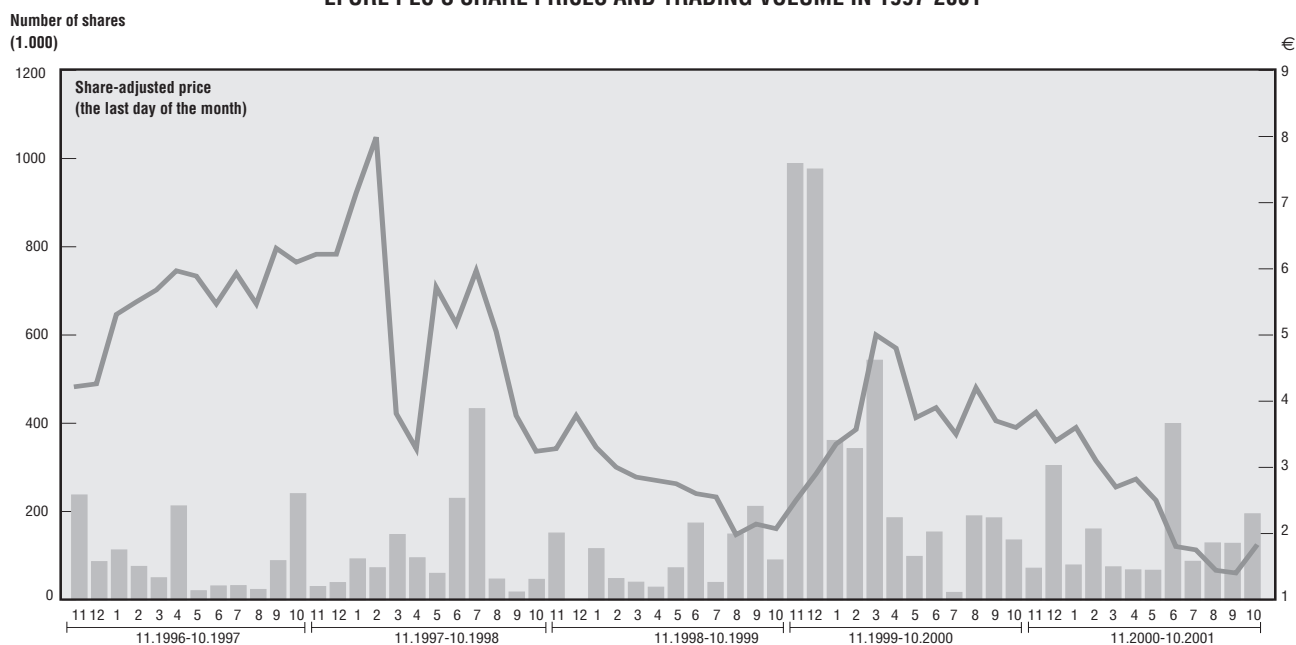
November – January on March 6, 2002

February – April on June 5, 2002

May – July on September 5, 2002

Efore's Annual Report and Interim Reports, Stock Exchange Bulletins and Press Releases can also be viewed on the Group's homepage: www.efore.com

EFORE PLC'S SHARE PRICES AND TRADING VOLUME IN 1997-2001



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