

POWERING YOUR SUCCESS



**Interim Report 2006
(Nov. 1, 2005 – Jan. 31, 2006)**

March 9, 2006

**Markku Hangasjärvi
President and CEO**

**EFORE**



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Summary from the 1st Quarter, 2006

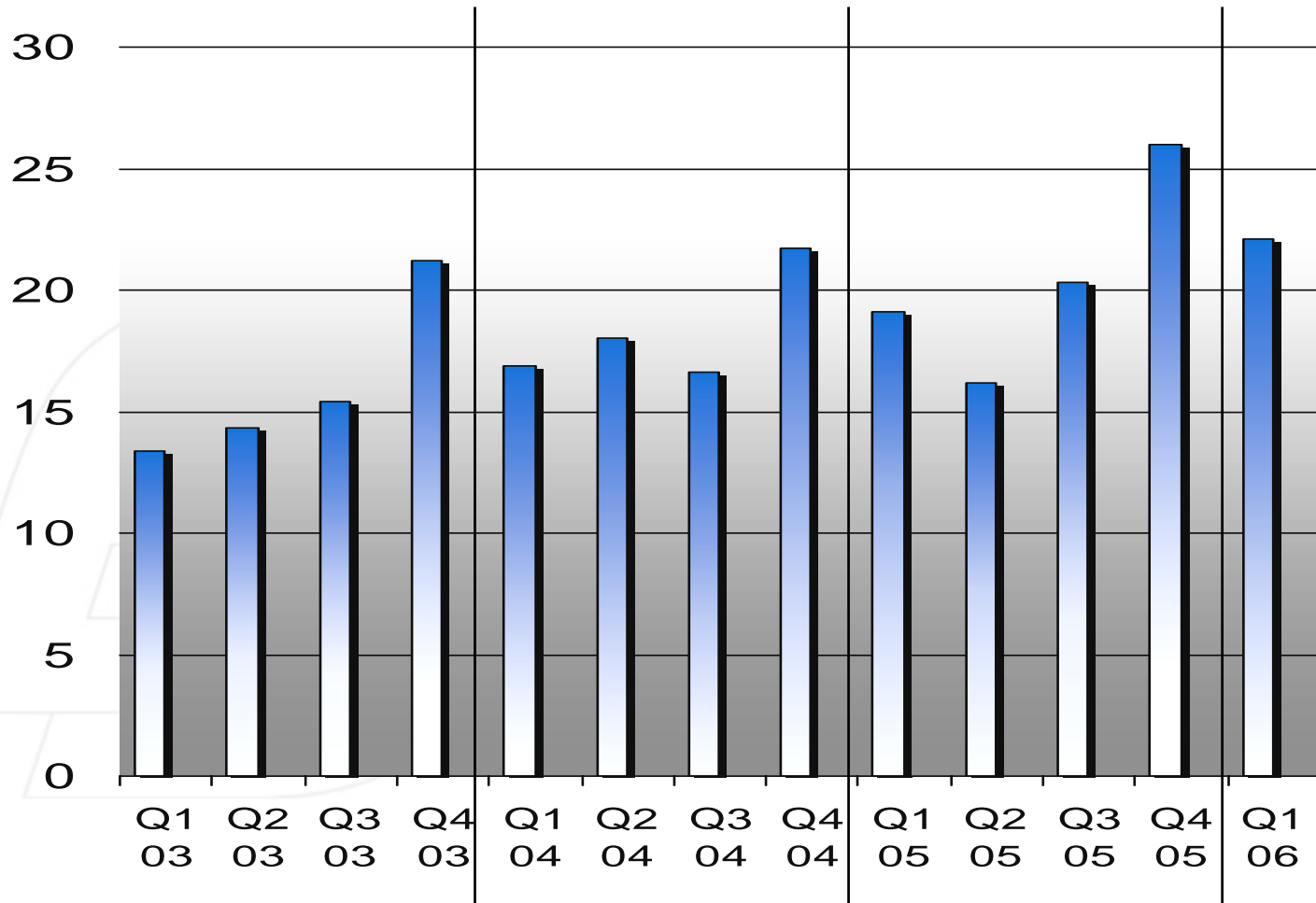


Highlights from the 1st Quarter

- ▶ Net sales increased due to new products and customers
- ▶ Ramp up of several new RoHS compatible products completed
- ▶ Own production in countries with lower production costs was expanded
- ▶ Production was started at new plant in Pärnu
- ▶ Correspondingly production was reduced in Finland and in the USA
- ▶ New product development projects were started especially for base station product families
- ▶ New key persons started in sales and human resources development



Net Sales by Quarters (Meur)



Net Sales

- ▶ Net sales went up to EUR 22.1 million (EUR 19,1 million), an increase of 16,0 % on the same period the previous fiscal year
 - Net sales was mainly attributable to the reasonably favorable market for deliveries of volume products to existing customers and the deliveries to new customers



Financial performance

- ▶ Operating profit was EUR -0.9 million (EUR 1.1 million)
 - The operating profit was mainly attributable to the structural costs incurred in transferring the production focus from Finland and the United States to factories in Estonia and China.
 - Operating profits were also affected by the non-recurring costs from the start-up in Estonia and China that meet the RoHS requirements, and the additional costs incurred in ending the production of earlier product versions
- Net profit was EUR -0.9 million (EUR 1.2 million)



New plant in Pärnu quadrupled production capacity in Estonia

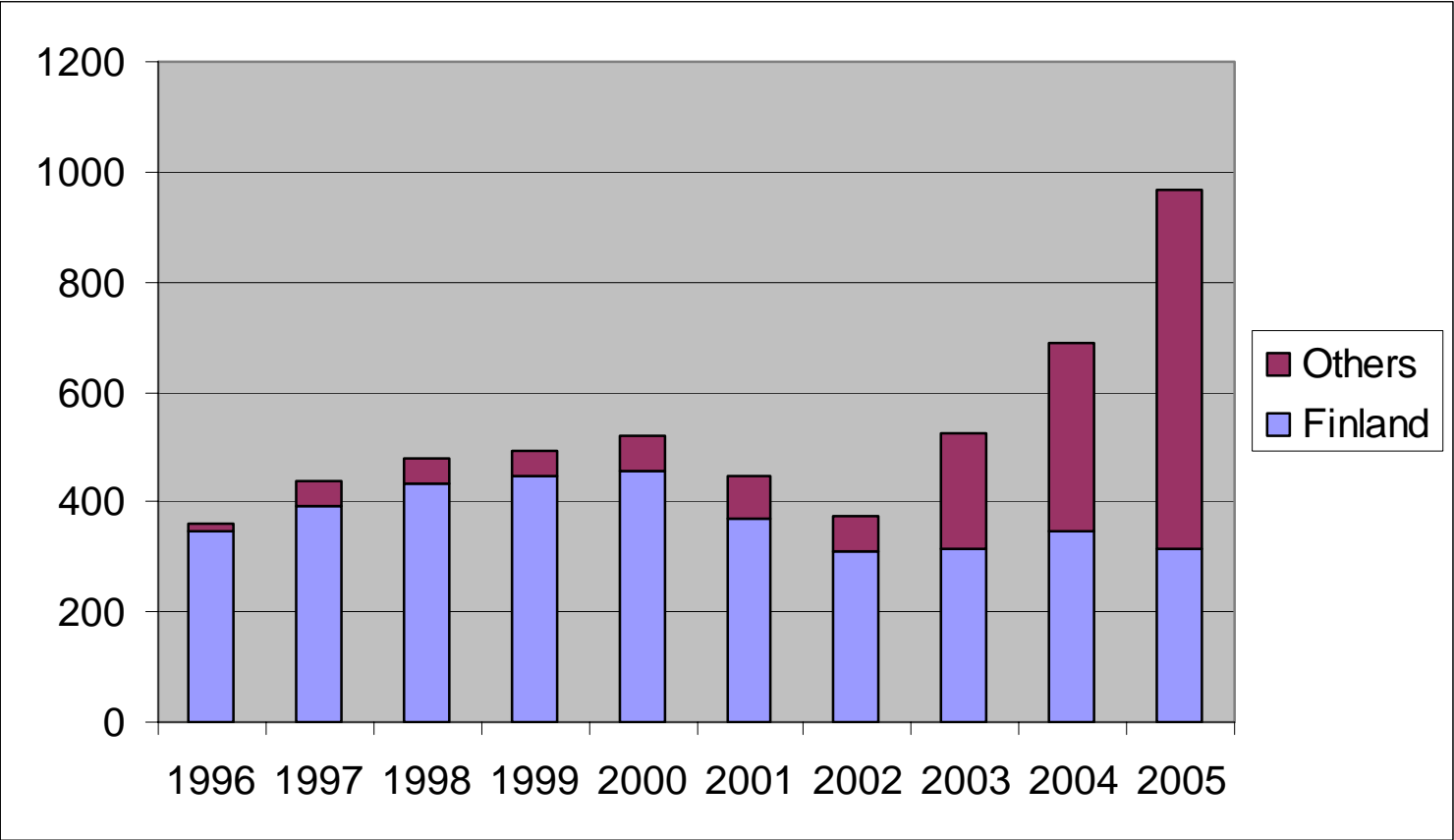


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Focus on production transfers is essential for maintaining growth

No. of personnel



Figures include contract staff



New key persons started in sales and human resource development

- ▶ Scott Vartija
 - Executive Vice President, GA Americas and a member of the Efore Senior Executive Committee
- ▶ Ferdinand Gerhardes
 - Vice President, BU 3 that is responsible for customers in the Central Europe and a member of the Efore Corporate Executive Conference
- ▶ Niilo Oksa
 - Vice President, Human Resources and a member of the Efore Corporate Executive Conference

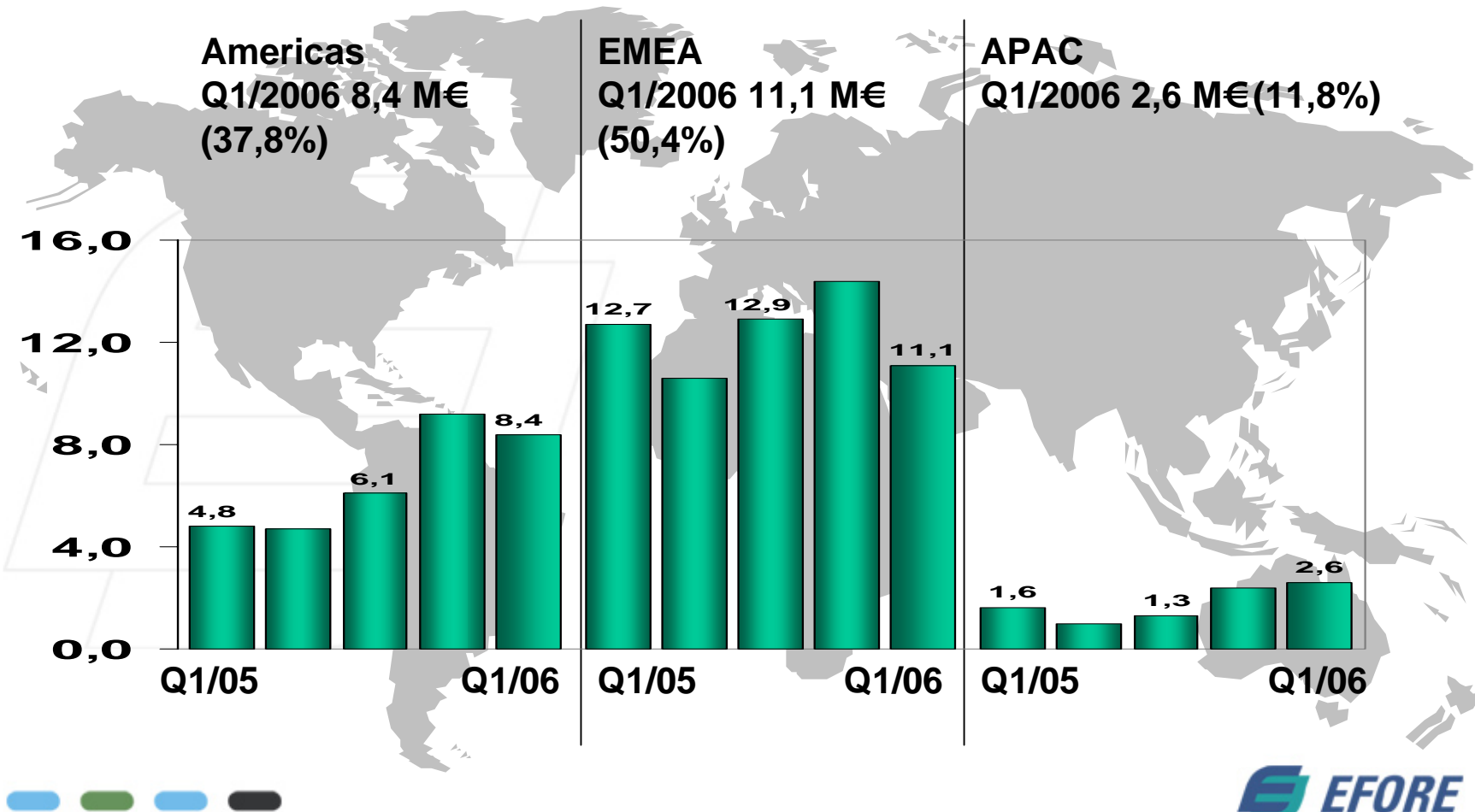


Interim Report

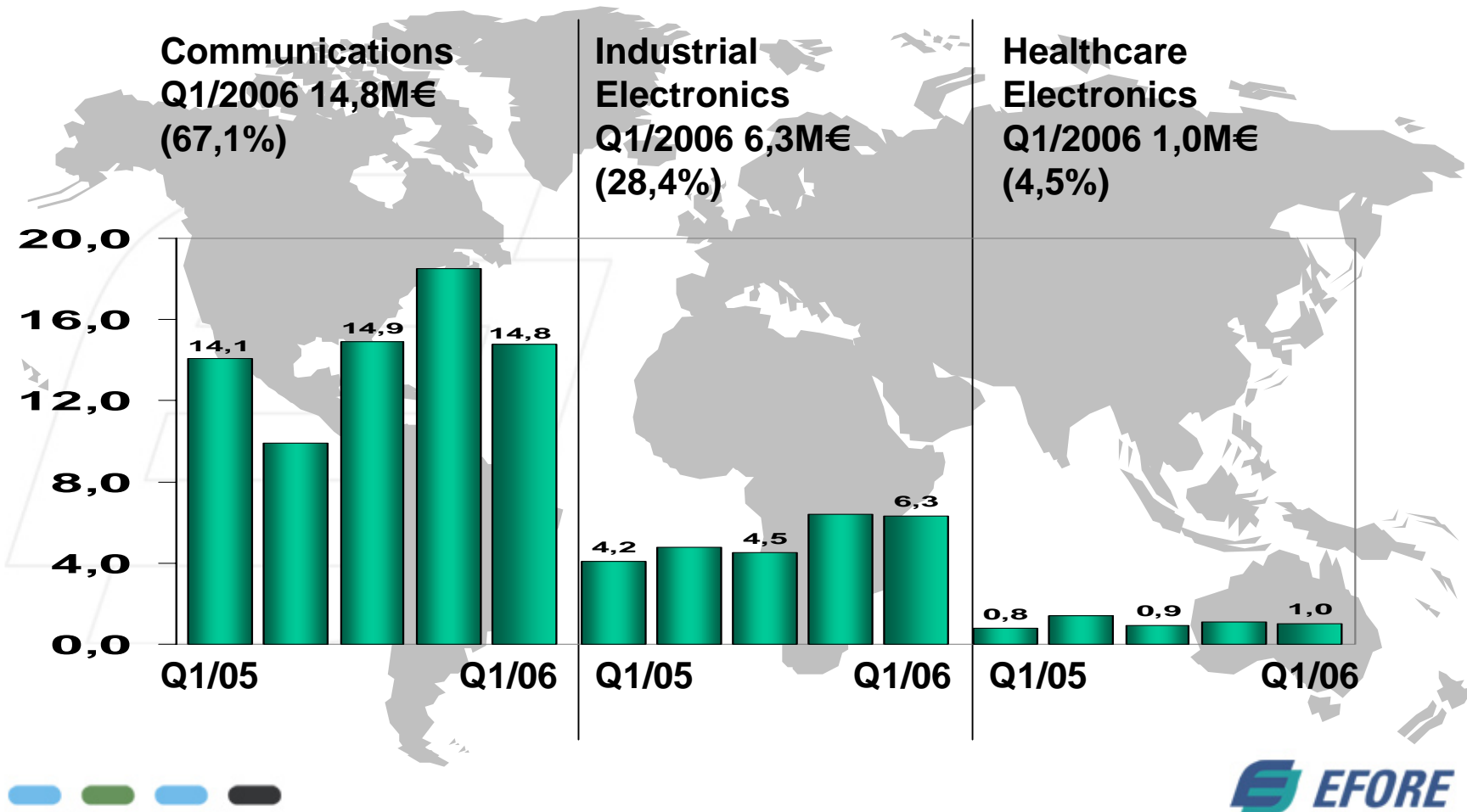
Nov 1, 2005 – Jan 31, 2006



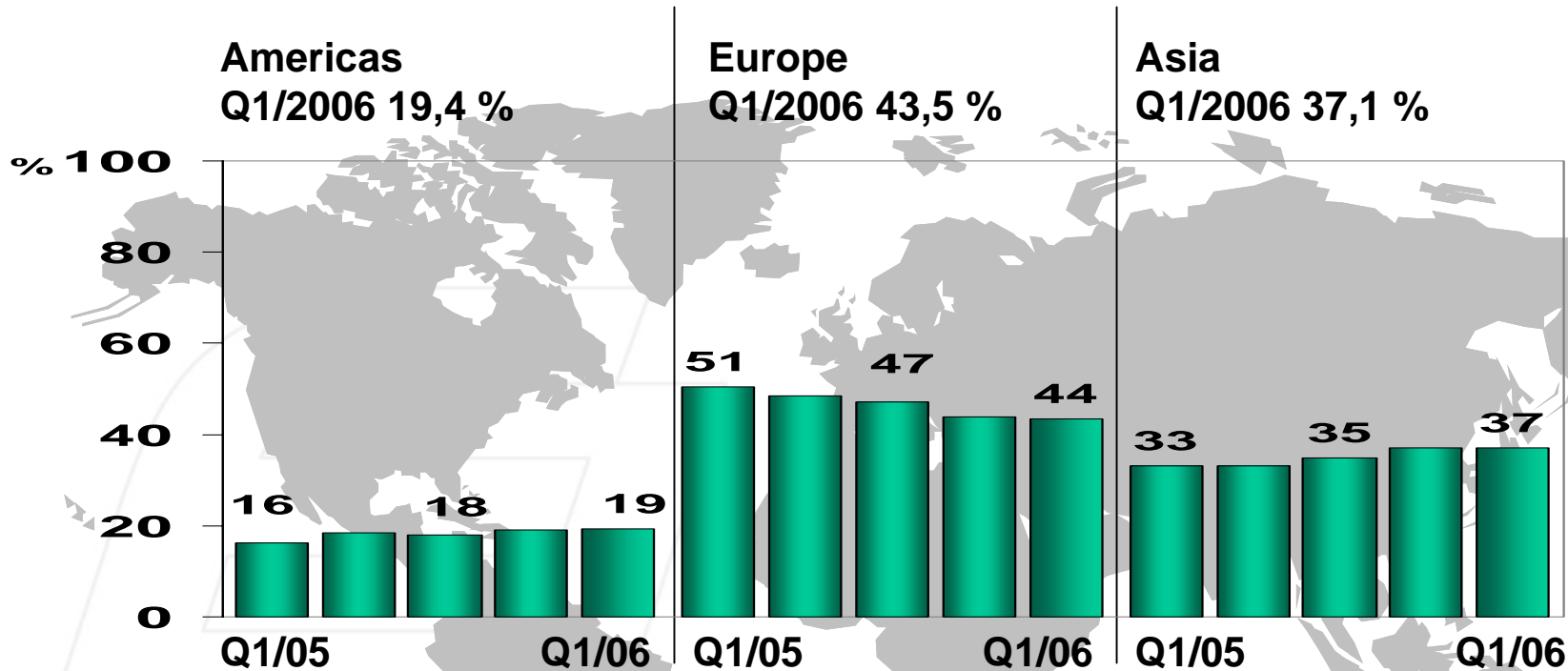
Net Sales by Regions Q1/2005 – Q1/2006 (MEUR)



Net Sales by Market Segments Q1/2005-Q1/2006 (MEUR)



Production by Regions Q1/2005-Q1/2006 (by Average Production Personnel)

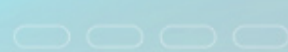


Proportion of production personnel in low cost countries (China, Estonia) at the end of Q1/2006 totals 62,5 % (43,5 %).



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CONSOLIDATED PROFIT AND LOSS STATEMENT, MEUR	Nov./05-Jan./06 3 months	Nov./04-Jan./05 3 months	change %
NET SALES	22,1	19,1	16,0
Changes in inventories of finished goods and work in progress	0,0	0,2	-100,1
Other operating income	0,1	0,1	16,6
Other operating expenses	-22,2	-17,5	26,9
Depreciations	-0,9	-0,6	38,6
Impairments	0,0	-0,1	-67,5
OPERATING PROFIT/LOSS	-0,9	1,1	-181,4
% net sales	-4,0	5,7	
Financing income and expenses	0,1	-0,1	-225,6
Share of loss of associated companies		0,0	-100,0
	-0,8	1,0	-178,0
% net sales	-3,5	5,2	
Tax on income from operations	-0,2	0,3	-166,2
PROFIT/LOSS FOR THE PERIOD	-0,9	1,2	-175,6



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CONSOLIDATED BALANCE SHEET, MEUR	Jan. 31, 2006	Jan. 31, 2005	change %
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	4,5	3,7	23,3
Tangible assets	8,8	7,2	21,2
Investments in associates	0,0	0,1	-100,0
Long-term receivables and investments	1,7	2,5	-31,3
NON-CURRENT ASSETS	15,0	13,5	11,3
CURRENT ASSETS			
Inventories	13,7	12,1	12,8
Trade receivables and other receivables	10,6	11,4	-6,4
Cash equivalents	11,1	0,8	1 349,0
Cash in hand and at banks	4,2	19,2	-77,9
CURRENT ASSETS	39,6	43,4	-8,7
ASSETS	54,7	56,9	-4,0
EQUITY AND LIABILITEIS			
SHAREHOLDERS' EQUITY			
Share capital	34,5	34,5	0,0
Share premium account and other reserves	4,8	4,3	11,7
Retained earnings	-1,9	1,1	-273,3
SHAREHOLDERS' EQUITY	37,3	39,8	-6,4
LIABILITIES			
Long-term liabilities	0,8	1,2	-27,5
Current liabilities	16,5	15,9	3,9
LIABILITIES	17,4	17,1	1,8
TOTAL EQUITY AND LIABILITIES	54,7	56,9	-4,0

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GROUP KEY FIGURES, EUR million

	Nov./05- Jan./06	Nov./04- Jan./05	change %
Earnings per share,eur	-0,02	0,03	-166,7
Earnings per share, diluted, eur	-0,02	0,03	-166,7
Shareholders' equity per share, eur	0,92	0,98	-6,1
Solvency ratio,%	68,2	70,0	-2,6
Return on equity-%(ROE)	-10,0	12,0	-183,3
Return on investment-%(ROI)	-6,7	9,7	-169,1
Gearing, %	-36,3	-43,8	-17,1
Net interest-bearing debt, EUR million	-13,5	-17,5	-22,9
Gross investments, Me	1,3	1,4	-11,5
as percentage of net sales	5,8	7,5	
Average personnel	750	587	27,8

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CASH FLOW STATEMENT, MEUR

	Nov./05-Jan./06	Nov./04-Jan./05	change %
Cash flow from business operations before financing items and taxes	-5,2	2,8	
Financing items and taxes	0,1	-0,4	
Cash flow from business operations (A)	-5,2	2,4	-314,4
Investments	-1,3	-1,5	
Cash flow from investments (B)	-1,3	-1,5	-11,1
Directed share issue and subscription of shares with warrants	0,0	1,0	
Change in liabilities	0,0	0,0	
Dividends paid	0,0	-6,0	
Cash flow from financing (C)	0,0	-4,9	-99,6
Change in cash flow (A+B+C), increase (+), decrease (-)	-6,5	-4,0	61,3

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GROUP CONTINGENT LIABILITIES

Jan. 31, 2006 Jan. 31, 2005 Change -%

Contingent liabilities, EUR million

On own behalf

- Corporate mortgages	0,0	6,7	-100,0
- Pledges given	0,0	0,1	-82,3
- Other contingent liabilities	0,2	0,2	-3,9
- Rent and leasing commitments	6,8	4,0	70,7

Derivative contracts

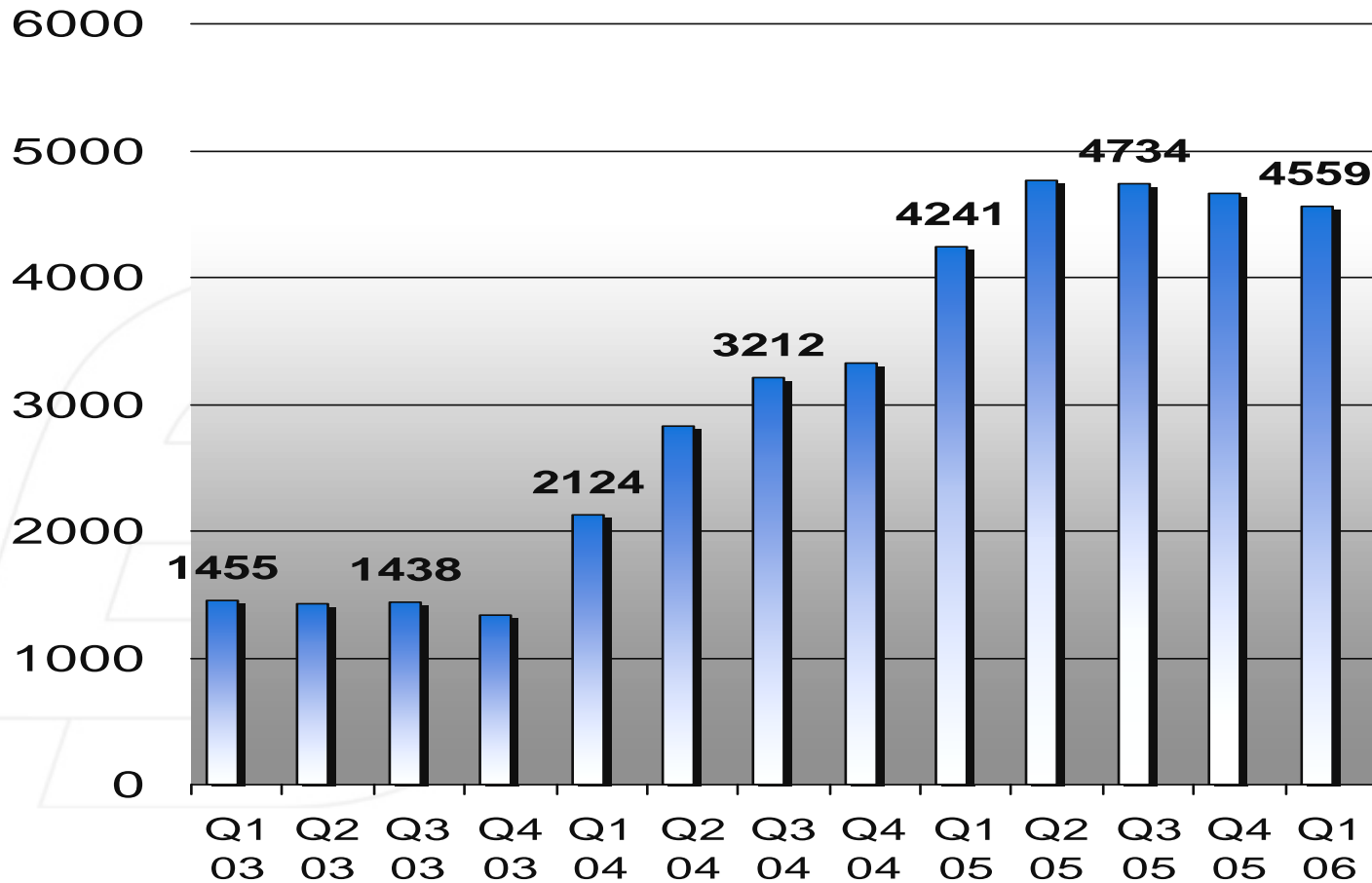
-Forward currency contracts

Market value	0,7	0,0	
Value of underlying Instruments	0,7	0,0	

Shares and shareholders



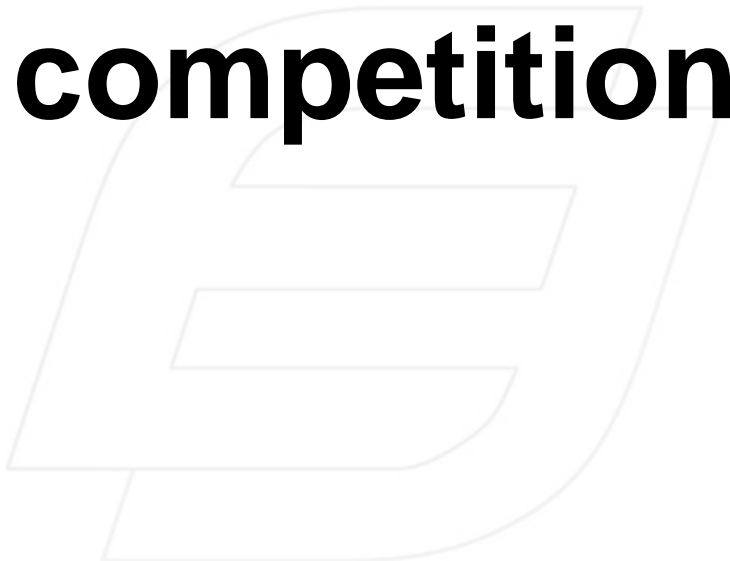
Number of shareholders



Major shareholders (per Jan 31st, 2006)

Shareholder	# of shares	% share
Nordea Bank Finland Plc (nominee reg.)	3 876 100	9,56
Evli Bank Plc	2 309 500	5,69
Tammivuori Esko	1 779 592	4,39
OP-Suomi Kasvu Mutual Fund	1 553 800	3,83
Tammivuori Matti	1 380 000	3,40
Tammivuori Leena	1 369 800	3,38
Varma Mutual Pension Insurance Company	1 214 100	2,99
Syrjälä & Co Oy	1 095 680	2,70
FIM Fenno Mutual Fund	1 077 800	2,66
Oy Q & A Consulting Ab	1 038 400	2,56
Nordea Bank Finland Plc	715 600	1,77
Veikko Laine	596 600	1,47
Fabritius Hannes	523 316	1,29
Mutual Fund Aktia Capital	430 812	1,06
FIM Forte Mutual Fund	420 000	1,04
Ilmarinen Mutual Pension Insurance Company	400 000	0,99
Syrjällä Timo	400 000	0,99
Berling Capital Oy	385 000	0,95
Placeringsfonden Aktia Secura	375 000	0,93
Rausanne Oy	340 000	0,92

Market outlook and competition



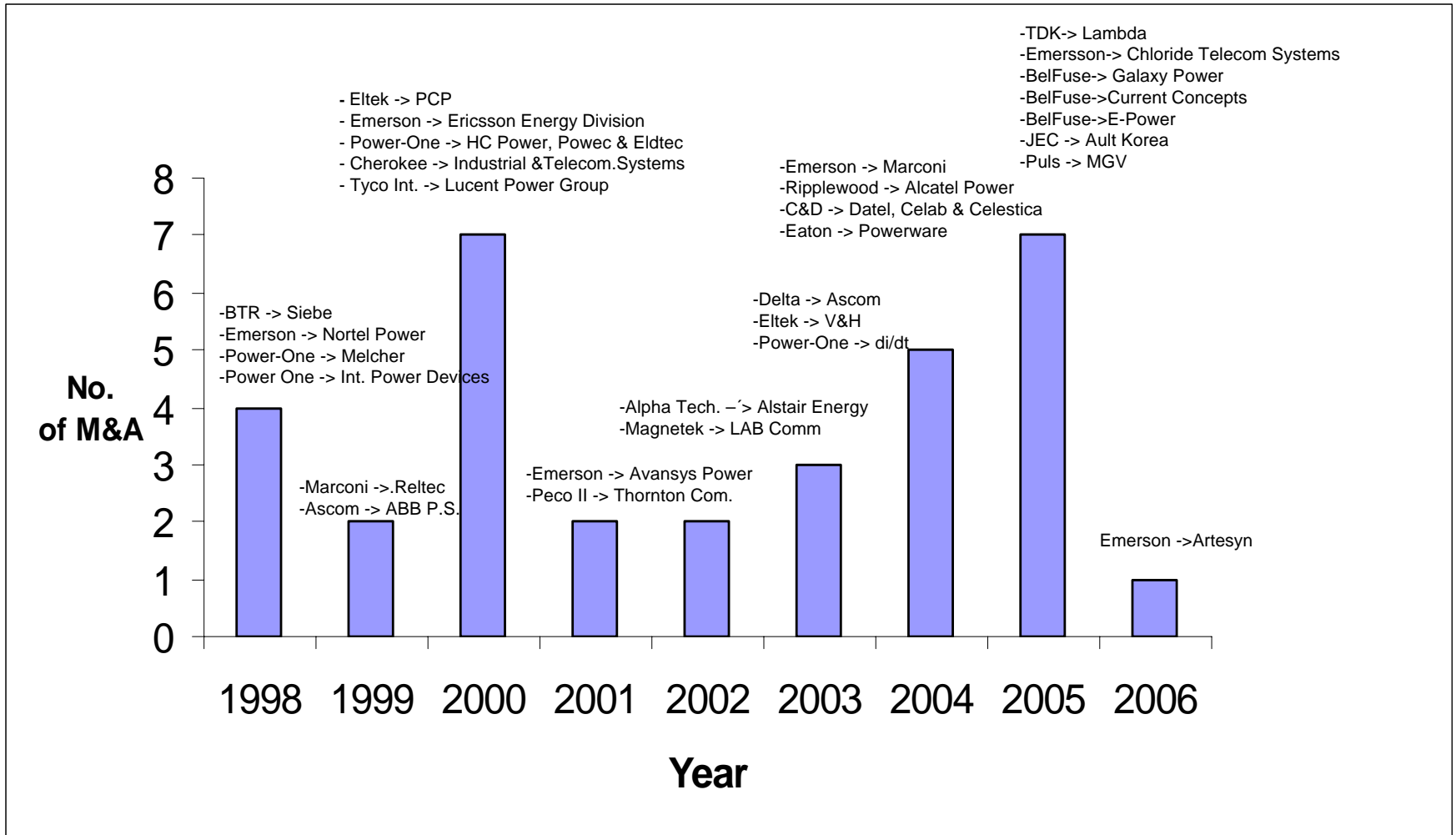
Outlook for the power supplies market

- ▶ The global power supplies market is estimated to be worth about 18 billion euros in 2006
- ▶ By technologies, the market is distributed as follows:
 - AC/DC power supplies 69 %
 - DC/DC converters 31 %
- ▶ Average growth in the power supplies market is forecast to be until 2009 :
 - AC/DC power supplies 4,6 %/year
 - DC/DC converters 2,9 %/year
- ▶ Demand for power supplies in the telecommunications sector is forecast to be about 1,1 billion euros
 - Efore's market share is about 5,3 % (based on FY 2005 Net Sales figures)



Source: Management's estimates, *IMS August, 2005, VDC March 2005

Consolidation of power supply business continues



Outlook for the fiscal year 2006



Outlook for the fiscal year 2006

- ▶ The telecommunication networks market, which is the most important market for Efore's net sales growth, is expected to continue growing at a moderate rate, measured by its value in euros, during 2006.
- ▶ In the later part of the year, the timing of China's 3G decision will have an impact on this market
- ▶ As a result of the reasonably favorable market outlook for the telecommunications sector and Efore's new customers and products, the company's net sales for the current fiscal year (12 months) are expected to be up on the previous fiscal year's figures.
- ▶ On the basis of the sales growth, improved efficiency of operations and the production transfers taking place Efore's operating profit and earnings per share are expected to be up on the previous fiscal year's figures
- ▶ In addition to expanding its present business, Efore is looking into participating in the consolidation process within the power supply sector.



Efore's targets in the consolidation process

- ▶ Efore's targets in the consolidation process are:
 - Expanding customer base
 - Broadening product base and power supply technology platforms
 - Increasing R&D/engineering resources and capabilities
 - Achieving cost synergies in production and material procurement

