



POWERING YOUR SUCCESS



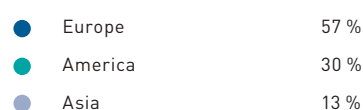
ANNUAL REPORT 2005

## 2005 IN BRIEF

- Increase in net sales over the previous fiscal year.
- Acquisition of new customers helped to strengthen Efore's market position.
- Product prices on the decrease.
- Profitability weakened over the previous fiscal year.
- A total of 5.6% of net sales invested in product development.
- Production expanded in Estonia and China.
- Component sourcing concentrated especially in China.



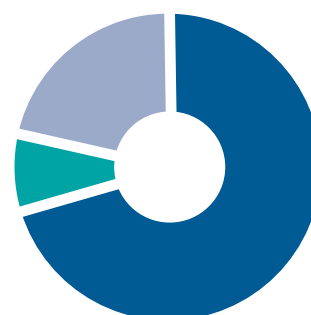
2005 NET SALES BY MARKET AREA



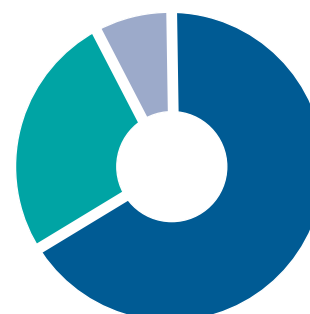
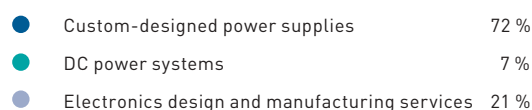
## EFORE GROUP KEY FIGURES

		2005	2004
Net sales	EUR million	81.8	73.2
Operating profit	EUR million	0.2	8.0
- % of net sales	%	0.2	10.9
Profit before extraordinary items	EUR million	0.6	7.8
Earnings for the period	EUR million	-1.7	7.5
Return on equity (ROE)	%	-1.0	22.6
Return on investment (ROI)	%	2.0	23.2
Cash flow from business operations	EUR million	8.5	3.6
Net interest-bearing liabilities	EUR million	-20.3	-22.3
Solvency ratio	%	64.8	75.1
Gearing	%	-51.6	-49.6
Earnings per share, adjusted	EUR	-0.01	0.20
Equity per share, adjusted	EUR	0.97	1.13
Dividend per share, adjusted	EUR	0.00 <sup>1)</sup>	0.15
Share price on October 31, adjusted	EUR	1.84	3.15
Market capitalization	EUR million	74.6	125.4
Personnel, average		668	512

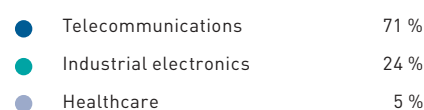
1) Board proposal to AGM



2005 NET SALES BY PRODUCT



2005 NET SALES BY CUSTOMER SECTOR





## MISSION AND VISION

### MISSION

Efore's mission is to become a preferred global partner for leading manufacturers within the telecommunications, industrial electronics, and healthcare sectors, and for telecom operators, by creating and manufacturing highly advanced custom-designed power supply solutions, and providing electronics design, manufacturing, maintenance, and repair services.

### VISION

Efore's vision is:

- To rank among the world's top ten providers of custom-designed power supply solutions.
- To strengthen the DC power systems business.
- To become an established provider of electronics design and manufacturing services (EDMS).
- To expand our business within electronics maintenance and repair.



## EFORE'S STRATEGY AND VALUES

### STRATEGY

Efore's strategy is to concentrate on demanding custom-designed power supply solutions, DC power systems, electronics design and manufacturing services (EDMS), maintenance, and repairs.

Our goal is to create long-term partnerships with our customers. Our competitiveness is based on customer-focused service, excellence in electronics design, and cost leadership in manufacturing. As we grow, we will expand our sales network, product development, and manufacturing facilities, ensuring they are close to our customers in Europe, North and South America, and Asia. This will enable us to serve our customers promptly, flexibly, and always in the local language.

We will develop our technological expertise by investing a considerable portion of our net sales in product development every year. About one fifth of our personnel concentrate on developing new products and technologies and on upgrading existing products.

We maintain and improve our competitiveness by concentrating most of our production in countries with low production costs, such as China and Estonia. We source our components internationally, always with the lowest overall costs.

To balance market fluctuations we will give added weight to the customers within industrial electronics

and healthcare sectors while continuing to serve the telecommunications sector, which dominates our business today.

### VALUES

The values guiding Efore's global operations are:

#### CUSTOMER-FOCUSED SERVICE

We listen to our customers so that we can understand their needs and provide solutions in a flexible and effective way.

#### COOPERATION

We work closely with our partners to achieve the best results and attain our common goals.

#### DEVELOPING EXPERTISE

An expert and innovative staff who are constantly developing their professional skills is our most valued asset.

#### OPENNESS

Openness between partners is the basis for reliability and trust.

#### PROFITABILITY

Our success is derived from our customers' success.



## REVIEW BY THE PRESIDENT AND CEO

The past fiscal year was challenging for Efore in many ways. Product prices fell on the market because of increased competition. In contrast to previous fiscal years, due to the renewal of most of our component base, the fall in product prices didn't match to a fall in material prices. Thus, despite a 12 percent increase in net sales, there was only a small operating profit, one that was considerably lower than in the previous fiscal year.

One of the most significant reasons for the falling product prices is that the focus of telecommunication-network construction is shifting to developing countries. As these countries have lower costs than developed economies, it is essential that their networks, too, have a lower investment cost so that they can be brought onto the market profitably. This is a matter of importance because most of the products manufactured by Efore end up as part of the power supply of various telecommunication networks.

We have responded to the demands of price competition by continuing to invest heavily in product development in cooperation with our customers. As a result we have been able to launch a stream of new products that are more sophisticated and cost-effective than their predecessors.

At the same time Efore has been increasing production and subcontracting in countries with lower costs, such as Estonia and China. Expenditure on personnel is a considerable cost item in production and, thus, transferring

manufacturing to countries with significantly lower wage costs is an absolute necessity. This has inevitably led to a reduction in production jobs in Finnish operations, and the consequent non-recurring costs have further weakened Efore's performance for the 2005 fiscal year.

We have also invested in developing cost-effective sourcing. Materials needed in manufacturing are the Group's biggest single expense item. Asia is gradually becoming the main producer of electronic components worldwide, and for that reason Efore has started up a Strategic Sourcing unit in China, which will serve the entire Group.

The effect of the restructuring carried out during the fiscal year was already apparent in the form of improved competitiveness in the second half of the fiscal year. There was a clear rise in net sales and the company posted a profit. On the other hand, it is clear that the factors causing pressure on prices are not about to disappear from the market. We will, therefore, continue resolutely to improve our operational efficiency on all fronts.

The company was also active in acquiring new customers, and succeeded in establishing many new world-class customer relationships during the fiscal year. This cooperation will open up new growth prospects. At the same time, we will also continue to maintain a close partnership with our existing customers. Efore's aim is to make its service even more customer-focused and to ensure permanently satisfied customers.



“We have resolutely improved our operations by investing in product development, sourcing and production. We are in a better position to respond to our customers’ growing demand on a global scale.”

The new customers, growth prospects with existing customers and restructuring, most of which is already complete, suggest better performance for the fiscal year 2006. With the challenging 2005 behind us, net sales are expected to increase and the operating profit and earnings per share to improve in the new fiscal year.

The need for power supply solutions is still on the increase all over the world. The market is enormous; according to recent market surveys it is worth about EUR 17 billion. The market is expected to grow by 4 to 8 per cent annually for several years to come. Efore ranks tenth in the world league table for DC/DC converters and third in Europe. Its share of the global market is less than one per cent, so there is room for growth.

As there are still quite a few players in the industry, consolidation is likely to continue in 2006. In addition to expanding its present business, Efore, too, will be looking into participating in the consolidation process in the power supply industry.

Last but not least, I would like to express particular thanks to our customers, suppliers, personnel and other partners for the past year. I would also like to thank both Efore’s shareholders and financial backers for the confidence they have displayed in the company.

December 2005

Markku Hangasjärvi



## WE PRIORITIZE CUSTOMER-FOCUSED SERVICE

In all its operations Efore's priority is to provide customer-focused service. The aim is to build and maintain long-term partnerships with customers. Once a promise is given, it is kept. This applies to all offers, design, orders, deliveries, or maintenance and repairs, and covers all products and services. Efore's design and manufacturing facilities are located on three continents, thus guaranteeing high-quality services close to the customer. The same high-quality service is provided to customers anywhere in the world.

Efore's products and services are marketed through direct sales, dealer networks, equipment manufacturers, and through brand label customers seeking to complement their product ranges with Efore's products. Through its sales network Efore provides service all around the world.

Typical applications for Efore's products include mobile-phone base stations, fixed data transmission network exchanges, and routers for the telecommunications sector; robots and various automation systems for the industrial electronics sector; and anesthesia equipment and dental x-ray equipment for the healthcare sector.

Efore's main customers are leading telecommunications-sector players, such as Nokia and Ericsson. Customers in the industrial electronics sector include ABB, Kone, and Wärtsilä. Global customers within the healthcare sector include GE Healthcare, Abbott Laboratories, Thermo Electron, and Planmeca.

In addition to new power supply solutions, Efore upgrades existing customer solutions to make them conform to the demands of changing environmental legislation. We also provide quick and flexible on-the-spot maintenance and repair services.

On the basis of the results of customer-satisfaction surveys, Efore is known especially for good customer service, technical expertise, and flexible production.



## PRODUCT DEVELOPMENT THE MAIN COMPETITIVE FACTOR

The objective of Efore's product development is to increase our competitiveness and broaden our range of technology. Product development and testing also ensure that Efore's new products meet current and future environmental, seismic, and recycling requirements for electronic equipment.

In 2005 Efore's investment in product development totaled euro 4.6 million, 5.6 percent of net sales. In 2005, Efore had 70 experts in product development. This ensures that Efore is in a position to continuously provide its customers and partners with competitive, state-of-the-art products, and service.

The development takes place in Finland, the USA, and China. China is becoming increasingly important as a product-development base.

Locating product development near our customers enables us to cooperate quickly and smoothly with our customers' own product development organizations, which is essential when products are being designed on a customer-by-customer basis. Operating on three continents makes it possible to flexibly take into account the special features and demands of the different areas.

The focal points for product development are new power supply platforms, applications, and materials. Current development projects aim to achieve greater power density, lower voltage levels, and correspondingly, higher currents. Also, the need for several output voltages has increased. At the same time, the time-to-market for new products has been considerably reduced.

Unequaled product-development expertise in power supplies and other electronics is one of Efore's key competitive strengths. This expertise is unique. It has been created as the result of over thirty years' experience and training.

The use of materials is minimized in all Efore products. All new products are lead-free and meet the requirements of the Restriction of Hazardous Substances Directive (RoHS). Efore uses 3D CAD equipment and the latest design and simulation tools for electronic, mechanical, and thermal design.

Most product development is linked with new custom-designed power supply solutions. Also, development work is done on new DC power systems. Efore is expanding its product range by constantly bringing new products to the market.

Efore has its own laboratories for testing products' compliance with specifications and standards. All the power supplies and other electronic equipment designed by Efore are type tested in the laboratory. The type tests cover operating tests and safety, environmental conformity, and reliability tests. Also, electromagnetic compatibility testing is undertaken. The laboratories are located in Finland, the USA, and China.

Using the test results, Efore's laboratories apply for the relevant international and national electrical equipment approvals for the products. Efore's long experience and a smooth working network of partnerships with international approval authorities help in minimizing delays in the approval process.



## PRODUCTION ON THREE CONTINENTS

Primarily, Efore's own production plants manufacture the Efore designed products and systems. However, to ensure flexible operations, Efore outsources production to its subcontractor partners. Production has been systematically increased in Estonia and China, countries with lower labor costs. Whether the products are manufactured by Efore or outsourced, product quality is monitored against the same requirements and criteria.

Efore has production facilities in Saarijärvi (Finland), Pärnu (Estonia), Irving (Texas, USA), and Suzhou (China). Also, Efore-designed products are manufactured by the Group's German affiliate company, Power Innovation, and subcontracting partners in Estonia, China and Brazil.

Efore's cost-effective production plants have similar production facilities. The factories have up-to-date production lines based on automatic surface-mounting and wave-soldering technologies, as well as, automatic testing lines. Efore's products are highly standardized, allowing for flexible manufacturing at any of the Group's production plants, which are near the customer. Production capacity can be further expanded quickly and at a reasonable cost.

Global expertise in materials sourcing is essential for cost-effectiveness. Material prices are constantly changing. The required RoHS Directive changes, for example, had an impact on prices.

The focal point for the manufacture of electronic components is Asia. For that reason Efore's strategic materials

sourcing is located in China.

Efore's competitiveness is based on flexible production and the high quality of its products. All of the Group's locations have acquired the ISO 9001/2000 quality certificate and ISO 14001 environmental certificate. In addition to its own quality assurance, numerous customers regularly audit Efore's operations.

Efore's quality policy defines world-class operations, responsibility for one's own work, open cooperation, and on-going development as Efore's way of working. Further information about quality matters can be found on Efore's website.



## PRODUCTS AND SERVICES FOR GROWING DEMAND

Efore's products and services can be divided into four areas:

- Custom-designed power supplies
- DC power systems
- Electronics design and manufacturing services
- Electronics maintenance and repair services

### CUSTOM-DESIGNED POWER SUPPLIES

Power supplies are needed for AC and DC conversion and for power unit input in different kinds of electrical and electronics equipment. Power supply units are often used as components in equipment manufactured by our customers. In these cases the power supply units take care of the power input requirements and enable the equipment to function.

Custom-designed power supplies are always tailored to the customer's needs. Success is based on an innovative approach, high quality, short design-to-delivery time, flexible service, and competitive prices.

Design of a new power supply begins with a product development project undertaken jointly with the customer and continues with a production and maintenance contract covering the entire lifecycle of the product. Production quantities of custom-designed power supplies vary according to the product and customer, but, range from some hundreds to more than 100,000 annually.

Smooth coordination between Efore's and the customer's product development, manufacturing, and lo-

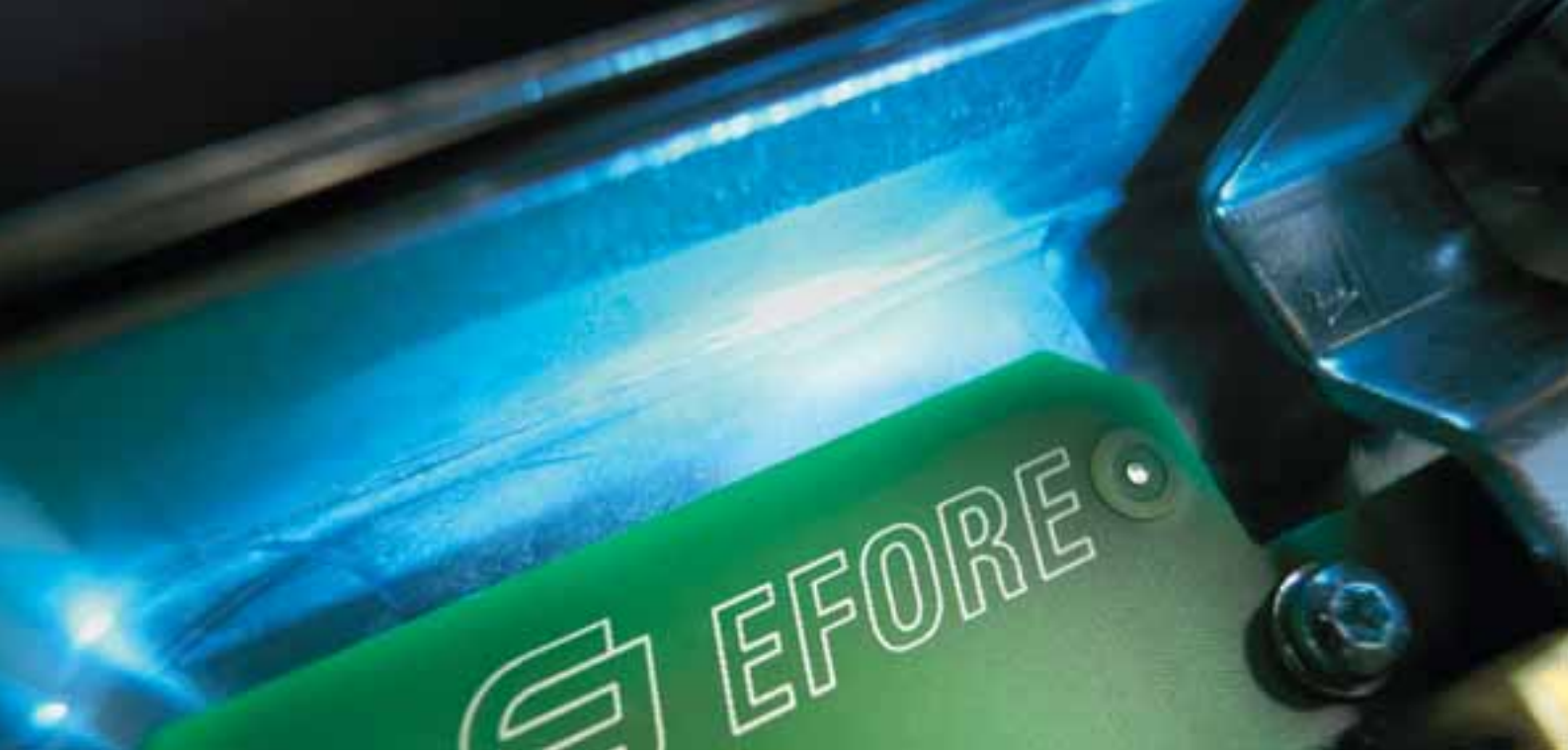
gistics processes guarantees benefits and cost efficiency for both parties.

### DC POWER SYSTEMS

DC power systems convert the alternating current of the power grid into direct current suitable for use in electronics equipment. DC power systems contain both an AC/DC power supply and a battery system for ensuring DC power input for the customer's equipment during any power interruption. DC power systems are used in, for example, mobile network base stations, power stations, power transmission grids, and various industrial applications.

Efore's DC power systems and standard products include a broad range of AC/DC rectifiers, DC/DC converters, and DC/AC inverters in different power classes. Also, the product group includes digital controllers, power distribution units, and cooling fans. A common technology base for Efore's custom-designed and standard power supplies allows considerable synergy benefits in design, component sourcing, and manufacturing.

The DC power systems are designed and assembled as standard modules. Also, the mechanical parts of the systems are standardized. This allows customer-specific requirements to be taken into account in a flexible and cost-effective way. The power class can be upgraded by adding new modules to the system. The success is based on reliable technology, precise technical specifications, quick delivery to the customer, and competitive prices.



## ELECTRONICS DESIGN AND MANUFACTURING SERVICES (EDMS)

Efore offers its customers a range of electronics design and manufacturing services. Solid expertise in product development and testing is one of Efore's key strengths and is particularly valued by customers who wish to out-source part of their production or are transferring to more demanding systems. The expanded production plants in Estonia and China in particular provide the scope for cost-effective production.

Efore's electronics design service is based on its profound knowledge of component and production technologies, allowing for cost effective manufacturing of equipment. Besides electronics design, Efore's services include software and mechanical design. Where necessary, Efore can use the services of its subcontractor partners specializing in electronics design services. These partners are committed to Efore's quality standards and have worked successfully with Efore for many years.

With its EDMS, Efore normally assumes responsibility for the purchase of the necessary materials, the impact changes may have on production, and the maintenance and redesign of the products during the entire lifecycle.

In EDMS it is essential that the design and manufacture of products are carefully tailored to produce the desired properties in the end product; that the production machinery is state-of-the-art; that deliveries are punctual; the quality is high; and that prices are competitive.

## ELECTRONICS MAINTENANCE AND REPAIR SERVICES

Efore offers a range of electronics maintenance and repair services to its customers. Solid expertise in design and deep knowledge in electrical and electronics devices is one of Efore's key strengths. This enables efficient maintenance and repair for customer devices.

The need for proper timed maintenance is booming on the market as it is often cost-effective in extending the life cycle of electrical and electronic devices. Also, there is demand for fast, flexible, and skilled repair services, as the cost of repair is usually clearly below that of new equipment.

Our success is based on service near the customer, excellent knowledge of devices and equipment, and flexible service.

# EXCELLENCE AS KEY STRENGTH

Capable and motivated personnel are the cornerstones for the achievement of Efore's objectives. The main objectives of personnel administration are to promote well-being in the work community, the implementation of equality, and to ensure that the Group has the right kind of expertise in order to achieve the strategic targets.

The number of personnel on October 31, 2005 was 751; including contract personnel the number totals 969.

The number of personnel during the fiscal year rose by 184. Over 95 percent of the growth was in Estonia and China.

Efore's action in personnel matters is guided by policies derived from the company's strategy. Efore is committed to promoting occupational well-being. Attention is given to each person's working capacity, satisfaction, and occupational safety and health. The continuous improvement of each person's skills, and motivation, along with attracting new talent to the company form the core of the personnel policy. Further information about personnel policy can be found on Efore's website.

The focus of personnel activities in Finland, during the fiscal year, was on the codetermination negotiations and on dealing with the results. The negotiations started in April and were brought to conclusion at the end of May. As a result 98 people were given notice, the majority of whom were employees at the Saarijärvi plant in Finland. The process was completed in stages by the end of 2005. As a consequence, most of Efore's production at Saarijärvi will be transferred to plants in Estonia and China. These measures were part of the company's efforts to ensure long-term competitiveness.

On the basis of personal development review training, at the end of the previous fiscal year, Efore's Finland location updated its personal development review practice: starting now, two semi-annual reviews will be held with

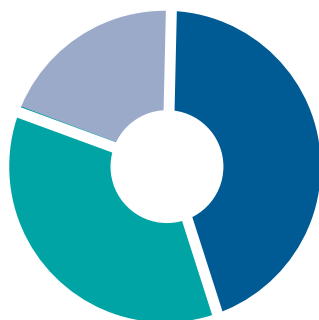
the office staff. Based on the experience, it will be possible to apply the model throughout the entire Group. In the final quarter of the fiscal year, a 360-degree evaluation project was initiated with the purpose of improving the operations and management skills of members of the Group's Senior Executive Committee.

In China, Efore has focused on personnel development by setting up training and job satisfaction funds. During the fiscal year, training for the staff in teamwork and English language courses was arranged. The personnel in Estonia were provided with the opportunity to study Finnish.

Efore encourages personnel to undertake global job rotation between the various units and acquire international skills by increasing the opportunities for fixed-period segments abroad. So far, most of the expatriate activity has been from Finland, but in the future, encouragement will be given to other units, too.

Motivating the personnel is supported by incentives as well as traditional means. The office staff come under a results-based compensation plan. The shop floor workers' compensation plan is based on measuring work productivity. During the fiscal year, Efore started a new stock option program aimed at ensuring the long-term commitment of key personnel.

In cooperation with occupational health care, Efore supports the working capacity and health of its personnel. Personnel are encouraged to maintain their overall fitness and well-being. Efore supports these goals with financial support for independent physical exercise and the arrangement of company events. The development of occupational safety and health is part of the continuous development of operations. During the 2005 fiscal year no serious accidents occurred.



PERSONNEL BY REGION

- Europe 47 %
- Asia 35 %
- America 18 %



AGE STRUCTURE OF PERSONNEL

- over 50 11 %
- 40-49 26 %
- 30-39 36 %
- under 30 27 %



## FOCUS ON ENVIRONMENT EVERYWHERE

Efore's approach to the environment is guided by the company's environmental policy, under which environmental matters are a consideration in all operations. The company is committed to continuously improving the level of environmental protection. The company uses training and initiative to support the development of environmental matters. The environmental policy can be read in full on Efore's website.

Efore has the ISO 14001 environmental certificate for every location. We cooperate closely with our suppliers and customers in order to raise the level of the whole chain's environmental expertise. We monitor the environmental quality of our products against the same requirements and criteria, regardless of whether the products are manufactured by Efore or outsourced.

Efore's principal environmental objectives in recent years have been minimizing harmful substances in line with the Restriction of Certain Hazardous Substances Directive (RoHS) and recycling electronics waste under the Waste Electrical and Electronic Equipment Directive (WEEE). The RoHS Directive restricts the use of the following hazardous substances in the electronics industry: lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl (PBB), and polybrominated diphenyl ether (PBDE). RoHS will affect in particular the solder-joint technology and soldering materials used in manufacturing, which must be lead-free by July 1, 2006.

Efore started a Group-wide program in 2003 to ensure that its operations would comply with the RoHS and WEEE directives before the directives enter into force.

The recycling of electronic waste is handled in association with specialized companies.

During the fiscal year 2005, there were no accidents at Efore that would have had a significant effect on the environment.

# BOARD OF DIRECTOR'S REPORT

## GENERAL FEATURES OF EFORE GROUP

Efore Group's field of activity consists of the design, manufacturing and marketing of power supplies and electronic products. Efore's operations consist of custom-designed power supplies, DC power systems, electronics design and manufacturing services (EDMS), maintenance, and repairs. The main market areas are Europe, North and South America, and Asia.

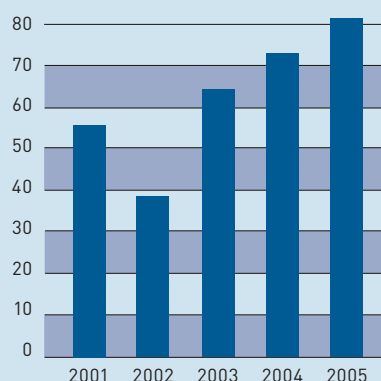
Efore Group's parent company is Efore Plc. Its wholly owned subsidiaries are: Fi-Systems Oy, Efore (UK) Ltd, Efore (USA), Inc., Efore (Suzhou) Electronics Co., Ltd., and Efore (SIP) Technologies Co., Ltd. in China, Efore Ltda. in Brazil, and Efore AS in Estonia. In addition, Efore Plc has a 25% holding in the German power electronics company Power Innovation GmbH. Moreover, Efore has sales offices in Sweden, Germany, and China.

## NET SALES AND FINANCIAL PERFORMANCE

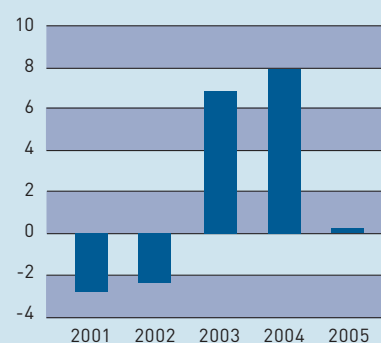
Net sales for the period under review rose to EUR 81.8 million (EUR 73.2 million), with growth compared with the same period of the previous fiscal year amounting to 11.7%. Net sales for the first six months of the period fell short of the goals at the beginning of the fiscal year. The original target growth rate was reached only in the second half of the fiscal year when volume deliveries of new products began and new customer relationships had been established. Sales during the period were divided as follows: telecommunications 70.4% (74.2%), industrial electronics 24.3% (22.5%) and health-care electronics 5.3% (3.3%). Geographically, sales were split up as follows: Europe 57.2% (63.5%), the Americas 30.3% (29.4) and Asia 12.5% (7.1%).

The operating profit for the fiscal period was EUR 0.2 million (EUR 8.0 million). Operating profit was adversely affected by low sales in the first half of the fiscal year and by the additional costs incurred in transferring the manufacturing focus to Efore's plants in Estonia and China. The operating profit was also reduced by the unfavorable trend in material prices caused in the main by the shift to lead-free components and to components that are compatible with the requirements of RoHS (Restriction of Hazardous Substances) Directive. The operating profit was also affected by price erosion resulting from competition in the

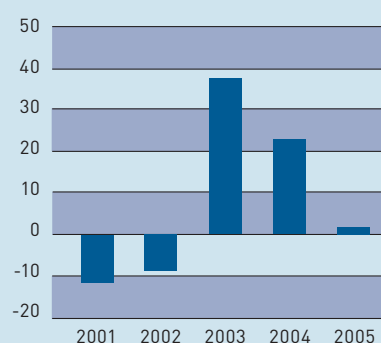
NET SALES MEUR



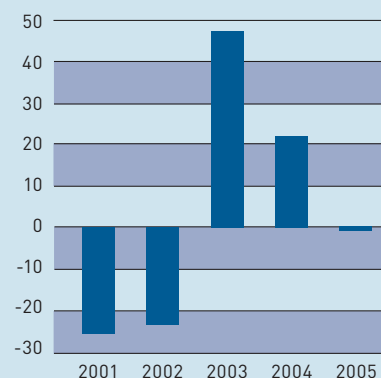
OPERATING PROFIT MEUR



RETURN ON INVESTMENT (ROI) %



RETURN ON EQUITY (ROE) %



power supply sector. The downward trend is expected to continue.

The profit for the fiscal period before extraordinary items came to EUR 0.6 million (EUR 7.8 million) and there was a net profit EUR -1.7 (EUR 7.5 million).

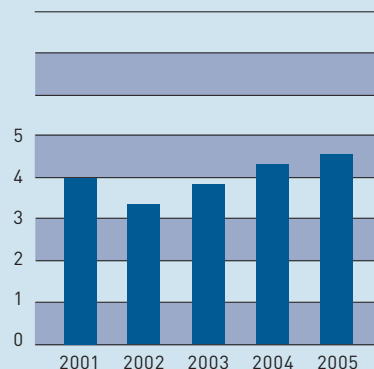
## BUSINESS OPERATIONS DEVELOPMENT

Efore continued to strengthen its market position and expand its customer base during the period under review by beginning the manufacture of new products. Moreover, agreements on new products were negotiated and concluded during the period, especially for new customers. Efore's market position as a supplier of power electronics for leading mobile-phone-network manufacturers was further strengthened. The most significant new product deliveries in the health-care field were started with the Finnish company Planmeca. Furthermore, new product development projects were launched with remarkable American companies.

The Group's product development centers in Finland, the United States, and China focused their efforts on custom-designed power supplies and other electronic products. Many of the new products were linked with new product families for 2.5G and 3G base stations and to fixed telecommunication networks. Numerous product development projects related to health-care equipment were also undertaken. Product development also continued on new power-supply technology platforms and lead-free and other products conforming to the RoHS directive. Volume deliveries of the first products in conformance with the RoHS directive began during the final quarter of the fiscal year. During the fiscal year, new products and technological solutions were developed with a total of EUR 4.6 million (EUR 4.3 million). At the end of the period under review 70 staff members worked in product development. In addition, there were also 35 people engaged in functions directly assisting product development at the end of the period.

The shift in priority of Efore's production to plants with a more favorable cost level in Estonia and China continued throughout the whole fiscal year. Thanks to expanded production in Estonia and China, 52.6% (40.1%) of Efore's production was located in countries with lower costs at the end of the period under review. A new production facility in Estonia approximately four times the size of the present

**PRODUCT DEVELOPMENT  
EXPENDITURES MEUR**



plant was completed and will become operational during the first quarter of the 2006 fiscal year.

The improvement in cost-effectiveness will be given more focus in material functions. At the outset of the third quarter of the fiscal year the new Strategic Sourcing unit, which serves the entire Group, started operations in China.

## INVESTMENT

Investment in fixed assets during the period under review rose to EUR 5.6 million (EUR 5.0 million), of which the capitalization of product development accounted for EUR 1.9 million (EUR 1.3 million). Investment in equipment related to increases in production contributed to the growth in investment, particularly in China and Estonia. Efore also invested in production equipment that meets the demands of the RoHS Directive. In the next few years the objective will still be for investment not to exceed planned depreciation.

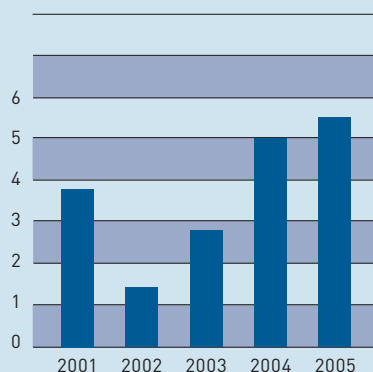
## FINANCIAL POSITION

The Group's financial position during the period was good. Consolidated net financial yields totaled EUR 0.4 million (EUR -0.2 million). The Group's solvency ratio at the end of the period under review was 64.8% (75.1%) and its gearing was -51.6% (-49.6%). Consolidated net interest-bearing liabilities totaled EUR -20.3 million (EUR -22.3 million). Hence, consolidated interest-bearing cash reserves exceeded interest-bearing liabilities by EUR 20.3 million.

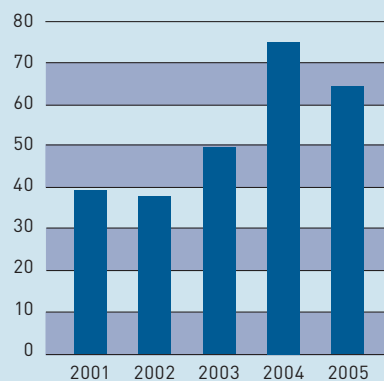
The cash flow from business operations was EUR 8.5 million (EUR 3.6 million), and the change in the cash flow showed a decrease of EUR 2.5 million (an increase of EUR 17.4 million). Cash flow after investment amounted to EUR 2.8 million (EUR -1.7 million). The cash flow of EUR -5.3 million from financing activities comprises a total of EUR 1.0 million from share subscriptions with stock options, EUR 6.0 million in dividend payments, and EUR 0.3 million in long-term loan installments.

Liquid assets excluding undrawn credit facilities totaled EUR 21.8 million (EUR 24.4 million) at the end of the period under review. The balance sheet total was EUR 60.6 million (EUR 60.3 million).

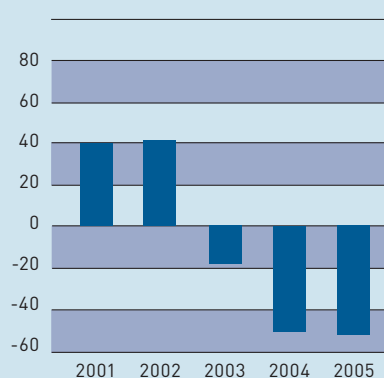
### GROSS INVESTMENTS MEUR



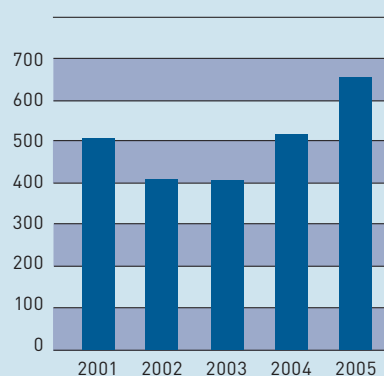
### SOLVENCY RATIO %



### GEARING %



### PERSONNEL, AVERAGE



Consolidated working capital in relation to net sales was 7.6 % (14.8%) of net sales in the past 12-month period. The Group's aim is to ensure that this percentage remains below 10%.

## TAXATION

The tax figures include taxes calculated on the basis of Group company results for the fiscal year and local tax regulations. In the consolidated profit and loss statement, a change of EUR 0.2 million in deferred tax assets is included as an expense under income taxes.

The Group's tax rate for 2006 and the following fiscal years is expected to remain well below the Finnish tax rate, because of the low tax rates for the Chinese and Estonian subsidiaries.

## ENVIRONMENTAL POLICY AND ENCUMBRANCES

The development of Efore's environmental systems is based in Finland on international standard ISO 14001, which is valid in all product development and production facilities in Finland, China, Estonia, and the United States.

The recycling of electronics waste is done in partnership with specialized companies. The goal is to comply with EU's WEEE (Waste Electrical and Electronic Equipment) Directive before it enters into force on July 1, 2006.

All Efore's production facilities in Finland, China, and Estonia are already equipped for lead-free production in accordance with RoHS (Restriction of Certain Hazardous Substances) Directive. The goal is to reach the same preparedness also in the facilities in the United States by the first half of the fiscal year 2006.

The Board of Directors is not aware of any environmental risks or responsibilities having an impact on company's financial position.

## PERSONNEL

The number of Group personnel averaged 668 (512) during the period under review and 751 (567) at the end of it. The number of personnel increased by 184 during the period.

The operating units in Estonia and China accounted for over 95% of the growth.

In addition to its own personnel, the Group's contract staff numbered 218 at the end of the period under review, an increase of 97 during the period. The geographical distribution of Efore's personnel at the end of the period under review was as follows: Europe 448 (381), the Americas 178 (102), and Asia 343 (205), making a total of 969 (688). These figures include contract personnel.

## GROUP ORGANIZATION

Efore has a matrix organizational structure in which its operations are divided into three geographical regions (Europe, North and South America, and Asia) and six business units. The operations of the geographical regions and the business units are supported by a range of Group functions. These global functions common to all parts of the Group are strategic sourcing, supply management, manufacturing operations, technology, financing, information management, human resources, process development, and quality issues.

## BOARD OF DIRECTORS AND PRESIDENT AND CEO

The Efore Plc Annual General Meeting, which was held on December 16, 2004, elected ten members to the company's Board of Directors. The new members elected were Johan Ek, Isto Hantila, Anne Leppälä-Nilsson, Reijo Mäihäniemi, Rauno Puolimatka, Outi Raitasuo and Olli Riikkala, while Heikki Marttinen, Timo Syrjälä and Matti Tammivuori, all previous Board members, were re-elected. At its inaugural meeting the Board of Directors elected Timo Syrjälä as its chairman and Heikki Marttinen as deputy chairman. The Board convened 15 times during the year.

Markku Hangasjärvi continued as Efore's President and CEO for the entire fiscal year.

## AUDITORS

The Annual General Meeting appointed Authorized Accounting Firm Ernst & Young as Efore's auditors, with Authorized Public Accountant Juha Nenonen as principal auditor.

## SHARES AND SHAREHOLDERS

The total number of Efore Plc shares at the end of the period under review on October 31, 2005, was 40,529,648 and Efore's registered share capital was EUR 34,450,200.80.

The company's share capital changed during the fiscal year through share subscriptions based on the 1998 stock options program in addition to a bonus issue and the cancellation of Efore shares held by the company, which were both implemented under a decision of the Annual General Meeting.

The highest split-adjusted share price during the period under review was EUR 3.65 and the lowest price was EUR 1.60. The average price during the period was EUR 2.65 and the closing price was EUR 1.84. The market capitalization calculated at the final trading price of the shares in the period under review was EUR 74.6 million.

The total number of Efore Plc shares traded on the Helsinki Stock Exchange during the period under review was 49.1 million and their turnover value was EUR 130.1 million. This accounted for 121.03% of the total number of shares at the end of the period under review. The number of shareholders totaled 4,668 at the end of the period under review.

## EFORE SHARES HELD BY COMPANY

The Annual General Meeting on December 16, 2004 decided, in accordance with a proposal by the Board of Directors, to annul 238,400 Efore shares held by the company. At the end of the period under review the company held no Efore shares.

## VALID AUTHORIZATIONS OF BOARD OF DIRECTORS

The Annual General Meeting on December 16, 2004 gave the company's Board of Directors authorization with a maximum deadline of one year to decide on raising the share capital. With the expiry of the deadline the Board has no valid authorization to increase the share capital. Nor does the Board have a valid authorization to acquire or relinquish Efore shares.

## STOCK OPTIONS PROGRAM 2005

In March 2005 the Board of Directors of Efore Plc decided on a stock options program aimed at key personnel on the basis of which a total of 2,250,000 stock options were issued. The stock options are divided into stock options 2005A, 2005B and 2005C. They are part of a share ownership program. The subscription period for the shares with stock options is staggered, and the first period will start on November 1, 2007.

## ADOPTION OF IFRS STANDARDS

Efore Plc transferred to IFRS reporting in the fiscal year starting on November 1, 2005. The first IFRS interim report will be published for the first quarter of the 2006 fiscal year. An IFRS balance sheet opening on November 1, 2004 and comparative information for the fiscal year November 1, 2004 – October 31, 2005 will be published before the publication of the financial performance for the first quarter of 2006.

The biggest changes in the principles for drawing up the financial statements will be related to the treatment of unrealized exchange rate differences on long-term loan receivables and financial leasing agreements, Efore shares held by the company, adjusting the depreciation of capitalized product-development costs, the stock option program for the personnel and to segment reporting.

## OUTLOOK

In spite of the price erosion resulting from competition in the power supply sector, net sales for the new fiscal year are expected to increase compared with the previous fiscal year.

With growth in sales that has accompanied new products and new customer relationships, an improvement in the operations and the restructuring, most of which is complete, the operating profit for the fiscal year and the earnings per share are expected to show improvement over the previous fiscal year.

In addition to expanding its present business, Efore is looking into participating in the consolidation process within the power supply sector.

## PROFIT AND LOSS STATEMENT 1,000 EUR

	Notes to the financial statements	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
<b>NET SALES</b>	(1)	<b>81,763</b>	<b>73,208</b>	<b>61,279</b>	<b>61,226</b>
Change in stocks of finished and unfinished goods		-116	1,183	-955	696
Other operating income		199	306	3,943	487
Share of result of associated companies		0	6	0	0
Materials and services					
Raw materials and consumables					
Purchases during the financial year		53,526	40,963	50,071	40,481
Change in inventories		-2,154	-970	220	501
Raw materials and consumables in total		51,372	39,993	50,291	40,982
External services		2,292	1,997	537	1,104
		53,664	41,990	50,828	42,086
Personnel costs	(2)				
Wages, salaries and fees		13,962	13,366	9,533	8,598
Social security expenses					
Pension expenses		1,810	1,769	1,529	1,358
Othe social security expenses		1,541	1,132	794	517
		17,312	16,267	11,856	10,473
Reduction in value	(3)				
Depreciation according to plan		3,233	2,508	3,300	2,817
Depreciation on Group Goodwill		16	16	0	0
		3,249	2,524	3,300	2,817
Other operating expenses	(4)	7,445	5,941	4,218	4,886
<b>OPERATING PROFIT</b>		<b>176</b>	<b>7,982</b>	<b>-5,933</b>	<b>2,146</b>
Financial income and expenses	(5)				
Income from group undertakings		0	0	5,389	1,263
Income from other investments and fixed assets		-3	31	-3	31
Other interest and financial income		755	1,116	831	1,187
Decrease in value of inv. held as current assets		-19	0	-19	0
Interest expenses and other financial expenses		-335	-1,314	-230	-1,282
		397	-167	5,968	1,200
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>		<b>573</b>	<b>7,815</b>	<b>34</b>	<b>3,346</b>
Extraordinary items					
Extraordinary income	(6)	0	479	0	0
Extraordinary expenses		-1,331	0	-1,576	0
		-1,331	479	-1,576	0
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>		<b>-758</b>	<b>8,294</b>	<b>-1,541</b>	<b>3,346</b>
Appropriations					
Decrease in accelerated depreciation		0	0	0	377
Income taxes					
Income taxes for the period		-787	-968	-122	-511
Income taxes for previous years		1	-6	1	-6
Change in deferred tax assets		-199	183	0	0
		-985	-791	-121	-516
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>-1,743</b>	<b>7,503</b>	<b>-1,662</b>	<b>3,207</b>

## CASH FLOW STATEMENT 1,000 EUR

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Cash flow from business operations				
Payments from sales	82,094	71,177	63,198	58,918
Payments from other operating income	196	251	179	496
Costs of business operations	-73,433	-65,275	-64,792	-55,634
Cash flow from business operations before financing items and taxes	8,857	6,153	-1,415	3,781
Paid interests on business operations	-339	-1,301	-228	-1,273
Dividends received	0	0	5,385	1,308
Received interests on business operations	1,245	-83	1,450	-149
Paid direct taxes	-344	-1,194	218	-1,066
Cash flow before extraordinary items	9,418	3,575	5,409	2,601
Cash flow from extraordinary business operations	-939	0	-1 469	0
Cash flow from business operations (A)	8,479	3,575	3,940	2,601
Cash flow from investments				
Received cash in merger	0	0	0	300
Investments on tangible and intangible assets	-5,904	-5,312	-3,196	-4,178
Income from sale of tangible and intangible assets	24	24	263	24
Increase in other investments	164	0	-102	-26
Interest income from investments	0	31	0	31
Dividend income from investments	0	1	0	1
Cash flow from investments (B)	-5,716	-5,256	-3,035	-3,849
Cash flow from financing				
Directed share issue and subscription of shares with warrants	1,048	23,545	1,048	23,545
Proceeds from short-term borrowings	43	0	0	0
Decrease in non-current liabilities	-364	-1,509	-168	-1,509
Dividens paid	-5,987	-2,966	-5,987	-2,966
Cash flow from financing (C)	-5,261	19,070	-5,108	19,070
Change in cash flow (A+B+C): increase (+), decrease (-)	-2,498	17,389	-4,203	17,822
Cash in hand and at banks on Nov. 1	24,439	7,204	23,639	5,336
Non-monetary changes	-120	-154	0	0
Cash in hand and at banks on Oct. 31	21,821	24,439	19,436	23,158
	-2,498	17,389	-4,203	17,822

## BALANCE SHEET 1,000 EUR

	Notes to the financial statements	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
	(7)				
Intangible assets					
Development expenses		3,249	2,401	4,567	4,564
Intangible rights		227	160	210	146
Group Goodwill		22	38	0	0
Other capitalized long-term expenses		459	465	1,150	1,502
		3,957	3,064	5,927	6,212
Tangible assets					
Machinery and equipment		7,290	5,948	2,893	3,383
Other tangible assets		656	573	24	29
Advance payments and constructions in progress		297	138	237	138
		8,243	6,659	3,153	3,550
Investments					
	(8)				
Holdings in Group companies		0	0	1,177	1,071
Receivables from Group companies		0	0	5,656	5,357
Holdings in participating interests		0	77	0	361
Receivables from participating interests		0	102	0	102
Other shares and similar rights of ownership		27	30	27	30
		27	210	6,859	6,922
<b>CURRENT ASSETS</b>					
Inventories					
Raw materials and consumables		10,095	7,941	3,133	3,353
Work in progress		1 162	647	80	261
Finished goods		1,734	2,364	1,098	1,872
		12,990	10,952	4,310	5,485
Non-current receivables					
	(9)				
Prepayments and accrued income		18	76	0	0
Deferred tax assets		1,749	1,877	0	0
		1,767	1,953	0	0
Current receivables					
Trade receivables		8,139	8,480	3,518	6,060
Receivables from Group companies		0	0	6,911	3,066
Receivables from participating interests		10	79	10	79
Loan receivables		0	1	0	0
Other receivables		961	312	625	312
Prepayments and accrued income		2,655	4,148	2,364	3,816
		11,765	13,021	13,427	13,334
Financial assets					
	(10)				
Own shares		0	481	0	481
Other shares and similar rights of ownership		1,446	432	1,446	432
Other securities		10,090	590	10,090	590
		11,536	1,503	11,536	1,503
Cash in hand and at banks		10,285	22,936	7,900	22,136
<b>TOTAL ASSETS</b>		<b>60,570</b>	<b>60,297</b>	<b>53,113</b>	<b>59,142</b>

## BALANCE SHEET 1,000 EUR

	Notes to the financial statements	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
<b>LIABILITIES</b>					
<b>SHAREHOLDERS' EQUITY</b> (11)					
Share capital		34,450	17,127	34,450	17,127
Premium fund		3,973	20,078	3,972	20,077
Other funds					
Fund of own shares		0	481	0	481
Reserve fund		167	167	0	0
Other funds		446	130	0	0
Retained earnings		1,967	-85	49	2,829
Profit (loss) for the period		-1,743	7,503	-1,662	3,207
		39,260	45,401	36,809	43,721
<b>STATUTORY PROVISIONS</b> (12)					
Other Provisions		412	0	69	0
		412	0	69	0
<b>CREDITORS</b> (13)					
Non-current creditors					
Loans from credit institutions		505	892	505	892
		505	892	505	892
Current creditors					
Loans from credit institutions		1,053	1,265	387	480
Trade payables		14,952	8,436	3,321	4,674
Liabilities to Group companies		0	0	8,833	5,643
Liabilities to associated companies		3	137	3	137
Other liabilities		420	526	378	516
Accruals and deferred income		3,965	3,641	2,809	3,080
		20,394	14,005	15,731	14,530
<b>TOTAL LIABILITIES</b>		<b>60,570</b>	<b>60,297</b>	<b>53,113</b>	<b>59,142</b>

# 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 cover the parent company Efore Plc and all the enterprises in which the parent company held, directly or indirectly, more than 50% of the votes conferred by shares or holdings at the close of the fiscal year.

The consolidated accounts have been compiled using the acquisition cost method. The amount of the acquisition cost of the subsidiaries' shares 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. 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 exchange rates quoted on the balance sheet date. The profit and loss statements have been translated into euros using the average rates of exchange for the fiscal year calculated on the basis of average 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 fiscal year have been valued using

exchange rates quoted 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 under financial income and financial expenses. Unrealized exchange rate losses from non-current loan receivables have been entered in the 'prepayments and accrued income' item under assets in the balance sheet. The exchange rate differential of hedged items under assets has been corrected using the exchange rate differentials for derivatives taken to hedge currency positions.

## FIXED ASSETS

The values of fixed assets are based on their historical cost. For physical fixed assets, straight-line depreciation according to plan is used, which is based on expected useful lifetime. Profit and loss from the sale of fixed assets are included in the operating result.

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

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

## INVENTORIES

The value of inventories includes not only variable costs but also part of the fixed costs of purchasing and manufacturing. The weighted average cost was used in valuation of the raw materials included in inventories. Non-marketability deductions have been made on obsolete and slow-moving materials in stock based on the Group's value adjustment principles.

## CURRENT INVESTMENTS

Securities held in current assets have been valued at acquisition cost or, if lower, at the market value on the balance sheet date.

## OWN SHARES

The company's own shares have been entered in the balance sheet as current investments. The shares have been valued at acquisition cost or, if lower, at the market value on the balance sheet date. In the calculation of key figures, Efore's own shares have been eliminated from the shareholders' equity and from the total number of shares.

## STATUTORY PROVISIONS

Expenditure items which the company is committed to cover but which are not yet realized are presented as statutory provisions in the balance sheet. Such items include the expenses incurred by the company in restructuring production and guarantee costs. Changes in statutory provisions are included under the relevant expenses in the profit and loss statement.

## DEFERRED TAX ASSETS

Deferred tax assets from eliminations of internal transactions affecting income, previous fiscal years' losses, and timing differences have been calculated using future tax rates confirmed on the balance sheet date. The deferred tax assets entered in the balance sheet are estimates of the likely amounts.

## NET SALES

In calculating net sales, indirect sales taxes and sales discounts as well as exchange rate losses arising from conversion of trade receivables in foreign currencies have been deducted from sales revenue.

## PRODUCT DEVELOPMENT EXPENSES

In the case of the largest individual projects, development expenses accruing income over three or more years have been capitalized under intangible assets and amortized over 3–5 years. In this way, the company can more accurately divide development expenses over the fiscal years in which it accrues income. In capitalizing product development expenditure, the company has complied with the

Ministry of Trade and Industry's decision on capitalizing development expenses in balance sheets.

## LEASING

Leasing charges are treated as rent expenses.

## PENSION COSTS

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

## INCOME TAXES

The consolidated financial statements include income taxes calculated on the basis of Group company results for the fiscal year and local tax regulations, and corrections for previous years' taxes. In the consolidated profit and loss statement, the change in deferred tax liabilities and assets for the period is included under taxes.

## INTRODUCTION OF IFRS REPORTING

In the fiscal year beginning November 1, 2005, Efore Group financial reporting will be in accordance with the IFRS standards. The first-quarter interim report for fiscal year 2006 will be the first report under the IFRS rules. The opening IFRS balance sheet of November 1, 2004 and the comparison data for fiscal year November 1, 2004 - October 31, 2005 will be published before the publication of the first-quarter results for 2006.

The main changes in the accounting principles concern the following: treatment of unrealized exchange rate differences on non-current loan receivables and financial leasing agreements; Efore shares held by the company; depreciation adjustment for capitalized product development expenses; the personnel option rights program; and segment reporting.

## NOTES TO THE FINANCIAL STATEMENTS, OCTOBER 31, 2005

1,000 EUR

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
<b>1. Net sales in market areas by customers</b>				
Finland	16,245	18,550	15,685	18,467
Other European Union countries	28,444	26,258	23,479	25,678
USA	23,789	18,484	14,914	12,607
Other countries	13,285	9,916	7,202	4,475
Total	81,763	73,208	61,279	61,226
<b>2. Personnel costs</b>				
Wages, salaries and fees	13,962	13,366	9,533	8,598
Pension costs	1,810	1,769	1,529	1,358
Other social security expenses	1,541	1,132	794	517
Presented in the profit and loss account	17,312	16,267	11,856	10,473
Management salaries and fees President and CEO, Presidents, General Managers, Members of the Boards of Directors	898	888	496	491
The President and CEO and Deputy to the President and CEO covered by an optional pension scheme.				
Total personnel, average				
Hourly paid	400	311	189	211
Salaried	268	201	136	83
Total	668	512	325	294
<b>3. Depreciation</b>				
Depreciation according to plan:				
Development expenses	1,080	843	1,880	1,527
Intangible assets	81	64	71	52
Group goodwill	16	16	0	0
Other capitalized expenditure	77	42	423	392
Machinery and equipment	1,729	1,409	919	841
Other tangible assets	266	151	7	5
Total	3,249	2,524	3,300	2,817
<b>4. Other operating expenses</b>				
Other operating expenses are normal expenses				
<b>5. Financial income and expenses</b>				
Income from group undertakings (dividend)				
From Group companies	0	0	5,389	1,263
	0	0	5,389	1,263
Interest income from non-current investments				
From others	-3	31	-3	31
	-3	31	-3	31
Income from non-current investments in total	-3	31	5,385	1,294

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Other interest and financial income				
From Group companies	0	0	157	141
From others	755	1,116	674	1,046
	755	1,116	831	1,187
Value reductions in current assets				
Value reductions in investments	-19	0	-19	0
	-19	0	-19	0
Interest expenses and other financial expenses				
For Group companies	0	0	0	-2
Others	-335	-1,314	-229	-1,280
	-335	-1,314	-230	-1,281
Financial income and expenses in total	397	-167	5,968	1,200
The item 'financial income and expenses' includes exchange rate gains/losses, net				
	-29	-9	0	-1
<b>6. Extraordinary items</b>				
Extraordinary income				
Change in deferred tax assets	0	479	0	0
	0	479	0	0
Extraordinary expenses				
Expenses from restructuring production	-1,071	0	-1,036	0
From the write-off of affiliate company shares and loans receivable	-260	0	-540	0
	-1,331	0	-1,576	0
Extraordinary items in total	-1,331	479	-1,576	0
<b>7. Non-current assets</b>				
<b>Intangible assets</b>				
Development expense				
Acquisition cost on Nov. 1	5,286	3,990	9,536	7,234
Translation difference	1	0	0	0
Increases Nov. 1 - Oct. 31	1,936	1,346	1,893	2,428
Decreases Nov. 1 - Oct. 31	-8	-50	-11	-125
Acquisition cost on Oct. 31	7,214	5,286	11,419	9,536
Accumulated planned depreciation on Nov. 1	2,885	2,042	4,972	3,444
Depreciations Nov. 1 - Oct. 31	1,080	843	1,880	1,527
Accumulated planned depreciation on Oct. 31	3,965	2,885	6,852	4,972
Balance sheet value on Oct. 31	3,249	2,401	4,567	4,564
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 EUR 3.2 million.				

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
<b>Intangible rights</b>				
Acquisition cost on Nov. 1	718	624	545	462
Increases Nov. 1 - Oct. 31	141	94	136	83
Reclassifications between items	17	0	0	0
Acquisition cost on Oct. 31	876	718	680	545
Accumulated planned depreciation on Nov. 1	558	494	399	347
Cumulative amortisation on reclassifications	10	0	0	0
Depreciations Nov. 1 - Oct. 31	81	64	71	52
Accumulated planned depreciation on Oct. 31	649	558	470	399
Balance sheet value on Oct. 31	227	160	210	146
<b>Group goodwill</b>				
Acquisition cost on Nov. 1	3,205	3,205	0	0
Acquisition cost on Oct. 31	3,205	3,205	0	0
Accumulated planned depreciation on Nov. 1	3,167	3,152	0	0
Depreciations Nov. 1 - Oct. 31	16	16	0	0
Accumulated planned depreciation on Oct. 31	3,183	3,167	0	0
Balance sheet value on Oct. 31	22	38	0	0
<b>Other non-current investments</b>				
Acquisition cost on Nov. 1	645	202	1,933	103
Translation difference	1	0	0	0
Increases Nov. 1 - Oct. 31	70	443	70	1,830
Acquisition cost on Oct. 31	717	645	2,003	1,933
Accumulated planned depreciation on Nov. 1	180	139	431	39
Translation difference	1	0	0	0
Depreciations Nov. 1 - Oct. 31	77	42	423	392
Accumulated planned depreciation on Oct. 31	258	180	853	431
Balance sheet value on Oct. 31	459	465	1,150	1,502
<b>Tangible assets</b>				
<b>Machinery and equipment</b>				
Acquisition cost on Nov. 1	17,130	14,857	10,760	9,817
Translation difference	327	-289	0	0
Increases Nov. 1 - Oct. 31	2,867	2,579	684	960
Decreases Nov. 1 - Oct. 31	-657	-17	-899	-17
Reclassifications between items	91	0	0	0
Acquisition cost on Oct. 31	19,757	17,130	10,545	10,760
Accumulated planned depreciation on Nov. 1	11,182	9,967	7,377	6,541
Translation difference	191	-189	0	0
Accumulated depreciation on decreases	-644	-5	-644	-5
Cumulative amortisation on reclassifications	9	0	0	0
Depreciations Nov. 1 - Oct. 31	1,729	1,409	919	841
Accumulated planned depreciation on Oct. 31	12,467	11,182	7,652	7,377
Balance sheet value on Oct. 31	7,290	5,948	2,893	3,383

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
<b>Other tangible assets</b>				
Acquisition cost on Nov. 1	1,636	1,302	686	660
Translation difference	61	-52	0	0
Increases Nov. 1 - Oct. 31	418	387	2	26
Reclassifications between items	-107	0	0	0
Acquisition cost on Oct. 31	2,008	1,636	688	686
Accumulated planned depreciation on Nov. 1	1,063	940	657	652
Translation difference	43	-28	0	0
Cumulative amortisation on reclassifications	-20	0	0	0
Depreciations Nov. 1 - Oct. 31	266	151	7	5
Accumulated planned depreciation on Oct. 31	1,352	1,063	664	657
Balance sheet value on Oct. 31	656	573	24	29
<b>Advance payments and work in progress</b>				
Acquisition cost on Nov. 1	138	237	138	237
Increases Nov. 1 - Oct. 31	159	-100	99	-100
Acquisition cost on Oct. 31	297	138	237	138
Balance sheet value on Oct. 31	297	138	237	138
<b>Investments</b>				
<b>Holdings in Group companies</b>				
Shares on Nov. 1	0	0	1,071	3,109
Increases Nov. 1 - Oct. 31	0	0	106	26
Decreases Nov. 1 - Oct. 31	0	0	0	-2,064
Balance sheet value on Oct. 31	0	0	1,177	1,071
<b>Receivables from Group companies</b>				
Receivables on Nov. 1	0	0	5,357	5,854
Increases Nov. 1 - Oct. 31	0	0	299	0
Decreases Nov. 1 - Oct. 31	0	0	0	-497
Balance sheet value on Oct. 31	0	0	5,656	5,357
<b>Holdings in participating interests</b>				
Shares on Nov. 1	361	361	361	361
Translation difference	0	3	0	0
Decreases Nov. 1 - Oct. 31	-361	0	-361	0
Accrued adjustment in the shareholders' equity of the participating interests on Oct. 31	0	-293	0	0
Share of result of participating interests	0	6	0	0
Balance sheet value on Oct. 31	0	77	0	361
<b>Receivables from participating interests</b>				
Receivables on Nov. 1	102	102	102	102
Decreases Nov. 1 - Oct. 31	-102	0	-102	0
Balance sheet value on Oct. 31	0	102	0	102
<b>Other shares and similar rights of ownership</b>				
Shares on Nov. 1	30	31	30	30
Decreases Nov. 1 - Oct. 31	-3	-1	-3	0
Balance sheet value on Oct. 31	27	30	27	30

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
<b>Summary of fixed assets</b>				
Acquisition cost on Nov. 1	29,251	24,912	30,519	27,970
Translation difference	390	-338	0	0
Increases Nov. 1 - Oct. 31	5,592	4,849	3,289	5,352
Decreases Nov. 1 - Oct. 31	-1,132	-455	-1,377	-2,803
Reclassifications between items	0	0	0	0
Acquisition cost on Oct. 31	34,101	28,967	32,431	30,519
Accumulated planned depreciation on Nov. 1	19,035	16,733	13,836	11,024
Translation difference	235	-217	0	0
Accumulated depreciation on decreases	-644	-6	-644	-5
Cumulative amortisation on reclassifications	-1	0	0	0
Depreciations Nov. 1 - Oct. 31	3,249	2,524	3,300	2,817
Accumulated planned depreciation on Oct. 31	21,874	19,035	16,492	13,836
Balance sheet value on Oct. 31	12,227	9,932	15,939	16,683
Book value on Oct. 31				
Production machinery and equipment	5,765	5,060	2,427	2,838

8. Shares and similar rights of ownership	Nominal value	pcs	Group holding	Shareholders' equity held by Group 1 000 EUR	Book value 1 000 EUR
Subsidiary companies					
Fi-Systems Oy, Espoo	3,363.75 EUR	20	100 %	5	3
Efore (UK) Ltd, United Kingdom	25,000 GBP	25,000	100 %	7	28
Efore (USA), Inc., Texas, USA	100 USD	10,000	100 %	-1,877	0
Efore (Suzhou) Electronics Co., Ltd., China	1,050,000 USD		100 %	6,125	705
Efore Ltda., Brazil	472,000 BRL		100 %	271	309
Efore AS, Estonia	400,000 EEK	4,000	100 %	514	26
Efore (SIP) Technologies Co., Ltd., China	140,000 USD		100 %	-94	106
Associated companies					
Power Innovation GmbH, Germany	500,000 EUR	1	25 %	99	0
Other shares and similar rights of ownership owned by parent company					
Book value (1,000 EUR)	27		30		
Other shares and similar rights of ownership owned by subsidiaries					
Book value (1,000 EUR)	0		0		

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
<b>9. Receivables</b>				
Non-current debtors				
Prepaid expenses and accrued income	18	76	0	0
Deferred tax assets				
From timing differences	1,749	1,877	0	0
	1,767	1,953	0	0
Non-current receivables in total	1,767	1,953	0	0

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Current receivables				
Trade receivables	8,139	8,480	3,518	6,061
Loan receivables	0	1	0	0
Other receivables	961	312	625	312
Prepaid expenses and accrued income	2,655	4,148	2,364	3,816
	11,755	12,942	6,506	10,189
Current receivables from Group companies				
Trade receivables	0	0	6,597	2,208
Loan receivables	0	0	0	700
Prepaid expenses and accrued income	0	0	313	158
	0	0	6,911	3,066
Current receivables from participating interests				
Trade receivables	10	0	10	0
Loan receivables	0	77	0	77
Prepaid expenses and accrued income	0	2	0	2
	10	79	10	79
Current receivables in total	11,765	13,021	13,427	13,334
Prepaid expenses and accrued income				
Group and parent company prepaid expenses and accrued income include the following key items:				
Distribution of personnel costs	77	131	73	53
Distribution of financial income	15	2	15	2
Income taxes	87	552	78	534
Income from company tax credit	638	1,144	638	1,144
Group companies	0	0	313	158
Associated companies	0	2	0	2
Capitalized exchange rate losses of long-term investments	1,282	1,580	1,282	1,580
Other items	574	814	278	502
	2,673	4,226	2,677	3,977
<b>10. Financial securities</b>				
Market value	11,581	2,582	11,581	2,582
Corresponding book value	11,536	1,503	11,536	1,503
Difference	45	1,079	45	1,079
<b>11. Shareholders' equity</b>				
Share capital on Nov. 1	17,127	13,830	17,127	13,830
Increase in share capital from 1998 option rights	563	93	563	93
Increase (direct share issue) Feb.27	0	450	0	450
Increase (direct share issue) April, 30	0	2,754	0	2,754
Annulment of shares, Dec. 21, 2004	-203	0	-203	0
Bonus issue, Dec. 21, 2004	16,963	0	16,963	0
Share capital on Oct. 31	34,450	17,127	34,450	17,127
Premium fund on Nov. 1	20,078	1	20,077	0
Increase (option rights) Nov. 1 - Oct. 31	656	313	656	313
Increase (direct share issue) April, 30	0	19,764	0	19,764

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Annulment of shares, Dec. 21, 2004	203	0	203	0
Bonus issue, Dec. 21, 2004	-16,963	0	-16,963	0
Premium fund on Oct. 31	3,973	20,078	3,972	20,077
Fund for own shares on Nov. 1	481	481	481	481
Decreases Nov. 1 - Oct. 31	-481	0	-481	0
Fund for own shares on Oct. 31	0	481	0	481
Reserve fund on Nov. 1	167	167	0	0
Reserve fund on Oct. 31	167	167	0	0
Other funds on Nov. 1	130	77	0	0
Other changes	316	52	0	0
Other funds on Oct. 31	446	130	0	0
Retained earnings on Nov. 1	7,418	3,278	6,036	5,795
Dividend distribution	-5,987	-2,966	-5,987	-2,966
Translation and exchange differences	536	-397	0	0
Retained earnings on Oct. 31	1,967	-85	49	2,829
Result for the financial year	-1,743	7,503	-1,662	3,207
Shareholders' equity total	39,260	45,401	36,809	43,721
Calculation of distributable earnings				
Retained earnings	1,967	-85	49	2,829
Result for the financial year	-1,743	7,503	-1,662	3,207
Distributable earnings from shareholders' equity	224	7,418	-1,613	6,036

Parent company share capital is divided by share category as follows:

	2005		2004	
	pcs	eur	pcs	eur
Shares	40,529,648	34,450,200.80	20,149,024	17,126,670.40

The AGM of Feb. 3, 2004 took the decision to remove the distinction between the company's series A and K shares and to combine them into a single share series.

## 12. Statutory Provisions

Costs of restructuring production	69	0	69	0
Guarantee reserve	343	0	0	0
Total	412	0	69	0

## 13. Liabilities

Non-current loans				
Loans from credit institutions	505	892	505	892
Non-current liabilities in total	505	892	505	892
Current liabilities				
Loans from credit institutions	1,053	1,265	387	480
Accounts payable	14,952	8,436	3,321	4,674
Other liabilities	420	526	378	516
Accruals and deferred income	3,965	3,641	2,809	3,080
	20,391	13,868	6,894	8,750

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Current liabilities to Group companies				
Accounts payable	0	0	8,645	5,509
Other liabilities	0	0	5	5
Accruals and deferred income	0	0	183	129
	0	0	8,833	5,643
Current liabilities to associated companies				
Accounts payable	3	137	3	137
Current liabilities in total	20,394	14,005	15,731	14,530
Accruals and deferred income				
Group and parent company accruals and deferred income include the following key items:				
Distribution of holiday pay	1,545	1,632	1,415	1,433
Distribution of other personnel costs	905	754	598	754
Distribution of financial expenses	38	24	25	22
Group companies	0	0	183	129
Income taxes from the period	68	138	0	118
Other items	1,411	1,092	770	753
	3,965	3,641	2,992	3,209
<b>14. Security, contingent liabilities and other commitments given</b>				
Security given on own behalf				
Corporate mortgages	0	6,740	0	6,572
Pledges given	67	67	11	11
Other contingent liabilities	235	130	235	130
Security given on behalf of group companies				
Corporate mortgages	0	0	0	168
Guarantees	0	0	2,558	953
Securities given in total				
Corporate mortgages	0	6,740	0	6,740
Pledges given	67	67	11	11
Guarantees	0	0	2,558	953
Other contingent liabilities	235	130	235	130
Corporate mortgages as security for loans				
Pension loans	0	0	0	0
Mortgages given	0	3,208	0	3,208
Loans from credit institutions	0	1,626	0	841
Mortgages given	0	3,532	0	3,364
Mortgages as security for loans in total	0	6,740	0	6,572
Rent and leasing commitments on own behalf				
Payable in current period	2,426	1,841	982	1,189
Payable later	5,275	2,936	1,655	2,318
Other contingent liabilities				
Derivative contracts				
Forward currency contracts:				
Fair value	1,913	1,570	1,913	1,570
Nominal value of underlying instruments	1,868	1,631	1,868	1,631

## KEY FIGURES

		2005	2004	2003	2002	2001
<b>Income statement</b>						
Net sales	MEUR	81.8	73.2	64.3	38.8	56.3
- change	%	11.7	13,9	65.4	-31.1	-6.1
Operating profit/-loss	MEUR	0.2	8.0	6.9	-2.3	-2.8
- of net sales	%	0.2	10,9	10.8	-5.9	-5.0
Profit/loss before extraordinary items	MEUR	0.6	7.8	6.8	-2.4	-3.5
- of net sales	%	0.7	10.7	10.6	-6.1	-6.2
Profit/loss before appropriations and taxes	MEUR	-0.8	8.3	8.2	-2.4	-3.5
- of net sales	%	-0.9	11.3	12.8	-6.1	-6.2
Net profit/loss	MEUR	-1.7	7.5	7.8	-2.4	-3.5
- of net sales	%	-2.1	10.3	12.1	-6.2	-6.2
Gross investments	MEUR	5.6	5.0	2.7	1.4	3.8
- of net sales	%	6.8	6.8	4.2	3.6	6.7
<b>Balance sheet</b>						
Current assets	MEUR	12.2	9.9	7.9	8.3	9.4
Inventories	MEUR	13.0	11.0	8.8	6.6	7.9
Receivables	MEUR	13.5	14.9	11.7	6.2	6.6
Cash and cash equivalents	MEUR	21.8	24.4	7.2	3.6	5.1
Share capital	MEUR	34.5	17.1	13.8	13.8	13.8
Other shareholder's equity	MEUR	4.8	28.3	4.0	-4.4	-2.0
Non-current liabilities	MEUR	0.5	0.9	2.2	3.9	6.4
Current liabilities	MEUR	20.4	14.0	15.5	11.4	10.9
Statutory Provisions	MEUR	0.4	0.0	0.0	0.0	0.0
Balance sheet total	MEUR	60.6	60.3	35.5	24.7	29.0
<b>Profitability</b>						
Return on equity (ROE)	%	-1.0	22.6	47.8	-23.0	-25.4
Return on investment (ROI)	%	2.0	23.2	37.1	-9.2	-11.5
<b>Finance and economic position</b>						
Net interest bearing liabilities	MEUR	-20.3	-22.3	-3.2	3.9	4.5
Gearing	%	-51.6	-49.6	-18.2	41.6	39.7
Current ratio		2.3	3.5	1.7	1.4	1.8
Solvency ratio	%	64.8	75.1	49.5	37.8	39.7
<b>Other key figures</b>						
Personnel, average		668	512	411	415	505
Product development expenditure (booked as costs)	MEUR	2.7	3.0	2.8	2.4	3.1
- of net sales	%	3.3	4.1	4.4	6.2	5.5
Product development expenditure (capitalized in balance sheet)	MEUR	1.9	1.3	1.0	0.9	0.9
- of net sales	%	2.3	1.8	1.6	2.3	1.6

## KEY FINANCIAL INDICATORS PER SHARE

		2005	2004	2003	2002	2001
Earnings per share/adjusted	EUR	-0.01	0.20	0.20	-0.08	-0.11
Diluted earnings per share/adjusted	EUR	-0.01	0.19	0.20	-0.08	-0.11
Dividend per share, adjusted	EUR	0.00*	0.15	0.10	0.00	0.00
Dividend/share	EUR	0.00*	0.30	0.37	0.00	0.00
Dividend payout ratio	%	0.0	76.7	46.8	0.0	0.0
Effective dividend yield	%	0.0	4.8	5.5	0.0	0.0
Shareholder's equity per share, adjusted	EUR	0.97	1.13	0.56	0.30	0.36
Adjusted share price, October 31	EUR	1.84	3.15	1.74	0.26	0.47
P/E ratio		-181.05	16.10	8.49	-3.34	-4.17
<b>Market value and dividend</b>						
Market capitalization	MEUR	74.6	125.4	54.1	8.1	14.4
Dividend distribution, for shares in circulation	MEUR	0.0	6.0	3.0	0.0	0.0
<b>Trading</b>						
Shares traded	1,000 pcs	49,054	37,511	17,580	3,812	6,841
Value of trading	MEUR	130.1	115.9	13.4	1.5	6.6
<b>Number of shares adjusted</b>						
- average	1,000 pcs	37,688	36,374	31,628	31,628	31,628
- actual number of shares on October 31	1,000 pcs	40,530	40,298	31,628	31,628	31,628
- actual number of shares excl. own shares	1,000 pcs	40,530	39,822	31,164	31,164	31,164
- diluted number of shares on October 31	1,000 pcs	40,530	39,956	31,164	31,164	31,164
<b>Adjusted share prices</b>						
- lowest	EUR	1.60	1.69	0.19	0.21	0.26
- highest	EUR	3.65	4.18	1.78	0.66	1.08
- at the end of fiscal year	EUR	1.84	3.15	1.74	0.26	0.47
- average	EUR	2.65	2.96	0.62	0.39	0.65

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 shareholder's equity.

\* The Board of Directors proposes that no dividend be paid for the fiscal year 2005.

## CALCULATION OF KEY FIGURES AND RATIOS

Return on investment (ROI), %	=	$\frac{\text{Profit before extraordinary items+interest and other financial expenses}}{\text{Balance sheet total-interest - free liabilities (average for fiscal year)}}$	x 100
Return on Equity (ROE), %	=	$\frac{\text{Profit before extraordinary items - income taxes}}{\text{Shareholders' equity + minority interests (average for fiscal year)}}$	x 100
Current ratio	=	$\frac{\text{Liquid asset + inventories}}{\text{Current liabilities}}$	
Solvency ratio, %	=	$\frac{\text{Shareholders' equity+minority interests}}{\text{Balance sheet total - advance payments received - own shares}}$	x 100
Net interest-bearing debt	=	Interest-bearing debt - cash in hand and at bank and financial assets	
Gearing, %	=	$\frac{\text{Net interest-bearing debt}}{\text{Shareholders' equity + minority interest - own shares}}$	x 100
Earnings per share	=	$\frac{\text{Profit before extraordinary items - income taxes } \pm \text{ minority interests}}{\text{Adjusted average number of shares - own shares}}$	
Adjusted dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{The adjustment coefficients of the share issues that have been taken place during or after the end of fiscal year}}$	
Dividend payout ratio, %	=	$\frac{\text{Adjusted dividend per share}}{\text{Earnings per share}}$	x 100
Effective dividend yield, %	=	$\frac{\text{Adjusted dividend per share}}{\text{Adjusted share price at balance sheet date}}$	x 100
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity-own shares}}{\text{Adjusted average number of shares at balance sheet date}}$	
P/E-ratio	=	$\frac{\text{Adjusted share price at balance sheet date}}{\text{Earnings per share}}$	
Market capitalization	=	Adjusted share price at balance sheet date x actual number of shares at balance sheet date	

# SHARES AND SHAREHOLDERS

## SHARE CAPITAL AND SHARES

Efore shares are quoted on the Helsinki Stock Exchange Main List under the code EF01V. The trading lot is 100 shares. The total number of Efore shares on October 31, 2005 was 40,529,648, and the equivalent book value of each share is EUR 0.85. Efore's registered share capital on October 31, 2005 was EUR 34,450,200.80. The shares are entered in the book-entry securities system.

## AUTHORIZATIONS GRANTED TO THE BOARD

The Annual General Meeting of December 16, 2004 authorized the Board of Directors to decide on increasing the company's share capital through a new issue and/or option rights and/or a convertible loan, where the new issue or the issue of convertible bonds or option rights would confer the right to subscribe a total of no more than 4,039,004 new shares with a equivalent book value of EUR 0.85. On the basis of this authorization, the company's share capital could be increased by up to EUR 3,433,153.40.

The authorization is valid until the next Annual General Meeting but may not exceed one year from the date the authorization decision was taken. The authorization includes the right to deviate from the shareholders' right of pre-emption referred to in Chapter 4, section 2 of the Finnish Companies Act if there is a pressing financial reason for the company to do so.

The Board of Directors is currently not authorized to acquire or convey the company's own shares.

## BONUS ISSUE

In accordance with the decision of the Annual General Meeting of December 16, 2004, the company's share capital was increased through a bonus issue of EUR 16,963,130.40, in which one old share entitled the holder to obtain one new share free of charge at an equivalent book value of EUR 0.85. The total number of new shares issued was 19,956,624, and the record date for the bonus issue was December 21, 2004. The new shares entitle the holders to a dividend on the fiscal year beginning November 1, 2004 and have been traded alongside the old shares on the Helsinki Stock Exchange since December 22, 2004.

## INCREASE IN SHARE CAPITAL ARISING FROM THE 1998 OPTION RIGHTS SUBSCRIPTIONS

In the fiscal year ended October 31, 2005, the company's share capital was increased by a total of EUR 563,040.00, corresponding to 662,400 shares, on the basis of subscriptions made using the 1998 option rights.

## SHARE PRICES AND TRADING

The highest issue-adjusted share price during the fiscal year was EUR 3.65, the lowest price EUR 1.60, and the average price EUR 2.65. The closing price was EUR 1.84. The market capitalization calculated at the final trading price was EUR 74.6 million.

The number of shares traded during the fiscal year was 49.1 million, representing 121.0% of the total number of shares on October 31, 2005. The turnover value in the fiscal year amounted to EUR 130.1 million.

## EFOR SHARE HELD BY THE COMPANY

The Annual General Meeting of December 16, 2004 decided to annul all Efore shares held by the company, without reducing the shareholders' equity. Prior to the annulment, the company held a total of 238,400 Efore shares, each with an equivalent book value of EUR 0.85. The acquisition cost of the annulled shares was EUR 481,237.83. A sum of EUR 202,640 corresponding to the number of shares annulled was transferred from the share capital to the premium fund without reducing the shareholders' equity, in accordance with the decision of the Annual General Meeting. The annulled shares accounted for 1.2% of the company's share capital.

## 1998 AND 2005 OPTION RIGHTS PROGRAMS

The 1998 option rights program expired at the end of the share subscription period on December 31, 2004, by which time a total of 231,700 of the 240,000 option rights issued had been used to subscribe a total of 771,000 shares.

On the basis of the authorization granted by the Annual General Meeting in December 2004, the company's Board of Directors decided in March 2005 to introduce an option rights program aimed at reinforcing the long-term commitment of the company's key personnel. The option rights are connected with a shareholding program under which key personnel are obliged to purchase Efore shares using 20% of the net income obtained from the option rights and then to hold the shares for at least one year.

A total of 2,250,000 option rights were issued on the basis of the option rights program, and each of these can be used to subscribe one Efore Plc share. The shares subscribed on the basis of these rights will account for a total of no more than 5.26% of the company's shares and of the votes conferred by those shares, taking into account any increase in the share capital.

The option rights are divided into three categories, 2005A, 2005B and 2005C, comprising 950,000, 650,000 and 650,000 option rights, respectively. At the issuing stage the company's key personnel were awarded a proportion of the 2005A option rights. At the same time, all the 2005B and 2005C option rights, together with the undistributed 2005A option rights, were issued to Efore Plc's wholly owned subsidiary Fi-Systems Oy, from which the option rights can later be distributed to Efore Group key personnel by decision of Efore Plc Board of Directors.

The subscription price of the shares in the 2005A

option rights program is the average trade-weighted price of Efore Plc shares on the Helsinki Stock Exchange in the period January 1 to March 15, 2005, i.e. EUR 3.07; in the 2005B option rights program it is the average trade-weighted price on the Helsinki Stock Exchange in the period January 1 to March 15, 2006; and in the 2005C option rights program it is the average trade-weighted price on the Helsinki Stock Exchange in the period January 1 to March 15, 2007. Each year, the dividend distributed is deducted from the subscription price.

The share subscription period for the 2005A option rights is November 1, 2007 to April 30, 2010; for the 2005B option rights it is April 1, 2008 to April 30, 2011; and for the 2005C option rights it is April 1, 2009 to April 30, 2012.

## SHAREHOLDINGS OF EFORE MANAGEMENT

The total share ownership (as defined in Chapter 1, section 5 of the Securities Markets Act) of Efore Plc's Board members, President and CEO, and Deputy to the President and CEO stood at 3,290,088 on October 31, 2005, which is equivalent to 8.1% of the total number of shares and votes. The shares held by the President and CEO and the Deputy to the President and CEO accounted for 0.04% of the total number of shares and votes.

## DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF HOLDING, OCTOBER 31, 2005

Shares	Number of shareholders pcs	Proportion of shareholders %	Total number of shares and votes pcs	Proportion of shares and votes %
1 - 100	174	3.73	14,198	0.04
101 - 500	1,059	22.69	361,710	0.89
501 - 1,000	1,042	22.32	888,651	2.19
1,001 - 5,000	1,759	37.68	4,471,157	11.03
5,001 - 10,000	345	7.39	2,644,684	6.53
10,001 - 100,000	246	5.27	6,582,335	16.24
100,001 - 999,999	43	0.92	25,562,121	63.07
<b>Total</b>	<b>4,668</b>	<b>100.00</b>	<b>40,524,856</b>	<b>99.99</b>
of which nominee registered	7		4,235,565	10.45
In joint account			3,304	0.01
In special accounts			1,488	0.00
<b>Number issued</b>			<b>40,529,648</b>	<b>100.00</b>

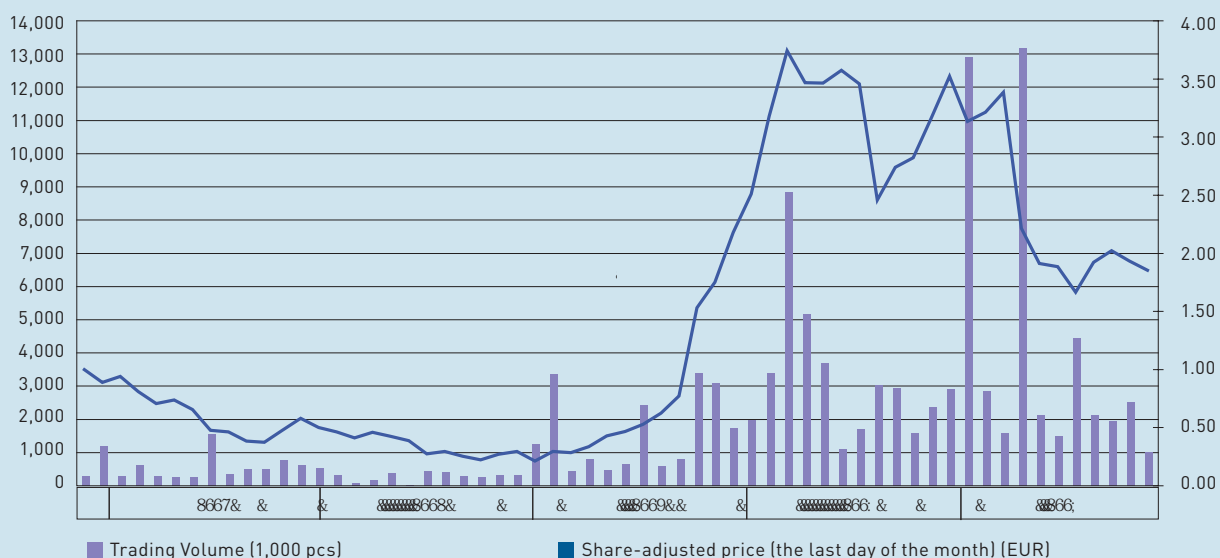
## CHANGES IN SHARE ISSUES 2001-2005

Share capital November 1, 2000 4,067,552 pcs 6,915 (1,000 EUR)

Year	Subscription-share relationship	Subscription- / registering time	Subscription-price EUR	New shares pcs	Change 1,000 EUR	New share capital 1,000 EUR	Dividend right
2001	Bonus issue, 1A:1A;1K:1K	March 9, 2001		4,067,552	+ 6,915	13,830	2001
2004	On basis of options	Jan. 23, 2004	7.79	600	+ 1	13,831	2004
2004	Exchangend and targeted issue for K-shareholders, 1K:1,5A	Feb. 27, 2004	0.85	529,616	+ 450	14,281	2004
2004	Split 1:1, gratuitous	Feb. 27, 2004		8,135,704		14,281	2004
2004	On basis of options	Apr. 21, 2004	3.71	2,400	+ 2	14,283	2004
2004	Targeted share issue	Apr. 30, 2004	6.95	3,240,000	+ 2,754	17,037	2004
2004	On basis of options	Jun. 22, 2004	3.71	47,200	+ 40	17,077	2004
2004	On basis of options	Aug. 27, 2004	3.71	11,000	+ 9	17,086	2004
2004	On basis of options	Oct. 28, 2004	3.71	47,400	+ 40	17,127	2004
2004	On basis of options	Dec. 2, 2004	3.71	46,000	+ 39	17,165	2004
2004	Annulment of shares	Dec. 21, 2004		- 238,400	- 203	16,963	
2004	Bonus issue 1:1	Dec. 21, 2004		19,956,624	+ 16,963	33,926	2005
2005	On basis of options	Feb. 10, 2005	1.70	616,400	+ 523	34,450	2005

Share capital October 31, 2005 40,529,648 pcs 34,450 (1,000 EUR)

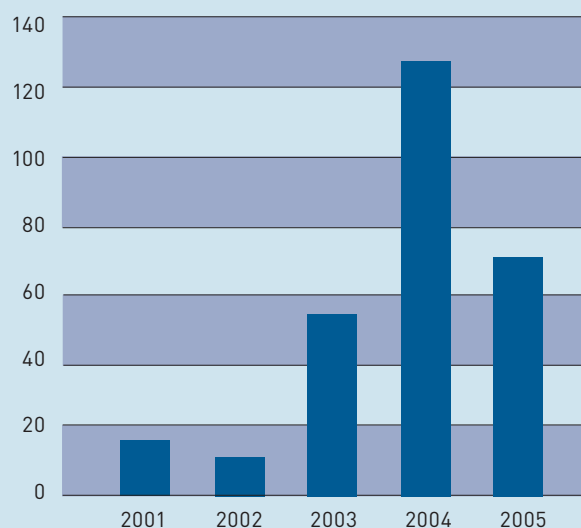
## EFORE PLC'S SHARE PRICES AND TRADING VOLUME IN 2001 - 2005



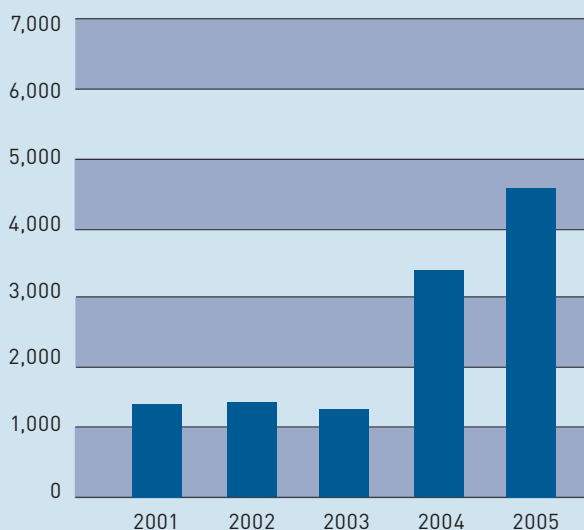
## DISTRIBUTION OF SHAREHOLDINGS BY SHAREHOLDER CATEGORY, OCTOBER 31, 2005

	Shareholders pcs	Proportion of shareholders %	Shares pcs	Proportion of shares and votes %
<b>ENTERPRISES</b>				
Finnish enterprises	319		6,545,705	
of which nominee registered			6,000	
Foreign ownership majority enterprises	1		5,000	
<b>ENTERPRISES TOTAL</b>	<b>320</b>	<b>6.86</b>	<b>6,556,705</b>	<b>16.18</b>
<b>FINANCIAL- AND INSURANCE INSTITUTIONS</b>				
Deposit banks	10		2,429,200	
of which nominee registered			4,229,565	
Others credit institutions	1		87,000	
Financial auxiliaries	1		301,000	
Insurance Companies	3		209,650	
Other financial institutions	10		3,362,312	
<b>FINANCIAL- AND INSURANCE INSTITUTIONS, TOTAL</b>	<b>25</b>	<b>0.54</b>	<b>10,618,727</b>	<b>26.20</b>
<b>PUBLIC ENTITIES</b>				
Municipalities	2		27,100	
Other social security funds	9		1,716,250	
<b>PUBLIC ENTITIES TOTAL</b>	<b>11</b>	<b>0.24</b>	<b>1,743,350</b>	<b>4.30</b>
<b>NON-PROFIT ORGANIZATIONS</b>				
Non-profit organizations	28		2,091,150	
<b>NON-PROFIT ORGANIZATIONS TOTAL</b>	<b>28</b>	<b>0.60</b>	<b>2,091,150</b>	<b>5.16</b>
<b>HOUSEHOLDS</b>				
Households	597		2,486,681	
Entrepreneurs	196		782,840	
Wage earners	3 046		14,762,521	
Other households	430		965,382	
<b>HOUSEHOLDS TOTAL</b>	<b>4 269</b>	<b>91.45</b>	<b>18,997,424</b>	<b>46.87</b>
<b>OUTSIDE FINLAND TOTAL</b>	<b>15</b>	<b>0.32</b>	<b>517,500</b>	<b>1.28</b>
<b>TOTAL</b>	<b>4 668</b>	<b>100.00</b>	<b>36,289,291</b>	<b>89.54</b>
of which nominee registered	7		4,235,565	10.45
In joint account			3,304	0.01
In special accounts			1,488	0.00
<b>TOTAL</b>			<b>40,529,648</b>	<b>100.00</b>

### MARKET CAPITALIZATION, MEUR



### NUMBER OF REGISTERED SHAREHOLDERS



## EFORE PLC:S 20 LARGEST SHAREHOLDERS, OCOTOBER 31, 2005

	Shares pcs	Proportion of shares and votes %
EVLI Bank Plc	2,242,100	5.53
Tammivuori Esko	1,779,592	4.39
OP-Finland Small Firm 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	3.00
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
Fabritius Hannes	799,516	1.97
Veikko Laine Oy	596,600	1.47
Placeringsfonden Aktia Capital	430,812	1.06
FIM Forte Mutual Fund	420,000	1.04
Ilmarinen Mutual Pension Insurance Company	400,000	0.99
Syrjälä Timo	400,000	0.99
Berling Capital Oy	385,000	0.95
Placeringsfonden Aktia Secura	375,000	0.93
Rausanne Oy	371,400	0.92
Royal Skandia Life Assurance Ltd	343,100	0.85
Ingman Finance Oy Ab	340,000	0.84
<b>Total</b>	<b>17,612,700</b>	<b>43.46</b>
Nominee registered		
Nordea Bank Finland Plc	3,856,750	9.52

# BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF RETAINED EARNINGS

According to the financial statements at October 31, 2005, the parent company's distributable shareholders' equity stood at EUR -1,613,236.38, and the Group's total distributable shareholders' equity at EUR 224,363.13.

The Board of Directors proposes to the Annual General Meeting that no dividend will be distributed and the loss for the period EUR -1,662,413.78, to be entered under the item "retained earnings".

Espoo, 15 December, 2005

Timo Syrjälä  
Chairman

Heikki Marttinen  
Deputy Chairman

Matti Tammivuori

Reijo Mäihäniemi

Johan Ek

Isto Hantila

Rauno Puolimatka

Outi Raitasuo

Olli Riikkala

Markku Hangasjärvi  
President and CEO

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF EFORE PLC

We have audited the accounting, the financial statements and the administration of Efore Plc as of and for the 12-month period ended 31 October 2005. 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 the administration of the parent company.

We have conducted the 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 management as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish 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 Finnish Companies Act.

Espoo, 15 December 2005  
ERNST & YOUNG OY  
Authorised Public Accounting Firm

Juha Nenonen  
Authorised Public Accountant

# RISK MANAGEMENT

The purpose of Efore's risk management system is to identify the strategic, operational and financial risks faced by the company and any conventional risks of loss. The risks that Efore takes in its operations are risks that are encountered in pursuit of the company's strategy and goals. Risk management seeks to control these risks in a proactive and comprehensive manner. The measures taken can include risk avoidance, risk reduction, and risk transfer by insurance or agreement.

## MANAGEMENT OF BUSINESS RISKS

In accordance with Efore's operating principles, risk management forms an integral part of the company's business processes in all its business units. Efore Group and its business units assess the risks of their own operations, prepare risk management plans, and report risks in accordance with the organizational structure.

Efore's business units have long-established training and development programs for reducing occupational accidents and improving overall safety levels. Environmental management systems based on the ISO 14001 standard and quality management tools based on ISO 9001/2000 are applied in the Group's different business locations and form the basis for the management of environmental risks.

There are separate guidelines for data and corporate security. Risk management in procurement is based on harmonized purchasing guidelines, contract clauses, and advanced data systems.

### RISK OF LOSS

Efore aims to prevent losses by observing the highest standards in its operations and taking proactive risk management measures. Risks that Efore cannot manage itself are insured. The aim is to have appropriate insurance cover for all risks of loss, such as those concerning assets, business interruption, and operational and product liability.

## MANAGEMENT OF FINANCING RISKS

The management of financing risks aims at avoiding risks and at having cost-effective arrangements for protecting the Group from factors that may affect performance and cash flow.

Financing risks are managed through exchange-rate and interest-rate hedging using only financing instruments with market value and risk profiles that can be reliably monitored.

### EXCHANGE-RATE RISKS

Exchange-rate risks refer to risks caused by changes in exchange rates that can affect business performance or Group solvency.

During the 2005 fiscal year, 62% of Efore Group sales

and 55% of its operating expenses were in euros. Most of the remaining sales were in US dollars, and most of the operating expenses either in US dollars or Renminbi.

The policy of the Group is to hedge the main foreign currency surpluses and deficits of commercial value and fixed purchase and sales contracts. Hedging is carried out with currency derivatives, such as forward currency contracts, currency options, and foreign currency loans. Most currency derivatives have a duration of less than one year. The instruments used for hedging against exchange-rate risks and their nominal values at the end of the fiscal year are itemized in the notes to the financial statements on page 33.

### LIQUIDITY RISKS

A liquidity risk arises when the company does not have enough liquid funds or is unable to borrow enough money to cover its operational funding requirements, or when acquiring funds becomes unreasonably costly. Liquidity risks are managed by having a well-balanced loan maturity distribution and sufficient cash reserves, and by making appropriate loan arrangements.

The liquidity of Efore Group remains good. At the end of the fiscal year, the Group's net interest-bearing liabilities stood at EUR -20.3 million, which means that the Group's cash reserves exceeded its interest-bearing liabilities.

### INTEREST-RATE RISKS

Interest-rate risks are caused by interest-rate fluctuations affecting the loan portfolio and cash reserves, and are also affected by whether the interest-bearing liabilities are fixed-interest or floating rate. Interest-rate risks are managed by making the right decisions on loan interest periods and by using different types of interest-rate derivative instruments.

At the end of the fiscal year, the interest-bearing liabilities of Efore Group totaled EUR 2.2 million, which was tied to floating market rates of less than one year. At the time of the closing of the books, the Group did not have any open interest-rate hedges.

### CREDIT AND OTHER COUNTER PARTY RISKS

Management of credit risks is primarily the responsibility of each business unit. Credit risk management accords with the Group's credit policy and the aim is to obtain sufficient security if the customer's creditworthiness so requires. The Group has no outstanding long-term delivery credits. The trade receivables of the Group companies at the closing of the books did not contain any uncertain items.

The credit risks related to investment of liquid assets and derivative contracts are minimized by setting credit limits for the counter parties and by concluding agreements only with leading domestic and foreign banks and financial institutions.

# CORPORATE GOVERNANCE

The obligations of Efore's decision-making bodies are defined in accordance with Finnish legislation and the principles established by the Board of Directors. Efore's corporate governance complies with the provisions of the Companies Act.

Efore operates in accordance with the listed companies' corporate governance and control recommendation issued by the Helsinki Stock Exchange, the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers, and with the insider trading instructions issued by the Helsinki Stock Exchange.

## GROUP STRUCTURE

Efore Group consists of the parent company, Efore Plc, and its wholly owned subsidiaries, Efore (USA), Inc. in the United States, Efore (Suzhou) Electronics Co. Ltd and Efore (SIP) Technologies Co., Ltd in China, Efore AS in Estonia, Efore Ltda in Brazil, Efore (UK) Ltd in the United Kingdom, and Fi-Systems Oy in Finland.

The governance and operations of the Group are the responsibility of the parent company's decision-making bodies and authorities, which are the Annual General Meeting, Board of Directors, President and CEO, and the Deputy to the President and CEO. The President and CEO is assisted by the Senior Executive Committee and the Corporate Executive Conference. The operations of the subsidiaries are the responsibility of their respective Boards of Directors, which comprise the Group's President and CEO and other representatives of the Group's senior management. The Group's President and CEO is also chairman of the Board of Directors of each of the subsidiaries. The President of each subsidiary reports to the Group's President and CEO. Efore Plc provides the subsidiaries with joint Group services and is also responsible for its strategic planning and finances.

The Group's operating structure is based on the following organizational divisions: three Geographical Areas (Europe, America, and Asia); five customer-focused business units which report to the Geographical Areas and are each responsible globally for their own specified customers' sales and product development; and the Systems business unit, which is responsible for sales and development of DC power systems. The global functions common to the Group are supply management and sourcing, manufacturing, technology development, finance, human resources, and process development and quality.

## SHAREHOLDERS' MEETING

The functions of a shareholders' meeting as the company's supreme decision-making authority are defined in the

Companies Act and Efore's Articles of Association. In addition to the Annual General Meeting, extraordinary shareholders' meetings may be organized as necessary. At shareholders' meetings, shareholders are able to exercise their right to speak and vote.

The Board of Directors except one Member of the Board, the deputy member and the President and CEO were present at the Annual General Meeting held on December 16, 2004.

## APPOINTING BOARD MEMBERS

The Nomination Committee of the Board of Directors prepares a proposal concerning Board members. The Annual General Meeting elects the members of the Board of Directors by simple majority vote for a term of office that ends with the close of the next AGM following their election. The Board of Directors elects from amongst its members a chairman and deputy chairman.

## BOARD OF DIRECTORS

As set out in Efore's Articles of Association, the Board of Directors shall have no less than five and no more than ten members. The Board currently has ten members. The company's President and CEO is not a member of the Board of Directors.

## DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board of Directors has general decision-making authority in all company matters that are not stipulated (by law or under the Articles of Association) for the decision or action of another party. The Board is responsible for the governance of the company and for duly organizing its operations. It also approves the corporate strategy, the risk management principles, the Group's corporate values, the operating plan and related annual budget, and decides on major investments.

The main duties and operating principles of the Board of Directors are given in a separate working order. This refers to the declaration of a quorum at Board meetings, the writing and approval of minutes, and the preparations needed on matters for decision. The Board of Directors met 15 times during the fiscal year. The participation rate of members in the Board meetings was 92.5%. In an assessment of independence undertaken by the Board of Directors, it was found that all Board members are independent of the company and that all Board members, with the exception of Matti Tammivuori, are independent of the company's main shareholders.

The Board of Directors reviews its own working procedures through an annual self-evaluation process.

## BOARD FEES AND OTHER BENEFITS

The Annual General Meeting decides annually on the Board of Directors' fees and on the criteria for reimbursement of Board expenses. Board members' fees are paid in the form of monetary reimbursement.

By decision of the Annual General Meeting of December 16, 2004, the chairman of the Board of Directors is paid a fee of EUR 2,250 per month for his Board work and a meeting fee of EUR 750 per Board meeting, and Board members are paid EUR 1,500 per month and EUR 500 per meeting. The meeting fee does not apply to teleconferencing, however, as this is included within the monthly fee. Board members are also reimbursed for travel expenses in accordance with the Finnish Tax Administration's approved maximum limits for travel compensation in each case.

A fee of EUR 500 per meeting is paid to committee chairmen and members for their work on the committees. Travel expenses are also reimbursed.

In the fiscal year ended October 31, 2005, the chairman and members of the Board of Directors were paid a total of EUR 220,625 in monthly and meeting fees. Committee chairmen and members were paid a total of EUR 12,000 in meeting fees. Board members were not awarded options or Efore shares as fees for their Board work.

## BOARD COMMITTEES

The Board of Directors has three committees that assist in its work: the Nomination Committee, the Audit Committee, and the Compensation Committee. The committees' working orders set out the duties and operating principles for each committee. The committees report their work to the Board of Directors on a regular basis.

The chairman of the Nomination Committee was Timo Syrjälä, and the members were Rauno Puolimatka, Matti Tammivuori, and non-Board member Mikko Koivusalo. The main duties of the Nomination Committee are as follows: to prepare matters for the Annual General Meeting concerning Board members and remuneration; to prepare matters for the Board concerning the Board chairman, deputy chairman, and secretary, and the Board committees; and to deal with matters concerning the Board's annual review process. The committee met after the end of the fiscal year.

The chairman of the Audit Committee was Heikki Marttinen, and the members were Anne Leppälä-Nilsson and Timo Syrjälä. The main duties of the Audit Committee are to examine the company's finances; oversee compliance with the law and the relevant standards; evaluate the company's internal supervision and risk management; and evaluate the company's internal auditing and its auditors.

The committee met three times.

The chairman of the Compensation Committee was Olli Riikkala, and the members were Reijo Mäihäniemi, Outi Raitasuo and Matti Tammivuori. The main duties of the Compensation Committee are to prepare material on remuneration matters concerning the company's President and CEO, his direct subordinates, and other managerial personnel, and on matters concerning the Group's remuneration systems. The committee met three times.

## EFORE'S PRESIDENT AND CEO AND THE DEPUTY TO THE PRESIDENT AND CEO

The Board of Directors appoints the company's President and CEO and the Deputy to the President and CEO and supervises their actions. The main terms and conditions governing their appointment are detailed in written contracts. The President and CEO manages and supervises Group business operations within the guidelines and directives issued by the Board of Directors, and ensures that the company's accounting accords with the law and that the financial management system is reliable. When the President and CEO is temporarily prevented from performing his duties, his Deputy assumes the powers of President and CEO.

President and CEO Markku Hangasjärvi was paid a total of EUR 184,580.02 in salary, performance-related pay, and fringe benefits during the fiscal year ended October 31, 2005; regular monetary salary accounted for EUR 159,798.12 of this total, performance-related pay (on the 2004 fiscal year) for EUR 15,457.20, and fringe benefits for EUR 9,324.70.

The President and CEO's performance-related pay is based on achievement of the Group's net sales and profit targets. This performance-related pay is permitted to be no more than 60% of his regularly monetary salary in the fiscal year in question. No performance-related pay for the fiscal year of 2005 was paid for the President and CEO.

In all, 100,000 option rights from the 2005A option rights program were granted to the President and CEO in the fiscal year ended October 31, 2005.

Efore does not operate an incentive system that pays fees to managerial personnel in the form of the company's own shares.

The President and CEO has an optional pension insurance policy. The annual contribution for this policy must not exceed the amount of the tax-free optional pension contribution specified by the tax authorities that is valid at the particular time. No specific age limit for early old-age pension or for resignation has been defined for the President and CEO.

The period of notice to be observed in the President and CEO's employment contract is six months. In the event that notice is given by the company, the President and CEO shall also be paid a discharge fee corresponding to 12 months' salary.

#### SENIOR EXECUTIVE COMMITTEE, CORPORATE EXECUTIVE CONFERENCE, AND GEOGRAPHICAL AREA MANAGEMENT TEAMS

The President and CEO chairs the Senior Executive Committee and the Corporate Executive Conference and is also assisted by them in his work. The Senior Executive Committee comprises the chairman, the Vice Presidents of Europe, North and South America, and Asia, and the Group's CFO and its Vice President, Manufacturing Operations and IM, and Vice President, Technology.

The Senior Executive Committee's main responsibilities include drafting the broad outline of the Group's strategy, monitoring the Group's financial performance, and securing a good financial performance. The committee met 12 times during the fiscal year.

The Corporate Executive Conference comprises the Senior Executive Committee members, senior management representatives responsible for the customer-specific business units and the Systems business unit, and senior management representatives responsible for supply management and sourcing, the Strategic Sourcing unit, manufacturing, the Estonian subsidiary, human resources and process development and quality.

The Corporate Executive Conference concentrates on implementation of the Group's strategy and maintaining global consistency in the Group's operations. The conference met three times during the fiscal year.

The duties of the Geographical Area Management Teams (Europe, America, and Asia) are to implement the Group's strategy at regional level and to secure and monitor sales growth, manufacturing, quality, and financial performance.

#### REMUNERATION SYSTEM FOR THE PRESIDENT AND CEO AND THE COMPANY'S OTHER SENIOR MANAGEMENT

The performance-related pay system for the Group's senior management is drawn up by the Compensation Committee and then approved by the Efore Plc Board or Directors. The Board-approved upper limits for performance-related pay are in the range 20-60% of annual earnings, depending on the position in question. The criteria used for assessing this are the Group-level performance requirements and those applying to the person's own sphere of responsibility, and

other measures of operational activity. Approximately 15 Efore Group management personnel are covered by the senior management performance-related pay system.

#### GOVERNANCE OF INSIDER ACTIVITY

Efore Plc's permanent insiders are the members of the Board of Directors, the President and CEO, the Deputy to the President and CEO, the company's auditors, the members of the Senior Executive Committee and Corporate Executive Conference, the company's lawyer, and the executive assistant. The insider register is maintained by the company's lawyer under the supervision of the President and CEO.

Efore Plc complies with the insider trading instructions approved by the Helsinki Stock Exchange, on the basis of which the company's Board of Directors has approved a set of internal guidelines on insider trading. According to these guidelines, investments made by insiders must be long-term investments and trading must always take place at a time when the market's information on factors affecting the share value is as complete as possible. The period closed to trading by insiders is always a minimum of 14 days before publication of interim reports, and 21 days before publication of the financial statements bulletin. Trading can also be prohibited for special reasons outside the closed period, in which case all insiders entered in the register will be informed accordingly.

#### SUPERVISION

The Group has financial reporting systems for supervising its business operations and financial management. The Board of Directors has approved the Group's management organization and governing principles, decision-making authority and approval procedures, administrative operating policies, financial planning and reporting, and remuneration principles. Internal auditing is a part of Group's finance administration. The management of the finance administration reports the findings of internal auditing to President and CEO and Audit Committee.

Efore Plc's principal auditor is responsible for the auditing instructions and for coordinating the audit. The principal auditor and the company management jointly draw up an auditing plan each year. The Group's auditing fees for the fiscal year totaled EUR 129,000. The fees paid to the auditors for other services totaled EUR 59,000.

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

# BOARD OF DIRECTORS

## TIMO SYRJÄLÄ

**b. 1958, M.Sc. (Econ)**

Chairman since 2004

Member of the Board since 2001

Syrjälä & Co Oy, Managing Director

1,495,680 shares

## HEIKKI MARTTINEN

**b.1946, M.Sc. (Econ)**

Deputy Chairman since 2003

Member of the Board since 2002

Kamensky Consulting Oy, partner since 2003

Eimo Corporation, President and CEO 2000-2003

Fortum Corporation, President and CEO 1998-2000

Imatran Voima Oy, Chairman of the Board and

CEO, 1996-1998

No share ownership

## MATTI TAMMIVUORI

**b.1957, BA Marketing**

Member of the Board since 1999

Tamcor Ky, Managing Director since 1985

PerlaSoft Oy, Member of the Board

Virtaankosken Voima Oy, Member of the Board

Pienvesivoimayhdistys, Chairman of the Board

1,395,008 shares

## JOHAN EK

**b. 1968, M.Sc. (Econ), M.A**

Member of the Board since 2004

Relacom AB, Sweden, CEO since 2005

Powerwave Technologies Inc, VP since 2004-2005

LPG Allgon AB, Sweden, Director since 1999 and

President since 2004

McKinsey and Company, Sweden, Management

consultant 1994-1999

Partnertech AB, Member of the Board

No share ownership

## ISTO HANTILA

**b. 1958, M.Sc. (Eng)**

Member of the Board since 2004

Perlos Corporation, President and CEO since 2004

Ascom Group, Switzerland, CEO Co-operation

Division 2001-2004

Ascom Energy Systems Division, Switzerland,

CEO 1994-2001

Technology Industries of Finland, Member of the

Board since 2005

No share ownership

## ANNE LEPPÄLÄ-NILSSON

**b. 1953, LL.M. (trained on bench), B.Sc. (Econ)**

Member of the Board since 2004

Kesko Corporation, General Counsel since 2001

Aspo Plc., General Counsel 1980-2000

Helsinki Chamber of Commerce, Member of the Board

No share ownership

## REIJO MÄIHÄNIEMI

**b. 1947, M.Sc. (Eng)**

Member of the Board since 2004

Tellabs Oy, Director of International Marketing since 1997

Genera Oy, Chairman of the Board

Creanord Oy, Chairman of the Board

Mikropuu Oy, Chairman of the Board

No share ownership

## RAUNO PUOLIMATKA

**b. 1957, BBA**

Member of the Board since 2004

Auratum Oy, Chairman of the Board

371,400 shares

## OUTI RAITASUO

**b. 1959, LL.M. (trained on bench), LL.M. (Toronto)**

Member of the Board since 2004

Hannes Snellman Oy Attorneys at Law since 1989,

Partner since 1997

RF Micro Devices (Finland) Oy, Member of the Board

Mundipharma Oy, Member of the Board

Pontos Oy, Member of the Board

No share ownership

## OLLI RIIKKALA

**b. 1951, M.Sc. (Eng), MBA**

Member of the Board since 2004

GE Healthcare - Information Technologies, Senior Adviser

since 2004 and Senior Executive VP since 2003

Instrumentarium, President and CEO 1997-2003

Fiskars Corporation, Member of the Board

Tietoenator Corporation, Member of the Board

Helvar Merca Oy Ab, Member of the Board

Orion Corporation, Member of the Board

Comptel Corporation, Chairman of the Board

PaloDEX Group, Chairman of the Board

10,000 shares

Share ownership October 31, 2005

The amount of shares owned including shares by minors under guardianship and controlled corporations.



## SENIOR EXECUTIVE COMMITTEE

### VESA VIHAVAINEN

**B.Sc. (Econ), MBA, b. 1962**  
**Deputy Chairman of Senior Executive Committee**  
**Employed by Efore since 1997**  
**Deputy to President and CEO since 2000**  
**Senior Executive Vice President, North and South America since 2000**  
**President of Efore (USA), Inc.**  
**Muuntolaite Oy, Managing Director 1997 - 2000**  
**Lundia Oy, Managing Director 1994 - 1997**  
**Plandent S.R.O., Regional VP 1991 - 1993**  
**Planmeca GmbH, Regional Sales Manager 1989 - 1991**  
**Procons Oy, Contoller 1988 - 1989**  
8,000 shares, 35,000 share options

### KHALID HAFEEZ

**M.S. (Eng), Tech. Lic., MBA, b. 1950**  
**Employed by Efore since 2002**  
**Executive Vice President, Asia Pacific**  
**President of Efore (Suzhou) Electronics Co., Ltd.**  
**Nokia Networks, Director Sales & Marketing 2001 - 2002**  
**Nokia Networks, General Manager, Professional Mobile Radio, Greater China Area 1998 - 2001**  
**Nokia Networks, General Manager, Sales & Marketing, Radio Access System, India, South Asia, Gulf 1996 - 1997**  
**Nokia Networks, Sales Manager & Marketing Manger 1987 - 1996**  
**Nokia Networks, Customer Training Manager 1983 - 1987**  
50,000 shares, 35,000 share options

### PANU KAILA

**B.Sc. (Eng), b. 1955**  
**Employed by Efore since 2004**  
**Vice President, Production and IM**  
**Elcoteq Networks Corporation, VP,**  
**Demand Supply Chain Management & IM 2002 - 2004**  
**Elcoteq Networks Corporation, Plant Manager, Tallinn plant 1999 - 2002**  
**Helsinki University of Technology, Project Manager 1999**  
**Own business, Consulting & Project Management 1998 - 1999**  
**Nokia Mobile Phones Oy, Vice President Global Strategic Planning 1996 - 1998**  
**Nokia Mobile Phones Oy, Vice President Operations Development 1993 - 1996**  
**Nokia Mobile Phones Oy, Plant Manager 1992 - 1993**  
**Nokia Mobile Phones Oy, Manufacturing Manager 1991 - 1992**  
**Nokia Mobile Phones Oy, Development Manager in Finnish operations 1989 - 1991**  
**Nokia Mobile Phones Oy, Operations Documentation Department Manger 1988 - 1989**  
**Nokia Mobile Phones Oy, Quality Manager 1985 - 1988**  
9,400 shares, 21,000 share options



#### MIKA SIPPOLA

**Dr. Sc. (Tech), b. 1971**

**Employed by Efore since 2004**

**Vice President, Technology**

Schaffner EMV AG, Senior Research Engineer 2002 - 2004

Mika Sippola Engineering Oy, Consultant 2000 -2003

Profec Technologies, Research Engineer 1998 - 2000

Helsinki University of Technology, Reseracher 1997 - 2002

Helsinki University of Technology, Research Assistant 1996 - 1997

Fiskars Power Systems, R&D Engineer 1994 -1995

0 shares, 21,000 share options

#### MARKKU HANGASJÄRVI

**M.Sc. (Eng), b. 1966**

**Chairman of Senior Executive Committee**

**President and CEO since employed by Efore in 2001**

Fortum Engineering Oy, Vice President 2000 - 2001

Fortum Engineering Oy, Vice President, Marketing 1996 - 2000

Finnish Energy Conservation Group, Managing Director 1992 - 1996

10,000 shares, 100,000 share options

#### KARI SAARINEN

**M.Sc. (Eng), b. 1956**

**Employed by Efore since 2005**

**Executive Vice President, Europe**

Avesta Polarit Corporation

(Outokumpu Stainless), VP Group

Marketing & Technology 2002 - 2005

Incap Corporation,

Managing Director 2000 - 2002

Nokia-Maillefer / Nextrom (Toronto),

VP, President Americas 1998 - 2000

Nokia-Maillefer SA (Ecublens),

VP Sales & Marketing 1995- 1997

Nokia-Maillefer SA (Ecublens),

Business Area Director 1990 - 1995

Nokia-Maillefer Far East Ltd (Hong Kong),

President 1988 - 1990

Nokia Cable Machinery,

Product Group Manager 1986 - 1987

Nokia Cable Machinery Singapore office,

Sales Manager 1983 - 1985

Nokia Cable Machinery,

Project Manager 1981 - 1983

0 shares, 28,000 share options

#### JORMA LAPPALAINEN

**B.Sc. (Econ), b. 1950**

**Employed by Efore since 2000**

**Executive Vice President since 2001**

**CFO**

Mercantile Oy Ab, Finance Director 1996 - 2000

Helvar Oy Ab, Finance Director 1981 - 1996

Rocla Oy, Finance Manager 1973 - 1981

70,800 shares, 21,000 share options

## OTHER SENIOR MANAGEMENT

### CORPORATE EXECUTIVE CONFERENCE (AS OF OCTOBER 31, 2005):

(in addition to members of the Senior Executive Committee)

#### JUKKA JOKINEN

B.Sc. (Eng), b. 1957

Employed by Efore since 1999

Vice President, Business Unit BU1

8,000 shares, 21,000 share options

#### HÅKAN POVENIUS

B.Sc. (Eng), b. 1955

Employed by Efore since 1996

Vice President, Business Unit BU2

4,800 shares, 21,000 share options

#### MATTI VIITA

B.Sc. (Eng), b. 1968

Employed by Efore since 1999

Vice President, Business Unit BU3

3,200 shares, 10,000 share options

#### SCOTT VARTIJA

MBA, B.A., Certified General Accountant, b. 1949

Employed by Efore since 2001

Vice President, Business Unit BU4

0 shares, 14,000 share options

#### KIMMO AKIANDER

B.Sc. (Eng), b. 1969

Employed by Efore since 2004

Vice President, Business Unit BU Systems

200 shares, 10,000 share options

#### ESKO YLIPORTIMO

B.Sc. (Eng), b. 1947

Employed by Efore since 2001

Vice President, Supply Management and Sourcing

10,000 shares, 21,000 share options

#### CARY KILPINEN

Electronics fitter, b. 1959

Employed by Efore since 1997

Vice President, Strategic Sourcing

0 shares, 21,000 share options

#### RITVA TURUNEN

B.Sc. (Eng), b. 1955

Employed by Efore since 1992

General Manager of Efore AS

0 shares, 14,000 share options

#### RIITTA KIRJALAINEN

B.Sc. (Econ), b. 1946

Employed by Efore since 1995

Vice President, Human Resources

2,080 shares, 14,000 share options

#### JUHANI VUOLA

M.Sc. (Eng), b. 1966

Employed by Efore since 1996

Vice President, Process Development and Quality

28,200 shares, 21,000 share options

(on study leave)

Share Ownership October 31, 2005.



**EFORE PLC**

Quartetto Business Park  
Linnoitustie 4 A, FI-02600 Espoo, Finland

Tel. + 358 9 478 466

Fax +358 9 4784 6500

[www.efore.com](http://www.efore.com)