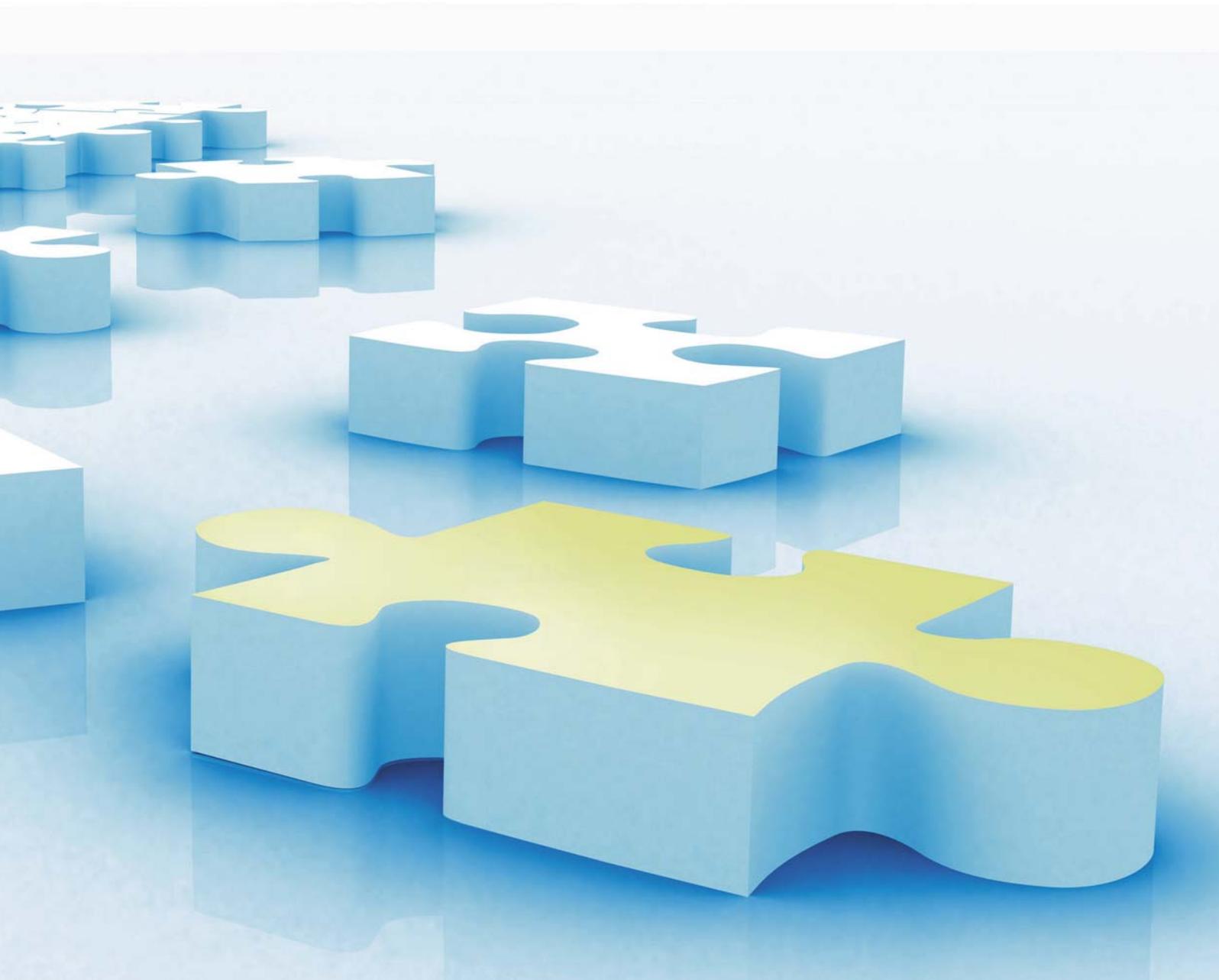




EFORE

ENERGY FOR ELECTRONICS



ANNUAL REPORT 2008

INFORMATION FOR SHAREHOLDERS

Efore Plc's registered office is in Espoo, Finland. Its business identity code is 0195681-3.

ANNUAL GENERAL MEETING

The Annual General Meeting of Efore Plc will be held on January 29, 2009 at 6 p.m. at the address Radisson SAS Royal Hotel, Runeberginkatu 2, SF-00100 Helsinki.

Those shareholders who are listed in Efore's shareholders' listing in Finnish Central Securities Depository Ltd by January 19, 2009 and who have given notification of their attendance no later than 4:00 pm on January 26, 2009 have the right to attend the Annual General Meeting.

Those planning to attend the Annual General Meeting are asked to notify Efore accordingly: Anu Virokannas Efore Oyj, P.O. Box 260 Quartetto Business Park, Linnointustie 4, 02600 Espoo Finland, tel. +358 9 478 46341, fax +358 9 478 46500 e-mail: anu.virokannas@efore.fi.

DIVIDEND PAYMENT 2009

The Board of Directors proposes to the Annual General Meeting that a dividend of 0.04 euro per share will be distributed for the fiscal year November 1, 2007 - October 31, 2008.

FINANCIAL REPORTS FOR THE FISCAL YEAR NOVEMBER 1, 2008 - OCTOBER 31, 2009

Annual Report 2008,	Week beginning January 12, 2009
Interim Report (3 months)	February 26, 2009
Interim Report (6 months)	May 28, 2009
Interim Report (9 months)	August 27, 2009

KEY SHARE DATA

Exchange listing	Nasdaq OMX Helsinki, The Nordic Exchange (Small Cap)
Corporate identifier	EFO1V
Trading lot	1 share
Shares	40,529,648 shares
Book value equivalent	0.85

YEARLY SUMMARY OF THE RELEASES

The summary of the Stock Exchange releases, information bulletins and press releases issued by Efore in the fiscal year November 1, 2007 - October 31, 2008 are available at www.efore.com.

BANKS MONITORING EFORE

According to the received information the following banks and financing firms monitor Efore's performance. Efore takes no responsibility for any evaluations or recommendations published by them.

EQ Bank Plc
Tel. + 358 9 6817 81

FIM Bank Plc
Tel. + 358 9 6134 6250

Kaupthing Bank Plc
Tel. +358 9 4784 000

Danske Markets Equities
Tel. +358 10 236 4712

Pohjola Bank
Tel. + 358 10 252 011

TABLE OF CONTENTS

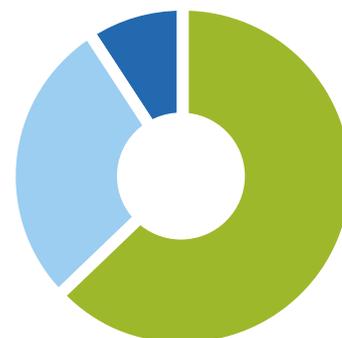
Information for shareholders	2
Fiscal year 2008 in brief.....	4
Efore's operational basis	5
Review by the President and CEO	6
Constant development of global customer relationships and channel sales	8
Technological development provides innovations for power supply solutions	10
More effective global component sourcing and further development of production processes	11
Personnel skills and global approach	12
Energy saving potential and combating climate change	13

FINANCIAL STATEMENTS

Report of the Board of Directors	15
Consolidated income statement	22
Consolidated balance sheet.....	23
Consolidated cash flow statement.....	24
Consolidated statement of changes in equity.....	25
Notes to the consolidated financial statements	26
Income statement for the parent company	52
Balance sheet for the parent company	53
Parent company cash flow statement.....	55
Accounting policies for the financial statements of parent company	56
Notes to the financial statements, parent company	58
Group key figures	65
Calculation of key figures and ratios	67
Shares and shareholders	68
Signatures for the financial statements and the report by the Board of Directors	74
Auditors' report.....	75
Corporate governance.....	76
Contact details	83

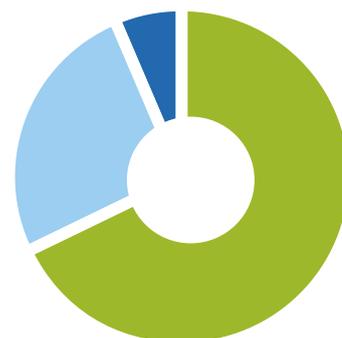
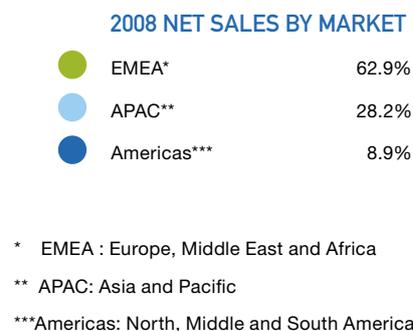
FISCAL YEAR 2008 IN BRIEF

- The operating profit of all four quarters was positive due to significantly improved efficiency of our operations
- We improved channel sales for our products especially in Europe
- We invested 9.1% of the net sales in product development the main focus being on new generation power supply solutions
- Combating climate change, alternative energy sources and energy efficiency became main requirements for power supply solutions
- Helsinki University of Technology and Efore signed an agreement on establishing a laboratory of new technology in the premises of the University
- Shareholders were paid an additional dividend of 0.05 euro per share in fall 2008



EFORE GROUP KEY FIGURES

		2008	2007
Net sales	EUR million	78.3	80.2
Operating profit	EUR million	1.4	-2.1
-% of net sales	%	1.8	-2.6
Profit before taxes	EUR million	1.7	-2.9
Earnings for the period	EUR million	1.2	-3.4
Return on equity (ROE)	%	4.7	-11.8
Return on investment (ROI)	%	7.0	-8.1
Cash flow from business operations	EUR million	2.7	-0.1
Net interest-bearing liabilities	EUR million	-4.0	-6.6
Solvency ratio	%	59.9	57.9
Net gearing	%	-16.0	-24.6
Earnings per share	EUR	0.03	-0.08
Equity per share	EUR	0.62	0.67
Dividend per share	EUR	0.04 ¹⁾	0.10 ²⁾
Share price on October 31	EUR	0.76	1.20
Market capitalization on October 31	EUR million	30.8	48.6
Personnel, average		637	766



¹⁾ Board proposal to AGM

²⁾ Paid dividend of 0.05 euro and additional dividend of 0.05 euro



EFORE'S OPERATIONAL BASIS

Efore Group is an international company providing services for ICT, industrial automation and health care industries. Its operations comprise energy saving custom-designed power supplies, power systems, manufacturing of demanding electronics, and related service and maintenance.

MISSION

Our mission is to serve our customers in selected sectors by improving the power supply of their electrical and electronic equipment as efficiently as possible.

VISION

Our vision is to be our customers' primary global partner. We will supply innovative, efficient and custom-designed power supply solutions and related services.

STRATEGY

We operate in accordance with our own cost-effective and global operating methods and principles covering management, customer relationships, procurement of electronic components, production, design, product and technology development, logistics, human resources and environmental issues.

We concentrate on integrated custom-designed power supply solutions that demand top-grade design, power supplies for sites and maintenance and repair services. We

also cooperate closely with our customers in the design, manufacture and maintenance of demanding electronic products.

In our own product development we focus on minimizing the use of energy in our customers' electronic equipment and in improving energy efficiency and environmental friendliness and utilizing alternative energy sources.

VALUES

Customer focus

We are committed to meeting our customers' expectations as a most preferred business partner.

Profitability

We are committed to continuously improving company profitability to satisfy our shareholders, employees and business partners.

Professional and innovative personnel

We are committed to continuously developing our personnel to better respond to global business challenges.

Growth

We are committed to continuously growing through balanced business, and by maintaining a strong financial position.



Saving electricity
is the principal
objective for our
product development.

REVIEW BY PRESIDENT AND CEO

The international financial crisis that began in the USA affected global power supply markets during the fiscal year by weakening demand. There was less market growth than expected and towards the end of the year there was a marked slowdown. The sector was still characterized by fierce competition and price erosion, which required constant development and improvement of operations on all fronts.

The global power supply markets of USD 18 billion are divided into customer-designed solutions (c. USD 10 billion) and standard products (c. USD 8 billion). Efore's own product development focuses on custom-designed power supply solutions, serving its global customers through a local presence. The market for custom-designed solutions gives Efore a good chance of expanding and establishing its operations.

The power supply sector is quite fragmented and consolidation continues. Several major companies in the sector that were unable to change have disappeared from the market, squeezed by fierce competition. Efore has come through changes fairly well thanks to its quick adjustment measures and solid financial position. The rapid changes have been painful for us, too, and have required adaptability from the personnel.

Increasing demands for energy saving, and reducing greenhouse gas emissions and the rapid development of power supply technology are changing in a significant manner the environment in which Efore operates. At the same time new business opportunities are opening up and their exploitation will require strong investment on product development.

The dynamic control of a power supply that adapts to changes in the load means substantial scope for saving energy but requires a new type of power supply architecture and more intelligent equipment.

In many instances the best way of saving electricity requires the development of the DC supply technique as the main supply technique for sites. Minimizing the use of network electricity, which is becoming increasingly expensive, will lead to alternative energy technologies, such

as wind power, solar panels and other alternative energy sources, on the one hand, and fuel cells, on the other, being integrated into the power supply architecture.

The ICT sector has been our biggest customer group for a long time. Broadband data transmission networks are still spreading and their need for power is growing. Internet applications are leading to a dramatic increase in the need for processing and storing data, which means that data centers' need for power will inevitably rise. There will be growing demand on the market for intelligent power supply equipment that minimizes the total energy required by electronic equipment.

Being in the front line of the technological revolution Efore has an excellent chance to develop more efficient energy saving solutions for its customers.

Saving electricity in customer solutions is the principal objective for our product development. By saving electricity we are contributing to efforts aimed at preventing climate change. Our new visual image has been updated to be more "green" and to reflect the aims of our operations and the change can be seen in all our products and communications.

The past fiscal year was characterized by many changes. We continued to outsource administrative and support operations and made our global operating processes more efficient. The profit made in each quarter of the fiscal year can be looked on as a consequence of our strategic choices and their resolute implementation. This is an even greater cause for congratulations considering in particular the additional changes caused by the international financial crisis during the fiscal year. The Group's profitability has improved and that is the path we must follow.

Finally I would like to express my thanks in particular to our customers, suppliers, personnel and partners for the past year. I would also to thank the shareholders and financiers for the confidence they have shown in Efore.

December 2008

Reijo Mäihäniemi

CONSTANT DEVELOPMENT OF GLOBAL CUSTOMER RELATIONSHIPS AND CHANNEL SALES

Efore has globally operating ICT, industrial automation and healthcare technology sector companies as its customers. We develop cooperation and serve our customers in two ways:

- We design and supply our customers with innovative and advanced custom-designed power supply solutions and offer associated repair and maintenance services. We also supply telecom and data operators and industrial customers with power supply systems at sites.

- We produce and maintain demanding electronics equipment developed by our customers and provide them with capable technical support in materials procurement and global logistics plus Efore's extensive production capability and expertise in testing.

During the 2008 fiscal period, we continued the development of our sales and marketing operations. Concentrating on selected key customer relationships has enabled us to offer comprehensive services to meet our customers' simultaneous needs for power supply and electricity saving. We have committed ourselves to being preferred long-term business partners for our customers and to operating in accordance with their expectations. Our starting point is to be able to support our customers in carrying out their strategies and to cooperate from the design of power supply solutions all the way through to full life-cycle service and maintenance.

We have made rapid advances in developing the channel sales of our power supply solutions in Europe and the CIS countries. Through our dealers, we offer power supply

systems for customers' sites under the Efore brand.

Efore is a leading supplier of custom-designed power supply solutions, particularly in the ICT sector. Our solutions comprise single and multi output AC/DC and DC/DC power supply units, power distribution units, connection units, power supply modules and battery back-up systems.

We supply industrial automation companies with custom-designed power supply solutions for numerous applications, such as high-accuracy measuring and dosing equipment, and for machinery and equipment that moves vertically, horizontally or diagonally. Our global customers include leading manufacturers of industrial robots and elevators, and companies producing cash and bank ATM systems. Our DC battery back-up systems are used by e.g. the petrochemical, utility and railroad industries.

Disturbance-free performance is essential for acceptance and certification of equipment in the health care sector. Thus a steady uninterrupted power supply is a central requirement in the design and use of the equipment. Our products are used in many health care systems, such as of dental machinery and equipment, medical equipment for intensive care units, patient monitors and X-ray and anaesthetic systems.

Efore's key customers include the leading companies in the ICT sector, such as Ericsson, Nokia Siemens Networks and Cisco. In the industrial automation sector, we serve customers such as ABB, Kone and Wärtsilä, and in the health care sector our global customers include Abbot Laboratories, GE Healthcare, Planmeca and Thermo Fisher.



TECHNOLOGICAL DEVELOPMENT PROVIDES INNOVATIONS FOR POWER SUPPLY SOLUTIONS

Efore is an expert in the management of power in its customers' products and solutions and a supplier of comprehensive services. This requires expertise, integration and cost-control in business operations within the technological value chain – electronic materials and components, power conversion modules, power supply products, power system architectures and applications. This has led to close cooperation with customers, research institutes, universities and materials suppliers.

The focal areas of Efore's product and technological development are a deep understanding of the need for power in customers' applications and the optimization of power consumption. This is achieved by developing power supply architectures in which the number of power conversions is reduced and by increasing the efficiency of the conversion modules. The aim is to reduce the consumption of electricity and materials by customers' equipment, improve their energy efficiency and environmental friendliness and bring down costs.

The development of modern fixed and wireless broadband data networks and the proliferation of Internet-based data transmission and services are increasing the need for power in the networks. We have increased the intelligence in the various sections of a power supply system, which makes it possible to control and monitor systems efficiently. This enables the power supply in the various sections of a system to be regulated according to the actual need, thus saving energy.

The more efficient use of energy and the potential for exploiting alternative, back up energy sources have become a prime requirement in power supply systems because of the increasing price of energy and measures aimed at combating climate change.

The development of power supply architectures is guided by the convergence of telecommunications and IT technologies and the spreading of distributed power supply.

Development of power conversion modules focuses on efficiency, cost effectiveness, power density and use of materials. The means available are the development of new electronics circuits, the utilization of new component

technologies and the continuous optimization of design.

During the 2008 fiscal year Efore spent on product development 9.1 per cent of net sales.

Efore has been systematically training its product development personnel to give greater consideration to saving energy and environmental matters and to the demands of speeding up the launch of products onto the market, production, testing and long-term use. Efore applies global product and technology development processes at all its product development units.

Locating the product development units close to customers makes it possible to quickly and seamlessly cooperate with their product development organizations, which is a necessity for designing customized power supply solutions.

The testing and verification that are part of the product development process ensure that Efore's new products comply with the safety, environmental and quality requirements set for electronic equipment now and for the future. Efore has its own product development laboratories to support the design and testing of products. The test laboratory at Espoo is involved in the type testing of all power electronics products developed by Efore. The tests are carried out for proving that the products comply with the product specification and standards. Type tests cover operational tests, verification of electromagnetic compatibility and tests for safety, environmental conditions and reliability.

Efore obtains safety approval for its products internationally. A comprehensive cooperation network of international approval organizations has been constructed to make the approval process quicker and more efficient.

Efore is involved in several research projects in association with universities and research institutes. These ventures examine and develop the reliability of electronics, circuit structures of power conversion modules, advanced thermal management methods, high-voltage DC distribution technology, alternative energy sources and distributed power-supply solutions.



MORE EFFECTIVE GLOBAL COMPONENT SOURCING AND FURTHER DEVELOPMENT OF PRODUCTION PROCESSES

The global focus for the production of electronic components is in Asia. For this reason Efore procures most of its materials from China, which guarantees scope for sourcing the components needed for our production cost effectively, flexibly and at the right time. Improvements were made in planning the materials procurement.

Efore produces the power supply solutions it designs mainly at its own production plants. The company has moved most of its own production to Estonia and China, two countries with low labour costs.

Efore's production plants also produce and maintain not only demanding electronics equipment designed by Efore but also equipment designed by our customers themselves, applying the same high quality and same capable technical customer support.

In order to increase flexibility some of the production has been outsourced to subcontractor partners. Product quality is controlled with the same criteria and principles for the company's own and outsourced production.

The production lines at Efore's cost-effective production plants are similar to each other. The plants have state-of-the-art production lines based on automated surface mounting and wave-soldering technologies and automated testing lines. Because the production of power supply solutions is based to a great extent on components and modules standardized within the company, production is possible at all the plants flexibly and near the customer. Production capacity can be increased quickly and at reasonable cost

to respond to the growth in customers' demands.

The competitiveness of Efore's power supply solutions rests on global pull-driven operating models based on customer orders that are integrated into subcontractors' production and component sourcing. This approach minimizes production delivery cycle times and inventories tied to the supply chain. At the same time a high level of flexibility and punctual deliveries for the customer are achieved.

In order to ensure global competitiveness Efore is constantly developing the production technology, production and materials control, and global logistics.

Efore's competitiveness is based on the flexibility, speed and high quality of production. The Group has acquired the ISO 9001:2000 quality certificate and the ISO 14001:2004 environmental certificate for all its locations. In addition to its own quality control, customers regularly audit Efore's production processes.

The quality of Efore's operations is controlled by the Group quality policy, according to which we aim to be the world's best in quality, and every Efore employee is committed to a high operational quality and its constant improvement. The same quality requirements apply to our certified subcontractor partners.

Efore's regular quality control operations cover the management system, environmental issues, occupational safety, personnel administration systems, risk management and matter associated with safety such as IT and physical safety.



PERSONNEL SKILLS AND GLOBAL APPROACH

The number of personnel fell during the 2008 fiscal year and was 600 (706) on October 31, 2008. With contract personnel included the Group was employing 818 (873). The number of personnel fell at the locations in Estonia, Sweden and the USA and rose in China

The HR function has been decentralized on a country-by-country basis and it is coordinated at Group level. Training for new supervisors and middle management is function coordinated at Group level.

At the beginning of 2008 fiscal year skills were charted extensively. Appraisal interviews were held in Finland, Sweden and Estonia, and were expanded into a global process. A working atmosphere survey planned for every other year was carried out in Finland, Sweden and Estonia. Job satisfaction at small locations in particular is extremely good. The results of the working atmosphere survey have been used for developing internal communications within the entire Group.

Like before, staff members submitted a large number of initiatives. The focus of skills development remained on international aspects, the Solution Creation process in product development, the Kanban process in production and project management.

Efore supports the personnel's working capacity and health in cooperation with occupational health care. A com-

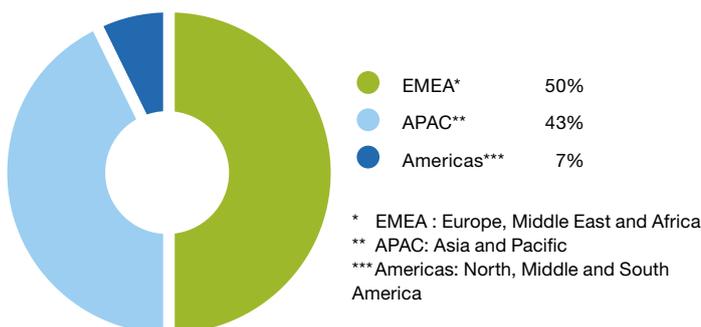
prehensive workplace survey was carried out in the Espoo location. The personnel are encouraged to do physical exercise, and occupational well-being is supported with an annual allowance on a country-by-country basis.

During the 2008 fiscal year there were no serious occupational accidents.

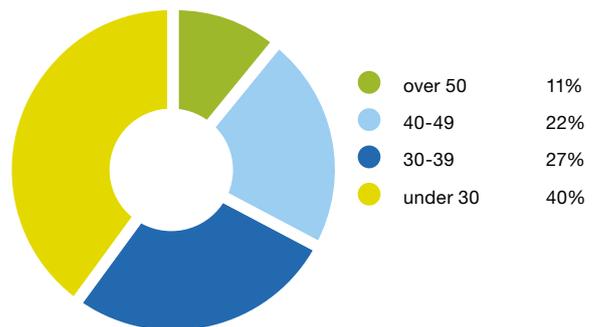
Efore's approach to personnel matters is guided by the company's personnel policy, the main principles of which are as follows:

- Our operations are based on respect for and trust in each other and our values guide our behavior.
- All employees are responsible for their own development as individuals and professionals; the company is actively supporting these aspirations.
- Together we create an inspiring and regenerating global work environment.
- We have effective work tools at our disposal and in all our operations we take into consideration quality and occupational safety.
- We reward employees and teams for good results in a fair and competitive manner.
- We take the focal areas of the company's strategy into account when recruiting skilled employees who are oriented towards producing results.

PERSONNEL BY REGION



AGE STRUCTURE OF PERSONNEL





ENERGY SAVING POTENTIAL AND COMBATING CLIMATE CHANGE

The market price of energy reached record levels during the fiscal year and has remained high. Also greenhouse gas emissions continued to increase. International measures are aimed at using energy more efficiently and reducing greenhouse gas emissions.

These measures pose a challenge to those working on the power supply market to increase the efficiency of power supplies and reduce considerably the electricity consumed by final users' equipment. Interest in replacing energy taken from the electricity network with other sources such as wind power, solar energy and fuel cells has also increased dramatically, for example in power supplies at sites. Efore has been investing in developing electrical supply systems for sites and is able to integrate alternative energy sources in its own battery back-up systems and power supply solutions.

The intelligence incorporated in power supplies makes it possible to follow the load and optimize the power supply for an entire system including the supplied equipment and auxiliary systems such as air conditioning. With the improved efficiency overall energy consumption is reduced and the supply network can be dimensioned to smaller currents. This also helps to generate savings in a network's cabling and other components.

The choices of materials for equipment designed by Efore are based on the EU's RoHS (Restriction of the use of certain hazardous substances) Directive. Electrical and electronic waste is sorted and recycled in accordance with the WEEE (Waste electrical and electronic equipment) Directive. Efore's products also comply with the requirements of the China RoHS legislation and we have made preparations for similar RoHS requirements by other countries outside the EU such as South Korea. We follow the EU's EuP (Energy using products) Directive in our choice of technology and product design. The latter takes into account environmen-

tal demands in the choice of materials, energy consumption and greenhouse gas emissions over a product's entire life-cycle.

We identify the substances and preparations we use in cooperation with component suppliers in line with the REACH Chemicals Directive i.e. the registration, evaluation, authorization and restriction on the use of the most hazardous chemicals. We develop the identification and risk management of the properties in hazardous materials throughout the delivery chain in order to prevent adverse impacts on human health and the environment.

Control of the environmental matters at our locations continued to be developed so as to fall in line with the international GRI (Global Reporting Initiative) indicators. As a result of the development work, Efore's delivery chains, functions at its locations and products will be at the top of the international league in environmental matters.

Efore's operations are controlled by the Group's environmental protection policy. The level of protection is continuously maintained and developed in accordance with the requirements of customers and legislation. Efore's certified environmental system is in accordance with the ISO 14001:2004 standard.

Environmental considerations and the effects on the environment of our operations are audited every other year. The level of environmental protection and prevention of emissions are being constantly developed by taking into consideration the effects of these measures on business operations. We promote environmental awareness among our suppliers, personnel and customers, and we inform all our stakeholders and the surrounding community about environmental matters.

During the 2008 fiscal year there were no incidents at Efore that had a significant effect on the environment.

FINANCIAL STATEMENTS

Report of the Board of Directors.....	15
Consolidated income statement	22
Consolidated balance sheet.....	23
Consolidated cash flow statement.....	24
Consolidated statement of changes in equity.....	25
Notes to the consolidated financial statements.....	26
Income statement for the parent company.....	52
Balance sheet for the parent company	53
Parent company cash flow statement.....	55
Accounting policies for the financial statements of parent company	56
Notes to the financial statements, parent company	58
Group key figures	65
Calculation of key figures and ratios	67
Shares and shareholders	68
Signatures for the financial statements and the report by the Board of Directors	74
Auditors' report.....	75

REPORT OF THE BOARD OF DIRECTORS

Efore Group is an international company providing services for ICT, industrial automation and health care industries. Its operations comprise energy saving custom-designed power supplies, power systems, manufacturing of demanding electronics, and related service and maintenance.

GROUP STRUCTURE

Efore Group consists of the parent company Efore Plc and its directly or indirectly wholly owned subsidiaries Efore (USA) Inc in the United States, Efore (Suzhou) Electronics Co. Ltd in China, Efore Ltda in Brazil, Efore AS in Estonia, Efore AB in Sweden, and FI-Systems Oy in Finland. Efore Plc also has a 25% stake in Power Innovation GmbH, a German power electronics company.

The Group closed down Efore (UK) Ltd during the fiscal year and sold Efore (SIP) Electronics Co. Ltd in China. These companies had no business operations during the fiscal year.

NET SALES AND FINANCIAL PERFORMANCE

Net sales for the fiscal year totaled EUR 78.3 million (EUR 80.2 million). Sales by customer group were as follows: telecommunications 67.6% (65.2%), industrial electronics 26.0% (28.1%) and health care electronics 6.4% (6.7%). Geographically sales were as follows: EMEA EUR 49.2 million (EUR 55.6 million), APAC EUR 22.1 million (EUR 17.2 million) and the Americas EUR 7.0 million (EUR 7.4 million). The international financial crisis that began in the second half of the fiscal year affected global power supply markets by reducing demand.

The operating profit for the fiscal year was EUR 1.4 million (EUR -2.1 million). A higher operating efficiency and a better cost structure contributed to this. The result was hampered by expenditure related to streamlining operations of a group subsidiary in the USA and expenses generated in agreeing on an issue relating to the parent company's product liability. A stronger dollar in the fourth quarter had a positive effect on the net profit.

Write-offs of inventories were made during the fiscal year. Write-offs of inventories amounted to EUR 0.9 million (EUR -0.3 million).

The profit before taxes during the fiscal year was EUR 1.7 million (EUR -2.9 million) and the net profit was EUR 1.2 million (EUR -3.4 million).

BUSINESS OPERATIONS

Investment on product development during the fiscal year was EUR 7.1 million (EUR 6.0 million) representing 9.1% (7.5%) of net sales. The new OPUS system product family, which was developed during the fiscal year, was launched onto the market in November 2008. An agreement was made with Helsinki University of Technology concerning the establishment of a new- technology R&D laboratory on the university's premises. The laboratory will be doing research into new power supply architectures that save electricity in the sites and utilization of renewable and alternative energy sources in them. The OPUS product family will supplement the company's battery-backup solutions for customers particularly in the process control and automation systems as well as in ICT sites.

In custom-designed power supply solutions the focus was on developing new technologies and products for new applications e.g. for the national 3G networks in China and the coming fourth-generation LTE networks. Deliveries of equipment for suppliers of China's 3G networks started in the last fiscal year. Installations of China's 3G networks are expected to increase during 2009.

Global projects to develop operations together with long term programs in order to improve productivity and reduce cost structure, lower inventories and make the production and product development processes more efficient continued during the fiscal year. The purpose of these projects is to maintain continuous improvement in the competitiveness of the company.

REPORT OF THE BOARD OF DIRECTORS

INVESTMENT

Group investment in fixed assets amounted to EUR 1.9 million (EUR 4.0 million) of which capitalized product development costs were EUR 0.5 million (EUR 0.9 million). At the end of the fiscal year capitalized product development costs amounted to EUR 0.9 million (EUR 1.7 million).

The amount of the capitalized product development costs fell because the company believes that product life cycles have become shorter and in addition to this some product development costs have been revised so that certain product development projects have not been capitalized on the balance sheet

FINANCIAL POSITION

The Group's financial position during the fiscal year was good. The Group's solvency ratio was 59.9% (57.9%) and the gearing was -16.0% (-24.6%).

The consolidated interest-bearing cash reserves exceed interest-bearing liabilities by EUR 4.0 million (EUR 6.6 million). The consolidated net financial expenses were EUR 0.06 million (EUR -0.9 million). The cash flow from business operations was EUR 2.7 million (EUR -0.1 million). The cash flow after investment was EUR 1.1 million (EUR -3.8 million).

Liquid assets excluding undrawn credit facilities totaled EUR 5.1 million (EUR 7.7 million) at the end of the fiscal year. The Group also had access to substantial credit facilities at its disposal. The balance sheet total was EUR 41.7 million (EUR 46.7 million).

KEY INDICATORS

Group key indicators for three years are shown in financial statements.

TAXATION

Group companies had remarkable amount of tax losses at the end of the last fiscal year of which deferred tax assets were not recognized. Those deferred tax assets of EUR 3.5 million are allocated to the USA and EUR 7.0 million are allocated to Finland which includes avoir-fiscal receivable of EUR 0.6 million.

The company in China was given the income tax status of "High Technology", which reduced the income tax base for three years to 15% starting on January 1, 2008. The tax base of foreign companies in China was 18% and it will rise gradually to 25% by 2012.

ENVIRONMENTAL POLICY AND ENCUMBRANCES

The development and maintenance of Efore's environmental systems is based on international standard ISO 14001:2004, 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 specialised companies. The operation complies with EU's WEEE (Waste electrical and electronic equipment) Directive.

All Efore's production facilities are equipped for lead-free production in accordance with RoHS Directive (Restriction of the use of certain hazardous substances).

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

PERSONNEL

The number of the Group's own personnel averaged 637 (766) during the fiscal year and at the end of the fiscal year it was 600 (706). The number of personnel fell by 106 during the fiscal year.

In addition to its own personnel, the Group's contract staff numbered 218 (167) at the end of the fiscal year. The number of contract staff increased by 51 during the fiscal year.

REPORT OF THE BOARD OF DIRECTORS

The geographical distribution of the personnel including contract staff at the end of the period under review was as follows: Europe 356 (421), Asia 440 (417) and the Americas 22 (35).

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

In accordance with the proposal of the Board's Nomination Committee, the Annual General Meeting held on January 31, 2008 elected six regular members of the Board: Isto Hantila, Jukka Harju, Marko Luoma, Esa Korvenmaa, Timo Syrjälä and Matti Tammivuori. The inaugural meeting the Board of Directors elected Isto Hantila as Chairman of the Board and Jukka Harju as Deputy Chairman and Timo Syrjälä as Chairman of the Audit Committee with Isto Hantila and Matti Tammivuori as members.

The Board decided on the appointment of the Nomination Committee after the fiscal year on November 7, 2008. Matti Tammivuori was elected Chairman of the Nomination Committee and Timo Syrjälä and Rauno Puolimatka as members. In addition, the Board of Directors elected Isto Hantila, the Chairman of the Board of Directors, as an expert member.

During the fiscal year some changes were made in the Executive Management Team and in the responsibilities of its members. The members and their global spheres of responsibility are as follows: President and CEO Reijo Mäihäniemi (Sales and Marketing in addition to his own duties June 19 – December 31, 2008), Panu Kaila (Operations), Markku Kukkonen (Product Development and Technology) and Olli Nermes (Finance and Administration).

AUDITORS

The Annual General Meeting held on January 31, 2008 appointed KPMG Oy Ab as Efore's auditors, with Authorized Public Accountant Lasse Holopainen as principal auditor

SHARES, SHARE CAPITAL AND SHAREHOLDERS

The total number of Efore Plc shares at the end of the fiscal year was 40,529,648 and the registered share capital was EUR 34,450,200.80.

The highest share price during the fiscal year was EUR 1.25 and the lowest price was EUR 0.70. The average price during the fiscal year was EUR 1.01 and the closing price was EUR 0.76. The market capitalization calculated at the final trading price during the fiscal year was EUR 30.8 million.

The total number of Efore shares traded on the Nasdaq OMX Helsinki during the fiscal year was 8.7 million and their turnover value was EUR 8.7 million. This accounted for 21.4% of the total number of shares at the end of the fiscal year. The number of shareholders totaled 3,197 at the end of the fiscal year.

At the end of the fiscal year the company did not hold any of its own shares.

DISCLOSURE OF CHANGES IN OWNERSHIP DURING THE FISCAL YEAR

Efore Plc received the announcement on December 20, 2007 that the holdings of Timo Syrjälä, including the companies under his authority, of the share capital and voting rights in Efore Plc have, due to stock deal made on December 19, 2007 have exceeded one tenth (1/10) and now stood at 10.08%.

Rausanne Oy announced on January 9, 2008 that its holding and share of votes in Efore Plc had exceeded 10% based on forward deal made on January 9, 2008 and now stood at 10.01%.

AUTHORIZATIONS

The Annual General Meeting on January 31, 2008 decided in accordance with a proposal by the Board of Directors to authorize the Board to decide on the issue, in one or several installments, of shares, option rights and special rights pursuant to chapter 10, section 1 of the Finnish Companies Act, so that the aggregate maximum number of new shares issued on the basis of the authorization will be 13,000,000. The Board of Directors may, on the basis of the authorization

REPORT OF THE BOARD OF DIRECTORS

decide on a targeted share issue. The authorization is in force until the next Annual General Meeting. The authorization had not been used by October 31, 2008.

The Annual General Meeting on January 31, 2008 decided in accordance with a proposal by the Board of Directors to authorize the Board to decide on the acquisition of the company's own shares, in one or several installments. A maximum of 4,000,000 own shares, or a lower amount that in addition to the own shares already owned by the company is less than 10 per cent of all shares, may be acquired on the basis of the authorization. The authorization includes the right to acquire own shares otherwise than in proportion to the holdings of the shareholders. The authorization is in force until the next Annual General Meeting. The authorization had not been used by October 31, 2008.

The Annual General Meeting on January 31, 2008 decided in accordance with a proposal by the Board of Directors to authorize the Board to decide on the distribution of dividend. On the basis of the authorization, the Board of Directors may decide on the distribution of dividend so that the amount of dividend on the basis of the authorization in total does not exceed EUR 0.05 per share, or in total EUR 2,026,482.40. A dividend may be distributed one or several times. The authorization was used on September 26, 2008, when the Board of Directors decided that the company would pay an additional dividend of EUR 0.05 for the fiscal year 2007 i.e. EUR 2,026,482.40. The dividend was paid on October 8, 2008.

SEGMENT INFORMATION

Efore Group uses business segments for its primary segment reporting, and geographical segments for its secondary segment reporting. Efore's primary segment comprises the entire Group, therefore the figures reported in the primary segment are the same as those for the whole Group.

SHORT-TERM RISKS AND FACTORS OF UNCERTAINTY

Rapid changes in demand are typical in Efore's field of operation, and even short-term predictions about the future development of the business are challenging to make. By developing operational processes Efore is improving its internal flexibility and ability to react in order to be able to adapt its operations to meet changing demand at short notice, if necessary.

Towards the end of the fiscal year the uncertainty on the market development has been increased due to the financial crises. According to the Company's view there were no material changes in the risks and uncertainty factors.

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 operational units. Efore Group and its operational units assess the risks of their own operations, prepare risk management plans, and report risks in accordance with the organizational structure.

Efore's operational units have long-established training and development programs for reducing occupational accidents and improving overall safety levels. Environmental management systems based on the ISO 14001:2004 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.

REPORT OF THE BOARD OF DIRECTORS

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 principles and aims of the Group's management of financing risks is determined in the financing risk policy, which, if necessary is updated and confirmed by the Board of Directors. The management of financing risks aims at avoiding risks and cost-effective arrangements for protecting the Group from factors that may affect its performance and cash flow.

Financing risks are managed through exchange-rate and interest-rate hedging using only financial instruments with a market value and risk profile that can be reliably monitored. Management of financing risks have been specified in note 25 of Consolidated financial statement.

OUTLOOK

According to the information the overall telecommunications market will remain at present level or fall to some extent. There are however growing geographical markets in the field such as Asia, the Middle East and Africa. The international financial crisis and the weakening world economy are expected to continue and will weaken the demand during the whole fiscal year.

The company continues to focus on new technologies as well as the development of demanding and innovative power supply solutions. Developing energy saving solutions that will take up less space and use renewable energy sources will be a focal point for product development.

Projects to develop operations together with long term programs in order to improve productivity and reduce cost structure, lower inventories and make the production and product development processes more efficient will continue. The purpose of these projects is to maintain continuous improvement in the competitiveness of the company on the global market.

With ongoing development projects result for the fiscal year 2009 is expected to show an improvement compared to the previous fiscal year.

EVENTS FOLLOWING THE CLOSE OF THE FISCAL YEAR

Ilkka Starck, M.Sc (Eng), has been appointed as Executive Vice President, Sales and Marketing and as a member of the Efore Executive Management Team as of January 1, 2009.

The Board of Directors of Efore has decided on December 11, 2008 to acquire a maximum of 700,000 of the company's own shares in accordance with the authorization given to it at the Annual General Meeting on 31 January 2008.

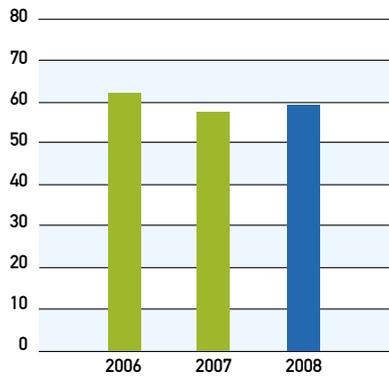
BOARD OF DIRECTORS' PROPOSAL FOR DIVIDEND

According to the financial statements ending October 31, 2008, the parent company has distributable equity of EUR 12,980,848.46. The Board of Directors proposes that dividend of 0.04 eur/share will be distributed.

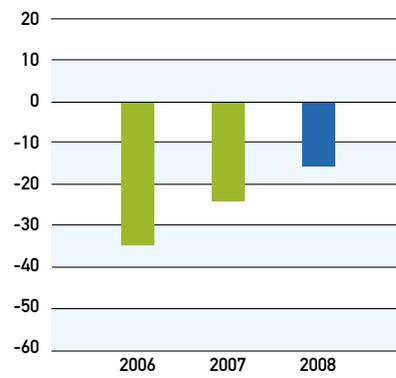
REPORT OF THE BOARD OF DIRECTORS

GRAPHS

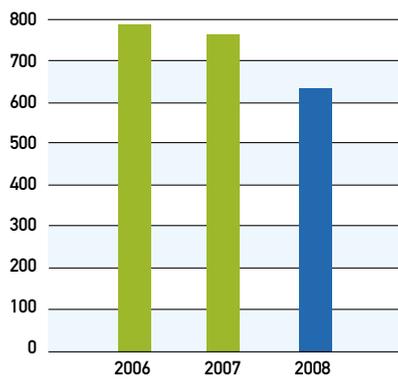
SOLVENCY RATIO %



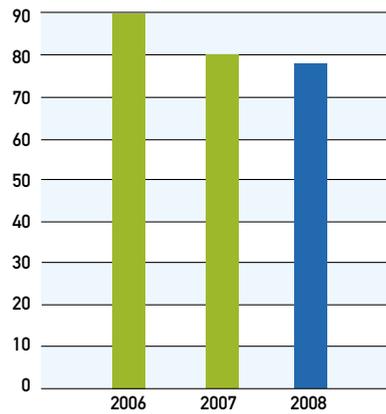
GEARING %



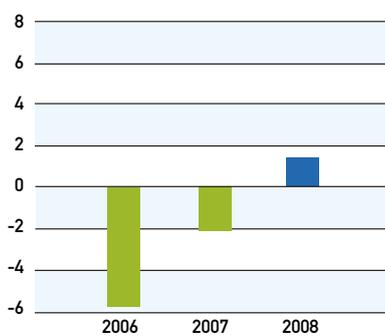
PERSONNEL, AVERAGE



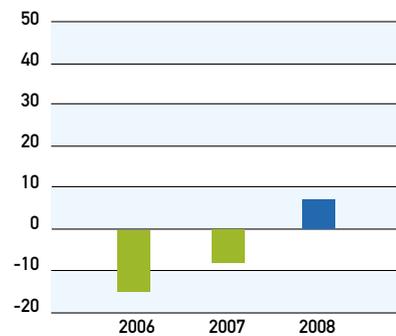
NET SALES EUR MILLION



OPERATING PROFIT EUR MILLION



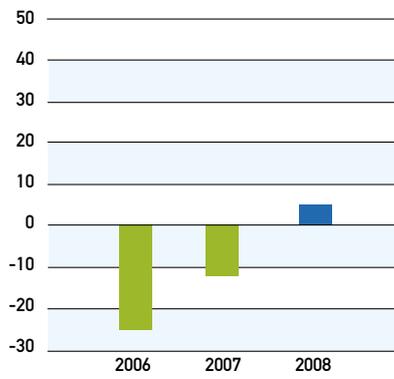
RETURN ON INVESTMENT (ROI) %



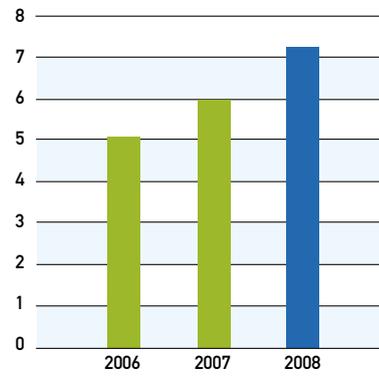
REPORT OF THE BOARD OF DIRECTORS

GRAPHS

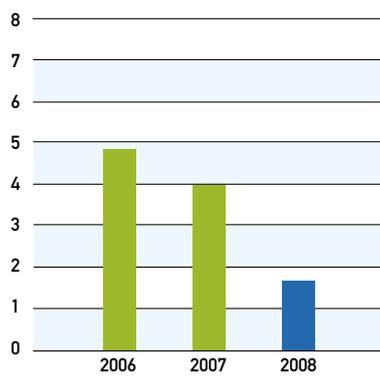
RETURN ON EQUITY (ROE) %



PRODUCT DEVELOPMENT COSTS EUR MILLION



GROSS INVESTMENTS EUR MILLION



CONSOLIDATED INCOME STATEMENT, IFRS
EUR 1,000

	Note	Nov. 1, 2007- Oct. 31, 2008	Nov. 1, 2006- Oct. 31, 2007
NET SALES	1	78,347	80,187
Change in inventories of finished goods and work in progress		-630	-234
Other operating income	2	765	1,726
Materials and services	3	-51,012	-53,728
Employee benefits expenses	4	-14,230	-16,098
Depreciation and amortisation	5	-4,143	-3,703
Impairment	5	-41	-2,230
Other operating expenses	3,6	-7,638	-7,993
OPERATING PROFIT (-LOSS)		1,421	-2,074
Financing income	8	2,146	1,057
Financing expenses	9	-2,090	-1,979
Share of profit of associate	10	241	135
PROFIT (-LOSS) BEFORE TAX		1,718	-2,861
Income tax expense	11	-486	-524
PROFIT (-LOSS) FOR THE PERIOD		1,232	-3,385
NET PROFIT/LOSS ATTRIBUTABLE			
To equity holders of the parent		1,232	-3,385
Earnings per share calculated on profit attributable to equity holders of the parent:			
Earnings per share, basic EUR	12	0.03	-0.08
Earnings per share, diluted EUR	12	0.03	-0.08

All figures are rounded and consequently the sum of individual figures can deviate from the presented sum figure.

CONSOLIDATED BALANCE SHEET, IFRS
EUR 1,000

	Note	Oct. 31, 2008	Oct. 31, 2007
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13	1,616	2,555
Tangible assets	14	7,747	8,393
Investments in associates	15	625	384
Other non-current investments		3	3
Deferred tax assets	16	0	93
NON-CURRENT ASSETS		9,991	11,428
CURRENT ASSETS			
Inventories	17	10,895	12,571
Trade receivables and other receivables	18	15,694	14,839
Current tax asset	18	6	111
Cash and cash equivalents	19	5,149	7,733
CURRENT ASSETS		31,744	35,254
ASSETS		41,735	46,681
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	34,450	34,450
Other reserves	20	982	1,395
Translation differences	20	506	-62
Retained earnings		-10,939	-8 772
Equity attributable to equity holders of the parent		24,999	27,011
EQUITY		24,999	27,011
NON-CURRENT LIABILITIES			
Deferred tax liability	16	2	27
Interest-bearing liabilities	21,22	231	249
NON-CURRENT LIABILITIES		233	276
CURRENT LIABILITIES			
Interest-bearing liabilities	21,22	912	834
Trade payables and other liabilities	23	14,410	17,345
Current tax liability		76	0
Provisions	24	1,105	1,216
CURRENT LIABILITIES		16,503	19,395
LIABILITIES		16,736	19,671
TOTAL EQUITY AND LIABILITIES		41,735	46,681

CONSOLIDATED CASH FLOW STATEMENT, IFRS
EUR 1,000

	Note	01.11.2007- 31.10.2008	01.11.2006- 31.10.2007
Cash flows from operating activities			
Cash receipts from customers		76,071	76,244
Cash paid to suppliers and employees		-72,693	-75,519
Cash generated from operations		3,378	725
Interest paid		-95	-415
Dividends received		0	42
Interest received		52	31
Other financing items		-397	15
Income taxes paid		-239	-518
Net cash from operating activities (A)		2,699	-119
Cash flows from investing activities			
Purchase of tangible and intangible assets		-1,707	-3,916
Proceeds from sale of tangible and intangible assets		81	233
Disposal of subsidiary shares		14	0
Proceeds from sale of other non-current investments		0	24
Net cash used in investing activities (B)		-1,613	-3,659
Cash flows from financing activities			
Payment of finance lease liabilities		-144	-135
Dividend payment		-3,846	0
Net cash used in financing activities (C)		-3,990	-135
Net increase/decrease in cash and cash equivalents (A+B+C)		-2,904	-3,912
Cash and cash equivalents at beginning of period on Nov.1		7,733	11,626
Net increase/decrease in cash and cash equivalents		-2,904	-3,912
Effects of exchange rate fluctuations on cash held		320	19
Cash and cash equivalents at end of period on Oct. 31	19	5,149	7,733

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS
EUR 1,000

	Equity attributable to equity of the parent					
	Share-capital	Share premium account	Other reserves	Translation differences	Retained earnings	Total
EQUITY	34,450	0	1,395	-62	-8,772	27,011
Nov. 1, 2007						
Changes in translation difference	0	0	0	568	5	572
Total income and expense recognized directly in equity	0	0	0	568	5	572
Profit for the period	0	0	0	0	1,232	1,232
Total recognized income and expense for the period	0	0	0	568	1,236	1,804
Dividend distribution					-4,053	-4,053
The costs of options rights	0	0	0	0	237	237
Transfer from other reserves to retained earnings	0	0	-413	0	413	0
EQUITY	34,450	0	982	502	-10,939	24,999
Oct. 31, 2008						
	Share capital	Share premium account	Other reserves	Translation differences	Retained earnings	Total
EQUITY	34,450	1	1,280	201	-5,725	30,208
Nov. 1, 2006						
Changes in translation difference	0	0	-54	-264	278	-39
Total income and expense recognized directly in equity	0	0	-54	-264	278	-39
Loss for the period	0	0	0	0	-3,385	-3,385
Total recognized income and expense for the period	0	0	-54	-264	-3,107	-3,424
The costs of options rights	0	0	227	0	0	227
Transfer from retained earnings to other reserves	0	0	109	0	-109	0
Other changes	0	-1	-167	0	168	0
EQUITY	34,450	0	1,395	-62	-8,772	27,011
Oct. 31, 2007						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

BASIC INFORMATION

Efore Electronics Group is an international company providing services for the telecommunication, industrial automation and healthcare industries. Its operations comprise of custom-designed power supply solutions, power systems, manufacturing of demanding electronics, and related service and maintenance.

Efore has its headquarters in Espoo, Finland. The Group has product development and marketing units in Finland, China, the USA and Sweden. Group's production facilities are located in China, Estonia and the USA. Group's parent company is Efore Plc which has its registered office in Espoo, Finland (registered address Linnoitustie 4 A, 02600 Espoo, Finland). The parent company Efore Plc's shares have been quoted at the NASDAQ OMX Helsinki Stock Exchange since 1989. Copies of Efore's consolidated financial statements are available online at www.efore.fi or from the parent company headquarters at the above address.

The consolidated financial statements were authorized for issue by the Board of Directors of Efore Plc on December 11, 2008. The Finnish Companies Act permits the shareholders of a possibility to approve or reject the financial statements in the General Meeting that is held after publishing the financial statements. As well, the General Meeting has a possibility to amend the financial statements.

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Basis for preparation

The consolidated financial statements for the period November 1, 2007 – October 31, 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on October 31, 2008. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRSs refer to the standards and to their interpretations adopted in accordance with the procedures laid down in the EU regulation (EC) No 1606/2002. Notes to the consolidated financial statements are also in accordance with the Finnish accounting and company legislation.

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and share-based payments measured at fair value at the grant date (granted option rights). Unless otherwise stated, all the figures in these financial statements are presented in thousands of euros.

Subsidiaries

Efore's consolidated financial statements comprise the financial statements of the parent company Efore Plc and its subsidiaries. Subsidiaries are companies in which Efore Plc holds, directly or indirectly, more than 50% of the voting rights or in which it has otherwise the power to govern the financial and operating policies (control).

Mutual shareholdings have been eliminated using the purchase method. Subsidiaries are consolidated from the date when the Group's control commences and consolidation is terminated on the date on which the Group's control ceases.

All intra-group transactions, receivables, liabilities, unrealized gains and distribution of profits within the Group are eliminated in the consolidation. Unrealized losses are not eliminated if the loss is a result of impairment. The distribution of profits for the financial period to the equity holders of the parent company is presented on the face of the income statement.

BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

Associated companies

Associated companies, in which the Group holds usually between 20 and 50% of the voting rights and in which it has significant influence but not control, have been consolidated using the equity method. If the Group's share of the associated company's losses exceeds its holding in the company, the investment is entered into the balance sheet as zero and no consideration is given to losses in excess of that amount unless the Group has other obligations relating to the asso-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

ciated companies. Unrealized profits between Efore and its associates are eliminated in proportion to share ownership. The Group's proportionate share of associates' net income for the financial period is presented as a separate line item below operating profit.

Translation of foreign currency items

Figures for the performance and financial position of the Group units are measured in a currency of each unit's primary operating environment (functional currency). The consolidated financial statements are presented in euros, which is the Group's parent company's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into functional currency using the exchange rates at the date of the transaction. In practice, often are used exchange rate that approximately corresponds with the rate at the date of transaction. Monetary foreign currency balances at the balance sheet date have been translated into functional currency using the exchange rates prevailing at the balance sheet date. Non-monetary foreign currency items measured at fair value have been translated into functional currency using the exchange rates ruling at the dates the fair value was determined. Other non-monetary items have been translated using the exchange rate at the transaction date. Gains and losses arising from foreign currency transactions and translation of monetary balances have been recognized in the profit or loss. Exchange rate differences arising from the translation of trade receivables denominated in foreign currencies are recognized as an adjustment to net sales, while exchange rate differences resulting from the translation of trade payables denominated in foreign currencies are entered as an adjustment to purchase costs. Other exchange gains and losses are presented under financial income and costs. Exchange rate differences on derivatives designated as hedges of foreign net position are recognized under financial items.

Translation of the financial statements of the foreign group companies

The income statements of foreign group companies have been translated into euro by using the averages of the average rates of the European Central Bank for the calendar months in the financial period, while their balance sheets have been translated at the closing rates at the balance sheet date. Using different exchange rates for translating the income for the financial period in the income statement and in the balance sheet results in a translation difference, which is recognized in equity. Translation differences arising from elimination of the acquisition cost of foreign subsidiaries and the translation of equity balances accumulated after the date of acquisition are recognized in equity. When a subsidiary is disposed of all or partly, the cumulative translation differences are recognized in the profit or loss as part of the gain or loss on the sale. Translation differences arisen prior to November 1, 2004, the date of Group's transition into IFRSs, have been recognized as retained earnings as permitted under IFRS 1 exemption. Such translation differences will not be recognized in the profit or loss at a disposal of a subsidiary. Translation differences arisen since the transition date in connection with preparation of the consolidated financial statements are presented under equity as a separate item.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted as separate items of property, plant and equipment. In such cases, the cost of replacing part of such item is capitalized and the carrying amount of those parts that are replaced is expensed. Otherwise, subsequent costs are recognised in the carrying amount of the property, plant and equipment only if it is probable that the future economic benefits associated with the item will flow to the Group and the acquisition cost of the item can be determined reliably. Other maintenance, repair and renewal costs are expensed as incurred.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

Machinery and equipment	3-10 years
Other tangible assets	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

The residual values and useful lives are reviewed at each balance sheet date and where they differ from previous estimates, depreciation periods are changed accordingly.

Gains and losses on decommissioning and disposal of property, plant and equipment are included in other operating income and expenses, respectively.

Depreciation is terminated when property, plant and equipment is classified as a non-current asset held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Government grants

Recognition method of grants received from the Government or other sources of public sector depends on the nature of the grant. Such grants that compensate the Group for expenses incurred are recognised as revenue in the same period in which the expenses are incurred. These grants are presented as other operating income. Grants that compensate the Group for the acquisition of property, plant and equipment are recognised by deducting the grant from the acquisition cost of the asset. These grants will translate into income in the form of lower depreciation and amortisation expenses during the item's useful life. Government grants are recognised when there is reasonable assurance that the grants will be received and the Group will comply with the conditions attaching to them.

INTANGIBLE ASSETS

Goodwill

Goodwill arisen from the business combinations represents the excess of the cost over the identifiable assets, liabilities and contingent liabilities measured at fair value. Goodwill is not amortised but it is tested annually for any impairment. The Efore Group has not had any goodwill during the periods presented in the financial statements.

Research and development expenditure

Research expenditure is recognized as an expense in the profit or loss. Development expenditure arising from designing of new or more advanced products are capitalized in the balance sheet as intangible assets from the moment the product is technically feasible, it can be applied commercially and it is expected to generate future economic benefits. Capitalized development costs comprise the material, labour and testing expenditure that are directly attributable to the process of completing the product for its intended use.

An asset is amortised from the date it is available for use. An asset that is not yet available for use is tested annually for impairment. Capitalized development costs are measured subsequently at cost less accumulated amortisation and impairment. Capitalized development costs are amortised on a straight-line basis over their useful life that is 3-5 years.

Other intangible assets

An intangible asset is initially capitalized in the balance sheet at cost if the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Intangible assets that have finite useful life are amortised on a straight-line basis over their known or estimated useful life. Intangible assets which have indefinite useful life are not amortised but they are tested annually for impairment. The Group had not any assets with indefinite useful life during the periods 2006/2007 and 2007/2008.

Amortisation periods for the other intangible assets are as follows:

- Licenses 5 years
- IT software 5 years

Non-current assets classified as held for sale

Non-current assets (or disposal group) and assets and liabilities relating to discontinued operations are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for classifying as asset as held for sale is considered to be met when its sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject to only terms that are usual and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

customary, when the management is committed to sell the asset and the sale is expected to be completed within one year from the date of classification. Since classification date the assets held for sale (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation on these assets is terminated at the date of classification. Those assets and liabilities belonging to a disposal group that are not in the scope of measurement guidance of IFRS 5 are measured also after classification date in accordance with each IFRS standard applicable to these items.

Assets classified as held for sale, disposal groups, items recognised directly into equity and relating to assets held for sale as well as liabilities including into a disposal group are presented separately from the other items in the balance sheet.

Inventories

Inventories are measured at cost or at a probable net realizable value, whichever is lower. The cost of raw materials is determined using a weighted average cost method. The cost for finished goods and work in progress consists of raw materials, direct labour, other direct expenditure and an appropriate part of the variable and fixed production overheads based on the normal operating capacity. The net realizable value is the estimated sales price in the ordinary course of business less the estimated expenditure of completion and selling the product. Obsolete and slow-moving inventories have been subjected to impairment in accordance with the Group's measurement policies.

LEASES

Group as lessee

Leases of tangible and intangible assets, in which substantially all the risks and rewards incidental to the ownership have been transferred to the Group, are classified as finance leases. An asset acquired by way of finance lease is capitalized in the balance sheet at the fair value of the leased asset at the inception of the lease term, or at the present value of the minimum lease payments, whichever is lower. An item acquired by way of finance lease is depreciated over the shorter of the item's useful life and the lease period. Lease payments are divided into finance costs and decreases of the liability during the lease period so, that the interest on the remaining liability is equal each financial period. Lease obligations are included in the interest-bearing liabilities.

Leases in which the lessor retains the risks and rewards incidental to the ownership are treated as operating leases. Lease payments made under operating leases are recognized in the profit and loss on a straight-line basis during the lease period.

IMPAIRMENTS

Tangible and intangible assets

The carrying values of assets are reviewed on each balance sheet date to identify any impairment. If any indications of impairment exist, the asset's recoverable amount is estimated. Estimates will also be made on the recoverable amount for the following assets at least annually irrespective of whether there are any indications of impairment: intangible assets with indefinite useful life and capitalized unfinished development costs. The need for impairment is considered at the cash-generating unit level, which is the lowest unit level for which there are separately identifiable, mainly independent, cash inflows and outflows.

The recoverable amount is the higher of asset's fair value less costs to sell or its value in use. The value in use represents the discounted future net cash flows expected to be derived from an asset or a cash generating unit. The discount rate is a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is entered immediately in profit or loss. At recognition of the impairment loss the useful life of a depreciable asset is reviewed. An impairment loss recognized in connection with other assets than goodwill is reversed if there has been

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

a change in the estimates used for determining the recoverable amount of an asset. The impairment loss to be reversed may, however, not exceed the carrying value the asset would have without recognition of an impairment loss.

EMPLOYEE BENEFITS

Pension obligations

The Group has entered into various pension plans in different countries in accordance with local conditions and practices. The Group's pension plans are classified as defined contribution plans. Under defined contribution plans the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the payee of the contributions does not have sufficient assets to pay pension benefits in question. Payments made into defined contribution pension plans are expensed in the period to which they apply.

Share-based payments

Efore has applied IFRS 2 Share-based payments for all such option arrangements in which the options have been granted after November 7, 2002 and that had not yet vested until January 1, 2005. The options granted before this have not been expensed in profit or loss.

Schemes paid as equity instruments are measured at fair value on the grant date and expensed on a straight-line basis during the vesting period. Corresponding amounts are recognized directly as an increase of Other reserves in equity. The scheme's effect on profit or loss is presented in employee benefit expenses. An expense determined on the grant date is based on a Group's estimate on the number of options that are assumed to be vested at the end of the vesting period. The fair value is determined using the Black-Scholes option pricing model. The Group updates the assumption on the final number of options at each balance sheet date. Changes in assumptions are recognized in the profit or loss. The assumptions and estimates made in connection with determination of the fair value relate to expected dividend yield, volatility and maturity of options, among others. Due to these variables the estimation of option's fair value is challenging. Non-vesting conditions as profitability and certain goal for growth rate of income are not taken into account when estimating the fair value of an option, but they have an effect on the estimates of the final number of options. When option rights are exercised, the nominal value of the subscription-based payments, adjusted by possible transaction costs, is recognized in equity. Payments received for subscriptions of shares, based on options granted prior to the new Companies Act in force since September 1, 2006, have been recognized in accordance with the terms of the scheme into share capital and share premium account.

Financial assets and liabilities

The Group's financial assets are classified into the following classes: financial assets at fair value through profit or loss and loans and other receivables. Financial assets are classified when initially acquired on the basis of its intended use. All acquisitions and sales of financial assets are recognized at the date of transaction. In the case of financial assets not measured at fair value through profit or loss, the transaction costs are included into the acquisition cost. The Group derecognizes financial assets when it has lost its right to receive the cash flows or when it has transferred substantially all the risks and rewards to an external party.

Loans and other receivables

Other receivables are assets not included in the derivatives. The payments relating to them are either fixed or variable and they are not quoted on active markets and the Group does not hold them for trading. Loans and other receivables are measured at amortised cost. They are included in current or non-current financial assets depending on their maturity. At each balance sheet day the Group assesses if there is objective evidence of impairment regarding an individual receivable or a group of receivables. The amount of any impairment is assessed primarily on the basis of the risk involved in each item. An impairment loss is recognized as expense in the profit or loss.

Trade receivables are measured in the balance sheet at their original invoicing value with any credit losses deducted. The assessment of the amount of doubtful debts and any need for impairment is based on the risk involved in each item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Trade receivables are never measured at higher than their probable value. An impairment loss on trade receivables is recognized if there is objective evidence that the Group will not recover all its receivables on original terms. Credit losses recognized as an expense are included in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, call deposits and other highly liquid current investments with original maturities of three months or less from the date of acquisition. Bank overdrafts relating in Group accounts are included within current liabilities.

Derivative financial instruments

Derivative financial instruments are measured both initially and subsequently at fair value. The Group uses derivatives to hedge against exchange risks. The Group does not, however, apply hedge accounting as specified in IAS 39. Due to this all gains and losses, both realised and unrealised, arising from the fair value changes of derivatives are recognised in profit or loss as incurred regardless of the fact that the hedged item has not an effect on income until in the future period. Changes in value are included under financial items in the income statement. In the balance sheet these derivatives designated to hedge against exchange risk are presented in current receivables or liabilities.

Financial liabilities

Efore's financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. Into the first-mentioned category are classified the Group's derivative financial liabilities and into the latter the loans from financial institutions. Initially the financial liabilities are measured at fair value. Transaction costs are included in the original book value of financial liabilities measured at amortised cost. Financial liabilities are included in both non-current and current liabilities and they can be interest-bearing or non-interest-bearing. Financial liabilities are classified as current if the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Both realized and unrealised exchange gains and losses are recognized in the profit or loss under financial income and expenses as incurred. Borrowing costs are expensed as incurred.

Provisions

A provision is recognized in the balance sheet when the Group has, as a result of a past event, a present legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions may relate to restructuring operations, onerous contracts, legal cases and warranty costs, among others. A reimbursement from a third party relating to a part of the provision is recognised as a separate asset only when the reimbursement is virtually certain.

A warranty provision is recognized when the underlying product is sold. The amount of the provision is based on historical warranty data. Warranty provisions are expected to be used within two years. A provision for restructuring is recognized when the Group has drawn up a detailed restructuring plan and has begun to implement the plan or has provided a notification of it. A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligation under the contract exceed the expected benefits to be derived by the Group from a contract.

Income taxes

Accrual-based taxes that are based on the taxable income calculated in accordance with the local tax legislation and present tax rate in force for each company, tax adjustments for prior years and changes in deferred taxes are recognized as income taxes in the consolidated income statement. Deferred tax relating to items charged or credited directly to equity is recognised as equity, respectively.

Deferred tax liabilities and assets are recognized for the temporary differences between the carrying amounts and tax bases of assets and liabilities of the Group companies and on the differences arising from Group eliminations. The tax rate used for determining the deferred tax liabilities and assets is the enacted tax rate at the balance sheet date for the following year in the country in question.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

The most significant deferred tax assets and liabilities are the depreciation of property, plant and equipment relating to the Group eliminations and the temporary differences relating to amortisation of a loss on the winding up of a Group company. No deferred taxes are recognized for subsidiaries' undistributed profits to the extent that the taxes will not reverse in the foreseeable future.

Deferred tax liabilities are recognized at the full amount. Deferred tax assets are recognised only to the extent that it is probable that taxable income will be generated in the future, against which the temporary difference can be utilised.

Revenue recognition principles

Income from product sales is recognized when the significant risks and rewards of ownership have been transferred to the buyer and the Group is no longer in possession of the products or has not any real control over them. Principally the income is recognised upon delivery in accordance with the terms of delivery of the products. Income from services is recognized in the financial period the services have been rendered to the customer. As net sales is presented income from sales deducted by the discounts granted, indirect taxes and exchange rate differences of sales denominated in foreign currencies.

Accounting policies requiring management's judgments and key sources of estimation uncertainty

Preparation of financial statements requires management to make estimates and assumptions concerning the future. Actual results may differ from these estimates and assumptions. Moreover, the management is required to make judgments in the process of applying the accounting policies of the financial statements. The assumptions and estimates are based on the management's best knowledge at the balance sheet date. Possible changes in assumptions and estimates are recognized in the bookkeeping in the financial period during which an estimate or assumption is changed, and in all subsequent financial periods.

Management estimates concerning credit losses, deferred tax assets, impairment on inventories and warranty provisions are based on approved calculation models and case-by-case judgment. The calculation models have been prepared on the basis of the Group's historical data and the current management view of the market situation. Case-by-case judgment has been based on the best information available at the balance sheet date.

The most significant assumption concerns management's view of future cash flows and it relates to impairment tests for tangible and intangible assets. More information about impairment testing is presented in the note 13 of the consolidated financial statements.

New standards and interpretations

In the financial period November 1, 2007 – October 31, 2008 the Group has adopted the following new or revised standards and interpretations published by IASB:

- IFRS 7 Financial Instruments: Disclosures -standard. IFRS 7 requires disclosures about the significance of financial instruments for the entity's financial position and performance as well as the nature and size of the risks arising from financial instruments. The new standard has extended the disclosures in the consolidated financial statements. The new disclosures relates mainly to sensitivity analyses.
- Amendment of IAS 1 Presentation of Financial Statements – Capital Disclosures -standard. The amended standard requires disclosures about the level and management of the entity's capital during the financial period. The revised standard has extended the disclosures in the consolidated financial statements.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions -interpretation. The interpretation provides guidance on accounting treatment of equity-settled payment transactions in separate financial statements. The interpretation has not had effect on the consolidated financial statements of Efore.
- Amendments of IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments. Disclosures – standards – Reclassification of Financial Assets (effective on July 1, 2008). The amendments published in October, 2008 due to the international financial crisis permit a possibility to re-classify certain financial assets. The amendments have no effect on Efore's consolidated financial statements for the financial period 2007/2008 or on future periods. The amendments have been endorsed to be adopted in EU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

In addition, IASB has published the following new or revised standards and interpretations not yet effective and has not yet adopted by the Group. Efore will adopt them at the effective date of each standard and interpretation or, if the effective date is other than the first day of the financial period, on the beginning of the next financial period as from effective date.

In the financial period November 1, 2008 – October 31, 2009:

- IFRIC 12 Service Concession Arrangements (effective on financial periods beginning on or after January 1, 2008). The interpretation has no effect on the forthcoming consolidated financial statements due to Efore is not involved with the public sector in contracts that are in the scope of the interpretation. The interpretation has not yet been endorsed to be adopted in EU.
- IFRIC 13 Customer Loyalty Programmes (effective on financial periods beginning on or after July 1, 2008). The interpretation does not have an effect on the forthcoming consolidated financial statements as Efore does not enter into customer loyalty programmes in the scope of the interpretation. The interpretation has not yet been endorsed to be adopted in EU.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (effective on financial periods beginning on or after January 1, 2008). IFRIC 14 is applied in post-employment defined benefit plans in accordance with IAS 19 and in other long-term employee defined benefit plans when the plan has minimum funding requirements. In addition, the interpretation clarifies the recognition principles of assets relating to these plans. The interpretation is estimated to have no significant effect on the forthcoming consolidated financial statements. IFRIC 14 has not yet been endorsed to be adopted in EU.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective on financial periods beginning on or after October 1, 2008). The interpretation provides guidance on accounting treatment of hedges of foreign net investments. Efore assesses the interpretation has no significant effect on the forthcoming consolidated financial statements. IFRIC 16 has not yet been endorsed to be adopted in EU.

In the financial period November 1, 2009 – October 31, 2010:

- IFRS 8 Operating Segments (effective on financial periods beginning on or after January 1, 2009). IFRS 8 replaces the IAS 14 Segment Reporting -standard. In accordance with the new standard segment reporting is based on internal management reporting and accounting policies applied in it. IFRS 8 requires reporting of information about factors used in identifying the operating segments and accounting policies applied in segment reporting. In addition, the standard requires presenting information about the Group's products, services, geographical areas and the most significant customers as well as the reconciliation of segment reporting with certain income statement and balance sheet items. Efore is in the process of assessing the effects of the new standard. IFRS 8 has been endorsed to be applied in EU.
- Revised IAS 23 Borrowing Costs -standard (effective on financial periods beginning on or after January 1, 2009). The revised IAS 23 requires capitalizing borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. a production plant, as part of the cost of that asset. As permitted in former IAS 23, Efore has expensed such borrowing costs as incurred. The Group assesses the revised standard has no significant effect on the forthcoming consolidated financial statements. The revised standard has not yet been endorsed to be adopted in EU.
- Revised IAS 1 Presentation of Financial Statements (effective on financial periods beginning on or after January 1, 2009). The revised standard mainly has effects on presentation of financial statement calculations (income statement and statement of changes in equity). The revised standard has not yet been endorsed to be adopted in EU.
- Revised IFRS 3 Business Combinations (effective on financial periods beginning on or after July 1, 2009). The standard has been amended significantly and among other things, the amendments expand the scope of IFRS 3 and affect on the amount of goodwill to be recognised in the acquisitions and income from disposals. In future a contingent consideration will be measured at fair value and the post-combination changes in the fair value are recognised in the profit or loss. Also transaction costs, as experts' fees, are not capitalized but recognised in profit or loss. The revised standard has not yet been endorsed to be adopted in EU.
- IAS 27 Consolidated and Separate Financial Statements (effective on financial periods beginning on or after July 1, 2009). The amendments have an effect on accounting treatment of successive business acquisitions and successive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

disposals of businesses. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are recognised directly into Group's equity and no goodwill or income to be recognised to profit or loss arise. If a parent loses control of a subsidiary, the remaining investment is measured at fair value through profit or loss. Investments in associates and joint ventures are accounted correspondingly. The amended standard has not yet been endorsed to be adopted in EU.

- Amendments to IFRS 2 Share-based Payments – Vesting Conditions and Cancellations (effective on financial periods beginning on or after January 1, 2009). The amendments require taking into account all the non-vesting conditions when estimating the fair value of the equity instruments. Also the regulation of accounting treatment of cancellations of the share-based benefit plans has been specified. Efore assesses the amendments have no significant effect on the forthcoming consolidated financial statements. The amended standard has not yet been endorsed to be adopted in EU.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 32 Financial Instruments: Presentation – Puttable Financial Instruments and Obligation Arising on Liquidation (effective on financial periods beginning on or after July 1, 2009). The amendments relate to certain equity puttable instruments and their classification as equity in certain conditions. The amendments have no effect on the forthcoming consolidated financial statements due to Efore has not issued financial instruments in question. The amended standards have not yet been endorsed to be adopted in EU.

- Improvements to IFRSs (Annual Improvements 2007) (effective mainly on financial periods beginning on or after January 1, 2009). Small and not urgent amendments made into IFRSs under this procedure are aggregated and applied once a year. The amendments cover total 34 standards. Efore assesses the amendments have no significant effects on the forthcoming consolidated financial statements. The amendments have not yet been endorsed to be adopted in EU.

- Amendments to standards IFRS 1 First-Time Adoption of International Financial Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective on financial periods beginning on or after January 1, 2009). These amendments have no effects on the forthcoming consolidated financial statements due to they apply only to first-time adopters of IFRSs.

- IFRIC 15 Agreements for the Construction of Real Estate (effective on financial periods beginning on or after January 1, 2009). The interpretation includes regulation to the question, which standard is applied when recognising an income arising from construction of real estates (IAS 18 Revenue or IAS 11 Construction Contracts – standards), and when the income and expenses relating to construction project of a real estate are recognised. The interpretation has no effect on the forthcoming consolidated financial statements. IFRIC 15 has not yet been endorsed to be adopted in EU.

- Amendment of IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective on financial periods beginning on or after July 1, 2009). The amendment applies to hedge accounting in a situation of an unilateral risk in the hedged item and when hedging against inflation. Efore assesses that the amendment has no effect on the forthcoming consolidated financial statements. The amendment has not yet been endorsed to be adopted in EU.

- IFRIC 17 Distributions of Non-cash Assets to Owners (effective on financial periods beginning on or after July 1, 2009). The interpretation includes guidance on how a dividend distributable as other than cash to the owners should be treated in the entity's accounting. The interpretation has no effect on the forthcoming consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1. Segment information (EUR 1,000)

Efore Group reports primarily by business segment and secondarily according to geographical segment.

The primary segment refers to the whole Group i.e. the figures in the primary segment are consistent with the consolidated figures.

The secondary, geographical, segment is divided into three groups:

The Americas (North, Central and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia, and the Pacific Region). The geographical segments are based on net sales according to the customers' location i.e. the market areas. Assets and investments are according to the location of the items in question. Non-allocated assets contain cash and cash equivalents, interest receivables and current tax assets.

Geographical segments 2008	Americas	EMEA	APAC	Non-allocated	Group
Net sales	6,978	49,266	22,104	0	78,347
Segment's assets	1,365	19,527	15,664	5,179	41,735
Investments	0	1,276	670	0	1,946
Geographical segments 2007	Americas	EMEA	APAC	Non-allocated	Group
Net sales	7,409	55,559	17,219	0	80,187
Segment's assets	3,764	18,506	16,300	8,112	46,681
Investments	16	1,908	2,039	0	3,963

2. Other operating income (EUR 1,000)

	2008	2007
Rental income	20	0
Product development grants	110	186
Gain on disposal of non-current assets, tangibles	150	56
Sale of a call option on the lease	0	1,300
Other income	485	184
Total	765	1,726

3. Materials and services (EUR 1,000)

	2008	2007
Materials	46,318	51,096
Change in inventories	2,212	1,479
Services	2,482	1,152
Total	51,012	53,728

Development services are recognized to Professional fees of Other operating expenses since fiscal year 2008. Former year development services were recognized to Materials and services. Comparative amount has been adjusted to conform with the current principles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

4. Employee benefits expenses (EUR 1,000)	2008	2007
Wages and salaries	11,885	13,164
Pension expenses, defined contribution plans	1,135	1,116
Share-based payments	237	227
Other social security expenses	973	1,592
Total	14,230	16,098

Information about management remuneration, other employment benefits and shareholdings are shown in Note 30. Related party transactions.

	2008	2007
Average personnel		
Average number of personnel during fiscal year	637	766
Personnel on balance sheet date	600	706

5. Depreciation, amortization and impairments (EUR 1,000)	2008	2007
Depreciation and amortization by asset class		
Development costs	1,335	1,004
Intangible rights	122	93
Intangible assets, finance lease	66	42
Other intangible assets	77	60
Machinery and equipment	2,045	1,933
Machinery and equipment, finance lease	94	106
Other tangible assets	405	465
Total	4,143	3,703
Impairments on development costs	0	2,156
Impairments on machinery and equipment	41	74
Total	41	2,230

6. Other operating expenses (EUR 1,000)	2008	2007
Loss on sale and scrapping of tangible assets	121	-127
Rental costs	1,941	1,953
Voluntary employee benefits	880	696
Professional fees	1,854	2,352
Other fixed expenses	2,842	3,119
Total	7,638	7,993

7. Non-recurring items (EUR 1,000)	2008	2007
Impairments	0	1,569
Sale of a call option on the lease	0	-1,300
Total	0	269

The 2007 impairment loss was made on capitalized product development costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

8. Financing income (EUR 1,000)	2008	2007
Dividends	0	42
Financial assets at fair value through profit or loss	0	766
Interest income	62	34
Exchange rate gains	2,054	172
Other financing income	31	42
Total	2,146	1,057

9. Financing expenses (EUR 1,000)	2008	2007
Financial assets at fair value through profit or loss	0	136
Interest expenses	94	198
Exchange rate losses	1,757	1,303
Other financial expenses	238	343
Total	2,090	1,979

Exchange differences recognized in the income statement (- loss / + gain)		
Net Sales	271	-326
Purchases and other expenses	-30	190
Financing income and expenses	296	-1,130
Total	537	-1,266

10. Share of profit of associates (EUR 1,000)	2008	2007
Share of profit of associates	241	135

11. Income taxes (EUR 1,000)	2008	2007
Income taxes in income statement		
Tax based on taxable income for fiscal year	-426	-407
Taxes from previous fiscal years	8	0
Deferred taxes	-68	-117
Total	-486	-524

Income taxes recognized in the consolidated income statement differ from income tax according to parent company's tax rate as follows:

Result before taxes	1,718	-2,861
Taxes calculated at parent company's tax rate (26%)	-447	744
Differing tax rates of foreign subsidiaries	869	1,394
Non-deductible expenditure	-267	-151
Tax-exempt income	628	975
Taxes from earlier fiscal periods	8	0
Changes in deferred tax assets recognized in earlier fiscal years	-93	0
Unrecognized tax on losses for fiscal year	-1,096	-3,064
Other items	-89	-423
Tax in consolidated income statement	-486	-524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

12. Earnings per share (EUR 1,000)	2008	2007
Result for fiscal year attributable to owners of parent company	1,232	-3,385
Weighted average number of shares (1,000 pcs)	40,530	40,530
Effect of outstanding options	0	0
Diluted average weighted number	40,530	40,530
Earnings per share, EUR		
Basic	0.03	-0.08
Diluted	0.03	-0.08

Basic

The earnings per share is calculated by dividing the profit or loss attributable to the owners of the parent company by the average number of shares during the fiscal year.

Diluted

The diluted earnings per share has been calculated by adjusting the average number of outstanding shares, assuming that all possible shares from the assumed exercising of the option rights are subscribed. Efore has one option program, which has three series (2005A, 2005B ja 2005C).

The options have a diluting effect when the subscription price of an option is lower than the share's market price. The diluting effect is the number of shares that Efore must issue without charge because the funds obtained from the share subscriptions made with options do not cover the fair value of the shares. The fair value of Efore's shares is determined on the basis of their average market price of the fiscal period.

13. Intangible assets, IFRS (EUR 1,000)

Intangible assets 2008	Development costs*	Intangible rights	Intangible assets finance lease	Other intangible assets	Total
Cost on Nov. 1	6,868	1,021	285	589	8,763
Translation difference (+/-)	0	0	0	5	5
Additions	518	49	96	0	663
Disposals	-3	0	0	0	-3
Reclassifications between classes	0	0	0	-25	-25
Cost on Oct. 31	7,383	1,070	381	568	9,403
Accumulated amortization and impairment on Nov. 1	-5,163	-643	-100	-301	-6,208
Translation difference (+/-)	0	0	0	-5	-5
Accumulative amortization on disposals	0	0	0	25	25
Amortization	-1,335	-122	-66	-77	-1,600
Accumulative amortization and impairment on Oct. 31	-6,498	-765	-166	-358	-7,787
Book value on Oct. 31, 2008	885	305	215	210	1,616

* The carrying amount of unfinished development costs is 518 thousand euros. Development costs are tested for impairment during each quarter. In the test the carrying amount of development costs are compared to its recoverable amount. Recoverable amount is defined as its value of use, which is the present value of the future cash flows expected to be derived from an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Intangible assets 2007	Development costs	Intangible rights	Intangible assets finance lease	Other intangible assets	Total
Cost on Nov. 1	9,347	789	157	590	10,883
Translation difference (+/-)	-8	-2	0	-2	-11
Additions	914	66	129	0	1,109
Disposals	-3,669	-14	0	0	-3,683
Reclassifications between classes	284	181	0	0	466
Cost on Oct. 31	6,868	1,021	285	589	8,763
Accumulative amortization and impairments on Nov. 1	-5,393	-566	-58	-243	-6,260
Translation difference (+/-)	5	2	0	2	8
Accumulated amortization on disposals	3,385	14	0	0	3,399
Amortization	-1,004	-93	-42	-60	-1,199
Impairments	-2,156	0	0	0	-2,156
Accumulative amortization and impairment on Oct. 31	-5,163	-643	-100	-301	-6,208
Book value on Oct.31, 2007	1,704	378	185	287	2,555

14. Tangible assets, IFRS (EUR 1,000)

Tangible assets 2008	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Advance payments and work in progress	Total
Cost on Nov. 1	16,843	505	2,583	35	19,966
Translation difference (+/-)	1,374	0	369	0	1,743
Additions	824	16	113	330	1,284
Disposals	-615	0	-19	0	-634
Reclassifications between items	151	0	69	-219	0
Cost on Oct. 31	18,577	521	3,115	146	22,358
Accumulative depreciation and impairments on Nov. 1	-9,785	-292	-1,496	0	-11,573
Translation difference (+/-)	-809	0	-220	0	-1,029
Accumulated depreciation on disposals	523	0	52	0	575
Depreciation	-2,045	-94	-405	0	-2,543
Impairments	-41	0	0	0	-41
Accumulative depreciation and impairments on Oct. 31	-12,156	-386	-2,069	0	-14,611
Book value on Oct. 31, 2008	6,421	135	1,046	146	7,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Tangible assets 2007	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Advance payments and work in progress	Total
Cost on Nov. 1	17,195	501	2,124	121	19,941
Translation difference (+/-)	-697	0	-125	0	-823
Additions	1,556	16	1,286	192	3,050
Disposals	-1,516	0	-241	-16	-1,773
Reclassifications between classes	305	-13	-459	-262	-429
Cost on Oct. 31	16,843	505	2,583	35	19,966
Accumulative depreciation and impairment on Nov. 1	-9,531	-198	-1,593	0	-11,322
Translation difference (+/-)	449	0	105	0	554
Accumulative depreciation on disposals	1,304	13	457	0	1,774
Depreciation	-1,933	-106	-465	0	-2,504
Impairments	-74	0	0	0	-74
Accumulative depreciation and impairment on Oct. 31	-9,785	-292	-1,496	0	-11,573
Book value on Oct. 31, 2007	7,058	213	1,087	35	8,393

15. Holdings in associates (EUR 1,000)

	2008	2007
At beginning of fiscal year	384	247
Share of profit	241	135
Adjustment to equity at carrying amount	0	1
At end of fiscal year	625	384

The book value of associates does not include goodwill.

Group's associate company and its assets, liabilities, net sales and profit/loss.

	Registered office	Assets	Liabilities	Net sales	Profit/ loss	Ownership
Power Innovation GmbH	Germany	7,526	5,014	7,131	966	25 %

16. Deferred tax assets and liabilities (EUR 1,000)

Deferred tax assets	Nov.1, 2007	Recognized in income statement	Oct. 31, 2008
Internal margin on capitalized product development costs	0	0	0
Amortization of loss on winding-up	93	-93	0
Total	93	-93	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Deferred tax liabilities

Internal margin on product development capitalization	27	-25	2
Total	27	-25	2
Deferred taxes, net	66	-68	-2

Deferred tax assets

	Nov. 1, 2006	Recognized in income statement	Oct. 31, 2007
Internal margin on capitalized product development costs	204	-204	0
Amortization of loss on winding-up	93	0	93
Other items	17	-17	0
Total	314	-221	93

Deferred tax liabilities

Internal margin on product development capitalization	116	-89	27
Other items	14	-14	0
Total	131	-104	27
Deferred taxes, net	183	-117	66

The Group had tax losses totaling EUR 32.4 (32.3) million on October 31, 2008. A deferred tax asset was not recognized on of them because they may not be usable. EUR 3.5 million of those deferred tax assets are allocated to USA and EUR 6.4 million are allocated to Finland. The losses will expire from 2015 onwards. The parent company also has EUR 0.6 million unrecognized avoir-fiscal receivable.

A deferred tax liability on the undistributed earnings of the subsidiaries has not been recorded in the consolidated accounts because the tax is not expected to be realized in the foreseeable future.

17. Inventories (EUR 1,000)

	2008	2007
Materials and supplies	7,156	8,542
Work in progress	1,563	2,262
Finished goods	2,176	1,767
Total	10,895	12,571

Write-down on inventory of EUR 944 thousand has been recognized in fiscal year 2008. An impairment loss of EUR 267 thousand was reversed in the previous fiscal year.

18. Trade receivables and other receivables (EUR 1,000)

	2008	2007
Trade receivables	15,080	12,717
Allowance for bad debt	-189	-56
Other receivables	390	888
Derivative receivables	0	161
Other receivables	413	1,129
Total	15,694	14,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

The book value of the receivables is essentially the same as their fair value.

During the fiscal year the Group recognized write-offs of EUR 113 thousand (EUR 34 thousand) on trade receivables.

Write-offs includes change in allowance for bad debt and direct impairment losses of bad debts.

Allowance for bad debt Nov. 1	56	49
Translation difference	19	-3
Additions	115	25
Written off for the year	0	-15
Allowance for bad debt Oct. 31	189	56
Analysis of trade receivables past due:		
Neither past due nor impaired	12,204	10,184
Due not more than 30 days	1,430	1,590
Due 31 to 60 days	656	494
Due 61 to 90 days	98	151
Due 91 to 120 days	129	-20
Due more than 120 days	564	319
Total	15,080	12,717
Trade and other receivables by currency:		
EUR	9,090	8,399
RMB	4,968	3,957
USD	1,220	1,979
EEK	277	314
SEK	44	53
Others	96	137
Total	15,694	14,839
Items included in Prepayments and accrued income:		
Other accrued financial items	21	0
Accrued employee benefit expenses	25	120
Product development receivable from customer	0	472
Product development grants	49	0
Other items	318	538
Total	413	1,129
19. Cash and cash equivalents (EUR 1,000)	2008	2007
Cash at banks	5,149	7,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

20. Notes concerning equity (EUR 1,000)

Number of shares, share capital and premium account	Number of shares, pcs	Share capital	Premium account	Total
Nov.1, 2006	40,529,648	34,450	1	34,451
Transfer to undistributed earnings	0	0	-1	-1
Oct. 31, 2007	40,529,648	34,450	0	34,450
Nov. 1, 2007	40,529,648	34,450	0	34,450
Transfer to undistributed earnings	0	0	0	0
Oct. 31, 2008	40,529,648	34,450	0	34,450

Total number of shares 40,529,648
There were no own shares held by company October 31, 2008.

The number of Efore Plc shares was 40,529,648 and the share capital EUR 34,450,200.80 on October 31, 2008. The equivalent book value was EUR 0.85 per share.

According to the company's Articles of Association, the company's minimum share capital is EUR 12,750,000.00 and the maximum EUR 51,000,000.00. All the issued shares have been paid for in full.

The company has one type of shares. The voting right for each share is one vote per share.

Below is a description of the reserves within equity:**Other reserves**

The legal reserve includes the proportion transferred to restricted equity in accordance with the Articles of Association or a decision by a meeting of shareholders.

Other reserves include amounts included in the restricted equity of foreign Group companies. The costs of the option rights of fiscal year 2008 is included in retained earnings (previously these costs were part of other reserves). Also the cost of the option rights of former fiscal years has been transferred from other reserves to retained earnings.

Translation differences

The translation reserve contains translation adjustments generated by the translation of the foreign units' financial statements.

Dividends

Dividends have been paid twice during the fiscal year 2008. On the basis of The Annual General Meeting on January 31, 2008 a dividend of 0.05 euros per share (totalled 2,026,482.40 euros) was paid on February 12, 2008.

An additional dividend of EUR 0.05 for the fiscal year 2007 i.e. EUR 2,026,482.40 was paid on October 8, 2008.

Share options

Under an authorization granted by the Annual General Meeting on December 16, 2004 the Board of Directors decided on March 18, 2005 to introduce a share option program aimed at committing key personnel to the company on a long-term basis. A share ownership program in which key personnel are obliged to acquire Efore shares with 20% of the net income gained from share option rights and to own the shares for at least one year is incorporated in the share options.

The option rights will lapse if they have not been redeemed within the subscription period. If a person leaves the Group before the final vesting, the option rights will be lost. Forfeited options will be held for redistribution.

No options were granted during fiscal year 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Share option scheme 2005	Share-based option rights 2005A	2005B	2005C	Total
Option rights maximum, pcs	950,000	650,000	650,000	2,250,000
Shares to be subscribed per option, pcs	1	1	1	
Subscription price	2.97	1.77	1.27	
Dividend right	Yes	Yes	Yes	
Exercisable, from	Nov. 1, 2007	Apr. 1, 2008	Apr. 1, 2009	
Expiration	Apr. 30, 2010	Apr. 30, 2011	Apr. 30, 2012	
Option life, years	3.5	4.5	5.5	

Original subscription prices before dividend distribution were 3,07 (2005A), 1,87 (2005B) and 1,37 (2005C).

Option scheme 2005	Share-based option rights 2005A	2005B	2005C	Total	Subscription prices (weighted)
Numbers Nov. 1, 2005					
Option rights granted	676,000	0	0	676,000	2.97
Option rights returned	0	0	0	0	
Option rights cancelled	0	0	0	0	
Option rights exercised		0	0	0	
Option rights outstanding	676,000	0	0	676,000	2.97
Option rights held for future grants	274,000	650,000	650,000	1,574,000	1.77
Changes in fiscal year 2006					
Option rights granted	163,000	580,000	0	743,000	2.03
Option rights returned	236,000	100,000	0	336,000	2.61
Option rights cancelled	0	0	0	0	
Option rights exercised	0	0	0	0	
Average price weighted by turnover in subscription period, EUR					
Option rights expired	0	0	0	0	
Numbers Oct. 31, 2006					
Option rights granted	839,000	580,000	0	1,419,000	2.48
Option rights returned	236,000	100,000	0	336,000	2.61
Option rights cancelled	0	0	0	0	
Option rights exercised	0	0	0	0	
Option rights outstanding	603,000	480,000	0	1,083,000	2.44
Option rights held for future grants	347,000	170,000	650,000	1,167,000	1.85
Option rights expired	0	0	0	0	
Changes in fiscal year 2007					
Option rights granted	0	250,000	542,000	792,000	1.43
Option rights returned	227,000	117,000	0	344,000	2.56
Option rights cancelled	0	0	0	0	
Option rights exercised	0	0	0	0	
Average price weighted by turnover in subscription period, EUR					
Option rights expired	0	0	0	0	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Numbers Oct. 31, 2007

Option rights granted	839,000	830,000	542,000	2,211,000	2.10
Option rights returned	463,000	217,000	0	680,000	2.59
Option rights cancelled	0	0	0	0	
Option rights exercised	0	0	0	0	
Option rights outstanding	376,000	613,000	542,000	1,531,000	1.89
Option rights held for future grants	574,000	37,000	108,000	719,000	2.65
Option rights exercisable	376,000	0	0	376,000	2.97

Changes in fiscal year 2008

Option rights granted	0	0	0	0	
Option rights returned	0	49,000	82,000	344,000	1.46
Option rights cancelled	0	0	0	0	
Option rights exercised	0	0	0	0	

Average price weighted by turnover in subscription period, EUR

Option rights exercisable	0	0	0	0	
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Numbers Oct. 31, 2008

Option rights granted	839,000	830,000	542,000	2,211,000	2.10
Option rights returned	463,000	266,000	82,000	811,000	2.40
Option rights cancelled	0	0	0	0	
Option rights exercised	0	0	0	0	
Option rights outstanding	376,000	564,000	460,000	1,400,000	1.93
Option rights held for future grants	574,000	86,000	190,000	850,000	2.47
Option rights exercisable	376,000	564,000	0	940,000	2.25

The Black-Scholes option pricing model was used to determine the fair value of the options. Fair value is determined for the option rights on the grant day and is recognized in employee benefits expenses for the option rights' commitment period. The grant date is the date of decision by the Board of Directors. Future dividends are not included in the calculation. No options were granted during fiscal year 2008. The effect of option rights on the company's financial performance for the 2008 fiscal year is EUR 237 thousand (EUR 227 thousand).

Share option scheme	2007 granted	2007/2008 option rights
Option rights granted, pcs	792,000	2,211,000
Share price, EUR	1.19	1.76
Subscription price, EUR	1.53	2.20
Risk-free interest %	4.2%	3.7%
Expected dividends (dividend yield)	0.0%	0.0%
Option right's lifetime, years	4.3	4.7
Expected volatility, %*	44.5%	50.6%
Option rights forfeiting, %	8.4%	4.3%
Fair value, total, EUR	314,649	960,973
Valuation model	BS	BS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

The assumptions in the Black-Scholes models are calculated as average numbers of options granted under the various option rights. Fair value calculated per all options granted: the number of returned options not taken into account in calculating the fair value.

*The expected volatility has been determined by calculating the actual volatility of the Company's share price for a period corresponding to the maturity of the option rights just before the grant date of the option rights.

21. Interest-bearing liabilities (EUR 1,000)	2008 Book value	2007 Book value
Non-current		
Finance lease liabilities, EUR	231	249
Current		
Loans from credit institutions, USD	784	692
Finance lease liabilities, EUR	128	142

The book value of current loans is essentially the same as their fair value.

Maturity dates of non-current liabilities

2008	2009	2010	Later
Finance lease liabilities	129	101	129
2007	2008	2009	Later
Finance lease liabilities	142	100	149

The book value of interest-bearing loans is essentially the same as their fair value.

22. Maturity of finance lease liabilities (EUR 1,000)	2008	2007
Finance lease liabilities - Total amount of minimum lease payments		
Less than 1 year	145	160
1-5 years	241	268
More than 5 years	0	0
	<hr/> 386	<hr/> 427
Finance lease liabilities - present value of minimum lease payments		
Less than 1 year	128	142
1-5 years	231	249
More than 5 years	0	0
	<hr/> 359	<hr/> 391
Financing expenses accumulating in the future	27	37
Total amount of finance lease liabilities	359	391

Finance lease liabilities are caused by leases for production machinery, IT software and office equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

23. Trade payables and other liabilities (EUR 1,000)	2008	2007
Current		
Trade payables to associates	6	9
Advances received	0	2
Trade payables	10,533	13,762
Other payables	1,547	1,346
Currency derivatives	251	0
Accruals and deferred income	2,073	2,225
Income tax payables	26	0
Total	14,436	17,345

The book value of current non-interest bearing loans is essentially the same as their fair value.

Material items included in accruals and deferred income		
Current interest payable	4	4
Accrued personnel expenses	1,351	1,504
Other items	718	717
Total	2,073	2,225

24. Provisions (EUR 1,000)	2008	2007
Current provisions		
Warranty provision Nov. 1	1,128	490
Translation difference	59	0
Additions	797	735
Provisions used	-958	-97
Warranty provision Oct. 31	1,026	1,128

Products sold by the company have a normal 24 month warranty time. Future warranty costs relating to delivered products are recognized in the warranty provision. Actual warranty costs are recognized in the income statement in the fiscal year in which they arise.

Other short-term provisions Nov. 1	88	0
Translation difference	12	0
Additions	0	88
Provisions used	-21	0
Other current provision Oct. 31	78	88

In both financial years lease costs arising from unused production machines and costs from premature termination of the lease have been provided for.

25. Management of financing risks

The principles and objectives of the Group's management of financing risks is determined in the financing risk policy, which, if necessary is updated and approved by the Board of Directors. The management of financing risks aims at avoiding risks and cost-effective arrangements for protecting the Group from factors that may affect its performance and cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

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

Efore Group has no substantial non-current loan position. Over 60 % of revenue is accumulated by two customers. Age distribution of trade receivables and currency distribution of trade and other receivables have been specified in note 18, Trade and other receivables.

Exchangerate risk

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

Most of the Group's sales are denominated in euros, the Renminbi and the US dollar. The operating expenses are generated in euros, the US dollar, the Estonian kroon, the Swedish krona and the 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. Strengthening of 10% in USD rate would have an -0.4 million EUR negative effect on the profit of the Group.

Weakening of 10% in USD rate would have an 0.4 million EUR positive effect on the profit of the Group.

In the financial statements the equity of foreign subsidiaries is translated at the European Central Bank's rate on the balance sheet date. Exchange rate differences between acquisition date and balance sheet date are recognized as translation differences in the consolidated financial statements.

The instrument used for hedging against exchange-rate risks and their nominal values at the end of the fiscal year are specified in note 26, Fair values of derivative financial instruments.

Interestrates risk

Interestrates risks are caused by interest rate fluctuations affecting the loan portfolio and cash reserves, and also 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. On the balance sheet date, the Group did not have any open interest rate hedges.

Liquidity risk

According to the financing policy, the liquidity and adequate financing of the Group and its efficient cash management are the responsibility of the parent company. The liquidity risk is controlled by a balanced maturity distribution of the loans, adequate cash assets, partial sale of trade receivables and credit limits.

At the end of the fiscal year the Group's liquid assets totaled EUR 5.1 million (EUR 7.7 million). The Group's interest-bearing liabilities totaled EUR 1.1 million (EUR 1.1 million).

The company's financing reserves comprised unused credit limits totaling EUR 30.0 million on October 31, 2008.

Credit limits expire within 18 months.

Credit and other counter-party risks

Management of credit risks is primarily the responsibility of each business unit. Credit risk management follows the Group's credit policy and the aim is to obtain sufficient security if the customer's credit-worthiness so requires. Material items of trade receivables are evaluated on a counter-party basis in order to identify possible impairment.

The credit risks related to the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

26. Fair values of derivate financial instruments (EUR 1,000)	2008	2007
Currency derivatives, not under hedge accounting		
Forward currency contracts		
Nominal value	0	700
Positive fair value	0	8
Negative fair value	0	0
Option contract		
Nominal value	12,520	7,215
Positive fair value	0	153
Negative fair value	251	0
27. Operating lease commitments (EUR 1,000)		
Group as lessee		
Non-cancellable minimum operating lease payments.		
Less than 1 year	1,875	1,875
1-5 years	3,487	3,690
More than 5 years	0	0
	5,362	5,565

The income statement for 2008 includes EUR 1,941 thousand rental costs paid on the basis of operating leases (2007: EUR 1,953 thousand). The Group has rented the operating facilities it uses. The leases for the premises will last a maximum of six years. In most cases the leases include the option to continue the lease past the original expiry date. Operating lease commitments includes also lease liabilities related to the Group's company cars, which usually lasts three years.

28. Operating lease commitments

The Group has certain significant customer contracts that include a condition normal for the sector, according to which the parties have the right to terminate the contract if a controlling interest in the company is transferred to a party which is a competitor of the customer.

The company has certain significant financial contracts that include a condition normal for the sector, according to which the contract may be terminated if a controlling interest is transferred to another company.

29. Contingent liabilities (EUR 1,000)	2008	2007
On own behalf		
Pledges	0	0
For others		
Other contingent liabilities	59	115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

30. Related party transactions

The Group's parent and subsidiary company relationships are as follows:

	Registered office	Home country	Group ownership %	Share of voting rights %	Parent company ownership %
Parent company					
Efore Plc	Espoo	Finland			
Shares in subsidiaries owned by FI-Systems Oy:					
FI-Systems Oy	Espoo	Finland	100	100	100
Efore (USA), Inc.	Texas	USA	100	100	100
Efore Ltda	Campinas	Brasilia	100	100	100
Efore AB	Stockholm	Sweden	100	100	100
Shares in subsidiaries owned by FI-Systems Oy:					
Efore (Suzhou) Electronics Co., Ltd	Suzhou	China	100	100	
Efore AS	Pärnu	Estonia	100	100	
Associates					
Power Innovation GmbH	Achim	Germany	25	25	25

**The following transactions were carried out with related parties
Associates (EUR 1,000)**

	2008	2007
Sales	0	0
Purchases	42	206
Receivables	0	0
Liabilities	6	9

The Group has related party relationships with members of the Board of Directors, President and CEO and other key management personnel.

Key management personnel

	2008	2007
Salaries and other short-term employment benefits	788	834
Benefits after termination of employment	35	40
Total	823	874
Granted option rights, 1,000 pcs	0	265
Option rights forfeited, 1,000 pcs	50	65
Remuneration, President and CEO		
Reijo Mäihäniemi	198	196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Remuneration, members of Board of Directors

Ek Johan	7	27
Hantila Isto	62	50
Harju Jukka	29	21
Korvenmaa Esa	28	20
Luoma Marko	29	21
Raitasuo Outi	8	31
Syrjälä Timo	35	47
Tammivuori Matti	33	34
Riikkala Olli	0	5
Total	231	256
Other key management personnel	625	678
includes fees	15	15

The related parties have not been granted pension commitments with special terms. No loans, guarantees or other collaterals have been granted to the related parties.

During 2008 the two holders of the position of President and CEO and the rest of key management personnel received no option rights (2007: 265 thousand option rights). The option rights plan terms for the management personnel are equal to the option rights directed at other personnel. On October 31, 2008, the key management personnel had been granted 392 thousand option rights, with 192 thousand exercisable (2007: 526 thousand option rights, with 98 thousand exercisable). No option rights have been granted to the members of the Board of Directors.

Other key management personnel comprises persons who belong to the Group's executive management team.

31. Events subsequent to balance sheet date

As far as the Group management is aware, there are no material events subsequent to the balance sheet date that would have affected the financial statements.

INCOME STATEMENT FOR THE PARENT COMPANY, FAS
EUR 1,000

	Note	Oct. 31, 2008	Oct. 31, 2007
NET SALES	1	44,544	33,515
Change in inventories of finished goods and work in progress		-83	-326
Other operating income	2	2,643	36,258
Materials and services			
Materials and consumables			
Purchases during the financial year		32,184	27,628
Change in inventory		69	388
Materials and consumables in total		32,253	28,015
External services	3,6	2,108	602
		34,361	28,617
Personnel costs			
Wages, salaries and fees	4	5,403	6,374
Social security expenses			
Pension expenses	4	989	1,020
Other social security expenses	4	247	457
		6,638	7,851
Depreciation, amortization and impairments			
Depreciation and amortization according to plan	5	1,761	2,020
Impairment loss on non-current assets	5	8	2,298
		1,769	4,318
Other operating expenses	6	5,296	5,037
OPERATING PROFIT (LOSS)		-959	23,624
Financing income and expenses			
Income from Group Companies (dividend)	7	0	2,723
Other interest and financial income	7	2,349	1,213
Reversal of impairment loss/Impairment loss on investments carried as non-current assets	7	14	-194
Interest expenses and other financing expenses	7	-2,001	-1,731
		361	2,012
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		-598	25,635
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		-598	25,635
Income taxes			
Income taxes for the period		-137	-180
PROFIT (LOSS) FOR THE PERIOD		-735	25,456

BALANCE SHEET FOR THE PARENT COMPANY, FAS
EUR 1,000

	Note	Oct. 31, 2008	Oct. 31, 2007
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development costs	8	902	1,659
Intangible rights	8	294	360
Other capitalized long-term expenses	8	198	279
		1,395	2,298
Tangible assets			
Machinery and equipment	8	653	836
Other tangible assets	8	5	11
Advance payments and constructions in progress	8	71	22
		730	869
Investments			
Holdings in Group companies	9,10	158	158
Receivables from Group companies	9	4,254	3,756
Holdings in associates	9	361	361
Other shares and holdings	9	3	3
		4,776	4,279
CURRENT ASSETS			
Inventories			
Materials and consumables		73	142
Finished goods		484	566
		557	709
Non-current receivables			
Receivables from Group companies	11	32,000	32,000
Current receivables			
Trade receivables	11	8,062	5,019
Receivables from Group companies	11	6,945	8,753
Other receivables	11	121	1,009
Prepayments and accrued income	11	219	1,030
		15,346	15,810
Cash and cash equivalents			
		3,075	3,613
TOTAL ASSETS		57,879	59,577

BALANCE SHEET FOR PARENT COMPANY, FAS
EUR 1,000

	Note	Oct. 31, 2008	Oct. 31, 2007
EQUITY AND LIABILITIES			
EQUITY			
	12	34,450	34,450
Share capital	12	13,716	-7,687
Retained earnings	12	-735	25,456
Profit (loss) for the period		47,431	52,219
STATUTORY PROVISIONS			
Other Provisions	13	550	771
CURRENT LIABILITIES			
Trade payables	14	973	973
Liabilities to Group companies	14	6,658	3,166
Liabilities to associates	14	6	9
Other liabilities	14	667	1,185
Accruals and deferred income	14	1,594	1,254
		9,898	6,586
TOTAL EQUITY AND LIABILITIES		57,879	59,577

PARENT COMPANY CASH FLOW STATEMENT, FAS
EURO 1,000

	1.11.2007- 31.10.2008	1.11.2006- 31.10.2007
Cash flows from operating activities		
Cash receipts from customers	45,098	40,148
Cash paid to suppliers and employees	-40,816	-43,063
Cash generated from operations	4,282	-2,915
Interest paid	-23	-291
Dividends received	0	870
Interest received	253	218
Other financing items	-408	109
Income taxes paid	-87	-179
Net cash from operating activities (A)	4,017	-2,188
Cash flows from investing activities		
Purchase of tangible and intangible assets	-731	-1,201
Proceeds from sale of tangible and intangible assets	9	201
Loans granted	0	-761
Proceeds from sale of investments	14	24
Purchase of investments	0	-107
Net cash used in investing activities (B)	-709	-1,845
Cash flows from financing activities		
Dividends paid	-3,846	0
Net cash used in financing activities (C)	-3,846	0
Net increase/decrease in cash and cash equivalents (A+B+C)	-538	-4,033
Cash and cash equivalents at beginning of period on Nov. 1	3,613	7,646
Cash and equivalents at end of period on Oct. 31	3,075	3,613
	-538	-4,033

ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS OF PARENT COMPANY, FAS

GENERAL

The financial statements of Efore Plc (registered office in Espoo, Finland), have been drawn up and presented in accordance with the Finnish Accounting Act and Finnish Accounting Standards (FAS) and other laws and provisions in effect in Finland.

FOREIGN-CURRENCY ITEMS

Transactions in foreign currencies have been recognized at the exchange rate valid on the date of transaction. Foreign-currency receivables and liabilities outstanding on the balance sheet date have been measured using the exchange rates on the balance sheet date. Exchange gains and losses connected with ordinary business operations have been treated as adjustment items for sales and purchases. Exchange gains and losses on financing are recognized as financial income and expenses.

Exchange differences on derivatives taken for hedging currency positions are recognized as financial items.

VALUATION OF NON-CURRENT ASSETS

The values of intangible and tangible assets are based on their original acquisition deducted accumulated depreciations and impairments. On intangible and tangible assets planned depreciation is made on the basis of their estimated useful lifetime. The profit and loss on sales of intangible and tangible assets are included in the operating result.

Estimated useful lives for different groups of assets are as follows:

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

Impairment is made on the carrying value of intangible and tangible assets, if it is evident that earnings expectations do not cover the carrying value of the assets. Companies acquired or established during the fiscal year are included in subsidiary shares from the date of acquisition or establishment. Companies sold during the fiscal year are included in the subsidiary shares until the sales date.

Investments and receivables with a depreciation period of more than one year are given as other non-current investments and receivables.

INVENTORIES

Inventories are measured at the lower of acquisition cost or net realizable value. In addition to variable costs, the value of inventories includes a proportion of the fixed purchasing and production costs. The weighted average price has been used for the valuation of the raw materials included in inventories.

STATUTORY PROVISIONS

Expenses that the company is committed to cover but which are not yet realized are presented as statutory provisions in the balance sheet. These include among other things warranty costs. Changes in statutory provisions are given under the relevant expenses in the income statement.

ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS OF PARENT COMPANY, FAS

NET SALES

As net sales is presented income from sales deducted by the discounts granted, indirect taxes and exchange rate differences of sales denominated in foreign currencies.

PRODUCT DEVELOPMENT COSTS

In the case of the largest individual projects, development costs accruing income over three or more years have been capitalized under intangible assets and amortized over 3-5 years. Product development expenditure is amortized 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 decision on capitalizing development expenditure in balance sheets.

LEASING

Leasing charges are treated as rental expenditure. Unpaid leasing charges are presented as leasing liabilities in the notes to the financial statements.

PENSIONS

The pension cover of the company's employees has been arranged through insurance policies in pension insurance companies.

INCOME TAXES

Taxes of the fiscal year and tax adjustments for previous fiscal years have been recognized as income taxes in the income statement.

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY, FAS
 1,000 EUR

	Parent company 2008	Parent company 2007
1. Net sales in market areas by customers		
Finland	10,544	6,693
European Union, except Finland	25,996	18,241
USA	1,229	194
Other countries	6,775	8,386
Total	44,544	33,515
2. Other operating income		
Proceeds from Group companies	0	31,269
Others	2,643	4,989
Total	2,643	36,258
3. Materials and services		
Materials and consumables		
Purchases during the financial year	32,184	27,628
Change in inventory	69	388
	32,253	28,015
External services	2,108	602
Materials and services in total	34,361	28,617

Development services are recognized to Professional fees of Other operating expenses since fiscal year 2008. Former year development services were recognized to Materials and services. Comparative amount has been adjusted to match the current principles.

4. Personnel costs		
Wages, salaries and fees	5,403	6,374
Pension costs	989	1,020
Other social security expenses	247	457
Presented in the income statement	6,638	7,851
Management salaries and fees		
President and CEO, Members of the Board of Directors	429	451
Total personnel, average		
Employees	11	39
Salaried employees	97	114
	108	153
5. Depreciation, amortization and impairment		
Depreciation and amortization according to plan:		
Development costs	1,273	1,181
Intangible assets	114	87
Other capitalized expenditure	81	442
Machinery and equipment	287	304
Other tangible assets	6	6
	1,761	2,020
Impairments on development costs	0	2,298
Impairments on machinery and equipment	8	0

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY, FAS
1,000 EUR

	Parent company 2008	Parent company 2007
6. Other operating expenses		
Other operating expenses are normal expenses		
7. Financing income and expenses		
Dividend income		
From Group companies	0	2,723
Other interest and financial income		
From Group companies	238	197
From others	2,110	1,016
	2,349	1,213
Impairment on investments carried as non-current assets		
Reversal of impairment loss/Impairment loss on holdings in Group companies	14	-194
Interest expenses and other financial expenses		
Group companies	0	0
Others	-2,001	-1,730
	-2,001	-1,730
Financial income and expenses in total	361	2,012
The item 'financial income and expenses' includes exchange rate gains/losses, net	314	-1,002
8. Non-current assets		
Intangible assets		
Development costs		
Cost on Nov. 1	7,831	12,634
Additions Nov. 1 - Oct. 31	518	914
Disposals Nov. 1 - Oct. 31	-3	-5,716
Cost on Oct. 31	8,347	7,831
Accumulated amortization on Nov. 1	6,172	8,409
Cumulative amortization on disposals	0	-5,716
Amortization Nov. 1 - Oct. 31	1,273	1,181
Impairments	0	2,298
Accumulated amortization on Oct. 31	7,445	6,172
Book value on Oct. 31	902	1,659
Intangible rights		
Cost on Nov. 1	986	750
Additions Nov. 1 - Oct. 31	81	237
Disposals Nov. 1 - Oct. 31	33	0
Cost on Oct. 31	1,035	986
Accumulated amortization on Nov. 1	627	540
Amortization Nov. 1 - Oct. 31	114	87
Accumulated amortization on Oct. 31	741	627
Book value on Oct. 31	294	360

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY, FAS
1,000 EUR

	Parent company 2008	Parent company 2007
Other capitalized long-term expenses		
Cost on Nov. 1	2,326	2,326
Cost on Oct. 31	2,326	2,326
Accumulated amortization on Nov. 1	2,047	1,605
Depreciations Nov. 1 - Oct. 31	81	442
Accumulated amortization on Oct. 31	2,128	2,047
Book value on Oct. 31	198	279
Tangible assets		
Machinery and equipment		
Cost on Nov. 1	6,131	6,287
Additions Nov. 1 - Oct. 31	135	419
Disposals Nov. 1 - Oct. 31	-32	-574
Cost on Oct. 31	6,234	6,131
Accumulated depreciation on Nov. 1	5,295	5,268
Cumulative depreciation on disposals	-9	-277
Depreciations Nov. 1 - Oct. 31	287	304
Impairments	8	0
Accumulated depreciation on Oct. 31	5,580	5,295
Book value on Oct. 31	653	836
Other tangible assets		
Cost on Nov. 1	688	688
Cost on Oct. 31	688	688
Accumulated depreciation on Nov. 1	677	671
Depreciations Nov. 1 - Oct. 31	6	6
Accumulated depreciation on Oct. 31	683	677
Book value on Oct. 31	5	11
Advance payments and constructions in progress		
Cost on Nov. 1	22	121
Change Nov. 1 - Oct. 31	50	-99
Cost on Oct. 31	71	22
Book value on Oct. 31	71	22
9. Investments		
Holdings in Group companies		
Shares on Nov. 1	158	975
Additions Nov. 1 - Oct. 31	0	107
Disposals Nov. 1 - Oct. 31	-14	-731
Impairments	14	-194
Book value on Oct. 31	158	158

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY, FAS
1,000 EUR

	Parent company 2008	Parent company 2007
Receivables from Group companies		
Loan receivables on Nov. 1	3,756	3,486
Additions Nov. 1 - Oct. 31	498	761
Disposals Nov. 1 - Oct. 31	0	-492
Book value on Oct. 31	4,254	3,756
Holdings in associates		
Shares on Nov. 1	361	361
Book value on Oct. 31	361	361
Other shares and similar rights of ownership		
Shares on Nov. 1	3	27
Disposals Nov. 1 - Oct. 31	0	-24
Book value on Oct. 31	3	3
Summary of non-current assets		
Cost on Nov. 1	21,943	27,335
Additions Nov. 1 - Oct. 31	1,232	2,438
Disposals Nov. 1 - Oct. 31	-18	-7,636
Impairments in value of inv. held as non-current assets	0	-194
Cost on Oct. 31.	23,157	21,943
Accumulated depreciation and amortization on Nov. 1	14,498	16,172
Accumulated depreciation and amortization on decreases	-9	-5,993
Depreciations and amortization Nov. 1 - Oct. 31	1,761	2,020
Impairments	8	2,298
Accumulated depreciation and amortization on Oct. 31	16,257	14,498
Book value on Oct. 31	6,900	7,446
Book value on Oct. 31		
production machinery and equipment	456	513
10. Shares and similar rights of ownership		
Subsidiary companies	Book value	Book value
FI-Systems, Espoo Finland	3	3
Efore (USA), Inc., Texas USA	0	0
Efore (Ltda), Campinas Brazil	47	47
Efore AB, Stockholm Sweden	107	107
	158	158
Associates		
Power Innovation GmbH, Germany	361	361
Other shares and similar rights of ownership	3	3

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY, FAS
1,000 EUR

	Parent company 2008	Parent company 2007
11. Receivables		
Non-current receivables		
From Group companies	32,000	32,000
Non-current receivables, total	32,000	32,000

The company has given FI-Systems a subordinated loan of EUR 32,000,000.00. The loan period is 5 years and the interest rate 5%. In the event of liquidation on bankruptcy, the principal and interest payable to Efore Plc would have lower priority than other credits. Interest is payable only when, at the time of payment, the amount of the non-restricted equity and all subordinated loans of FI-Systems exceeds the amount of loss recorded in the balance sheet included in the financial statements of the latest completed fiscal period or in later financial statements. If interest cannot be paid, the interest accumulated during such a fiscal period will be payable later. The loan has no security. For the loan accumulated unpaid interest is 1,600,000.00 Eur. The interest receivable is not recognized to balance sheet.

Current receivables		
Trade receivables	8,062	5,019
Other receivables	121	1,009
Prepaid expenses and accrued income	219	1,030
	8,401	7,057
Current receivables from Group companies		
Trade receivables	4,604	6,684
Prepaid expenses and accrued income	2,341	2,068
	6,945	8,753
Current receivables in total	15,346	15,810
Prepaid expenses and accrued income		
Parent company prepaid expenses and accrued income include the following key items:		
Accrued personnel costs	19	117
Accrued financial income	21	172
Product development grant	49	163
Product development receivable from customer	0	472
Dividend from subsidiaries	2,341	1,895
Other items	130	279
	2,560	3,098
12. Equity		
Share capital on Nov. 1	34,450	34,450
Share capital on Oct. 31	34,450	34,450
Retained earnings on Nov. 1	17,769	-7,687
Distribution of dividends	-4,053	0
Retained earnings on Oct. 31	13,716	-7,687
Profit for the period	-735	25,456
Equity total	47,431	52,219

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY, FAS
1,000 EUR

	Parent company 2008	Parent company 2007
Calculation of distributable earnings		
Retained earnings	13,716	-7 687
Profit for the period	-735	25,456
Distributable earnings from equity	12,981	17,769
Parent company share capital (One type of shares)		
Shares 2008	pcs 40,529,648	EUR 1,000 34,450
Shares 2007	pcs 40,529,648	EUR 1,000 34,450
13. Statutory Provisions		
Warranty provision	550	771
Total		
14. Liabilities		
Current liabilities		
Trade payables	973	973
Other liabilities	667	1,185
Accruals and deferred income	1,594	1,254
	3,233	3,411
Current liabilities to Group companies		
Trade payables	6,360	2,953
Other liabilities	5	5
Accruals and deferred income	293	208
	6,658	3,166
Current liabilities to associates		
Trade payables	6	9
Current liabilities in total		
	9,898	6,586
Accruals and deferred income		
Parent company accruals and deferred income include the following key items:		
Accrued holiday pay	676	669
Accrued other personnel costs	255	34
Accrued financial items	523	0
Group companies	293	208
Other items	138	550
	1,885	1,461

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY, FAS
1,000 EUR

	Parent company 2008	Parent company 2007
15. Contingent liabilities		
Security given on own behalf		
Other contingent liabilities	59	115
Security given on behalf of group companies		
Guarantees	4,102	3,992
Securities given in total		
Guarantees	4,102	3,992
Other contingent liabilities	59	115
Rent and leasing commitments on own behalf		
Payable in the following financial year	863	882
Payable later	1,156	696
Other contingent liabilities		
Derivative contracts		
Forward currency contracts		
Nominal value	0	700
Positive fair value	0	8
Option contracts		
Nominal value	12,520	7,215
Positive fair value	0	153
Negative fair value	251	0

GROUP KEY FIGURES

KEY FIGURES		IFRS 2008	IFRS 2007	IFRS 2006
Income statement				
Net sales	MEUR	78.3	80.2	90.5
- change	%	-2.3	-11.4	10.8
Operating profit/-loss	MEUR	1.4	-2.1	-5.8
- of net sales,	%	1.8	-2.6	-6.4
Profit/loss before taxes	MEUR	1.7	-2.9	-5.5
- of net sales, %	%	2.2	-3.6	-6.1
Profit/loss for the period	MEUR	1.2	-3.4	-8.2
- of net sales, %	%	1.6	-4.2	-9.0
Gross investments	MEUR	1.9	4.0	4.8
- of net sales, %	%	2.5	4.9	5.3
Balance sheet				
Non-current assets	MEUR	9.9	11.4	13.8
Inventories	MEUR	10.9	12.6	14.3
Trade receivables and other receivables	MEUR	15.7	14.8	8.8
Cash and cash equivalents, financial assets at fair value through profit and loss	MEUR	5.1	7.7	11.6
Share capital	MEUR	34.5	34.5	34.5
Other equity	MEUR	-9.5	-7.4	-4.3
Non-current liabilities	MEUR	0.2	0.3	0.4
Current liabilities	MEUR	16.5	19.4	17.9
Balance sheet total	MEUR	41.7	46.7	48.5
Profitability				
Return on equity (ROE)	%	4.7	-11.8	-23.9
Return on investment (ROI)	%	7.0	-8.1	-14.3
Finance and economic position				
Net interest-bearing liabilities	MEUR	-4.0	-6.6	-10.5
Gearing	%	-16.0	-24.6	-34.6
Current ratio		1.9	1.8	1.9
Solvency ratio	%	59.9	57.9	62.3
Other key figures				
Personnel, average		637	766	792
Salaries and wages	MEUR	11.9	13.2	15.5
Product development costs (expensed)	MEUR	6.6	5.1	3.5
- of net sales,	%	8.5	6.3	3.8
Product development costs (capitalized in balance sheet)	MEUR	0.5	0.9	1.6
- of net sales,	%	0.7	1.2	1.8
Product development costs total	MEUR	7.2	6.0	5.1
- of net sales,	%	9.1	7.5	5.6

GROUP KEY FIGURES

KEY FINANCIAL INDICATORS PER SHARE		IFRS 2008	IFRS 2007	IFRS 2006
Earnings per share	EUR	0.03	-0.08	-0.20
Diluted earnings per share	EUR	0.03	-0.08	-0.20
Dividend/share	EUR	0.04 ¹⁾	0.10 ²⁾	0.00
Dividend payout ratio	%	131.6	-119.7	0.0
Effective dividend yield	%	5.3	8.3	0.0
Equity per share, adjusted	EUR	0.62	0.67	0.75
At the end of fiscal year, October 31	EUR	0.76	1.20	1.41
P/E ratio		25.00	-14.40	-6.99
Market value and dividend				
Market capitalization	MEUR	30.8	48.6	57.1
Trading				
Shares traded	1,000 pcs	8,660	17,270	30,059
Trading, %	%	21.4	42.6	74.2
Number of shares adjusted				
- average	1,000 pcs	40,530	40,530	40,530
- actual number of shares on October 31	1,000 pcs	40,530	40,530	40,530
- actual number of shares excl. own shares	1,000 pcs	40,530	40,530	40,530
- diluted number of shares on October 31	1,000 pcs	40,530	40,530	40,530
Adjusted share prices				
Lowest	EUR	0.70	0.98	1.21
Highest	EUR	1.25	1.55	2.06
At the end of fiscal year	EUR	0.76	1.20	1.41
average	EUR	1.01	1.25	1.77

¹⁾ Board proposal to AGM

²⁾ Paid dividend of 0.05 euro and additional dividend of 0.05 euro

CALCULATION OF KEY FIGURES AND RATIOS

Return on investment (ROI), %	=	$\frac{\text{Profit before taxes+interest and other financing expenses}}{\text{Equity - interest-bearing liabilities (average)}} \times 100$
Return on Equity (ROE), %	=	$\frac{\text{Profit/loss for the period}}{\text{Equity (average)}} \times 100$
Current ratio		$\frac{\text{Current assets}}{\text{Current liabilities}}$
Solvency ratio, %	=	$\frac{\text{Equity}}{\text{Total assets - advance payments received - own shares}^*} \times 100$
Net interest-bearing liabilities	=	$\frac{\text{Interest-bearing liabilities - financial assets at fair value through profit or loss - cash and cash equivalents}}{\text{Equity}}$
Gearing, %	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Equity}} \times 100$
Earnings per share	=	$\frac{\text{Profit/loss for the period}}{\text{Average number of shares - own shares}^*}$
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Number of shares - own shares}^*}$
Dividend payout ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Adjusted share price at balance sheet date}} \times 100$
Equity per share	=	$\frac{\text{Equity - own shares}^*}{\text{Number of shares at balance sheet date}}$
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 outstanding shares at balance sheet date
Average personnel	=	The average number of employees at the end of each calendar month during the accounting period

All share-specific figures are based on the issue-adjusted number of shares.

Equity is the equity owned by the holders of the parent company's shares.

Profit for the period is the fiscal period profit attributable to equity holders of the parent.

* There were no own shares held by company October 31,2008.

SHARES AND SHAREHOLDERS

SHARE CAPITAL AND SHARES

Efore share is quoted at Nasdaq OMX Helsinki Oy (Small Cap) under the corporate identifier EFO1V. The trading lot is one share. The total number of shares is 40,529,648, and each share has an equivalent book value of EUR 0.85. Efore's registered share capital on October 31, 2008 stood at EUR 34,450,200.80. The shares have been entered in the book-entry system.

The Annual General Meeting on January 31, 2008 decided in accordance with a proposal by the Board of Directors to distribute a dividend of EUR 0.05 per share, or in total EUR 2,026,482.40, for the fiscal year ending October 31, 2007. The dividend was paid on February 12, 2008.

VALID AUTHORIZATIONS OF THE BOARD OF DIRECTORS

The Annual General Meeting on January 31, 2008 decided in accordance with a proposal by the Board of Directors to authorize the Board to decide on the issue, in one or several installments, of shares, option rights and special rights pursuant to chapter 10, section 1 of the Finnish Companies Act, so that the aggregate maximum number of new shares issued on the basis of the authorization will be 13,000,000. The Board of Directors may, on the basis of the authorization decide on a targeted share issue. The authorization is in force until the next Annual General Meeting. The authorization had not been used by October 31, 2008.

The Annual General Meeting on January 31, 2008 decided in accordance with a proposal by the Board of Directors to authorize the Board to decide on the acquisition of the company's own shares, in one or several installments. A maximum of 4,000,000 own shares, or a lower amount that in addition to the own shares already owned by the company is less than 10 per cent of all shares, may be acquired on the basis of the authorization. The authorization includes the right to acquire own shares otherwise than in proportion to the holdings of the shareholders. The authorization is in force until the next Annual General Meeting. The authorization had not been used by October 31, 2008.

The Annual General Meeting on January 31, 2008 decided in accordance with a proposal by the Board of Directors to authorize the Board to decide on the distribution of dividend. On the basis of the authorization, the Board of Directors may decide on the distribution of dividend so that the amount of dividend on the basis of the authorization in total does not exceed EUR 0.05 per share, or in total EUR 2,026,482.40. A dividend may be distributed one or several times. The authorization is in force until the beginning of the next Annual General Meeting.

The authorization was used on September 26, 2008, when the Board of Directors decided that the company would pay an additional dividend of EUR 0.05 for the fiscal year 2007 i.e. EUR 2,026,482.40. The dividend was paid on October 8, 2008.

SHARE PRICES AND TRADING

The highest share price during the fiscal year was EUR 1.25, the lowest EUR 0.70 and the average EUR 1.01. The closing price stood at EUR 0.76. The market capitalization, calculated with the closing price, was EUR 30.8 million.

The number of Efore shares traded during the fiscal year stood at 8.7 million, representing 21.4% of the total number of shares on October 31, 2008. The turnover value in the fiscal year was EUR 8.7 million.

2005 SHARE OPTION PROGRAM

Under an authorization granted by the Annual General Meeting in December 2004, the company's Board of Directors decided in March 2005 to introduce a share option program aimed at committing key personnel to the company on a long-term basis. A share ownership program in which the key personnel are obliged to acquire Efore shares with 20% of the net income gained from the share options and to own the shares for at least one year is incorporated in the share options. A total of 2,250,000 share options were issued on the basis of the program, and each can be used to subscribe one Efore Plc share. The option rights are divided into three categories: 2005A, 2005B and 2005C, comprising 950,000, 650,000 and 650,000 option rights respectively.

The share subscription price for category 2005A is EUR 2.97; for category 2005B, EUR 1.77; and in category 2005C EUR 1.27. The amount of dividend distributed each year is deducted from the subscription price.

The share subscription period for category 2005A is November 1, 2007 – April 30, 2010, for category 2005B, April 1, 2008 – April 30, 2011, and for category 2005C, April 1, 2009 – April 30, 2012.

MANAGEMENT SHAREHOLDING

The total share ownership, as defined in Chapter 1, Section 5 of the Securities Markets Act, of Efore Plc's Board members and the President and CEO stood at 5,338,600 on October 31, 2008, which is equivalent to 13.2% of the total number of shares and votes. The shares held by the President and CEO accounted for 0.06% of the total number of shares and votes. Board members do not hold option rights. The President and CEO holds 220,000 option rights, representing 9.8% of the total number of Efore Plc's issued option rights and 0.5% of the total number of shares.

SHARES AND SHAREHOLDERS GRAPHS AND TABLES

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF HOLDING, OCTOBER 31, 2008

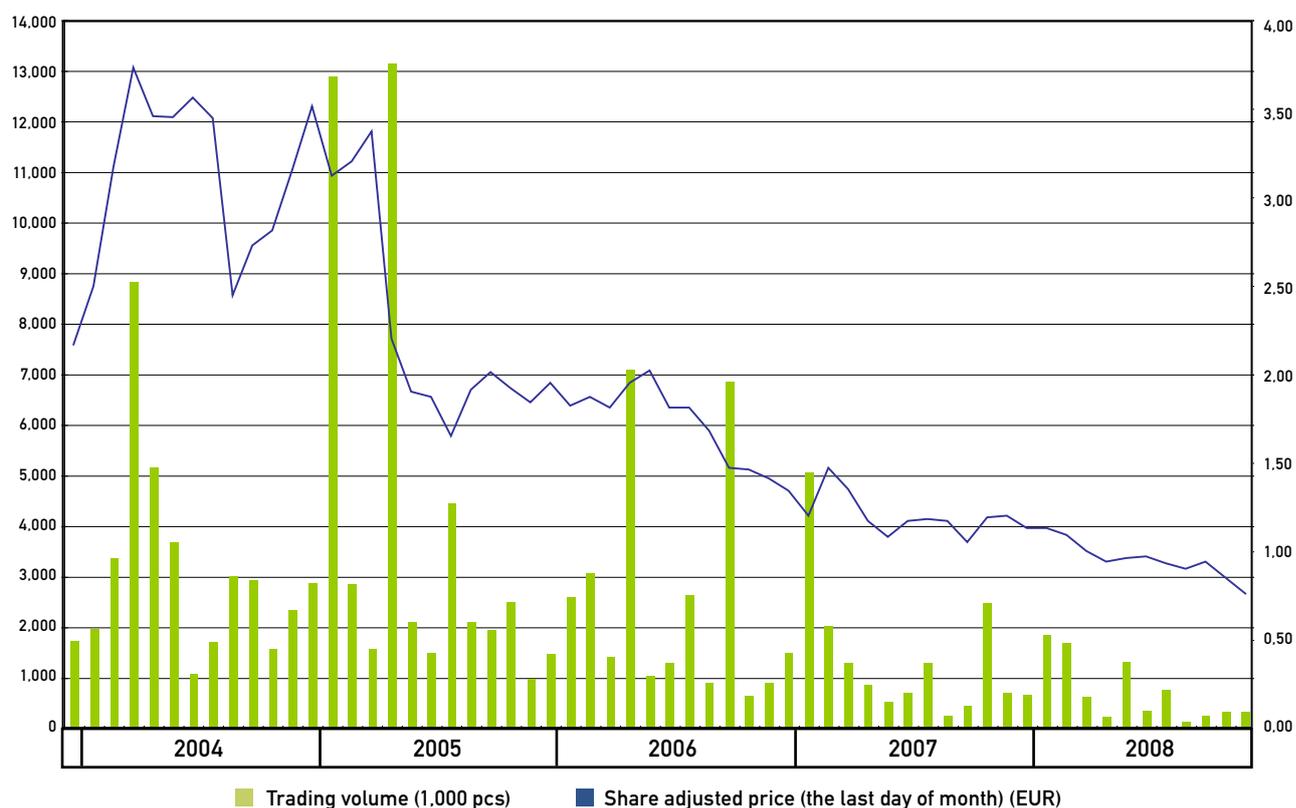
Shares	Number of shareholders pcs	Proportion of shareholders %	Total number of shares and votes pcs	Proportion of shares and votes %
1 - 100	191	5.97	13,845	0.03
101 - 500	710	22.21	245,254	0.61
501 - 1,000	630	19.71	547,088	1.35
1,001 - 5,000	1,097	34.31	2,869,995	7.08
5,001 - 10,000	263	8.23	2,048,730	5.06
10,001 - 100,000	278	8.70	7,827,659	19.31
100,001 - 999,999	28	0.88	26,972,285	66.55
Total	3,197	100.00	40,524,856	99.99
of which nominee registered	8		5,074,292	12.52
In joint account			3,304	0.01
In special accounts			1,488	0.00
Number issued			40,529,648	100.00

SHARES AND SHAREHOLDERS GRAPHS AND TABLES

CHANGES IN SHARE CAPITAL 2003-2008

Share capital Nov. 1, 2003			8,135,104 pcs		13,830 (EUR 1,000)		
Year	Subscription-share-relationship	Subscription- / registering-time	Subscription-price EUR	New shares pcs	Changing 1,000 EUR	New share-capital 1,000 EUR	Dividend-right
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 Oct. 31, 2008			40,529,648 pcs		34,450 (EUR 1,000)		

EFORE PLC'S SHARE PRICES AND TRADING VOLUME IN 2004-2008



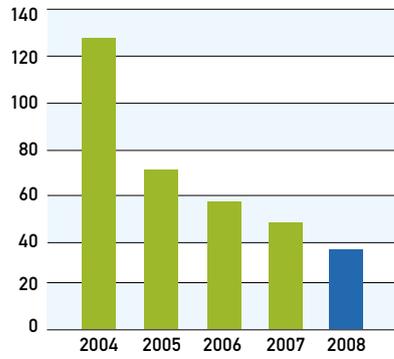
SHARES AND SHAREHOLDERS GRAPHS AND TABLES

DISTRIBUTION OF SHAREHOLDINGS BY SHAREHOLDER CATEGORY, OCTOBER 31, 2008

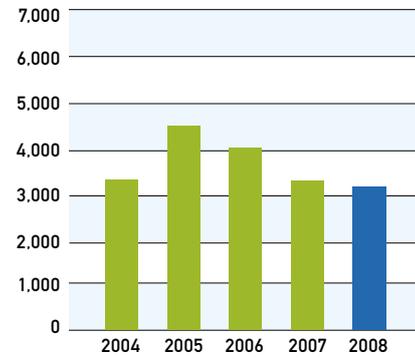
	Shareholders pcs	Proportion of shareholder %	Shares pcs	Proportion of shares and votes %
ENTERPRISES				
Domestic enterprises	204		7,934,218	
of which nominee registered			8,100	
Foreign ownership majority enterprises	1		4,700	
ENTERPRISES TOTAL	205	6.41	7,947,018	19.61
FINANCIAL- AND INSURANCE INSTITUTIONS				
Desposit banks	9		5,770,012	
of which nominee registered			5,065,991	
Financial auxiliaries	1			
of which nominee registered			1	
Insurance Companies	3		73,900	
Other financial institutions	3		865,812	
FINANCIAL- AND INSURANCE INSTITUTIONS, TOTAL	16	0.50	11,775,716	29.06
PUBLIC ENTITIES				
Other bodies governed by public law	2		1,838,700	
Employment pension institutions	1		3,000	
PUBLIC ENTITIES TOTAL	3	0.09	1,841,700	4.54
NON-PROFIT ORGANIZATIONS				
Other non-profit organizations	15		1,497,127	
NON-PROFIT ORGANIZATIONS TOTAL	15	0.47	1,497,127	3.69
HOUSEHOLDS				
Households	407		1,269,897	
Entrepreneurs	131		579,341	
Wage earners	2,098		14,223,776	
Other households	308		1,297,881	
HOUSEHOLDS TOTAL	2,944	92.09	17,370,895	42.86
OUTSIDE FINLAND	14		92,200	
of which nominee registered			200	
OUTSIDE FINLAND TOTAL	14	0.44	92,400	0.23
TOTAL	3,197	100.00	40,524,856	99.99
of which nominee registered	8		5,074,292	12.52
In joint account			3,304	0.01
In special accounts			1,488	0.00
TOTAL			40,529,648	100.00

SHARES AND SHAREHOLDERS GRAPHS AND TABLES

MARKET CAPITALIZATION, EUR MILLION



NUMBER OF REGISTERED SHAREHOLDERS



SHARES AND SHAREHOLDERS GRAPHS AND TABLES

EFORE PLC'S 20 LARGEST SHAREHOLDERS, OCTOBER 31, 2008

	Shares pcs	Proportion of shares and votes %
EVLI Bank Plc	4,476,492	11.04
Syrjälä & Co Oy	1,750,000	4.32
Tammivuori Leena	1,569,800	3.87
Tammivuori Matti	1,560,000	3.85
Maijos Oy	1,496,000	3.69
Varma Mutual Pension Insurance Company	1,438,700	3.55
Tammivuori Esko	1,379,592	3.40
Oy Q&A Consulting Ab	1,038,400	2.56
Skandinaviska Enskilda Banken	989,915	2.44
FIM Fenno Mutual Fund	981,804	2.42
Rausanne Oy	848,971	2.09
Veikko Laine Oy	814,400	2.01
Nordea Bank Finland Plc	675,320	1.67
Svenska Handelsbanken AB (Publ)	617,400	1.52
Syrjälä Timo	500,000	1.23
Fabritius Hannes	473,316	1.17
UCITS Fund Aktia Capital	430,812	1.06
Ilmarinen Mutual Pension Insurance Company	400,000	0.99
FIM Forte Mutual Fund	395,000	0.97
Fabritius Pirkko	253,672	0.63
Total	22,089,594	54.48
Nominee registered		
Nordea Bank Finland Plc	3,988,253	9.84

**SIGNATURES FOR THE FINANCIAL STATEMENTS
AND THE REPORT BY THE BOARD OF DIRECTORS**

Espoo, 11 December, 2008

Isto Hantila
Chairman

Jukka Harju
Deputy Chairman

Matti Tammivuori

Marko Luoma

Timo Syrjälä

Esa Korvenmaa

Reijo Mähäniemi
President and CEO

AUDITOR'S REPORT

To the Annual General Meeting of Efore Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Efore Plc for the financial period 1.11.2007 - 31.10.2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 19 December 2008
KPMG OY AB

LASSE HOLOPAINEN
Authorized Public Accountant

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.

The Group complies with Finnish Corporate Governance Code 2008 by Securities Market Association and 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 in China, Efore AS in Estonia, Efore Ltda in Brazil, Efore Ab in Sweden and Fi-Systems Oy in Finland. Efore also has a 25% stake in Power Innovation GmbH, a German power electronics company.

The decision-making bodies of the parent company Efore Plc, which are the Annual General Meeting, Board of Directors, and the President and CEO, are responsible for the governance and operations of the Group. The President and CEO is assisted by the Executive Management Team. The respective Boards of Directors, which comprise the Group's President and CEO and other representatives of the Group's senior management, are responsible for the operations of the subsidiaries. The Group's President and CEO is also Chairman of the Board of Directors of each of the subsidiaries. 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 line organizations for global functions and three geographical sales areas: EMEA (Europe, Middle East, Africa), APAC (Asia, Pacific region), and Americas (North, Middle and South America).

SHAREHOLDERS' MEETING

The duties of shareholders' meetings 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.

APPOINTING BOARD MEMBERS

The Nomination Committee of the Board of Directors draws up a proposal for the members of the Board. The Annual General Meeting elects the members of the Board of Directors by a simple majority vote for a term of office that ends with the close of the next Annual General Meeting following their election. The Board of Directors elects from amongst its members a Chairman and a 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. Six members were appointed as members of the Board of Directors at the Annual General Meeting held on January 31, 2008. The company's President and CEO is not a member of the Board of Directors.

MEMBERS OF THE BOARD OF DIRECTORS

The following persons were appointed as members of the Board of Directors at the Annual General Meeting held on January 31, 2008: Isto Hantila, Jukka Harju, Esa Korvenmaa, Marko Luoma, Timo Syrjälä and Matti Tammivuori.

At its inaugural meeting, the Board of Directors elected Isto Hantila as Chairman and Jukka Harju Deputy Chairman of the Board.

Isto Hantila, b. 1958, M.Sc. (Eng.)

Chairman of the Board since 2007

Deputy Chairman 2006

Member of the Board since 2004

Aspocomp Group Plc, President and CEO since 2007

Perlos Oyj, President and CEO 2004–2006

Ascom Group, Switzerland, CEO, Co-operation Division 2001–2004

Ascom Energy Systems Division, Switzerland, CEO 1994–2001

Ecocat Oy, Chairman of the Board since 2008

Holds 10,000 Efore shares

Jukka Harju, b. 1956, M.Sc. (Eng.), M.Sc. (Econ)

Deputy Chairman of the Board since 2008

Member of the Board since 2007

Elektrobit Oyj, Member of the Board since 2006

Boier Capital Oy, partner since 2007

Elektrobit Oyj, managerial positions 2000–2006

Tellabs Oy, Managing Director, 1994–1999

Nokia Telecommunications Oy, managerial positions 1981–1994

Incap Oyj, Member of the Board since 2007

No shareholding in Efore

Esa Korvenmaa, b. 1954, M.Sc. (Eng.)

Member of the Board since 2007

Cisco Systems Oy, General Manager and Managing Director since 2007

Telia Sonera Finland Oyj, Senior Vice President, Large Corporate Customers COO 2003–2006

Stonesoft Oyj, President and CEO 2000–2002

Hewlett-Packard Finland and Europe, managerial positions 1983–1995 and 1997–2000

Nokia Oyj, Vice President, Wireless Transmission Products 1995–1996

No shareholding in Efore

Marko Luoma, b. 1971, Tech.Lic.

Member of the Board since 2007

Special researcher at the Helsinki University of Technology since 1999

Creanord, Member of the Board since 2000

No shareholding in Efore

Timo Syrjälä, b. 1958, M.Sc. (Econ.)

Member of the Board since 2001

Deputy Chairman of the Board 2007

Chairman of the Board 2004–2006

Syrjälä & Co Oy, Managing Director

Holds 3,746,000 Efore shares

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

Holds 1,560,000 Efore shares

Shareholdings of the Board of Directors on October 31, 2008

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 16 times during the fiscal year. The participation rate of members in the Board meetings was 92%. 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 a decision of the Annual General Meeting of January 31, 2008, the Chairman of the Board of Directors is paid a fee of EUR 3,500 per month for his Board work and a meeting fee of EUR 1,000 per Board meeting, the Deputy chairman is paid EUR 1,750 per month and a meeting fee of EUR 500, and Board members are paid EUR 1,750 per month and EUR 500 per meeting. 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 ending October 31, 2008, the chairman and members of the Board of Directors were paid a total of EUR 230,625.00 in monthly and meeting fees. Committee chairmen and members were paid a total of EUR 11,000.00 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 two committees that assist in its work: the Audit Committee and the Nomination 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.

At the inaugural meeting held on January 31, 2008, the Board of Directors elected Timo Syrjälä as Chairman and Isto Hantila and Matti Tammivuori as members of the Audit Committee. 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 4 times during the fiscal year. All the members attended to the meetings of Audit Committee.

The Nomination Committee was elected on November 7, 2007 and at the inaugural meeting held on December 12, 2007, the Board of Directors elected Matti Tammivuori as Chairman and Timo Syrjälä as a member and Rauno Puolimatka as an external expert of the Nomination Committee. Furthermore Mr. Isto Hantila, Chairman of the Board of Directors was elected as an expert member. The main duties of the Nomination 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. All the members attended to the meeting of the Nomination Committee.

EFORE'S PRESIDENT AND CEO

The Board of Directors appoints the company's President and CEO and supervises his actions. The main terms and conditions governing his appointment are defined in a written contract approved by the Board of Directors. 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.

Under the contract between Efore and Reijo Mäihäniemi, the President and CEO is entitled to a performance-related remuneration for the fiscal year. The remuneration, determined by the Board of Directors, is paid once during the fiscal year. The Board of Directors decides on the targets used as the basis for the remuneration each fiscal year.

Reijo Mäihäniemi does not, as President and CEO, have any voluntary pension insurance policy. His contract does not contain provisions on any specific age limit for early old-age pension or for resignation. The period of notice for the President and CEO is six months, and under the contract, he will not receive any separate discharge fee.

Reijo Mäihäniemi was paid a total of EUR 197,500.48 in salary and fringe benefits during the fiscal year ending on October 31, 2008: the regular monetary salary accounted for EUR 195,777.18 and fringe benefits EUR 1,723.30. The Board of Directors has not granted option rights to Mäihäniemi under the fiscal year. Efore does not operate an incentive system under which fees are paid to the President and CEO in the form of the company's own shares.

EXECUTIVE MANAGEMENT TEAM

The President and CEO is assisted by the Executive Management Team. The Team is chaired by the President and CEO. Team comprises the Chairman, the Group's CFO; Executive Vice President, Operations and Executive Vice President, Technology and Product Development.

The Executive Management Team'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 Team convenes 1-2 times per month.

EXECUTIVE MANAGEMENT TEAM


Reijo Mähäniemi, M.Sc.(Eng.), born 1947

Employed by Efore since 2006
 President and CEO
 Chairman of Executive Management Team

Before joining Efore worked as Managing Director of Olivetti Finland (1994–1995) and Fiskars Power Systems (1985–1990), and held managerial positions in such companies as Tellabs Oy (1997–2005), Teleste Oy (1995–1997) and Nokia Telecommunications (1973–1985).

Holds 22,600 Efore shares and 220,000 option rights.


Panu Kaila, B.Sc.(Eng.), born 1955

Employed by Efore since 2004
 Executive Vice President, Operations

Before joining Efore held managerial positions in Elcoteq Networks Oyj (1999–2002) and Nokia MobilePhones Oy (1985–1999) and worked as Project Manager at the Helsinki University of Technology (1999).

Holds 9,400 Efore shares and 79,000 option rights


Markku Kukkonen, Tech.Lic., born 1959

Employed by Efore since 2006
 Executive Vice President, Technology and Product Development

Before joining Efore held managerial positions in Salcomp Oy's product development (1999–2006) and in Helvar Oy (1986–1999).

No share ownership, 58,000 option rights


Olli Nermes, M.Sc.(Econ.), born 1956

Employed by Efore since 2007
 Executive Vice President, CFO

Before joining Efore, worked as Director of Finance and IT at Evox Rifa Group (2003–2007) and in Intermarketing Oy as Vice President (2001–2003) and as Director of Finance in Helvar Oy (1997–2001)

Holds 1,000 Efore shares and 35,000 option rights

Ilkka Starck, M.Sc.(Eng.), has been appointed as Executive Vice President, Sales and Marketing and as a member of the Efore Executive Management Team as of January 1, 2009.

Shareholdings and option rights of the Management Team on October 31, 2008

REMUNERATION SYSTEM FOR THE PRESIDENT AND CEO AND THE COMPANY'S MANAGEMENT

The performance-related pay system for the Group's management is drawn up by the Compensation Committee and then approved by the Efore Plc Board of Directors. The Board approved upper limits for performance related pay are in the range 10-30% of annual earnings, depending on an employee's position. 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. The management performance related pay system covers 72 Efore Group employees.

GOVERNANCE OF INSIDER ACTIVITY

Efore Plc's public insiders are the members of the Board of Directors, the President and CEO, the company's auditors, and the members of the Executive Management Team. The company also has a company-specific insider register. Insider registers are maintained under the supervision of the President and CEO.

Efore Plc complies with the insider trading instructions approved by the Nasdaq OMX 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 on a long-term basis 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 part of the Group's financial administration. The financial administration management reports the findings of internal auditing to the President and CEO and the Audit Committee. 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.

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