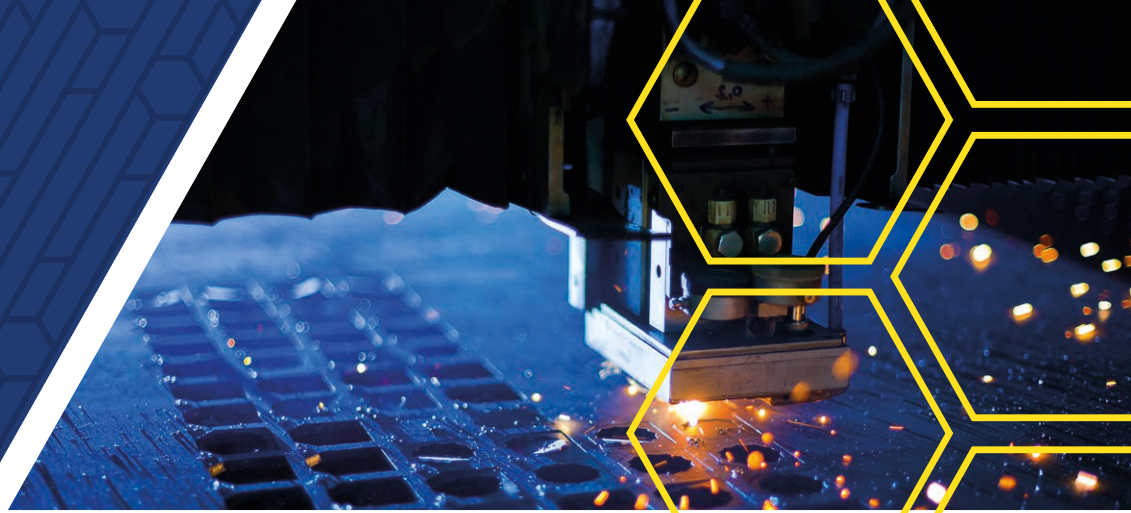
ANNUAL REPORT



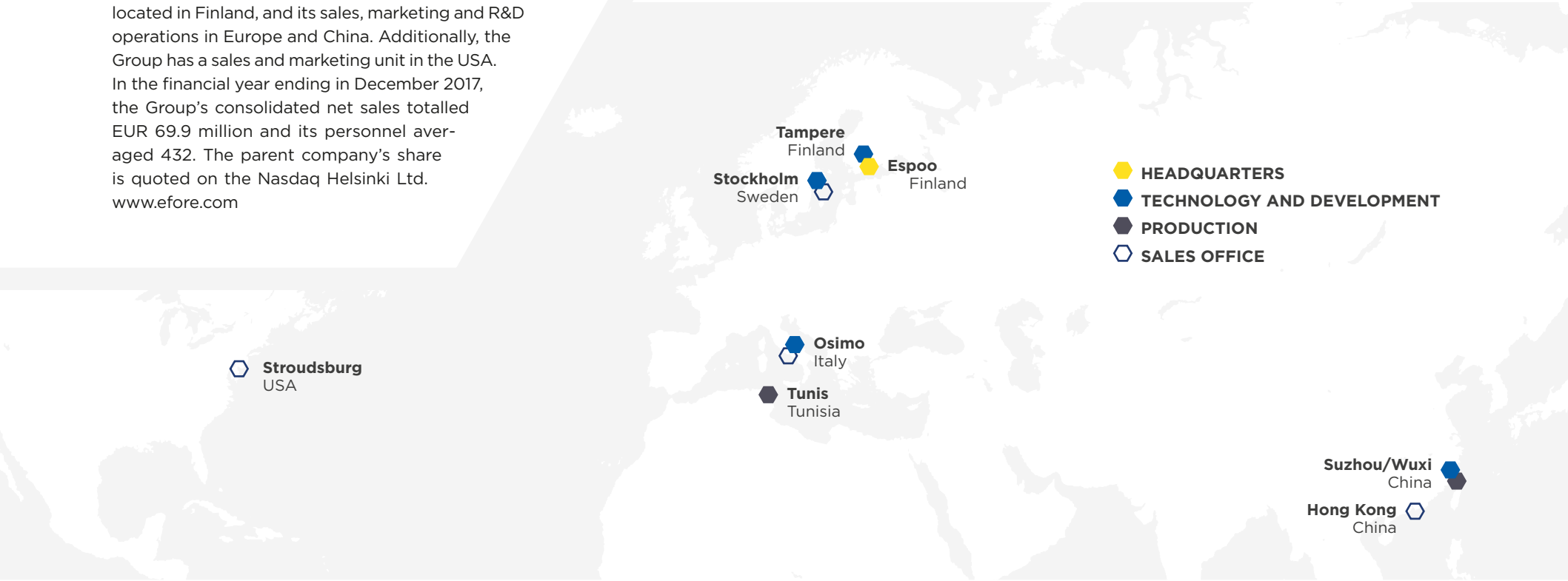
2017

EFORE
TRUSTED POWER PARTNER

CONTENTS

EFORE IN BRIEF

Efore is an international Group developing and producing demanding power products. Efore's head office is located in Finland, and its sales, marketing and R&D operations in Europe and China. Additionally, the Group has a sales and marketing unit in the USA. In the financial year ending in December 2017, the Group's consolidated net sales totalled EUR 69.9 million and its personnel averaged 432. The parent company's share is quoted on the Nasdaq Helsinki Ltd. www.efore.com



EXAMPLES OF APPLICATION AREAS FOR OUR PRODUCTS

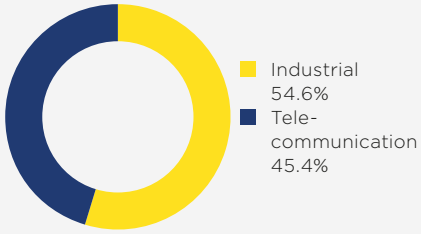
- TELECOM POWER SOLUTIONS
- MEDICAL POWER SOLUTIONS
- LIGHTING POWER SOLUTIONS
- INDUSTRIAL POWER SOLUTIONS
- UTILITY POWER SOLUTIONS
- MILITARY POWER SOLUTIONS

FINANCIAL YEAR 2017 IN BRIEF

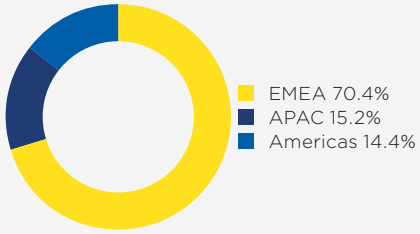
Key figures		2017	2016
Net sales	MEUR	**69.9**	75.4
Adjusted operating result	MEUR	**-0.2**	-4.8
Operating result	MEUR	**-0.2**	-9.7
Result before taxes	MEUR	**-1.0**	-10.4
Net result	MEUR	**-0.6**	-11.4
Return on equity (ROE)	%	**-7.9**	-85.5
Return on investment (ROI)	%	**-2.2**	-38.0
Cash flow from business operations	MEUR	**4.6**	-1.1
Net interest-bearing liabilities	MEUR	**8.1**	7.5
Solvency ratio	%	**17.9**	15.7
Net gearing	%	**115.6**	99.5
Earnings per share	EUR	**-0.01**	-0.22
Equity per share	EUR	**0.13**	0.14
Dividend per share	EUR	**0**	0
Share price on December 31	EUR	**0.43**	0.55
Market capitalization on December 31	MEUR	**22.5**	28.5
Personnel, average		**432**	679

- Despite the decline in the net sales, the operating result remained slightly negative but improved clearly compared to the previous year.
- Annual fixed costs decreased significantly and active measures to streamline the consolidated balance sheet yielded results.
- The outsourcing of manufacturing in China was finalised, and the functions related to manufacturing, procurement, R&D and sales at Suzhou facility were relocated on the site of the manufacturing partner in Wuxi.
- In the industrial sector, the Digital Power product portfolio was expanded and a new standard power platform was commercialized.
- Development projects concerning system level solutions for the telecom market were continued.
- A review process to evaluate different structural alternatives for securing the long-term profitability of the telecom business was initiated.

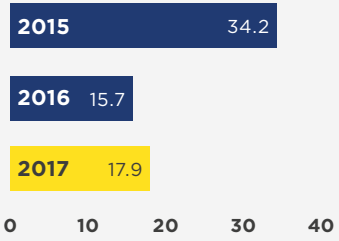
Net sales by sectors



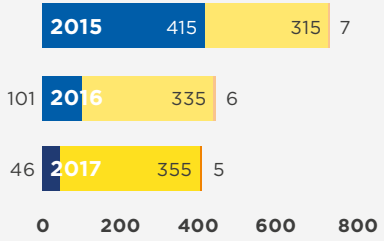
Net sales by areas



Solvency ratio, %



Personnel by geographical area



APAC
EMEA
Americas

APAC: Asia-Pacific, **EMEA:** Europe, Middle East and Africa, **Americas:** North, Central and South America

A YEAR OF TWOFOLD DEVELOPMENT

Efore's actions for decreasing fixed costs and streamlining activities in 2017 were successful, although the net sales growth for certain product groups was clearly weaker than anticipated, particularly towards the end of the year. The result of the financial period clearly improved compared to the previous year, but remained slightly negative despite the promising signs at the beginning of the year. We will continue to streamline our activities by focusing on significant issues, such as investigating the structural arrangements related to the operations of the telecommunications sector, taking active measures in expanding our current customer base as well as implementing an organisational model and further developing our activities at the Tunisia plant.

The latter part of the year 2017 was challenging for us especially in the telecommunications sector with about 25 per cent year-on-year decrease in net sales. The main reason for the weak development of the net sales was the sales decline of macro base stations of the key telecom customers. Traditionally, most of our telecom products have been developed for macro base stations. However, in 2017, the demand focused mainly on micro base stations and our net sales went below the level we forecasted during the summer. We have lately focused on developing products for smaller base stations and telecom 5G applications but the positive volume effect of these products can be seen gradually in the future.

The net sales of the industrial sector also decreased slightly from the previous year. Due to the outsourcing of our manufacturing in China, two considerable EMS-customers started to use the services of other companies. However, there was a slight increase in the net sales of our Digital Power product group.

The operating result of the financial period remained slightly negative but clearly improved compared to the previous year. The main reasons for the positive development were the improved productivity of our operations and our measures to decrease the fixed costs.

ACTIVE RESTRUCTURING MEASURES

The outsourcing of our manufacturing in China was finalised in June 2017, and the functions related to manufacturing, procurement, R&D and sales in Suzhou facility were relocated on the site of the manufacturing partner, Hodgen Technology Ltd., in Wuxi. During the latter part of the year, we continued to develop the joint operating model with Wuxi Hodgen Technology in order to improve the effectiveness and flexibility of the production, and this work will also continue in 2018. As a result of this arrangement, we can focus more closely on our core competency, the development of power solutions.

The production volume of our Tunisia plant increased significantly as a result of the expansion of its production range. We continued our investments in production equipment and quality assurance in order to improve the operations of the plant, and we plan to continue these investments in the future.

We further continued the development of our operations. As a part of this process, we decided to renew the organisation structure and, at the beginning of 2018, a new business line based organisation was implemented. Under the new structure, we can be more customer-oriented and further develop our operative efficiency as well as our ability to utilise new business opportunities. Furthermore, we moved to new premises in China, Italy and Finland in order to increase the efficiency of the operations and reduce costs.

As a result of the actions implemented, our annual fixed costs have decreased by about EUR 7 million from the level of the first half of 2016 and our active measures to streamline the consolidated balance sheet have yielded results. We will further continue our actions to reduce the fixed costs and to develop the efficiency of our operations. As a part of this process, we have started to investigate different structural alternatives to secure the long-term profitability of the telecom business.

RESPONDING TO SHIFTING MARKET DEMAND WITH PRODUCT DEVELOPMENT

The global telecommunications market is undergoing a great change as 4G technology has reached its peak and large-scale development projects based on 5G technology will not be fully implemented until 2019–2020. To compensate for this temporary drop in demand, we are rolling out new products that combine our expertise and advanced power source technology in the telecommunications sector with systems solutions in compliance with current industry standards. Such products include power supply solutions capable of access control, enabling the optimised maintenance of equipment. In providing products and services, we aim to focus more on solution-centred deliveries instead of equipment deliveries, expanding our standing in our clients' value chain.

In the industrial sector, power supplies for LED lighting, instrumentation, medical equipment and infrastructure still offer several growth opportunities. We focus on customer segments where high reliability and long product life cycles are the key success factors. We have expanded our Digital Power product portfolio to include new solutions for test & measurement and digital displays and, in the latter part of 2017, a new standard medium-high power platform was commercialised. In the Digital Light area, we continue to complement the current portfolio with innovative high-density smart LED drivers designed especially for architectural and outdoor applications.

In our future product portfolio, system level solutions for telecom and industrial market will play an even more significant role. In this context, systems level solutions refer to wider systems including our current products and mechanics and cables, for example. In these products, we can utilise our existing expertise and skillsets from the DC-system business. The development work concerning larger system level solutions for the telecom market has progressed far, and the first complete solutions are estimated to be delivered during 2018.

A technology platform based on bidirectional technology is a part of our vision for future industrial and systems applications where more versatile and higher power solutions are needed. Our R&D project focusing on bidirectional technology has progressed to a phase where new applications are being sought especially for energy stores and Smart Grid applications.

I want to warmly thank our customers, personnel, shareholders and partners for the good cooperation during financial year 2017 that was still challenging for us.

Jorma Wiitakorpi
President and CEO

REPORT OF THE BOARD OF DIRECTORS 2017

Efore is an international Group which develops and produces demanding power electronics products. In 2017 Efore complied with the Insider Guidelines issued by the NASDAX Helsinki Oy and the Finnish Corporate Governance Code 2015 for Listed Companies issued by Securities Market Association.

This Corporate Governance Statement has been published as a separate report on Efore's website and in the Annual Report.

GROUP STRUCTURE

At the end the financial year Efore Group consisted 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 (Suzhou) Automotive Technology Co., Ltd in China, Efore OU in Estonia, Efore AB in Sweden, Efore (Hong Kong) Co. Ltd in China and FI-Systems Oy in Finland as well as Efore SpA in Italy, Efore Sarl in Tunisia and Efore Inc. in the U.S.A.

NET SALES AND RESULT OF THE FULL YEAR

Net sales totalled EUR 69.9million (EUR 75.4 million).

The net sales of the telecommunications sector totalled EUR 31.7 million (EUR 34.2 million), with a year-on-year decrease of 7.2%. The main reason for the weak development of the net sales was the sales decline of macro base stations of the key telecom customers.

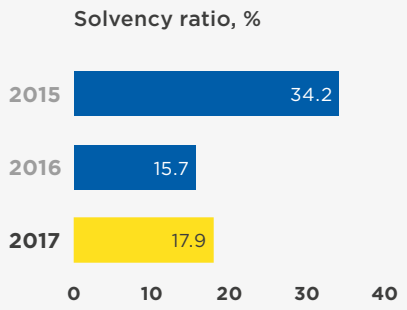
The net sales of the telecommunications sector include EUR 2 million sales of inventory to Wuxi Hodgen Technology with no margin.

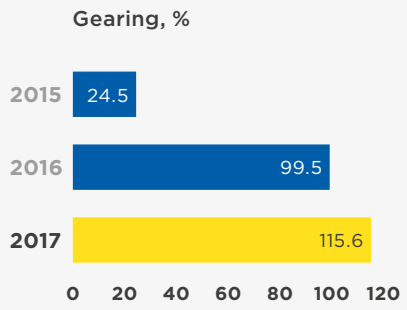
Net sales of the industrial sector totalled EUR 38.2 million (EUR 41.2 million), with a year-on-year decrease of 7.3%. Due to the outsourcing of manufacturing in China, two EMS customers started to use the services of other companies. This had a negative impact on the net sales development of the industrial sector compared to the corresponding period of the last year.

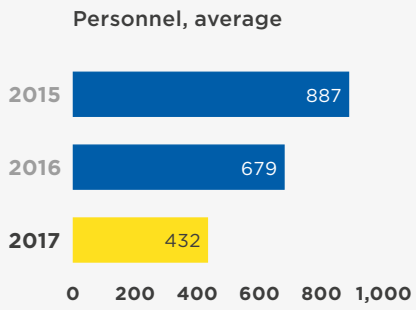
The operating result for 2017 improved significantly compared to the corresponding period of the last year, totalling EUR -0.2 million (EUR -9.7 million). The adjusted operating result was EUR -0.2 million (EUR -4.8 million). The main reasons for the positive result development were especially active measures to decrease the fixed costs and improved productivity. There were no one-time costs in 2017.

BUSINESS DEVELOPMENT

The telecom market is transforming, which sets new requirements for the operators in the business. Most of Efore's telecom products are traditionally designed for macro base stations, but demand for them has decreased and shifted towards smaller base stations. Efore further continues R&D investments to widen the technology portfolio in power supply technology for new smaller cell products. The prod-







ucts based on the 5G technology are in a key role in future network expansions.

Efore has expanded the product portfolio in the industrial sector. The Digital Power product portfolio has been expanded to include new solutions e.g. for test & measurement and digital displays. A new standard medium-high power platform was commercialized in the latter part of the year. In the Digital Light area the company continues to increase the current portfolio with innovative high-density smart LED drivers that focus especially, for example, on architectural and outdoor applications.

The introduction of system-level solutions for the telecom and industrial market will play an even more significant role in the future product portfolio. In this context, system-level solutions refer to wider systems including Efore's current products and, for example, mechanics and cables. With these products Efore can utilize its existing expertise and skillsets from the DC-system business. Efore continues the development projects concerning larger system-level solutions for the telecom market and the first complete solutions are estimated to be delivered during 2018.

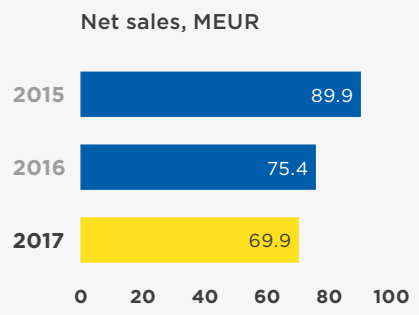
A technology platform based on bi-directional technology is part of Efore's vision for future industrial and systems applications where more versatile and higher-power solutions are needed. Efore's R&D project that focuses on bi-directional technology has progressed to the phase where new applications are being sought especially for energy stores and Smart Grid applications.

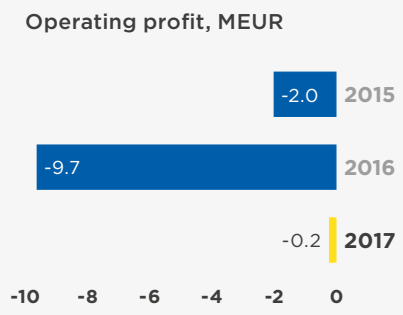
Due to the overall semi-conductor market situation, component lead-times have increased and the availability of the components has been occasionally challenging. The Group continues actions to secure the component availability.

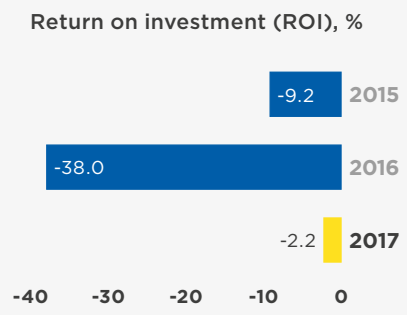
Outsourcing of manufacturing in China was finalised in June 2017 and the related support functions were relocated to the site of the manufacturing partner, Hodgen Technology Ltd., in Wuxi. In the future, this will create the possibility to develop the effectiveness and flexibility of the production of the telecommunications sector.

The production volume increased significantly at the Tunisia plant as a result of expansion of production range. The company continued investments in production equipment and quality assurance in order to improve operations at the Tunisia plant.

The company further continued the development of Group operations. As a part of this process, the decision was made to renew the organisation structure. At the beginning of 2018 a new business line based organisation was implemented. With the new organisation structure, Efore can be more customer-oriented and further develop operative efficiency as well as the ability to utilise new business opportunities.







Furthermore, the company moved to new premises in China, Italy and Finland in order to increase the efficiency of the operations and reduce costs.

As a result of the actions implemented, the annual fixed costs of the Group have decreased by about EUR 7 million from the first half of 2016. Active measures to lighten the group balance sheet also contributed to the result. Actions to reduce the fixed costs and to develop the efficiency of the company will continue.

INVESTMENTS AND PRODUCT DEVELOPMENT

Group investments during the financial year amounted to EUR 5.2 million (EUR 3.3 million) which includes EUR 3.4 million (EUR 2.5 million) capitalization of product development costs. At the end of the financial year, the capitalized product development investments amounted to EUR 8.8 million (EUR 7.6 million)

The full fiscal year product development expenditure amounted to EUR 5.8 million (EUR 7.1 million), 8.3% (9.4%) of net sales.

FINANCIAL POSITION

The interest-bearing liabilities exceeded the consolidated cash reserves by EUR 8.1 million (EUR 7.5 million) at the end of the financial year. The consolidated net financial expenses were EUR 0.9 million (EUR 0.7 million).

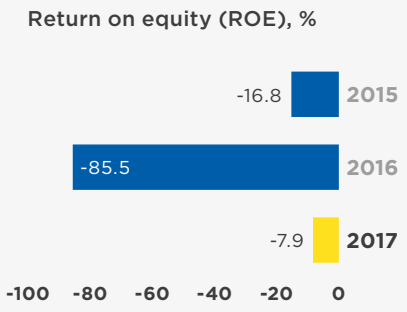
The cash flow from business operations was EUR 4.6 million (EUR -1.1 million). The cash flow after investments was EUR -0.5 million (EUR -2.9 million). Positive development in operative cash flow was contributed especially by increased efficiency in Net Working Capital management and realized cost savings.

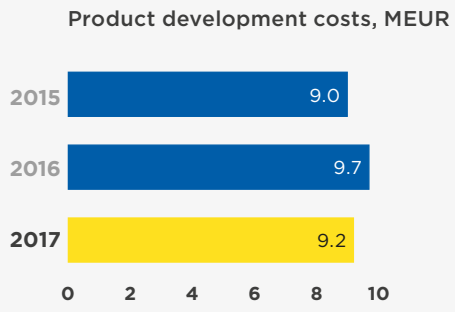
The Group's solvency ratio was 17.9% (15.7%) and the gearing was 115.6% (99.5%).

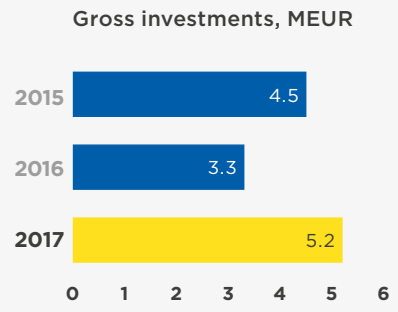
The liquid assets excluding undrawn credit facilities totalled EUR 4.5 million (EUR 6.4 million) at the end of the financial year. At the end of the financial year the Group had the undrawn credit facilities excluding factoring limits EUR 3.4 million (EUR 3.9 million). The balance sheet total was EUR 39.3 million (EUR 48.3 million).

On December 31, 2017 the parent company had loans from the main financier that have the following covenants: equity ratio, net debt/ 12 month Ebitda excluding one-time items and absolute Ebitda. The covenant concerning equity ratio was breached at the end of December 2017. After negotiations with the financier the company received a waiver on February 13, 2018 concerning the measurement point at the end of December 2017. Next measurement point for covenants will be June 30, 2018.

Efore Plc repaid prematurely on March 31, 2017, the EUR 2 million loan granted by Jussi Capital Oy, which belonged to the related parties of the Company. The loan was drawn on January 2, 2017 and it was due on June 30, 2017.







ENVIRONMENTAL POLICY AND ENCUMBRANCES

Efore's environmental systems are developed and maintained according to the international ISO 14001:2004 standard. All group product development and production sites are certified according to the standard.

Products are designed to meet the requirements of the European Union's WEEE Directive (Waste electrical and electronic equipment. Efore's product development is based on the guidelines of EuP (Energy using Products) directive in order to minimize the use of natural resources related to the products.

Efore's production facility is equipped for lead-free production in accordance with RoHS Directive (Restriction of the use of Certain Hazardous Substances). Also lead based production is used in order to meet product requirements.

Recycling of electronics and metal waste is done in partnership with specialized companies. Chemical waste is collected and transported to companies which are specialized in hazardous waste disposal. No environmental risks or responsibilities having an impact on company's financial position have been come out by the publishing of the financial statements.

PERSONNEL

Average number of the Group's own personnel was 432 (679) in 2017 and at the end of the financial year 406 (442). The decrease in personnel amount was mainly due of the outsourcing of manufacturing in China.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

The Extraordinary General Meeting on January 31, 2017 set the number of the members of the Board of Directors at four. Marjo Miettinen, Jarmo Simola and Antti Sivula were re-elected as members of the Board of Directors and Tuomo Lähdesmäki was elected as new member of the Board of Directors. Päivi Marttila, Jarkko Takanen and Olli Heikkilä were not available for re-election.

The Annual General Meeting on April 5, 2017 re-elected Marjo Miettinen, Jarmo Simola, Antti Sivula and Tuomo Lähdesmäki as members of the Board of Directors. Tuomo Lähdesmäki was re-elected as Chairman of the Board of Directors and Marjo Miettinen was re-elected as Vice Chairman.

The members of the Executive Management Team and their global responsibilities at the end of the financial year were as follows:

- Jorma Wiitakorpi, President and CEO
- Alessandro Leopardi, Sales and Marketing
- Vesa Leino, Finance and ICT
- Samuli Räisänen, R&D and Quality
- Ruben Tomassoni, Production, Sourcing and Procurement

AUDITORS

The Annual General Meeting on April 5, 2017 appointed KPMG Oy Ab as Efore's auditors, with Authorized Public Accountant Henrik Holmbom as principal auditor.

SHARE, SHARE CAPITAL AND SHAREHOLDERS

At the end of the financial year the number of the Group's own shares was 3 501 995 pcs.

The highest share price during the financial year was EUR 0.70 and the lowest price was EUR 0.42. The average price during the financial year was EUR 0.56 and the closing price was EUR 0.43. The market capitalization calculated at the final trading price at the end of the financial year was EUR 22.5 million.

The total number of Efore shares traded on the Nasdaq Helsinki during the financial year was 9.4 million pcs and their turnover value was EUR

5.3 million. This accounted for 16.9% of the total number of shares 55 772 891 pcs. The number of shareholders totalled 3830 (4013) at the end of the financial year.

FLAGGING NOTIFICATIONS

Jussi Capital Oy's share of ownership and votes in Efore Plc went down 15 per cent on December 19, 2017. Share of total number of shares and votes of Jussi Capital Oy following the flagging notification is 14,9%.

DECISIONS OF THE ANNUAL GENERAL MEETING

Shareholders' permanent Nomination Board

The Annual General Meeting decided on April 5, 2017 to establish a permanent Shareholders' Nomination Board to prepare proposals concerning the election and remuneration of the members of the Board of Directors to the General Meetings. In addition, the Meeting adopted the charter of the Shareholders' Nomination Board.

Authorizing the Board of Directors to resolve on the acquisition of the company's own shares

The Annual General Meeting on April 5, 2017 decided to authorize the Board of Directors, in accordance with its proposal, to resolve on the acquisition of the company's own shares or their acceptance as pledge, in one or several instalments, on the following terms and conditions:

Based on the authorization an aggregate maximum of 4,000,000 own shares corresponding to approximately 7.2% of all the shares in the company may be acquired. Shares in the company may be acquired only by using the company's unrestricted equity. The shares may be acquired in public trading arranged by Nasdaq Helsinki Oy at the prevailing market price on the date of acquisition, or at a price otherwise formed on the market. The Board of Directors resolves the manner in which own shares are acquired or accepted as a pledge. The acquisition may be made using, inter alia, derivatives. Shares may be acquired otherwise than in proportion to the holdings of the shareholders (directed acquisition).

The authorization cancels the authorization given by the Annual General Meeting on 30 March 2016 to resolve on the acquisition of the company's own shares.

The authorization is valid until 30 June 2018. The Board did not use this authorization in 2017.

Authorizing the Board of Directors to decide on the issue of shares as well as the issue of options and other special rights entitling to shares

The Annual General Meeting on April 5, 2017 decided to authorize the Board of Directors, in accordance with its proposal, in one or more transactions, to decide on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows:

The number of shares to be issued based on the authorization may in total amount to a maximum of 5,000,000 shares, corresponding to approximately 9.0% of all the shares in the company.

The Board of Directors decides on all the terms and conditions of the issuances of shares, options and other special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorization cancels the authorization given by the Annual General Meeting on 30 March 2016 to decide on the issuance of shares and special rights entitling to shares.

The authorization is valid until 30 June 2018.

The Board did not use this authorization in 2017.

SHORT-TERM RISKS AND FACTORS OF UNCERTAINTY

Risks related to business environment

The most significant business risks are related to the market success of key customer products. Progress of Efore's product development projects depends partly on the customers' own project schedules. Furthermore, demand fluctuations typical in the market cause rapid changes in Efore's business.

Expanding the Group's product range to standard products in industrial sector may mean increased product liability risk.

Overall economic development may have an effect on Efore's business environment.

Risks related to financing

Due to Efore's challenging financing situation there are some risks related to the current undrawn credit facilities and adequate financing. The company is aming to minimize the risks by active planning and implementation of different options.

On December 31, 2017 the parent company had loans from the main financier that have the following covenants: equity ratio, net debt/ 12 month Ebitda excluding one-time items and absolute Ebitda. The covenant concerning equity ratio was breached at the end of December 2017. After negotiations with the financier the company received a waiver on February 13, 2018 concerning the measurement point at the end of December 2017. Next measurement point for covenants will be June 30, 2018.

When assessing the going concern principle, the management has taken into account the company's strategy and cost savings program and the forecasts associated with these, the available sources of financing as well as the risks concerning the sufficiency of financing. If, however, the covenants would be breached the management is confident, based on analyses prepared, that Efore can either obtain a waiver or renegotiate with the financier.

The company has started loan extension negotiations with the main financier. The management of the company believes that the result of the negotiations will be positive.

Outsourcing of manufacturing in China was finalised in June 2017 and the related support functions were relocated to the site of the manufacturing partner, Hodgen Technology Ltd., in Wuxi. Furthermore, the company moved to new premises in China, Italy and Finland in order to increase the efficiency of the operations and reduce costs. These measures will have positive effect on the result, equity ratio and net debt development.

The management has taken into account the uncertainty factors when assessing the ability of the group to continue as a going concern. At the time for preparing the financial statements there are no commercial or financial risks which the company has not been aware of.

Uncertainty factors relating to the financing arrangement actually taking place, which are described in the accounting principles for the financial statements and in Note 26.

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 and are responsible for risk management plans related to them.

Efore's operational units have 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.

Management of risks of loss

Efore aims to prevent losses by observing the highest standards in its opera-

tions 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 by the management, 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 can be found on Notes to the consolidated financial statements, 26.

FINANCIAL ESTIMATE FOR 2018

Due to the financial situation of the Group and especially uncertainty related to the development of the telecommunications sector giving earnings guidance is exceptionally challenging Due to this reason the company does not give earnings guidance for 2018. Efore investigates different structural alternatives to secure the long-term profitability of the telecom business.

BOARD OF DIRECTORS' PROPOSAL FOR THE ANNUAL GENERAL MEETING

The Board of Directors will propose to the Annual General Meeting on April 12, 2018 that no dividend will be distributed and the loss will be transferred to the company's retained earnings account.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

The company further continued the development of Group operations. A new business line based organization was implemented at the beginning of 2018.

The company has started loan extension negotiations with the main financier. The management of the company believes that the result of the negotiations will be positive.

Efore published on January 12, 2018 the proposals of the Shareholders' Nomination Board of Efore Plc to the AGM to be held on April 12, 2018 as follows:

- The Nomination Board proposes to the AGM that five (5) members shall be elected to the Board of Directors.
- The Nomination Board proposes that Marjo Miettinen, Tuomo Lähdesmäki, Jarmo Simola and Antti Sivula will be re-elected as members of the Board. The Nomination Board proposes further that Taru Narvanmaa is elected as a new member of the Board.
- The Shareholders' Nomination Board will also propose that the remuneration paid to the Board of Directors for the term beginning at the end of the Annual General Meeting and ending at the end of the Annual General Meeting 2019 should remain unchanged and be as follows: Chairman of the Board of Directors 3,500 euro per month and Other members of the Board of Directors 1,750 euro per month. Travel and accommodation expenses are payable against receipt.

Efore Plc has received a waiver on February 13, 2018 concerning the breach of its loan covenant at the end of December 2017.

Efore has initiated a review process to evaluate different structural alternatives to secure the long-term profitability of its telecom business. As a part of this process and improving the profitability, Efore disclosed on February 15, 2018 to commence cooperation procedure in Finland. Negotiations concern entire personnel in Finland. Possible terminations of employment contracts or shifting to part-time work concern maximum 9 persons and possible temporarily lay-offs may last maximum 90 days. Potential structural changes of Efore's telecom business will also have an impact on entire Group personnel and future resource allocation.

STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

	Note	Jan. 1,–Dec. 31, 2017	Jan. 1,–Dec. 31, 2016
REVENUE	1	**69,872**	75,368
Change in inventories of finished goods and work in progress		**-1,864**	-1,293
Work performed for own purposes and capitalised		**103**	84
Other operating income	3	**530**	1,312
Material and services	4	**-47,956**	-49,556
Employee benefits expense	5	**-11,022**	-19,708
Depreciation and amortisation	6	**-3,713**	-3,659
Impairment	6	**-85**	-274
Other operating expenses	7	**-6,032**	-11,937
OPERATING PROFIT		**-165**	-9,664
Financing income	8, 10	**2,634**	3,202
Financing expenses	9, 10	**-3,499**	-3,939
PROFIT/LOSS BEFORE TAX		**-1,030**	-10,400
Tax on income from operations	11	**452**	-976
PROFIT/LOSS FOR THE PERIOD		**-578**	-11,377
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan		**69**	11
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**-45**	-150
TOTAL COMPREHENSIVE INCOME		**-554**	-11,516
Profit attributable to:			
Owners of the parent company		**-579**	-11,377
Non-controlling interests		**1**	0
		-578	-11,377
Total comprehensive income attributable to:			
Owners of the parent company		**-555**	-11,517
Non-controlling interests		**1**	1
		-554	-11,516
Earnings per share calculated on profit attributable to equity holders of the parent:			
Earnings per share, eur	12	**-0.01**	-0.22
Earnings per share, diluted eur	12	**-0.01**	-0.22

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

CONSOLIDATED BALANCE SHEET, EUR 1,000

	Note	Dec. 31, 2017	Dec. 31, 2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13	**10,244**	9,197
Goodwill	2, 13	**1,114**	1,114
Tangible assets	14	**2,853**	2,822
Other non-current financial assets	16	**86**	91
Non-current trade and other receivables	18	**82**	108
Deferred tax asset	16	**2,945**	2,471
NON-CURRENT ASSETS		**17,324**	15,803
CURRENT ASSETS			
Inventories	17	**8,736**	11,257
Trade receivables and other receivables	18	**8,453**	14,638
Tax Receivable, income tax		**324**	217
Cash and cash equivalents	19	**4,513**	6,411
CURRENT ASSETS		**22,026**	32,523
ASSETS		**39,350**	48,327

CONSOLIDATED BALANCE SHEET, EUR 1,000

	Note	Dec. 31, 2017	Dec. 31, 2016
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital	20	**15,000**	15,000
Unrestricted equity reserve	20	**28,673**	28,673
Treasury shares	20	**-2,427**	-2,427
Translation differences	20	**3,310**	3,355
Accumulated earnings		**-37,546**	-37,037
Owners of the parent company		**7,010**	7,564
Non-controlling interests		**1**	1
EQUITY		**7,012**	7,565
NON-CURRENT LIABILITIES			
Deferred tax liability	16	**218**	331
Non-current liabilities, interest-bearing	21, 22	**871**	26
Pension loans	24	**1,316**	1,412
Provisions	25	**251**	250
NON-CURRENT LIABILITIES		**2,656**	2,018
CURRENT LIABILITIES			
Current interest-bearing liabilities	21, 22	**11,747**	13,910
Trade Payables and Other Liabilities	23, 26, 27	**17,309**	20,512
Tax liability, income tax		**276**	291
Provisions	25	**349**	4,030
CURRENT LIABILITIES		**29,682**	38,743
Liabilities		**32,338**	40,762
EQUITY AND LIABILITIES		**39,350**	48,327

STATEMENT OF CASH FLOWS, EUR 1,000

	Note	Jan. 1,–Dec. 31, 2017	Jan. 1,–Dec. 31, 2016
Cash flows from operating activities			
Customer payments received		**74,788**	79,854
Cash paid to suppliers and employees		**-69,563**	-80,289
Cash generated from operations		**5,225**	-435
Interest paid		**-429**	-386
Dividends received		**19**	0
Interest received		**55**	15
Other financing items		**-149**	-259
Income taxes paid		**-41**	-40
Net cash from operating activities		**4,679**	-1,104
Cash flows from investing activities			
Purchase of tangible and intagible assets		**-5,278**	-3,200
Proceeds from sale of tangible and intangible assets		**121**	1,444
Proceeds from sale of investments		**0**	2
Income taxes paid		**0**	-19
Net cash used in investing activities		**-5,157**	-1,773
Cash flows from financing activities			
Proceeds from current borrowings		**6,050**	9,478
Repayment of current borrowings		**-7,817**	-8,084
Proceeds from non-current borrowings		**867**	4,000
Repayment of non-current borrowings		**0**	-2,100
Payment of finance lease liabilities		**-245**	-242
Net cash used in financing activities		**-1,145**	3,052
Net change in cash and cash equivalents		**-1,623**	175
Cash and cash equivalents, opening amount		**6,411**	6,347
Net increase/decrease in cash and cash equivalents		**-1,623**	175
Effects of exchange rate fluctuations on cash held		**-275**	-110
Cash and cash equivalents	19	**4,513**	6,411

STATEMENT OF CHANGES IN EQUITY, EUR 1,000

	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of the parent company	Non-controlling interests	Equity Total
EQUITY 1.1.2016	**15,000**	**-2,427**	**27,971**	**702**	**3,505**	**-25,715**	**19,038**	**1**	**19,038**
Profit/loss for the period						-11,377	-11,377	1	-11,376
Other comprehensive income:									
Remeasurement of defined benefit plan				0	0	11	11	0	11
Translation differences	0	0	0	0	-150	0	-150	0	-150
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**0**	**-150**	**-11,366**	**-11,516**	**1**	**-11,516**
Transactions with owners									
Gain/loss on share-based payments	0	0	0	0	0	43	43	0	43
Other changes	0	0	0	0	0	0	0	-1	-1
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**43**	**43**	**-1**	**43**
TOTAL EQUITY 31.12.2016	**15,000**	**-2,427**	**27,971**	**702**	**3,355**	**-37,037**	**7,564**	**1**	**7,565**

	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of the parent company	Non-controlling interests	Equity Total
EQUITY 1.1.2017	**15,000**	**27,971**	**-2,427**	**702**	**3,355**	**-37,037**	**7,564**	**1**	**7,565**
Profit/loss for the period						-578	-578		-578
Other comprehensive income:									
Remeasurement of defined benefit plan						69	69		69
Translation differences	0	0	0	0	-45	0	-45	0	-45
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**0**	**-45**	**-509**	**-554**	**1**	**-554**
Transactions with owners									
Other changes	0	0	0	0	0	0	0	0	0
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL EQUITY 31.12.2017	**15,000**	**27,971**	**-2,427**	**702**	**3,310**	**-37,546**	**7,010**	**1**	**7,012**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION ON THE GROUP

Efore is an international Group developing and producing demanding power products. Efore's head office is based in Finland and the R&D functions are located in Finland, Sweden, Italy and China. Sales and marketing operations are located in Europe, United States and China. The production unit is located in Tunisia. The manufacturing in China was outsourced on October 10, 2016.

The parent company is Efore Plc and the head office is in Espoo, Finland; the registered address is Linnoitustie 4 B, 02600 Espoo, Finland. The shares of Efore Plc have been quoted on the Nasdaq Helsinki Stock Exchange since 1989. Copies of the consolidated financial statements are available online at www.efore.com or from the parent company.

The consolidated financial statements were authorized for issue by the Board of Directors of Efore Plc on March 16, 2018. In accordance with Finnish Company Law the shareholders can approve, amend or reject the financial statements in the Annual General Meeting held after publishing the financial statements.

GENERAL

The consolidated financial statements for the financial period January 1, 2017 to December 31, 2017 are prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2017. In the Finnish Accounting legislation 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. The notes to the consolidated financial statements are also prepared in accordance with the Finnish accounting and company legislation.

The consolidated financial statements are prepared under the historical cost convention except for financial assets and financial liabilities, which are recognized at fair value through profit or loss, derivative financial instruments and share-based payments measured at fair value at the grant date. Unless otherwise stated, all the figures in these financial statements are presented in thousands of euros.

ASSUMPTION OF ABILITY TO CONTINUE AS A GOING CONCERN

The financial statements for the 2017 fiscal year have been prepared on the going concern basis.

The financing arrangements are depending on the future results of the Group. There are loans from one financier that have the following covenants: equity ratio, absolute adjusted EBITDA and net debts/12 months rolling adjusted EBITDA. Efore breached the covenant term related to equity ratio December 31, 2017. After negotiations with the financier, Efore received a waiver on February 13, 2018 concerning the breach of its loan covenants at the end of December 2017. Next measurement point for covenants will be June 30, 2018. The company believes that the covenant terms will be reached in June 2018 and in December 2018. When assessing the going concern principle, the management has taken into account the company's strategy and cost savings program and the forecasts associated with these, the available sources of financing as well as the risks concerning the sufficiency of financing. If, however, the covenants would be breached, the management is confident, based on analyses prepared, that Efore can either obtain a waiver or renegotiate with the financier.

In order to improve profitability and cash flow, the company has overtaken several measures during 2017. As a result of the actions Group fixed costs have declined annually approximately EUR 7 million compared to 2016. Active measures also to lighten Group balance contributed for the result. Actions to decrease fixed costs and improve efficiency will continue.

The management has taken into account the uncertainty factors when assessing the ability of the Group to continue as a going concern. The management considers that the planned actions concerning cost savings and reorganization will ensure the sufficiency of financing. At the time for preparing the financial statements there are no commercial nor financial risks risks which the company has not been aware of.

NEW AND AMENDED STANDARDS APPLIED IN FINANCIAL YEAR ENDED

The Group has applied as from 1 January 2017 the following new and amended standards that have come into effect.

- Amendments to IAS 7 Disclosure Initiative (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in Efore's consolidated financial statements.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no impact on Efore's consolidated financial statements.

Other new or renewed standards and interpretations does not have significant effect on Group's financial statements.

SUBSIDIARIES

The consolidated financial statements include the financial statements of the parent company Efore Plc and its subsidiaries. Subsidiaries are companies in which Efore Plc holds, through direct or indirect shareholding, over 50 per cent of the voting rights or in which it has the position to govern the financial and operating policies (control). Potential voting rights have been taken into account in assessment whether the control exists, when such instruments are exercisable at the balance sheet date.

Mutual shareholdings are eliminated using the acquisition method. Subsidiaries are consolidated from the date when the Group acquired control commences and are included up to the date control ceases.

All intercompany transactions, receivables, liabilities, unrealized gains or losses on intercompany transactions and distribution of profits within the Group are eliminated in the consolidation process. Unrealized losses due to impairment are not eliminated. The distribution of profit or loss for the financial period to the shareholders of the parent company is disclosed in the statement of income.

ASSOCIATED COMPANIES

Associated companies, in which the Group holds, through direct or indirect shareholding, usually between 20 per cent and 50 per cent of the voting rights and in which it exercises significant influence but not control, are consolidated using the equity method. If the Group's share of the associated company's losses exceeds the acquisition cost of the company, the investment has no value in the balance sheet. No consideration is given to losses in excess of the acquisition amount unless the Group has other obligations relating to the associated company. Unrealized profits between Efore and its associates are eliminated in proportion to the share ownership. The profit or loss for the associated companies in the Group is presented as a separate line below operating profit. In the end of the fiscal year December 31, 2017 and December 31, 2016 there were no associated companies in the Group.

FOREIGN CURRENCY TRANSLATION

Figures for the performance and financial position of the Group entities are recorded at the currency that is primary used in the primary operating environment of the entities (functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the respective functional currencies using the exchange rates at the date of the transaction. In practice, an exchange rate that approximates the rate at the date of the transaction is often used. Monetary foreign currency balances at the balance sheet date are translated into functional currency using the exchange rates prevailing at the balance sheet date. Non-monetary foreign currency item recognised at fair value are translated into functional currency using the exchange rates at the dates when the fair value was cal-

culated. Otherwise non-monetary items are translated using the exchange rate at the transaction date. Gains and losses arising from foreign currency transactions and translation of monetary balances are recognized in profit or loss.

Exchange rate differences arising from the translation of balance sheet items in foreign currency and sales, purchases, expenses and financial items as well as from intra-group receivables and liabilities are recognised as exchange rate gains and losses in financial income and expenses. Exchange rate differences on used for hedging net positions in foreign currency are recognized as financial items.

TRANSLATION OF THE FINANCIAL STATEMENTS OF THE FOREIGN GROUP COMPANIES

The statements of income of the foreign group companies are translated into euro at the average exchange rate of the average rates of the European Central Bank for the calendar months in the financial period, while the balance sheets are translated at the exchange rates at the balance sheet date. The use of different exchange rates for translating the result for income statement and balance sheet results in translation differences, which are recognized in equity. Translation differences arising from the elimination of the cost of foreign subsidiaries and from the translation of the accumulated post-acquisition equity balances are recognized in equity. At disposal of a subsidiary, the relevant accumulated translation differences are transferred to profit or loss as part of the gain or loss on the sale. Translation differences due to consolidation are presented in equity as a separate item.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

At disposal of an item of the property, plant and equipment may consist of several parts with different useful lives that are in accounting treated as separate items. In such cases, replacement of such an item is capitalized and the carrying amount of the replaced parts is expensed. In other situations subsequent costs are recognised in the carrying amount of the property, plant and equipment only if it is probable that the future income of the item will profit the Group and the cost of the item can be determined reliably. Normal maintenance, repair and renewal costs are expensed as incurred. Land and water are not depreciated.

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

Buildings and constructions	20–40 years
Machinery and equipment	3–10 years
Other tangible assets	5 years

Other tangible assets include improvement expenditure in rental premises. The residual values and useful lives are reviewed at least annually at year-end and where they differ from previous estimates, depreciation periods are changed accordingly to reflect changes in the expectations of future economic lives.

Gains and losses on scrapping and disposal of property, plant and equipment is recorded in other operating income or expenses.

Depreciation ends when the item of property, plant or 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

The recognition method for grants received from the Government or other entities subject to public law depends on the nature of the grant. Grants relating to expenses incurred are recognised as revenue in other operating income when the expenses occur. Grants relating to the acquisition of property, plant and equipment are deducted from the cost of the asset. The latter grants are recognised as income through lower depreciation and amortization charge during the useful lives of the asset. Government grants are recognised when there is reasonable assurance that the grants are received and the Group company complies with the conditions associated with them.

INTANGIBLE ASSETS

Goodwill

Goodwill from the business combinations is the excess of the cost over the net identifiable assets, liabilities and contingent liabilities measured at fair value. Goodwill is not amortized, it is subject to an annual procedure of impairment testing. The testing is done or more frequent if there is an indication that it might be impaired. For this purpose goodwill is allocated to the cash generating units “CGU” it relates to. An impairment loss is recognized in the consolidated income statement, if the impairment test shows that the carrying amount of the goodwill exceeds the estimated recoverable amount, and the carrying amount is reduced to the recoverable amount. Impairment losses on goodwill cannot be reversed.

Research and development cost
Research cost is recognized as an expense in profit or loss. Development expenditure arising from designing 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 cost that are directly attributable to the process of completing the product for its intended use.

The development process proceeds gradually including seven predefined milestones and four gate assessments. The gate assessments are approved by the management team. The capitalization of development costs in Efore starts when the management team concludes that the capitalization conditions in IAS 38 are met.

An asset is amortized 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 recognised subsequently at cost less accumulated amortization and impairment. Capitalized development costs are amortised on a straight-line basis over their useful life of 3–5 years.

Intangible rights
The intangible rights included licences concerning for IT software.

Intangible assets financial lease
Intangible assets financial lease consists of the capitalized value of finance lease for IT software.

Other intangible assets
Other intangible assets comprise the capitalized costs concerning IT projects. An intangible asset is initially stated at cost and only if the cost can be recorded reliably, and the expected future profits are probable.

Intangible assets are amortized on a straight-line basis over their expected useful lives. Intangible assets with indefinite useful lives are not amortized but tested annually for impairment.

Other intangible assets may also contain intangible assets acquired through business acquisitions such as intangible assets related to customer relations and product rights.

Amortisation periods for the other intangible assets are as follows:

Customer relationships	7 years
Product rights	7 years
Development expenditure	3–5 years
Intangible rights	3–5 years
Intangible assets, financial lease	5 years
Other intangible assets	3–10 years

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets, and the disposal groups, as well as 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. An asset is classified as held for sale when a disposal is highly probable and the asset, or the disposal group, is available for immediate sale in its present condition subject to usual and customary terms, 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. The assets held for sale, or the disposal group, is recognised at the lower of their carrying amount and disposable value. Depreciation and amortisation on these assets ends at the date of classification. Where IFRS 5 is not applicable on assets and liabilities in disposal groups the items are treated accordance to the applicable IFRS.

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

INVENTORIES

Inventories are stated at the lower of historical cost or net realizable value. The cost of raw materials is calculated on the weighted average cost basis. The cost for finished goods and work in progress consists of raw materials, direct labour, other direct cost 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 normal course of business less the cost of completion and realization. An allowance for excess inventory and obsolescence is recorded when the impairment occurs.

LEASES

Group as lessee
Leases of tangible and intangible assets, where the Group has substantially all the risks and rewards of the ownership are classified as finance leases. Finance leases are capitalized in the balance sheet at the fair value of the leased asset at the inception of the lease term or the lower present value of the minimum lease payments. An item acquired through of finance lease is depreciated or amortised over the shorter of the item's useful life and the lease term. Lease payments are allocated between finance costs and reductions of the lease liability during the lease term.

The interest on the remaining liability is constant in each financial period. Lease obligations are included in the interest-bearing liabilities.

Leases where the lessor retains the risks and rewards of the ownership are treated as operating leases. Payments under operating lease are expensed on a straight-line basis during the lease term.

IMPAIRMENTS

Tangible and intangible assets

The carrying values of assets are tested annually at the balance sheet date to identify any impairment. If indications of impairment exist, the recoverable amount of the asset is estimated. Estimation is also made concerning the recoverable amount for the following assets at least annually irrespective of whether there are any indications of impairment: intangible assets with indefinite useful lives and capitalized development expenditure (unfinished intangible assets). The need for impairment is considered at the lowest unit level for which separately identifiable, mainly independent, cash inflows and outflows can be defined - the cash-generating unit level.

The recoverable amount of the asset is the disposal value or the 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 rate to discount is a pre-tax discount rate that reflecting current market assessments and the risks specific to the asset.

Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment is recorded immediately in profit or loss. At recognition of the impairment the useful life of a depreciable or amortizable asset is reviewed. An impairment recognized on other assets than goodwill is reversed subsequently if there are changes in the estimates concerning the recoverable amount of the asset. The impairment to be reversed may, however, not exceed the carrying value the asset had before recognition of the impairment.

EMPLOYEE BENEFITS

Pension obligations

The Group has entered into several pension schemes in different countries according to local regulations and practices. The pension schemes are classified as defined contribution plans. The Group pays fixed contributions to 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.

Defined benefit obligations

The Group has as a result of the acquisition of the Italian subsidiary a defined benefit obligation, which is due when employment of the employees covered ceases in the future. The related liability is recognised in the consolidated balance sheet. The valuation of this liability is based on actuarial calculations. The contributions to the fund are recognised as personnel expenses in the income statement and the interest cost as financial expense. Remeasurements of the fund are recognized in equity.

Share-based payments

The share-based incentive programmes are recognized at fair value on the grant date and expensed on a straight-line basis over the vesting period with corresponding entry in retained earnings in equity. The effect on profit or loss is included in employee benefit expenses in the personnel expenses line. The expense determined on the grant date is based on an estimate of the number of options to be vested at the end of the vesting period. The fair value is determined using the Black-Scholes option-pricing model. The estimate of the final number of options is revised at each balance sheet date. The effect of changes in estimates is recognized in profit or loss. The assumptions and estimates made when determining the fair value relate to expected dividend yield, volatility and maturity of the options among other conditions. Non-market conditions such as profitability and certain targets for profit growth are not taken into account when estimating the fair value of an option, but they do affect the estimates of the final number of options.

When option rights are exercised, the subscription-based payments, adjusted by possible transaction costs, are recognized in equity. Payments received for subscriptions of shares, based on options granted prior to the new Limited Liability Companies Act in force since September 1, 2006, have been recognized according to the terms of the programme in share capital and share premium account. The Board of Directors of Efore Plc issued a new stock option plan on 17 June 2014. Each stock option entitles the holder to subscribe for one (1) new share in Efore Plc. The share subscription periods for the stock options issued are the following: Option A: 1 August 2016 - 31 July 2018 (500,000 options), Option B: 1 August 2017 - 31 July 2019 (500,000 options), Option C: 1 August 2018 - 31 July 2020 (500,000 options). The shares subscribed for with the stock options equals to a maximum of 2.69

per cent of the total number of shares in the company.

The Board of Directors of Efore Plc resolved on March 30, 2016 to issue new stock options. The maximum number of shares to be subscribed based on the stock option plan was 1,500,000. Each stock option entitles the subscription one (1) share in Efore Plc. The subscription period for the stock options ended on December 31, 2016. The subscription period for the shares related to the stock options is April 1, 2017 to March 31, 2018. No stock options were granted in 2016. The shares subscribed for with stock options equals to a maximum of 2.7 per cent of the total number of shares in the company.

Further information concerning the programs is presented in Note 20 in the consolidated financial statements.

FINANCIAL ASSETS AND LIABILITIES

The financial assets are classified into the following categories: financial assets at fair value through profit or loss as well as loans and receivables. Financial assets are classified when initially acquired on the basis of the intended use. Acquisitions and sales of financial assets are recognized at the trade date. In the case of financial assets not held at fair value through profit or loss, the transaction cost is included in the cost. When a financial asset no longer generates income or when all the risks and rewards of the item are transferred substantially to an external party it is derecognized.

Financial assets at fair value through profit or loss

In Efore financial assets held for trading are classified into this category. Financial assets held for trading comprise quoted shares and funds acquired primarily for profit making from the short-term fluctuations in market prices. Derivative financial instruments that neither are financial guarantees contracts nor qualify for hedge accounting are classified as held for trading. Both realized and unrealized gains and losses arising from fluctuations in market value are recognized in profit or loss as incurred. Financial assets held for trading are included in the current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. These are not quoted in an active market and the Group does not hold them for trading. Loans and receivables are valued at amortized cost. They are included in current or non-current financial assets depending on their maturity. At each balance sheet date the Group reviews objective evidence for the need for impairment recognition regarding both individual receivables and groups of receivables. The unrecoverable amount is assessed primarily on the basis of the risk involved in each item. An impairment loss is recognized as expense in profit or loss.

The Group uses a factoring arrangement concerning trade receivables. To the extent that the liquidity risk is Efore's liability the trade receivables are recognised in the balance sheet at their original invoicing value and stated less any credit losses. The assessment of the amount of unrecoverable receivables and any need for impairment is based on the risk involved in each item. Trade receivables are recognised at their fair value at the highest. An impairment loss on trade receivables is recognized if there is objective evidence that the Group will not recover the receivables on original terms. The Group recognizes impairment from trade receivables, when there is objective evidence that the receivable cannot be collected to full amount. Significant economic difficulties, probability of liquidation, default in payments or delays in payments over 90 days are evidence of impairment in trade receivables. The impairment loss is recognized in income statement amounting to difference between the carrying amount of the receivable and the present value of the estimated future cash discounted at the effective interest rate. Credit losses recognized as an expense are included in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits and other highly liquid current investments convertible to known amounts of cash, without significant risk of changes in value. Items qualifying as cash and cash equivalents have initial maturities of three months or less. Bank overdrafts relating to the cash pool accounts in the Group are included in current 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 valuated at amortized cost. The first-mentioned category includes derivative financial liabilities and the latter loans from credit institutions. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial cost of the financial liabilities valuated at amortized cost. Financial liabilities are included in both non-current and current liabilities and can be either interest-bearing or non-interest-bearing. Financial liabilities are classified as current if the Group does not have an unconditional right to defer the settle-

ment of the liability for at least twelve months after the balance sheet date.

Both realized and unrealised exchange gains and losses are recognized in profit or loss in financial income and expenses as incurred. Financial costs concerning liabilities are expensed as incurred.

Derivative financial instruments

Derivative financial instruments are recognised both initially and subsequently at fair value. According to the Group currency risk hedging policy is that no currency derivatives will be used to protect cashflows. The Group does not apply hedge accounting as specified in IAS 39. 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 profit or loss until in the future period. Changes in the fair value are reported in financial items in the income statement. Derivatives used for hedging against exchange rate risks are recorded as current receivables or liabilities in the balance sheet.

Trade payables

Trade payables are recognized to the initial invoiced amount, which reflects their fair value due to the short maturity of these payables.

PROVISIONS

Provisions are recognized in the balance sheet when the Group has, as a result of a past event, a present legal or constructive obligation and the settlement is expected to occur and the amount of the obligation can be estimated reliably. Provisions may relate to restructuring costs, onerous contracts, legal cases and warranty costs, among other costs. 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 information. Warranty provisions are expected to be used within two years. A restructuring provision is recognized when the Group has drawn up a detailed restructuring plan and the implementation of the plan has started or the plan is announced. A provision for onerous contracts is recognised when the minimum costs for meeting the contract obligation exceeds the expected income from the income from the contract.

CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are potential obligations arising from past events where the existence will be confirmed at the occurrence of an uncertain event uncontrolled by the Group. Contingent liabilities are also present obligations that due to past events even if a settlement will not probably be required, or the amount of the obligation cannot be estimated with sufficient certainty. Contingent liabilities are presented in the notes to the financial statement.

A contingent asset is a potential asset arising from past events where the existence of the asset will be confirmed at the occurrence of an uncertain uncontrolled by the Group. A contingent asset is presented in the notes to the financial statements, if the settled income can be estimated with sufficient certainty.

INCOME TAXES

Accrual-based taxes based on the taxable income are 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. Income tax relating to items charged or credited directly in equity is recognised in equity, respectively.

Deferred tax liabilities and assets are recognized due to the temporary differences between the carrying amounts in the balance sheet 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 prevailing tax rate at the balance sheet date for the following year in the country in question.

The most significant part of the total deferred tax receivable in the Group consists of the tax losses in two subsidiaries. No deferred taxes are recognized for the undistributed profits in the subsidiaries, as this will unlikely affect Group accounts in the foreseeable future.

Deferred tax liabilities are recognized at the full amount. Deferred tax assets are recognised only to the extent they are estimated to generate taxable income in future periods, and can be utilized against the temporary difference.

PRINCIPLES FOR REVENUE RECOGNITION

Revenue from product sales is recognized when the significant risks and rewards of ownership are transferred to the buyer and the Group is no longer in possession of the products or has no control over them. Revenue is mainly recognised upon delivery in accordance with the terms of delivery of the products. Revenue from services is recognized in the financial period the services are rendered to the customer. Net sales is the revenue from sales deducted by

discounts granted, indirect taxes and exchange rate differences on the sales.

Interest income is recognized using effective interest rate method and dividend income is recorded when the right to receive dividend is appropriately authorized.

NON-RECURRING ITEMS

Non-recurring items are highly infrequent and extraordinary income or expenses with material effect on the financial statements. Revaluations and reassessments are not treated as non-recurring items. Reassessments are for instance changes in depreciation plans or principles.

OPERATING PROFIT

The Presentation of Financial Statements in IAS 1 does not define Operating Profit. The Group has the following definition: The operating profit is total net sales and other operating income deducted by expenses for materials and services adjusted by change in work in progress, manufacturing for own use, personnel costs, depreciation and amortization, impairment losses charges on non-current assets and other operating expenses. Exchange rate differences relating to working capital items are included in the operating profit, whereas other exchange rate differences are included in financial items.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The Management of the Group makes decisions concerning the adoption and application of accounting principles. This concerns specially cases, where applicable IFRS standards allow alternative recognition, valuation or presentation. Decisions made by the management that relate to e.g. Impairment of capitalized development expenditure, impairment of inventories, sufficiency of financing, deferred tax assets and credit losses are based on generally applied models and case by case estimates. Historical information and present management views of the markets are used in the models. Assessments of individual events are based on the best available information when the financial statements are prepared.

Estimates made in the preparation of financial statements are based on the best view of the management at the balance sheet date. The estimates are based on experience and assumptions at the balance sheet date that relate to e.g. expected development of sales and cost levels in the Group's economic environment. The Group follows the actual outcome of estimates and assumptions as well as changes in factors on a regular basis together with the business using several internal and external information sources. Potential adjustments in estimates and assumptions are recognized during the period of re-assumption as well as in the following periods.

The major judgments and estimates relating to the uncertainties at the balance sheet date and have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below. The management of the Group has assessed that the following areas are most important concerning the accounting principles as the applicable accounting principles concerning these are the most complex and the application requires use of significant estimates and assessments, e.g. valuation of assets. Additionally, the effects of the estimates and assessments concerning these items are expected to be the most significant:

- Valuation of capitalized development expenditure
- Future business estimates and other elements of impairment testing.
- Net realizable value of inventories,
- Sufficiency of financing,
- Probability of future taxable profits against which tax deductible temporary differences can be utilized,
- Fair value (collectable amount) of trade receivables,

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE FINANCIAL YEARS

Efore has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = Not yet endorsed for use by the European Union as of December 31, 2017.

- IFRS 9 Financial Instruments* (effective for financial years beginning on or after January 1, 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is not assessed to have any essential impact on the consolidated financial statements of Efore.
- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after January 1, 2018): The new standard replaces

current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognize revenue, and at what amount. Revenue is recognized when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The impacts of IFRS 15 on Efore's consolidated financial statements have been assessed as follows:

- Efore has completed analysis of IFRS 15 revenues, which covered over 90% of cash flow stream. Efore's sales to customers is sale of goods and do not contain any significant sale of services. Revenue is recognized also in the future at a point in time, which does not change current practice, where criteria for satisfying performance obligation is transfer of risks and rewards, which is also an indication of transfer of control to customer.
- Efore's contracts with customers do not contain variable considerations or significant financing components.
- Warranties granted by Efore are more statutory in nature thus accounting for such warranties correspond mainly current practice.
- IFRS 15 requires capitalization of the incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer. Efore does not have incremental costs of obtaining a contract with a customer nor costs incurred in fulfilling a contract with a customer
- Efore will apply option in transition regulation, where comparative periods will not be adjusted when applying of standard has begun. The cumulative effect will be treated 1.1.2018.

- IFRS 16 Leases* (effective for financial years beginning on or after January 1, 2019): The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The Group is currently assessing the impact of the standard.
- IFRS 17 Insurance Contracts* (effective for financial years beginning on or after 1 January 2021). The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4-standard. The standard has no impact on Efore's consolidated financial statements.
- Amendments to IFRS 2 - Clarification and Measurement of Share-based Payment Transactions * (effective for financial years beginning on or after 1 January 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments have no impact on Efore's consolidated financial statements.
- Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for financial years beginning on or after 1 January 2018). The amendments respond to industry concerns about the impact of differing effective dates by allowing two optional solutions to alleviate temporary accounting mismatches and volatility. The amendments have no impact on Efore's consolidated financial statements.
- IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration* (effective for financial years beginning on or after 1 January 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates -standard is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation has no impact on Efore's consolidated financial statements.
- Amendments to IAS 40 - Transfers of Investment Property* (effective for financial years beginning on or after

1 January 2018). When making transfers of an investment property, the amendments clarify that a change in management's intentions, in isolation, provides no evidence of a change in use. The examples of evidences of a change in use are also amended so that they refer to property under construction or development as well as to completed property. The amendments have no impact on Efore's consolidated financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments* (effective for financial years beginning on or after 1 January 2019). The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The interpretation has no impact on Efore's consolidated financial statements.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation* (effective for financial years beginning on or after 1 January 2019). The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation. The amendments have no essential impact on Efore's consolidated financial statements.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2019). The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments have no impact on Efore's consolidated financial statements.
- Annual Improvements to IFRSs (2014–2016 cycle)* (effective for financial years beginning on or after 1 January 2018). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 1 and IAS 28. The amendments have no impact on Efore's consolidated financial statements.
- Annual Improvements to IFRSs (2015–2017 cycle)* (effective for financial years beginning on or after 1 January 2019). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 3, IFRS 11, IAS 12 and IAS 23. Impact on Efore's consolidated financial statements depends on standards but these are not essentials.

Other new or amended standards or interpretations will not have an impact on the consolidated financial statements of Efore.

1. SEGMENT INFORMATION (EUR 1,000)

The Efore Group reports according to one business segment, and therefore the business segment information below refers to the consolidated figures of whole Efore Group. The products and services sold by Efore are based on a single technology platform. The President and CEO and the Executive Management Team are the highest operational decisionmakers, who monitor the operating profit as a basis for profitability analysis and resource allocation in the Group.

The geographical areas are 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 method of calculation has been further clarified and it is now purely based on customer's location. The comparison figures in 2016 are presented using the new calculation method. Assets and investments are reported according to the location of the items in question. Non-allocated assets contain cash and cash equivalents, interest receivables and tax receivables.

Geographical areas 2017	Americas	EMEA	APAC	Non-allocated	Group
Net sales	**10,098**	**49,222**	**10,552**		**69,872**
Assets		**26,202**	**3,853**	**9,295**	**39,350**

Geographical areas 2016	Americas	EMEA	APAC	Non-allocated	Group
Net sales	11,589	50,122	13,658		75,368
Assets	27	25,853	12,217	10,229	48,327

In 2017 approx. 40% (41) percent of net sales in the Group consisted of income from the two major customers. From customer A EUR 16,551 (17,817) thousand and customer B EUR 11,643 (12,845) thousand, totalling EUR 28,194 (30,662) thousand.

Net sales consist of sales of goods EUR 69,073 (75,199) thousand and sale of services EUR 799 (169) thousand.

2. BUSINESS ACQUISITIONS (EUR 1,000)

Efore Group had no business acquisitions during 2017 and 2016.

3. OTHER OPERATING INCOME (EUR 1,000)

	2017	2016
Grants for product development	**48**	118
Gain on disposal of non-current assets, tangibles *)	**7**	549
Other income	**475**	645
Total	**530**	1,312

*) Fiscal year 2016 contains EUR 548 thousand gain related to the outsouring of manufacturing in China. See disclosure in Note 25, Provisions.

4. MATERIALS AND SERVICES (EUR 1,000)

	2017	2016
Materials	**46,321**	46,522
Change in inventories	**692**	2,124
Services	**943**	910
Total	**47,956**	49,556

5. PERSONNEL EXPENSES (EUR 1,000)

	2017	2016
Salaries and wages *)	**8,204**	15,993
Pension expenses, defined contibution plans	**2,310**	2,450
Pension expenses, defined benefit obligations (TFR in Italy)	**44**	324
Other social security expenses	**464**	941
Total	**11,022**	19,708

*) Fiscal year 2016 contains EUR 1,948 thousand salaries related to the outsouring of manufacturing in China. See disclosure in Note 25, Provisions.

Information about management compensation, other employment benefits and shareholdings are shown in Note 31, Related party transactions.

Average number of personnel	2017	2016
Average number of personnel during fiscal year	**432**	679
Average number of personnel at the end of year	**406**	442

The number of own personnel includes temporary personnel.

The main reason for the decrease in personnel during 2016–2017 is the outsourcing of manufacturing in China.

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS (EUR 1,000)

	2017	2016
Depreciation and amortization by asset class		
Development costs	**2,205**	1,939
Intangible rights	**343**	329
Intangible assets, finance lease	**200**	201
Other intangible assets	**244**	59
Machinery and equipment	**624**	1,022
Machinery and equipment, finance lease	**34**	37
Other tangible assets	**64**	71
Total	**3,713**	3,659
Impairment on development costs	**63**	274
Impairment on other tangible assets	**22**	-

7. OTHER OPERATING EXPENSES (EUR 1,000)

	2017	2016
Rental costs	**796**	1,321
Non-statutory employee benefits	**371**	947
Professional fees	**957**	1,732
Office and administration expenses	**631**	665
Maintenance and operational expenses	**750**	1,228
Travel expenses	**701**	832
Increase in allowance recognised in profit and loss	**72**	77
Entertainment expenses	**36**	39
Insurance expenses	**233**	250
Marketing expenses	**108**	203
Car expenses	**128**	139
Expenses related to the outsourcing of manufacturing in China *)	**-39**	2,398
Other fixed expenses	**761**	1,302
Credit losses	**35**	192
Sales services	**455**	610
Losses on sales of fixed assets	**39**	2
Total	**6,032**	11,937

*) In 2016 and 2017 the entire amount is expenses from the outsourcing of manufacturing in China. See disclosure in Note 25.Provisions.

Audit fees:	2017	2016
KPMG Oy Ab		
Audit	**21**	21
Tax services	**0**	16
Other services	**29**	24
	50	61
KPMG abroad		
Audit	**33**	35
Tax services	**1**	21
Other services	**0**	0
	34	56
OTHER AUTHORISED AUDITING FIRMS		
Audit	**12**	23
Tax services	**0**	0
Other services	**0**	0
	12	23
TOTAL		
Audit	**67**	79
Tax services	**1**	37
Other services	**29**	24
Total	**97**	140

Services except audit services provided by KPMG Oy Ab to Efore Oyj Group companies in 2017 were in total 29,350 euros. Services consisted of tax services (0 euros) and other services (29,350 euros).

8. FINANCIAL INCOME (EUR 1,000)

	2017	2016
Interest income from loans and other receivables	**50**	15
Exchange rate gains from loans and other receivables	**2,565**	3,073
Other financial income	**19**	114
Total	**2,634**	3,202

9. FINANCIAL EXPENSES (EUR 1,000)

	2017	2016
Interest expenses for financial liabilities valued at aquisition cost	**707**	600
Exchange rate losses	**2,430**	3,033
Other financial expenses	**361**	305
Total	**3,499**	3,939

10. EXCHANGE RATE DIFFERENCES (EUR 1,000)

		2017	2016
Net amounts of Exchange rate gains(+) and losses(-) according to Financial Statement items.			
Total	Gains	**2,565**	3,072
	Losses	**-2,430**	-3,031
	Net	**135**	40
Sales	Gains	**538**	1,347
	Losses	**-835**	-1,329
	Net	**-297**	18
Purchases	Gains	**701**	216
	Losses	**-209**	-546
	Net	**492**	-330
Financial items	Gains	**366**	674
	Losses	**-469**	-618
	Net	**-103**	56
Intra-group receivables and liabilities	Gains	**960**	836
	Losses	**-917**	-540
	Net	**43**	296

11. INCOME TAXES (EUR 1,000)

	2017	2016
Income taxes in statement of income		
Income tax for fiscal year	**-177**	-212
Income tax on investments	**0**	-19
Deferred taxes	**629**	-744
Total	**452**	-976
The differences between income tax expense calculated at Finnish tax rate in Parent company and tax expense in income statement are :		
Result before taxes	**-1,030**	-10,400
Taxes calculated at tax rate in parent company (20.0%)	**206**	2,080
Difference due to other tax rates in subsidiaries	**-203**	-109
Non-deductible expenses	**441**	197
Deferred tax assests changes of loss from previous year	**650**	-
Tax-exempt income	**-505**	-315
Use of previously unrecognized tax on losses	**-1**	-1
Unrecognized tax on losses	**-136**	-2,201
Other items	**-**	-629
Tax expense in consolidated statement of income	**452**	-976

12. EARNINGS PER SHARE (EUR 1,000)

	2017	2016
Result for fiscal year attributable to shareholders in parent company	**-579**	-11,377
Weighted average number of shares (in thousands)	**52,271**	52,271
Effect of adjustment for potential shares in the share-based incentive plans	**0**	0
Weighted average number of diluted shares	**52,271**	52,271
Earnings per share, EUR		
Basic	**-0.01**	-0.22
Diluted	**-0.01**	-0.22

BASIC

Diluted earnings per share are calculated by dividing the profit or loss attributable to the shareholders of the parent company by the average number of shares during the fiscal year.

DILUTED

Diluted earnings per share is calulated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. These payments are treated as share opitons in the calculation for diluted earnings per share even though they remain contingent. Options have a diluting effect, as the exercise prici is lower than the market value of the company share. Not yet recognised opiton expenses are accounted for in the exercise price. The diluting effect is the number of shares that the company has to issue without compensation as the funds received from the exercised from the exercised options do not cover a share issue at the fair value of the shares. The fair value of the company's share is determined as the average market price of the share during the period.

Stock options have a dilutive effect, as the exercise price is lower than the market value of the company share. Not yet recognised opiton expenses are accounted for in the exercise price. The diluting effect is the number of shares that the company has to issue without compensatons as the funds received from the exercised options do not cover a share issue at the fair value of the shares. The fair value of the company's share is determined as the average market price of the share during the period. See Disclosure 20. Share Capital for further information.

The Group has two share-based incentive programs, that may have an dilutive effect on the earnings per share.

13. INTANGIBLE ASSETS, IFRS, (EUR 1,000)

Intangible assets 2016	Development expenditure	Intangible rights	Intangible assets, financial leasing	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost on Jan. 1, 2016	13,735	3,346	1,674	3,266		1,115	23,136
Translation differences	-9	-4	0	0		0	-13
Additions	2,536	94	0	119		0	2,749
Disposals	-466	0	0	-407		0	-873
Reclassifications	0	0	0	27		0	27
Cost on Dec. 31, 2016	15,796	3,436	1,674	3,004		1,115	25,026
Cumulative amortisation and impairment on Jan. 1, 2016	-6,422	-1,980	-1,273	-3,104		-1	-12,780
Translation differences	2	4	0	0		0	6
Cumulative amortisation on disposals and reclassifications	455	0	0	407		0	862
Amortisation	-1,939	-329	-201	-59		0	-2,528
Impairment *	-274	0	0	0		0	-274
Cumulative amortisation and impairment on Dec. 31, 2016	-8,178	-2,305	-1,474	-2,757		-1	-14,715
Carrying amount 31.12.2016	7,617	1,132	199	248		1,114	10,311

Intangible assets 2017	Development expenditure	Intangible rights	Intangible assets, financial leasing	Other intangible assets	Advance payments for intangible assets	Goodwill	Total
Cost on Jan. 1, 2017**	**15,796**	**3,436**	**1,674**	**3,004**	**0**	**1,114**	**25,026**
Translation differences	**-16**	**-3**	**0**	**-1**	**0**	**0**	**-20**
Additions	**3,497**	**6**	**0**	**277**	**301**	**0**	**4,081**
Disposals	**-948**	**-243**	**0**	**-3**	**0**	**0**	**-1,194**
Reclassifications	**-497**	**168**	**0**	**217**	**-218**	**0**	**-329**
Cost on Dec. 31, 2017	**17,832**	**3,365**	**1,674**	**3,495**	**83**	**1,114**	**27,564**
Cumulative amortisation and impairment on Jan. 1, 2017	**-8,178**	**-2,305**	**-1,474**	**-2,757**			**-14,715**
Translation differences	**12**	**3**	**0**	**1**			**16**
Cumulative amortisation on disposals and reclassifications	**948**	**100**	**0**	**3**			**1,051**
Reclassificatios	**497**	**0**	**0**	**0**			**497**
Amortisation	**-2,205**	**-343**	**-200**	**-244**			**-2,992**
Impairment *	**-63**	**0**	**0**	**0**			**-63**
Cumulative amortisation and impairment on Dec. 31, 2017	**-8,990**	**-2,544**	**-1,674**	**-2,997**			**-16,206**
Carrying amount on Dec. 31, 2017	**8,842**	**820**	**0**	**499**	**83**	**1,114**	**11,358**

DEVELOPMENT COSTS

* Due to weaker then forecasted demand, impairment of 63 thousand (2016 274 thousand) in the value of development expenditure was recognized in 2017.
** On December 31, 2017 the carrying amount of unfinished development expenditure was 4,850 (3,006) thousand euros. Development costs are tested for impairment annually. The test is a comparison between the carrying amount of the development cost and the recoverable amount, which is defined as the present value of the future cash flows expected to be derived from the asset.

IMPAIRMENT TESTING

For impairment testing the goodwill is allocated to the cash generating unit, Efore Italy The recoverable amount has been determined based on value-in-use calculations Cash flow forecasts are based on five year plans approved by management.

Central assumptions used in impairment testing:

1. The development of EBITDA was based on long term forecasts by the management.
2. The discount rate has been determined by means of weighted average cost of capital (WACC). The discount rate of 11.63% (2016: 12.83%) is a pre tax rate.
3. The long-term growth factor is 2.0% (2016: 1.5%)

Based on the impairment testing done 31.12.2017 fair value exceeds carrying amount 31.5%.

According to sensitivity analysis the net present value of the discounted cash flows would equal the carrying amount, if EBITDA would be 13% (2016: 9%) lower during the years 2018–2023 or if the discount rate would be 3.35% (2016: 1.5%) -units higher.

14. TANGIBLE ASSETS (EUR 1,000)

Tangible assets 2016	Buildings and structures	Machinery and equipment	Machinery and equipment, finance lease	Tangible, other	Other tangible assets	Advance payments and work in progress	Total
Cost on Jan. 1, 2016	6	33,493	741	1,397	4,407	196	40,240
Translation differences	0	-460	0	2	-143	0	-601
Additions	0	492	32	0	65	86	676
Disposals	0	-1,873	0	0	-460	-64	-2,396
Disposls, non current assets for sale (IFRS 5)	0	-7,172	0	0	0	0	-7,172
Reclassifications	0	135	0	-1,399	1,399	-161	-27
Cost on Dec. 31, 2016	6	24,617	773	0	5,268	57	30,720
Cumulative amortisation and impairment on Jan. 1, 2016	-6	-28,857	-677	-1,329	-4,322		-35,191
Translation differences	0	347	0	-1	140		486
Cumulative amortisation on disposals and reclassifications	0	1,678	0	1,330	-892		2,117
Accumulated depreciation on disposed non current assets for sale (IFRS 5)	0	5,820	0	0	0		5,820
Amortisation	0	-1,022	-37	0	-71		-1,130
Cumulative amortisation and impairment	-6	-22,033	-714	0	-5,145		-27,899
Carrying amount on Dec. 31, 2016	0	2,584	59	0	123	57	2,822

Tangible assets 2017	Buildings and structures	Machinery and equipment	Machinery and equipment, finance lease	Tangible, other	Other tangible assets	Advance payments and work in progress	Total
Cost on Jan. 1, 2017	**6**	**24,617**	**773**		**5,268**	**57**	**30,721**
Translation differences	**0**	**-282**	**0**		**-254**	**0**	**-536**
Additions	**17**	**796**	**0**		**313**	**204**	**1,330**
Disposals	**-6**	**-7,415**	**0**		**-651**	**0**	**-8,071**
Reclassifications	**0**	**201**	**0**		**29**	**-256**	**-25**
Cost on Dec. 31, 2017	**17**	**17,917**	**773**		**4,706**	**5**	**23,419**
Cumulative amortisation and impairment on Jan. 1, 2017	**-6**	**-22,033**	**-714**		**-5,145**		**-27,899**
Translation differences	**0**	**228**	**0**		**249**		**477**
Cumulative amortisation on disposals and reclassifications	**6**	**6,945**	**0**		**649**		**7,600**
Amortisation	**0**	**-624**	**-34**		**-64**		**-722**
Impairment	**0**	**0**	**0**		**-22**		**-22**
Cumulative amortisation and impairment	**0**	**-15,484**	**-748**		**-4,333**		**-20,565**
Carrying amount on Dec. 31, 2017	**17**	**2,433**	**25**		**373**	**5**	**2,853**

15. OTHER SHARES AND HOLDINGS (EUR 1,000)

	Held to maturity Investments	Total
Cost on Jan. 1, 2016	56	56
Disposals	-2	-2
Revaluation	37	37
Cost	91	91
Carrying amount on Dec. 31, 2016	91	91

	Held to maturity Investments	Total
Cost on Jan. 1, 2017	**91**	**91**
Revaluation	**-5**	**-5**
Cost	**86**	**86**
Carrying amount on Dec. 31, 2017	**86**	**86**

16. DEFERRED TAX ASSETS AND LIABILITIES (EUR 1,000)

	Jan. 1, 2016	Translation differences +/-	Changes through income statement	Recorded directly into equity	Other movements	Dec. 31, 2016
Deferred tax asset						
Unused tax losses	3,391	-54	-866	0	0	2,471
Total	3,391	-54	-866	0	0	2,471
Deferred tax liability						
Fair value evaluation of intangible assets in business combinations	403	0	-90	0	0	313
Other items	53	-2	-32	0	0	19
Total	455	-2	-122	0	0	331

	Jan. 1, 2017	Translation differences +/-	Changes through income statement	Recorded directly into equity	Other movements	Dec. 31, 2017
Deferred tax asset						
Unused tax losses	**2,471**	**-45**	**524**	**0**	**-5**	**2,945**
Total	**2,471**	**-45**	**524**	**0**	**-5**	**2,945**
Laskennalliset verovelat:						
Fair value evaluation of intangible assets in business combinations	**313**	**0**	**-90**	**0**	**0**	**223**
Other items	**19**	**0**	**-19**	**0**	**-5**	**-5**
Total	**331**	**0**	**-109**	**0**	**0**	**218**

The Group companies in Finland, China and USA had tax losses totalling EUR 34.3 (45.8) million on December 31, 2017. A deferred tax asset was not recognized on these losses as they are unlikely to be used in the foreseeable future. EUR 2.7 million of the unrecognized deferred tax assets is allocated to Finland, EUR 4 millions to USA and EUR 2.1 millions to China. The losses will expire in the years 2018–2033. A deferred tax liability on the undistributed earnings in the subsidiaries has not been recorded in the consolidated accounts as the tax is not expected to be realized in the foreseeable future.

Parent company had deferred depreciation in 2017 EUR 8,738 thousand (EUR 7,830 thousand), out of which no deferred tax asset has been booked.

17. INVENTORIES (EUR 1,000)

	2017	2016
Materials and supplies	**4,074**	4,702
Work in progress	**1,025**	635
Finished goods	**3,637**	5,920
Total	**8,736**	11,257

During 2017 the write-downs on inventory in order to decrease the value from historical to the lower net realizable value were EUR 0.3 million (0.3 million).

The total inventory cost in 2017 was EUR 49,820 thousand (50,849) thousand. This is included in the line for materials and services as well as the line change in inventories of finished goods and work in progress in the income statement.

18. TRADE RECEIVABLES AND OTHER RECEIVABLES (EUR 1,000)

	2017	2016
Long-term other receivables	**82**	108
Trade receivables	**7,400**	9,260
Provision for bad debt	**-317**	-413
Other receivables	**895**	5,080
Prepayments and accrued income	**474**	712
Total	**8,535**	14,746

The book value of the receivables does not significantly differ from their fair value.

During the fiscal year the Group recognized of EUR 212 thousand (320 thousand) on trade receivables. Write-offs include both the increase in provision for bad debt and credit losses.

	2017	2016
Provision for bad debt Jan. 1	**413**	371
Additions	**95**	129
Deductions	**-191**	-86
Provision for bad debt Dec. 31	**317**	413
Analysis of trade receivables past due:		
Neither past due nor impaired	**5,279**	6,988
Due not more than 30 days	**976**	797
Due 31 to 60 days	**261**	140
Due 61 to 90 days	**110**	420
Due 91 to 120 days	**7**	26
Due more than 120 days	**766**	889
Total	**7,400**	9,260
Trade and other receivables by currency:		
EUR	**5,226**	4,205
RMB	**1,564**	7,399
USD	**1,634**	2,949
SEK	**23**	129
Others currencies	**88**	64
Total	**8,535**	14,746
Material items in prepayments and accrued income:		
Prepaid expenses	**122**	504
Other items	**352**	208
Total	**474**	712

19. CASH AND CASH EQUIVALENTS (EUR 1,000)

	2017	2016
Cash and bank	**4,513**	6,411

Change of cash and non cash borrowings borne in financing activities

			Non-cash changes			
	2016	Cashflows	Acquisition	Foreign exchange movements	Fair value changes	2017
Long term borrowings		867				**867**
Short term borrowings	13,664	-1,767		-171		**11,726**
Lease liabilities	271	-245				**26**
Total	13,935	-1,145		-171		**12,619**

20. SHARE CAPITAL (EUR 1,000)

	Number of shares	Share capital	Acquisition of own shares	Reserve for invested unrestricted equity	Total
January 1, 2017	**52,270,896**	**15,000**	**-2,427**	**27,972**	**40,545**
Shares outstanding per December 31, 2017	**52,270,896**	**15,000**	**-2,427**	**27,972**	**40,545**
Total number of shares	**55,772,891**				
Own shares held by the Group per December 31, 2017	**3,501,995**				
January 1, 2016	52,270,896	15,000	-2,427	27,972	40,545
Shares outstanding per December 31, 2016	52,270,896	15,000	-2,427	27,972	40,545
Total number of shares	55,772,891				
Own shares held by the Group per December 31, 2016	3,501,995				

On December 31, 2017 the number of shares was 55,772,891 and the share capital was EUR 15,000,000 in Efore plc. The Articles of association for Efore Plc do not state the highest amount of shares or share capital.

The issued shares have all been fully paid. The shares have no nominal value. The company has one type of shares. The voting right for each share is one vote per share.

DESCRIPTION OF THE RESERVES WITHIN EQUITY:

OTHER RESERVES

Reserve for invested unrestricted equity
The total value EUR 1,400,000 of the new shares issued in the directed share issue to Efore Management was recognised in the reserve for invested unrestricted equity. On February 9th, 2010 the Annual General Meeting decided to decrease the share capital of the Efore Plc by EUR 19,450,000. The decreased amount was transferred to the reserve for unrestricted equity. The sales of own shares in the parent company amounted to EUR 14,547.36 was entered in the reserve for unrestricted equity. (Year 2010). According to the decision made by the Annual General Meeting on February 9th 2012, in the fiscal period distribution of assets from the reserve of invested unrestricted equity was made, amounting 2,097,097.75 EUR. The distribution of assets was EUR 0.05 per share. The share issue of EUR 9,399,999.82 and the issue-related transaction costs of EUR -195,887.84 have been recognised in the reserve for invested unrestricted equity in the fiscal year 2013.

Legal reserve
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
Other reserves include amounts included in the restricted equity of consolidated subsidiaries.

Reserve for own shares
The reserve for own shares consists of the cost of own shares. On December 31, 2017 the parent company held 3,501,995 own shares. The acquistions cost for this treasury stock was EUR 2,426,516.86, and this amount is reported as a reduction in the equity of the Group. The shares of Efore Plc are recognized in the balance sheet as aquisition of own shares.

Translation reserve
The translation reserve contains translation adjustments arising from the translation of the financial statements of foreign operations.

Dividends
No dividend was distributed for the fiscal period.

Share-based incentive program

1. Option program 1/2014

The Board of Directors of Efore Plc issued a share-based incentive program for the key management in Efore SpA. The key management joined the Efore Group in connection with the acquisition of Efore SpA (Roal). The aim of the program is to combine the objectives of the shareholders and Efore SpA management in order to increase the value of the Company, to commit the key management in Efore SpA to the Company, and to offer them a competitive reward program based on holdings in Company shares.

Four key directors in Efore SpA belonged to the target group of the program. The rewards that would have been settled on the basis of the program would have corresponded to the value of a maximum amount of 440,000 shares in Efore Plc (including the proportion to be paid in cash). Efore Plc did not settle any rewards based on the share-based incentive program to the key management in July 2016.

Share options have a diluting effect, when share subscription price is lower then fair value. Other option related unbooked costs are included in share subsciption price. Diluting effect will be the amount of shares, which will be issued free of charge, because equity received from share option issue will not cover costs of issueing same out amount of shares with fair value. Fair value of share is based on average price of share during period.

The further issue of stock options to the key employees shall be determined by the Board of Directors later. The resolution was based on the authorization by the Annual General Meeting held on 10 April 2014. The maximum number of stock options to be issued are 1,500,000 shares according to the conditions in the program. Each option right can be used to subsribe one (1) new Efore Plc share. Shares which can be subscribed using the share options have a following subscription periods:

Share option A 1.8.2016–31.7.2018 (500,000 pcs), Share option B 1.8.2017–31.7.2019 (500,000 pcs) and share option C 1.8.2018–31.7.2020 (500,000 pcs). Amount to be subscribed using share options covered 2.69 percent in maximum of total amount of company shares.

Efore Plc Board of Directors meeting decided 30.3.2016 to void A-, B- and C-series option rights which were either unissued or returned. Unissued and returned A-series option rights were 233,333 pcs, B-series 500,000 pcs and C-series 500,000 pcs.

After share option rights were made void share option program 1/2014 A-series were issued 266,667 pcs and they entitle to subsribe 266,667 pcs of new company shares with a price of 0.7 euro.

2. Share option program 1/2016

Share option program was decided by Annual General Meeting on March 30, 2016 and maximum amount of share options was 1,500,000 pieces, which were to be subribed by 31.12.2016. Each share option can be used to subsribe one (1) new Efore Plc share. Subscription period shares to be subsribed using share options is 1.4.2017–31.3.2018. Subscription price of a share subscribed using share option is 0.79 euro. Amount to be subscribed using share options covered 2.7 percent in maximum of total amount of company shares.

No option rights were granted in 2016–2017.

3. Share based incentive program

The Board of Directors of Efore Plc decided a share-based incentive program for the key management in Efore SpA. The key management joined the Efore Group in connection with the acquisition of Efore SpA (Roal). The aim of the program is to combine the objectives of the shareholders and Efore SpA management in order to increase the value of the Company, to commit the key management in Efore SpA to the Company, and to offer them a competitive reward program based on holdings in Company shares.

During fiscal year 2015 earnings per share was diluted by Efore SpA key persons share based rewards. Share based reward costing period ended 30.6.2016. In July 2016 Efore Plc did not pay rewards regarding share based incentive program. The program was cancelled after this.

No new incentive share based incentive program was issued for year 2017.

Stock option program 2014	Share-based option rights 2014 A	2014 B	2014 C	Total
Option rights maximum, pcs	500,000	500,000	500,000	1,500,000
Shares to be subscribed per option, pcs	1	1	1	
Subscription price	0.70	0.78	0.70	
Dividend right	Yes	Yes	Yes	
Exercisable, from	Aug 1, 2016	Aug, 1 2017	Aug 1, 2018	
Expiration	July 31, 2018	July 31, 2019	July 31, 2020	
Contractual life of options, years	1 year 11 months	2 years 11 months	3 years 11 months	

Stock option plan 2014	Share-based option rights 2014 A	2014 B	2014 C	Total	Average option price (weighted)
Quantities 2016					
Option rights granted	400,000	399,999	399,998	1,199,997	
Option rights forfeited	233,333	399,999	399,998	1,033,330	
Option rights expired	233,333	500,000	500,000	1,233,333	
Option rights exercised	-	-	-	-	
Option rights outstanding	266,667	-	-	266,667	0.70
Option rights held for future grants *	-	-	-	-	
Options exercisable	-	-	-	-	
Quantities 2017					
Option rights granted	-	-	-	-	
Option rights forfeited	-	-	-	-	
Option rights expired	-	-	-	-	
Option rights exercised	-	-	-	-	
Option rights outstanding	266,667	-	-	266,667	0.70
Option rights held for future grants *	-	-	-	-	
Options exercisable	-	-	-	-	

The Black-Scholes option pricing model is used to determine the fair value of the options. The fair value for the option rights is determined on the grant day which recognized in employee benefits expenses during the vesting period. The grant date is the date of decision by the Board of Directors. Future dividends are not included in the calculation. The effect of option rights on the financial performance of the company for fiscal year 2017 was EUR 0 thousand (2016: 20 thousand).

* The subscription period for the option rights ended on July 31, 2015 (A and B).

Implementation	2017 Granted	2016 Granted	Total
Option rights granted	-	-	-
Share price, EUR	-	-	-
Subscription price, EUR	-	-	-
Risk-free interest %	-	-	-
Expected dividends (dividend yield)	-	-	-
Expected volatility, %*	-	-	-
Option rights forfeiting, %	-	-	-
Fair value, total, EUR	-	-	-
Valuation model	BS	BS	BS

The Black-Scholes model has been used in calculation, taking into consideration different assumptions concerning the average numbers of options granted. The fair value is calculated by taking into account all options granted, without consideration to the possibly forfeited options.

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

On March 30, 2016 the Board of Directors resolved to issue stock options to the key employees of Efore Plc, based on the authorization received from the Annual General Meeting. The Board of Directors shall determine later the key employees. The stock options will be marked with the symbol 1/ 2016 and the maximum number of stock options shall be 1,500,000. The stock options shall be given free of charge.

	Share-based option rights		
Stock option program 2016	2017	2016	Total
Option rights maximum, pcs	1,500,000	1,500,000	1,500,000
Shares to be subscribed per option, pcs	1	1	
Subscription price	0.79	0.79	
Dividend right	Yes	Yes	
Exercisable, from	April 1, 2017	April 1, 2017	
Expiration	March 31, 2018	March 31, 2018	
Contractual life of options, years	1 year	1 year	

	Share-based option rights			Average option price (weighted)
	2017	2016	Total	
Amount				
Option rights granted	-	-	-	
Option rights forfeited	-	-	-	
Option rights expired	-	-	-	
Option rights exercised	-	-	-	
Option rights outstanding	-	-	-	0.79
Option rights held for future grants	1,500,000	1,500,000	1,500,000	0.79
Options exercisable	-	-	-	

No option rights were granted in 2016–2017.

21. INTEREST-BEARING LIABILITIES (EUR 1,000)

	2017	2016
Non-current		
Loans from credit institutions	**866**	-
Finance lease liabilities	**5**	26
Total	**871**	26
Current		
Finance lease liabilities	**21**	245
Other liabilities	**534**	193
Loans from credit institutions	**9,988**	12,706
Factoring	**1,204**	766
Total	**11,747**	13,910

The interest-bearing liabilities are valued at initial value less installments, and the values do not differ materially from the fair values. The derivatives are valued at fair value according to cuotations from the counter-party.

Factors concerning the uncertainty of financing are disclosed in Note 26, including the presentation of the maturities of financial liabilities.

22. MATURITY OF FINANCE LEASE LIABILITIES (EUR 1,000)

	2017	2016
Minimum lease payments concerning financial lease liabilities		
Less than 1 year	**21**	249
1–5 years	**5**	26
	26	275
Finance lease liabilities - present value of minimum lease payments		
Less than 1 year	**21**	245
1–5 years	**5**	26
	26	271
Finance expenses accumulating in the future	**0**	4
Total amount of finance lease liabilities	**26**	275

The finance lease liabilities consist mainly of lease agreements for IT software.

23. TRADE PAYABLES AND OTHER LIABILITIES (EUR 1,000)

	2017	2016
Current		
Advances received	**247**	10
Trade payables	**14,056**	16,526
Other payables	**1,495**	1,396
Derivatives, not hedge accounting	**0**	29
Accruals and deferred income	**1,510**	2,551
Total	**17,309**	20,512

The book values of trade payables do not differ materially from their fair value.

Material items included in accruals and deferred income	2017	2016
Accrued personnel expenses	**1,323**	1,735
Taxes, other than income taxes	**61**	615
Current interest payable	**66**	48
Other items	**61**	153
Total	**1,510**	2,551

24. PENSION OBLIGATIONS (EUR 1,000)

The Group has a post-employment defined benefit obligation in Italy, where IAS standard 19 is applicable. The Italian legislation provides that, at employment contract termination, each employee receives a severance indemnity (Trattamento Fine Rapporto, TRF), which is paid from a fund held in the company or held in an external institution. The amount of each annual contribution equals approximately 6.9% of the gross annual salary which is accrued monthly to the personnel expenses. The contributions to the fund are recognized as personnel expenses in the income statement and the interest from the fund as financial items. The remeasurement of the fund is recognized in equity. The liability represents the accumulated benefit payment obligation at employment contract termination. The value of this liability is a fair value index-adjusted annually. This value is is based on actuarial calculations taking into account demographic assumptions in the future concerning current and future employees and financial assumptions based on market expectations.

	2017	2016
Pension obligations on January 1	**1,412**	1,728
Changes recognised in income statement		
Interest expense	**17**	19
Benefits paid	**-44**	-324
Remeasurements recognised in equity:		
Actuarial Gains (+)/ Losses (-) for experience	**0**	1
Actuarial Gains(+)/ Losses(-) for demographic assumptions	**0**	0
Actuarial Gains(+)/ Losses(-) for financial assumptions	**-69**	-11
Pension obligations on December 31	**1,316**	1,412

The benefits expected to be paid to employees leaving indemnities during 2017 is EUR 70 (69) thousand. During 2019–2022 the annual estimated benefits to be paid are approximately 64 (64) thousand.

Actuarial assumptions	2017	2016
Discount rate	**1.47%**	1.30%
Salary rate	**1.50%**	1.80%
Pension rate	**2.63%**	2.85%

The following table is a sensitivity analysis for the actuarial assumptions, showing the estimated value of the obligation if the actuarial assumptions change:

	2017		2016	
	Change +0.25%	Change -0.25%	Change +1%	Change -1%
Discount rate	**1,279**	**1,348**	1,371	1,448
Salary rate	**1,335**	**1,292**	1,433	1,385
	Change +1.00%	Change -1.00%	Change +1%	Change -1%
Pension rate	**1,306**	**1,321**	1,396	1,423

25. PROVISIONS (EUR 1,000)

	2017	2016
Non-current provisions		
Other provisions Jan. 1	**250**	250
Additions	**1**	0
Other provisions Dec. 31	**251**	250
Current provisions		
Warranty provision Jan. 1	**146**	88
Additions	**86**	77
Provisions used	**-9**	-19
Warranty provision Dec. 31	**219**	146
Restructuring provision Jan.1.	**3,884**	0
Additions	**130**	4,866
Provisions used	**-3,884**	-982
Restructuring provision Dec 31.	**130**	3,884
Provisions total Dec.31	**600**	4,281

On August 31, 2016 Efore signed an agreement concerning the outsourcing of manufacturing in China to Wuxi Hodgen Technology Co Ltd (Hodgen). The outsourcing included manufacturing as well as manufacturing support functions at the Suzhou plant in China. As part of the agreement Efore sold also some assets (machinery) and some inventory (raw materials). The outsourcing will enable Efore to increase focus on its core competency, which is developing demanding power solutions for its customers. Arrangement also released capital allowing Efore to invest in its core business and also facilitate structural changes. The target is still to simplify Efore's operating model. The new planned operating model requires structural changes that enable permanent reductions in the level of fixed costs in Efore.

One-time costs for the outsourcing were 2016–2017 EUR 4,260 thousand. The items related to the outsourcing in China are presented in the income as follows: EUR 548 thousand in other operating income (Note 3), In the end of 2016 the realized one-time costs were EUR 924 thousand and a provision was set for the

remaining EUR 3,422 thousand. 31.12.2017 provision related to China production outsourcing was fully used.

Restructuring provision 31.12.2017 was EUR 130 thousand, which applies to structural changes in Group company business. Provision is expected to be used during 2018. The restructuring provision on December 31, 2016 consists of EUR 3,422 thousand provisions related to the outsourcing of the manufacturing in China.

Products sold by the company have normally a 12 to 24 months warranty period. 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.

26. FINANCIAL RISK MANAGEMENT

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

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

Approximately 40% of Group Net Sales comes from the two major customers. The total amount of trade receivables from these two key customers were EUR 1.03 million, from which EUR 0.0 million was overdue. Factoring service is being used regarding accounts receivable for customers above. The maturity analysis of trade receivables and currency exposure of trade and other receivables are presented in note 18, Trade and other receivables.

FOREIGN EXCHANGE RISK

Foreign exchange risks refer to the risks caused by changes in foreign exchange rates which can affect business performance or Group solvency. Most of the Group's sales are denominated in EUR, RMB and USD. The operating expenses are generated in EUR-, USD-, SEK-, RMD- and TND.

In 2017 the primary hedging method has been matching of foreign currency income and expence flows. According to the Group currency risk hedging policy is that no currency derivatives will be used to protect cashflows. The currency derivatives used in fiscal year 2017 had a maturity of 1 to 6 months. (2016: 1–6 months).

In the financial statements the equity of foreign subsidiaries is translated at the European Central Bank's average fixing rate on the balance sheet date. Exchange rate differences are presented in the consolidated financial statements as translation differences. The net investments in foreign operations has not been hedged.

The instruments used for hedging against exchange rate risks have ended fiscal year 2017 and they have not been renewed.

INTEREST RATE RISK

Interest rate risks are caused by fluctuations in interest rates affecting the income, loan portfolio and cash reserves in the Group.

Interest rate risks are also dependent on whether financing is made by fixed rate or variable rate agreements. Interest rate risks are managed by making correct decisions concerning the interest periods of the liabilities and by using different types of derivative financial instruments to hedge interest rate risks. On the balance sheet date, the Group had no interest rate derivatives.

LIQUIDITY RISK

According to the financing policy, liquidity risk management, funding and efficient cash management of the Group are responsibilities of the parent company. The liquidity risk is managed by adequate cash assets, partial sale of trade receivables, credit limits and by monitoring the maturities of loans.

On December 31, 2017 the gearing was 115.6% (99.5%) and solvency ratio was 17.9% (15.7%).

At the end of the fiscal year the Group's liquid assets totalled EUR 4.5 million (EUR 6.4 million). The Group's interest-bearing liabilities totalled EUR 12.6 million (EUR 13.9 million). Credit limits in use were EUR 3.5 million on December 31, 2017, as on December 31, 2016 they were EUR 5.8 million. The financial reserves in the Group comprised unused credit limits totalling EUR 3.4 (3.9) million on December 31, 2017, from which EUR 2.1 (2.8) million will expire within one year and EUR 1.3 (1.1) million are valid for an unspecified term.

During 2017 Efore repaid loan taken 2.1.2017 to Jussi Capital Oy, which belonged to the related parties until 31.1.2017 of the company. The Company has issued an absolute guarantee for the EUR 4 million loan from an external financier. As a counter guarantee for the absolute guarantee granted by Jussi Capital Oy, the Board of Directors resolved to pledge 3,501,995 own shares in accordance with the authorization granted by the Annual General Meeting of Shareholders.

Arrangements have been conducted on market equivalent terms and in line with the interests of the business perspectives of the company.

The Group may in the future have difficulties to make agreements on external financing to the present extent and at same terms.

On December 31, 2017 the parent company had EUR 11,480,996.78 loans from one financier, that have the following covenants: equity ratio, net debts/12 months rolling adjusted EBITDA and absolute adjusted EBITDA. The covenants concerning equity ratio and absolute adjusted EBITDA were breached at the end of December 2017. EUR 6.0 million non-current loan falls due on 2018 and has therefore been classified as current liability.

The total loan amount consists of loans, factoring limits and bank limits as follows: loans EUR 6.0 million, factoring limits in use EUR 4.95 million and limit from financial institution EUR 0.53 million.

Efore Plc received a waiver on February 13, 2018 to depart from the loan covenants that were breached in the end of financial year 2017. Next measurement point for covenants will be June 30, 2018. The first measurement point for the new covenants was December 31, 2016 and they will in the future be reviewed on a rolling basis. According to the terms the equity ratio shall, depending on the date, be 20 to 25 per cent. Depending on the date the relation of net debts to 12 months rolling adjusted EBITDA shall be 3.0 to 7.5. Additionally the absolute adjusted EBITDA shall be at least EUR 1.3 million on December 31, 2017.

The company has announced negotiations regarding extending loan periods with the key financier. Company's management believes that the negotiations will have positive outcome.

When assessing the going concern principle, the management has taken into account the company's strategy and cost savings program and the forecasts associated with these, the available sources of financing as well as the risks concerning the sufficiency of financing. If however, the covenants would be breached the management is confident, based on analyses prepared, that Efore can either obtain a waiver or renegotiate with the financier. This matter is disclosed in detail in the accounting principles for the financial statements in the chapter Assumption of ability to continue as a going concern.

Maturities of financial liabilities, 2017	Carrying amount	Contractual cash flows	6 months or less	6–12 months	Later
Trade payables and received advances	**14,303**	**14,303**	**14,303**	**0**	**0**
Loans from credit institutions	**9,988**	**9,988**	**5,771**	**4,217**	**0**
Finance lease liabilities	**26**	**26**	**11**	**11**	**5**
Other liabiliities	**534**	**1,209**	**755**	**0**	**454**
Factoring (Efore's liquidity risk)	**1,204**	**1,204**	**1,204**	**0**	**0**

Maturities of financial liabilities, 2016	Carrying amount	Contractual cash flows	6 months or less	6–12 months	Later
Trade payables and received advances	16,536	16,536	16,536	0	0
Loans from credit institutions	12,706	13,458	6,870	100	6,488
Finance lease liabilities	271	275	124	124	26
Derivative Financial intruments	29	29	29	0	0
Other liabiliities	193	193	193	0	0
Factoring (Efore's liquidity risk)	766	766	766	0	0

CREDIT AND OTHER COUNTERPARTY RISKS

Each legal unit is primarily responsible for the management of their operational credit risks. Credit risk management is carried out in accordance with the credit policy of the Group. Material items of trade receivables are evaluated on a counterparty basis in order to identify any bad debts.

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

27. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS (EUR 1,000)

	2017	2016
Currency derivatives, hedging purpose (not IAS 39 Hedge accounting)		
Derivatives		
Nominal value	**0**	4,144
Positive fair value	**0**	0
Negative fair value	**0**	29

In 2016 the derivatives in use were forward contracts, which were still valid during 2017. According to the Group currency risk hedging policy no new derivative contracts were engaged in 2017.

28. OPERATING LEASE COMMITMENTS (EUR 1,000)

	2017	2016
Group as lessee		
Noncancellable minimum operating lease payments:		
Within 1 year	**874**	932
1–5 years	**2,017**	2,144
	2,891	3,077

The leasing contracts for the premises will expire 12/2022. The fixed-term leasing contracts usually include a renewal option after original expiry date. The operating lease commitments include leases for premises amounting to EUR 2,341 (2,778) thousand and rents for equipment and cars amounting to 550 (298) thousand.

29. OTHER CONTRACTS

The Group has certain significant customer contracts that include a condition normal for the branch of industry, where one of the contracting parties may terminate the agreement, if the control in the Group is transferred to a party which is a competitor of the customer.

The company has a significant financial contract that include a condition normal for the branch of industry, according to which the contract may be terminated if a control is transferred to another company.

30. CONTINGENT LIABILITIES (EUR 1,000)

	2017	2016
Security given on own behalf		
Business mortgages	**5,000**	5,000
Other contingent liabilities	**78**	186
Pledged parent company shares, pcs	**3,501,955**	3,501,955
Liabilities guaranteed by business mortgages		
Loans from credit institutions	**6,534**	6,193
Factoring in use	**4,947**	1,962
Total	**11,481**	8,154
Credit insurance liability according to factoring contract. The liability has not been realized.	**247**	98

31. RELATED PARTY TRANSACTIONS (EUR 1,000)

The Group has related party relationships with subsidiaries and with the key employees, that consists of the members of the Board of Directors, the President the CEO as well as the Efore management team.

The parent and subsidiary relationships in the Group are:	Registered office	Home country	Group ownership %	Share of voting rights %	Parent company ownership %
Parent company					
Efore Oyj	Espoo	Finland			
Shares in subsidiaries owned by the parent company Efore Plc:					
FI-Systems Oy	Espoo	Finland	100	100	100
Efore (USA), Inc.	Dallas, Texas	USA	100	100	100
Efore AB	Stockholm	Sweden	100	100	100
Efore (Hongkong) Co., Limited	Kowloon	China	100	100	100
Efore (Suzhou) Automotive Technology	Suzhou	China	100	100	100
Efore SpA	Osimo	Italy	100	100	100
Shares in subsidiaries owned by FI-Systems Oy:					
Efore (Suzhou) Electronics Co., Ltd	Suzhou	China	100	100	
Efore OU	Pärnu	Estonia	100	100	
Shares in subsidiaries owned by Efore SpA:					
Efore Sarl	Charguia	Tunisia	99.72	100	
Efore Inc	Pennsylvania	USA	100	100	

		2017	2016
Presidents and CEO, compensation			
Wiitakorpi Jorma	April 29, 2016–December 31, 2017	**240**	263
Viika Heikki	Until October 28, 2016	**0**	226
		240	489
Members of Board of Directors, compensation			
Heikkilä Olli	Until January 31, 2017	**2**	21
Lähdesmäki Tuomo	January 31, 2017–December 31, 2017	**39**	0
Marttila Päivi	Until January 31, 2017	**4**	42
Miettinen Marjo		**21**	21
Simola Jarmo		**21**	21
Sivula Antti		**21**	16
Takanen Jarkko	Until January 31, 2017	**2**	21
		109	142
Other key management, compensation		**627**	1,107
including fees		**0**	0
Key management			
Salaries and other short-term employment benefits		**974**	1,737
Benefits after termination of employment		**0**	120
Total		**974**	1,857

RELATED PARTY TRANSACTIONS

During 2017 Efore repaid loan taken 2.1.2017 to Jussi Capital Oy, which belonged to the related parties until 31.1.2017 of the company, has issued an absolute guarantee for the EUR 4 million loan from an external financier. As a counter guarantee for the absolute guarantee granted by Jussi Capital Oy, the Board of Directors resolved to pledge 3,501,995 own shares in accordance with the authorization granted by the Annual General Meeting of Shareholders.

The arrangement was conducted on market equivalent terms and in line with the interests of the business perspectives of the company. There was a major financial reason for pledging the shares as it was a condition for financial arrangement.

No pension commitments with special terms have been granted nor have any other securities been granted on behalf of the related parties in 2017. On December 31, 2017 no stock option rights were granted to the Board of Directors, management or CEO.

The compensations to the Board Members were paid in cash in 2017 and 2016.

The decline of management team salaries and remunerations has happened due to the reason that company's management team has shrunk and also due to the reason that Vesa Leino, who was nominated September 1, 2017 as interim CFO of Efore Group is not company's own employee.

32. EVENTS AFTER THE END OF THE FINANCIAL PERIOD

Efore Plc received a waiver from the financier on February 13, 2018 to depart from the loan covenants that were breached in the end of financial year 2017. Next measurement point for covenants will be June 30, 2018. The company has announced negotiations regarding extending loan periods with the key financier. Company's management believes that the negotiations will have a positive outcome.

Efore Plc's shareholders nomination board has prepared propositions regarding board members and board remunerations for Annual General meeting 12 April 2018. Nomination board proposes to Annual General meeting that Marjo Miettinen, Tuomo Lähdesmäki, Jarmo Simola and Antti Sivula would be re-elected and elect as a new member Taru Narvanmaa for a term beginning from Annual General meeting and ending after 2019 Annual General Meeting.

Efore has initiated a review process to evaluate different structural alternatives to secure the long-term profitability of its telecom business. As a part of this process and improving the profitability, Efore disclosed on February 15, 2018 to commence cooperation procedure in Finland. Negotiations concern entire personnel in Finland. Possible terminations of employment contracts or shifting to part-time work concern maximum 9 persons and possible temporarily lay-offs may last maximum 90 days. Potential structural changes of Efore's telecom business will also have an impact on entire Group personnel and future resource allocation.

INCOME STATEMENT FOR THE PARENT COMPANY, EUR 1,000

	Note	Jan. 1,–Dec. 31, 2017	Jan. 1,–Dec. 31, 2016
NET SALES	1	**25,560**	27,702
Change in inventories of finished goods and work in progress		**-1,069**	-1,055
Other operating income	2	**49**	125
Materials and services			
Materials and consumables			
Purchases during the financial year	3	**18,378**	21,105
External services	3	**192**	141
		18,570	21,246
Personnel expenses			
Wages, salaries and fees	4	**2,148**	4,062
Social security expenses			
Pension expenses	4	**361**	675
Other social security expenses	4	**44**	146
		2,553	4,883
Depreciation, amortization and impairments			
Depreciation and amortization according to plan	5	**925**	672
Impairment on non-current assets	5	**0**	116
		925	788
Other operating expenses	6	**3,788**	5,014
OPERATING PROFIT (LOSS)		**-1,297**	-5,160
Financial income and expenses			
Income from group companies	7	**1,376**	1,078
Other interest and financial income	7, 9	**1,088**	1,613
Interest expenses from group companies	8	**-228**	-229
Impairment on long-term loan receivables from group companies	8	**0**	-5,067
Interest and other financial expenses	8, 9	**-1,609**	-1,729
		627	-4,333
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-669**	-9,493
Income taxes			
Income taxes for the period	10	**-57**	-21
PROFIT (LOSS) FOR THE PERIOD		**-726**	-9,514

BALANCE SHEET FOR THE PARENT COMPANY, EUR 1,000

ASSETS	Note	Dec. 31, 2017	Dec. 31, 2016
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	11	**4,223**	3,167
Intangible rights	11	**81**	95
Other intangible assets	11	**41**	12
Advance payments	11	**7**	0
		4,352	3,274
Tangible assets			
Machinery and equipment	11	**216**	220
Other tangible assets	11	**16**	20
Advance payments and construction in progress	11	**0**	51
		232	291
Investments			
Holdings in group companies	12, 13	**12,908**	12,908
Other shares and holdings	12, 13	**2**	2
		12,910	12,910
CURRENT ASSETS			
Inventories			
Work in progress		**90**	0
Finished goods		**1,251**	2,410
		1,341	2,410
Non-current receivables			
Receivables from group companies	14	**26,933**	26,933
		26,933	26,933
Current receivables			
Trade receivables	14	**1,124**	1,026
Receivables from group companies	14	**3,663**	4,364
Other receivables	14	**56**	141
Prepayments and accrued income	14	**175**	265
		5,018	5,796
Cash and cash equivalents		**776**	1,036
TOTAL ASSETS		**51,562**	52,649

BALANCE SHEET FOR THE PARENT COMPANY, EUR 1,000

EQUITY AND LIABILITIES	Note	Dec. 31, 2017	Dec. 31, 2016
EQUITY			
Share capital	15	**15,000**	15,000
Other reserves	15	**28,201**	28,201
Retained earnings	15	**-13,431**	-3,917
Profit (loss) for the period	15	**-726**	-9,514
		29,043	29,770
MANDATORY PROVISIONS	16	**0**	260
Other mandatory provisions		**0**	260
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities to group companies	17	**2,821**	6,792
		2,821	6,792
CURRENT LIABILITIES			
Loans from credit institutions	17	**6,534**	6,193
Advances received	17	**247**	9
Trade payables	17	**395**	508
Liabilities to group companies	17	**11,859**	8,043
Other liabilities	17	**89**	178
Accruals and deferred income	17	**574**	897
		19,697	15,828
TOTAL EQUITY AND LIABILITIES		**51,562**	52,649

CASH FLOW STATEMENT FOR THE PARENT COMPANY, EUR 1,000

	Jan. 1,–Dec. 31, 2017	Jan. 1,–Dec. 31, 2016
Cash flows from operating activities:		
Cash receipts from customers	**24,893**	29,403
Cash paid to suppliers and employees	**-25,109**	-30,618
Cash generated from operations	**-216**	-1,216
Interest paid	**234**	-738
Dividends received	**732**	990
Interest received	**690**	98
Other financial items	**-226**	-175
Net cash provided by operating activities (A)	**1,215**	-1,041
Cash flows from investing activities:		
Purchase of tangible and intangible assets	**-1,945**	-1,159
Proceeds from sale of tangible and intangible assets	**0**	19
Decrease in loans receivable	**129**	414
Net cash used in investing activities (B)	**-1,816**	-726
Cash flows from financing activities:		
Proceeds from short-term borrowings	**2,534**	193
Repayment of short-term borrowings	**-2,193**	-145
Proceeds from long-term borrowings	**0**	4,000
Principal payment of long-term debt	**0**	-2,100
Net cash used in financing activities (C)	**342**	1,948
Net decrease/increase in cash and cash equivalents (A+B+C)	**-259**	181
Cash and cash equivalents at beginning of period	**1,036**	854
Net increase/decrease in cash and cash equivalents	**-259**	181
Cash and equivalents at the end of period	**776**	1,036

ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS OF PARENT COMPANY, FAS

GENERAL

The financial statements of Efore Plc (registered office in Espoo, Finland), are prepared and presented in accordance with the Finnish Accounting Act and other applicable laws and regulations in effect in Finland (Finnish Accounting Standards, FAS).

FOREIGN CURRENCY ITEMS

Transactions in foreign currencies are recognized at the exchange rate valid on the date of transaction. Foreign currency receivables and liabilities on the balance sheet date are valued at the exchange rates on the balance sheet date. Exchange rate differences arising from the translation of balance sheet items in foreign currency and sales, purchases, expenses and financial items as well as from receivables and liabilities are recognised as exchange rate gains and losses in financial income and expenses. The presentation in the parent corresponds with the presentation in the consolidated financial statements.

Derivatives for hedging currency positions in balance sheet items are recognized at fair value and the change in fair value changes is recorded in financial items.

EVALUATION OF NON-CURRENT ASSETS

Intangible and tangible assets are stated at historical cost less accumulated amortization, depreciation and impairment. Planned depreciation on intangible and tangible assets is made on a straight-line basis over their estimated useful lives. Gains and losses on sale of intangible and tangible assets are included in the operating result.

The estimated useful lives for different groups of assets are as follows:

Development expenditure	3–5 years
Intangible rights	3–5 years
Other intangible assets	5–10 years
Machinery and equipment	3–10 years
Other tangible assets	5 years

An impairment is recognized on the book value of an item in intangible and tangible assets, if it is evident that earnings expectations do not cover the book value of the asset.

Development expenditure relating to the largest projects is capitalized as intangible assets. The capitalized development expenditure is amortized over the financial periods in which income is generated.

HOLDINGS IN GROUP COMPANIES AND NON-CURRENT RECEIVABLES FROM GROUP COMPANIES

The carrying values of holdings in group companies and loans granted to group companies are tested annually on the balance sheet date to identify any impairment. The need for impairment is considered at the cash generating unit level of the group companies.

For impairment testing the recoverable amount of the unit is the value in use. The value in use represents the discounted future net cash flows expected to be derived from a cash-generating unit. The discount rate is a pretax discount rate that is reflecting current market assessments and the risks specific to the asset.

Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. An impairment is recorded in profit or loss. An impairment recognized is subsequently reversed if there are changes in the estimates concerning the recoverable amount of the asset.

INVENTORIES

Inventories are stated at the lowest of historical cost, net realizable value. Variable purchasing costs

are included in the the cost of inventories. The cost of inventories is calculated on the weighted average cost basis.

PROVISIONS

Future expenditure and losses that the company is committed to cover but which have not yet realized are presented as provisions in the balance sheet. The provision includes costs for reorganizations among other things costs. Changes in the provisions are recognized in the corresponding expenses in the income statement.

NET SALES

Net sales is calculated by deducting from revenue discounts granted, indirect taxes and exchange rate differences from trade receivables.

LEASING

All leasing charges are treated as rental expenses. The unpaid leasing commitments related to future financial periods are presented as lease obligations in the notes to the financial statements.

PENSIONS

The pension cover of the company's employees is arranged through insurance policies in pension insurance companies. Pension costs are expensed as incurred.

INCOME TAXES

The non-deductible taxes at source are recognized as income taxes in the profit and loss statement.

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

1. NET SALES

	2017	2016
Finland	**2,707**	1,636
EMEA	**21,077**	24,406
Americas	**1,183**	969
APAC	**593**	691
Total	**25,560**	27,702

2. OTHER OPERATING INCOME

	2017	2016
Product development subsidies	**48**	118
Other income	**0**	8
Total	**49**	125

3. MATERIALS AND SERVICES

	2017	2016
Materials and consumables		
Purchases during the financial year	**18,378**	21,105
External services	**192**	141
Materials and services in total	**18,570**	21,246

4. PERSONNEL EXPENSES

	2017	2016
Wages, salaries and fees	**2,148**	4,062
Pension costs	**361**	675
Other social security expenses	**44**	146
Total	**2,553**	4,883
Management salaries and fees		
President and CEO, Members of the Board of Directors	**349**	751
Total personnel, average		
Salaried employees	**63**	70

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

	2017	2016
Depreciation and amortization according to plan:		
Development costs	**795**	553
Intangible rights	**45**	31
Other intangible assets	**12**	6
Machinery and equipment	**69**	81
Other tangible assets	**4**	1
Total	**925**	672
Impairment on development costs	**0**	116
Total	**0**	116

6. OTHER OPERATING EXPENSES

	2017	2016
Other operating expenses are normal expenses.		
Audit fees:		
KPMG Oy Ab		
Audit	**21**	21
Tax services	**0**	16
Other services	**26**	24
Total	**47**	61

7. FINANCIAL INCOME

	2017	2016
Dividend income from Group companies	**732**	990
Interest income from Group companies	**645**	88
Interest income from others	**46**	9
Exchange rate gains	**1,042**	1,603
Total	**2,465**	2,691

8. FINANCIAL EXPENSES

	2017	2016
Interest expenses to Group companies	**228**	229
Impairment on loan receivable from Group company	**0**	5,067
Interest expenses to others	**220**	96
Exchange rate losses	**911**	1,312
Other financial expenses	**478**	321
Total	**1,837**	7,024

9. EXCHANGE RATE DIFFERENCIES

		2017	2016
Specification of net exchange rate gains (+) and losses (-) according to financial statement items			
Sales	Gains	**312**	747
	Losses	**-346**	-768
	Net	**-34**	-21
Purchases	Gains	**0**	48
	Losses	**0**	-2
	Net	**0**	45
Financial items	Gains	**142**	390
	Losses	**-202**	-388
	Net	**-60**	2
Group receivables and liabilities	Gains	**588**	419
	Losses	**-363**	-154
	Net	**225**	265
Total	Gains	**1,042**	1,603
	Losses	**-911**	-1,312
	Net	**132**	291

10. INCOME TAXES

	2017	2016
Non-deductible taxes at source	**57**	21
Total	**57**	21

11. NON-CURRENT ASSETS

	2017	2016
Intangible assets		
Development expenditure		
Acquisition Cost on Jan. 1	**6,131**	5,345
Additions	**1,851**	1,029
Disposals	**-828**	-244
Cost on Dec.31	**7,154**	6,131
Accumulated amortization and impairment on Jan. 1	**2,964**	2,527
Acc. amortizations on disposed assets	**-828**	-232
Amortization	**795**	553
Impairment	**0**	116
Accumulated amortization and impairment on Dec. 31	**2,931**	2,964
Book value on Dec.31	**4,223**	3,167
Intangible rights		
Acquisition Cost on Jan. 1	**590**	510
Additions	**6**	80
Disposals	**-243**	0
Reclassifications	**26**	0
Cost on Dec. 31	**379**	590
Accumulated amortization on Jan. 1	**496**	465
Acc. amortizations on disposed assets	**-243**	0
Amortization	**45**	31
Accumulated amortization on Dec. 31	**298**	496
Book value on Dec. 31	**81**	95
Other intangible assets		
Acquisition Cost on Jan. 1	**34**	34
Additions	**3**	0
Disposals	**-3**	0
Reclassifications	**38**	0
Cost on Dec.31	**72**	34
Accumulated amortization on Jan. 1	**22**	16
Acc. amortizations on disposed assets	**-3**	0
Amortization	**12**	6
Accumulated amortization on Dec. 31	**32**	22
Book value on Dec. 31	**41**	12

	2017	2016
Advance payments		
Acquisition Cost on Jan. 1	**0**	0
Reclassification	**7**	0
Cost on Dec. 31	**7**	0
Book value on Dec. 31	**7**	0

	2017	2016
Tangible assets		
Machinery and equipment		
Acquisition Cost on Jan. 1	**3,396**	3,246
Additions	**66**	47
Disposals	**-2,472**	-6
Reclassification	**0**	110
Cost on Dec. 31	**989**	3,396
Accumulated depreciation on Jan. 1	**3,176**	3,095
Acc. depreciation on disposed assets	**-2,472**	0
Depreciation	**69**	81
Accumulated depreciation on Dec. 31	**773**	3,176
Book value on Dec. 31	**216**	220
Other tangible assets		
Acquisition Cost on Jan. 1	**383**	364
Additions	**0**	19
Disposals	**-362**	-1
Cost on Dec. 31	**20**	383
Accumulated depreciation on Jan. 1	**362**	362
Acc. depreciation on disposed assets	**-362**	0
Depreciation	**4**	1
Accumulated depreciation on Dec. 31	**4**	362
Book value on Dec. 31	**16**	20
Advance payments and construction in progress		
Acquisition Cost on Jan. 1	**51**	172
Change Jan. 1 - Dec. 31	**20**	-11
Reclassification	**-71**	-110
Cost on Dec. 31	**0**	51
Book value on Dec. 31	**0**	51

12. INVESTMENTS

	2017	2016
Holdings in group companies		
Book value on Jan. 1	**12,908**	12,908
Book value on Dec. 31	**12,908**	12,908

	2017	2016
Other shares and similar rights of ownership		
Shares on Jan. 1	**2**	2
Book value on Dec. 31	**2**	2

13. HOLDINGS IN GROUP COMPANIES

		2017	2016
		Book value	**Book value**
FI-Systems Oy, Espoo	Finland	**3**	3
Efore (USA), Inc., Dallas TX	USA	**0**	0
Efore AB, Stockholm	Swe-den	**107**	107
Efore (Hongkong) Co. Limited, Kowloon	China	**1**	1
Efore (Suzhou) Automotive Power Technology Co., Ltd., Suzhou	China	**0**	0
Efore SpA, Osimo	Italy	**12,796**	12,796
		12,908	12,908
Other shares		**2**	2

14. RECEIVABLES

	2017	2016
Non-current receivables from Group companies		
Subordinated loans on Jan 1	**32,000**	32,000
Impairment of subordinated loan on Jan 1	**-5,067**	0
Impairment of subordinated loan in fiscal period	**0**	-5,067
Non-current receivables from Group companies in total	**26,933**	26,933

The company has given Fi-Systems Oy a subordinated loan of EUR 32,000,000.00. The interest rate is 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 Oy 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. The accumulated unbooked interest is EUR 13,517,272.09.

The impairment EUR 5,067,000.00 of subordinated loan was recorded on Dec. 31, 2016. The impairment was caused of Fi-Systems Oy's subsidiary Efore (Suzhou) Electronics Co. Ltd, whose cash generating ability had declined.

	2017	2016
Current receivables		
Trade receivables	**1,124**	1,026
Other receivables	**56**	141
Prepayments and accrued income	**175**	265
	1,354	1,433
Current receivables from group companies		
Trade receivables	**2,372**	2,315
Loan receivables	**1,259**	1,593
Interest receivables	**33**	33
Prepaid expenses and accrued income	**0**	423
	3,663	4,364
Current receivables in total	**5,018**	5,796
Prepayments and accrued income		
Prepayments and accrued income include the following items:		
Accrued personnel expenses	**63**	6
Product development subsidies	**18**	68
Prepayments	**61**	91
Unbilled revenue	**10**	51
Other items	**23**	49
	175	265

15. EQUITY

	2017	2016
Share capital on Jan. 1	**15,000**	15,000
Share capital on Dec. 31	**15,000**	15,000
Own shares on Jan. 1	**-2,427**	-2,427
Own shares on Dec. 31	**-2,427**	-2,427
Other reserves		
Unrestricted equity reserve on Jan 1	**28,201**	28,201
Unrestricted equity reserve on Dec. 31.	**28,201**	28,201
Retained earnings	**-11,004**	-1,490
Result for the period	**-726**	-9,514
Equity total	**29,043**	29,770

THE COMPANY'S DISTRIBUTABLE FUNDS

	2017	2016
Retained earnings	**-11,004**	-1,490
Result for the period	**-726**	-9,514
Reserve for invested unrestricted equity	**28,201**	28,201
Own shares	**-2,427**	-2,427
Deferred development costs	**-4,223**	-3,167
Distributable funds	**9,821**	11,603
Parent company share capital		
one type of shares		
	Pcs	Pcs
Outstanding shares on Jan. 1	**52,270,896**	52,270,896
Outstanding shares on Dec. 31	**52,270,896**	52,270,896
Share capital in Parent company	**Pcs**	Pcs
one type of shares	**55,772,891**	55,772,891

16. MANDATORY PROVISIONS

	2017	2016
Other mandatory provisions on Jan. 1	**260**	0
Other mandatory provisions, change	**-260**	260
Other mandatory provisions on Dec. 31	**0**	260

17. LIABILITIES

	2017	2016
Non-current liabilities		
Non-current Intercompany liabilities		
Other liabilities	**2,656**	6,156
Accruals and deferred income	**165**	636
	2,821	6,792
Non-current liabilities total	**2,821**	6,792
Current liabilities		
Loans from credit institutions	**6,534**	6,193
Advances received	**247**	9
Trade payables	**395**	508
Other liabilities	**89**	178
Accruals and deferred income	**574**	897
	7,839	7,785

On December 31, 2017 the parent company had EUR 11,480,996.78 loans from one financier, that have the following covenants: equity ratio, net debts/ 12 months rolling adjusted EBITDA and absolute adjusted EBITDA. The covenants concerning equity ratio and absolute adjusted EBITDA were breached at the end of December 2017. EUR 6.0 million non-current loan falls due on 2018 and has therefore been classified as current liability. The total loan amount consists of loans, factoring limits and bank limits as follows:

	2017	2016
Loans	**6,000**	6,000
Factoring limits in use	**4,947**	1,962
Limit from financial institutions	**534**	193
Total	**11,481**	8,154

Efore Plc received a waiver on February 13, 2018 to depart from the loan covenants that were breached in the end of financial year 2017. Next measurement point for covenants will be June 30, 2018.

The first measurement point for the new covenants was December 31, 2016 and they will in the future be reviewed on a rolling basis. According to the terms the equity ratio shall, depending on the date, be 20 to 25 per cent. Depending on the date the relation of net debts to 12 months rolling adjusted EBITDA shall be 3.0 to 7.5. Additionally the absolute adjusted EBITDA shall be at least EUR 1.3 million on December 31, 2017.

The company has announced negotiations regarding extending loan periods with the key financier. Company's management believes that the negotiations will have positive outcome.

	2017	2016
Current liabilities to group companies		
Trade payables	**7,239**	7,886
Other liabilities	**3,500**	0
Accruals and deferred income	**1,119**	157
	11,859	8,043
Current liabilities total	**19,697**	15,828
Accruals and deferred income		
External accruals and deferred income include the following items:		
Accrued holiday pay	**505**	700
Accrued other personnel expenses	**0**	82
Accrued financial items	**66**	48
Currency derivatives, hedging purpose	**0**	29
Other items	**4**	38
	574	897

18. CONTINGENT LIABILITIES

	2017	2016
Security given		
Security given on own behalf		
Business mortgages	**5,000**	5,000
Other contingent liabilities	**78**	186
	Pcs	Pcs
Pledged parent company shares, pcs	**3,501,955**	3,501,955
Liabilities guaranteed by business mortgages. Liabilities include covenant terms.		
Loans from credit institutions	**6,534**	6,193
Factoring limits in use on Dec 31	**4,947**	1,962
	11,481	8,154
Liability engagements and other contingent liabilities		
Rent and leasing commitments on own behalf		
Payable in the following financial year	**369**	591
Payable later	**959**	1,190
Credit insurance liability according to factoring contract. The liability has not been realized.	**247**	98

19. PROPOSAL BY THE BOARD OF DIRECTORS FOR USE OF THE DISTRIBUTABLE FUNDS AND THE RESULT OF THE PARENT COMPANY

The Board of Directors will propose to the Annual General Meeting to be held on April 12, 2018, that no dividend will be paid and that the loss will be transferred to the company's retained earnings accounts.

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

Espoo, March 16, 2018

Tuomo Lähdesmäki
Chairman

Marjo Miettinen

Jarmo Simola

Antti Sivula

Jorma Wiitakorpi
President and CEO

AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Efore Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Efore Plc (business identity code 0195681-3) for the year ended 31 December 2017. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Recognition and impairment of capitalised development costs (Accounting principles for the consolidated financial statements, note 13)	

— The Research and Development function is a significant part of operations in the Efore Group's industry. The development expenditures are capitalised in the consolidated balance sheet to the extent that they meet the capitalisation criteria set out in the relevant accounting standard (IAS 38) and are assessed to contribute future economic benefits. The assessment may change even in a rather short term, e.g. as a result of technical development.
— The capitalised development costs in the consolidated statement of financial position totalled to € 8.8 as of 31 December 2017.
— Efore estimates the recoverable amount based on the present value of the future cash flows expected to be derived from the capitalised development costs.
— In applying the impairment model management makes several estimates relating to the assumptions used. The future cash flow projections also involve uncertainty, therefore affecting the valuation.
	Our audit procedures included, among others:
	— We assessed the appropriateness of the capitalisation process of development expenditures and considered whether the development costs capitalised during the financial year had met the capitalisation criteria under the relevant IFRS.
	— We involved KPMG valuation specialists to consider the appropriate valuation of the capitalised development costs. The performed audit procedures included, among others:
	  — challenging the key assumptions used in impairment testing
	  — evaluating the reasonableness of Efore's cash flow projections for future financial years and assessing the key elements in impairment tests, such as discount rates
	  — testing the mathematical accuracy of the impairment model used
	  — assessing the adequacy and appropriateness of the disclosures presented

The key audit matter	How the matter was addressed in the audit
Monitoring and valuation of inventories (Accounting principles for the consolidated financial statements, note 17)	

— Efore Group operates in competitive markets and the lifecycle of its products is typically rather short, especially in the Telecom sector.
— The value of inventories in the consolidated statement of financial position totalled to € 8.7 as of 31 December 2017.
— Valuation of inventories involves management judgement. Such judgements include the management's estimates of future sales of inventory items, among others. Consequently, the write-downs recognised on inventories may subsequently prove insufficient.
— The Group's IT systems and monitoring routines for inventory are non-concentrated and partly rely on manual work phases.
	Our audit procedures included, among others:
	— We assessed the appropriateness of the inventory valuation principles applied and the adequacy of the write-downs recognised.
	— We attended inventory counts at the significant inventory locations.
	— We assessed the appropriateness of the inventory monitoring process to consider the accuracy of financial reporting.
	— On a sample basis, we tested:
	  — accuracy of inventory pricing
	  — transactions to check that revenues and purchase expenses were recognised in the appropriate period.

The key audit matter	How the matter was addressed in the audit
Sufficiency of financing (Consolidated statement of financial position, Accounting principles for the consolidated financial statements, note 21 and 26)	
— Despite the improved result and the cash flow from operations in 2017 the financial position of the Group is still weak. — The Group's interest-bearing liabilities exceeded cash and cash equivalents by € 8.1 million at year-end 2017. — The Group's interest-bearing liabilities amounted to € 12.6 million at year-end 2017, and a significant part of these matures in 2018. In addition, the equity ratio and absolute adjusted EBITDA covenants in a finance agreement were breached at year-end 2017. The lender waived the year-end breaches in February 2018. — The preparation of financial statements on going concern basis requires that the Group's financing be secured for at least a 12 month period from the balance sheet date. The company assesses that the financing is secured for a 12 month period from the balance sheet date.	— To assess the sufficiency of financing we analysed, amongst others, the reasonableness of the cash flow, result and balance sheet forecasts prepared by the Group. In addition, we analysed the reliability of the information underlying the forecasts. — We have discussed with the management the implemented and initiated measures and their impacts on the prepared forecasts and the financing. — We assessed the management's assumption to use the going concern principle as a basis for the preparation of the financial statements and the adequacy and appropriateness of the disclosures related to the sufficiency of financing.

The key audit matter	How the matter was addressed in the audit
IT systems and control environment	

— Efore Group's IT systems for the key business processes and the financial reporting are complex.
— In the current IT systems in place the system based controls are rather limited. Thus, there is a need for significant amount of manual controls and work phases.
— Due to the small size of the organisation, the segregation of duties is not always fulfilled.
	Our audit procedures included, among others:
	— We assessed whether the Group has implemented appropriate system based and manual controls to ensure the accuracy of financial reporting.
	— In respect of Efore's key IT systems related to financial reporting, we assessed the associated control environments and arrangements.
	— We performed extended detailed audit procedures including:
	  — analytical procedures
	  — sample testing on single significant items both in the balance sheet and the profit and loss statement
	— In addition, we tested journal entries on a sample basis to assess the accuracy of financial reporting.

The key audit matter	How the matter was addressed in the audit
Valuation of parent company's holdings in group companies (Accounting policies for the financial statements of parent company, note 12, 13 and 14)	
— The parent company's holdings in the group companies (subsidiaries) comprise a significant part of the parent company's assets. The valuation of these holdings is dependent on the subsidiaries' financial performance. — Efore applies an impairment model to assess the valuation of the aforementioned holdings. The Group determines the present value of the future cash flows expected to be derived from a subsidiary's business. In applying the impairment model the management makes several estimates relating to the assumptions used. The future cash flow projections also involve uncertainty, therefore affecting the valuation.	— We involved KPMG valuation specialists to consider the appropriate valuation of the holdings in the group companies. The performed audit procedures included, among others: — challenging the key assumptions used in impairment testing — assessing the reasonableness of the subsidiaries' cash flow projections for future financial years and comparing the key elements in impairment tests, such as the discount rates and growth rates, to the budgets approved by the parent company's Board, market data derived from external sources as well as to the subsidiaries' historical data and performance — testing the mathematical accuracy of the impairment model used — assessing the adequacy and appropriateness of the disclosures presented

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

INFORMATION ON OUR AUDIT ENGAGEMENT

We were first appointed as auditors by the Annual General Meeting in 2007 and our appointment represents a total period of uninterrupted engagement of 11 years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 16 March 2018
KPMG Oy Ab

HENRIK HOLMBOM
Authorised Public Accountant, KHT

GROUP KEY FIGURES

KEY FIGURES		IFRS 2017	IFRS 2016	IFRS 2015
Income statement				
Net sales	MEUR	**69.9**	75.4	89.9
- change	%	**-7.3**	-16.1	5.4
Operating profit/-loss	MEUR	**-0.2**	-9.7	-2.0
- of net sales, %	%	**-0.2**	-12.8	-2.3
Profit/loss before taxes	MEUR	**-1.0**	-10.4	-3.3
- of net sales, %	%	**-1.5**	-13.8	-3.7
Profit/loss for the period	MEUR	**-0.6**	-11.4	-3.4
- of net sales, %	%	**-0.8**	-15.1	-3.8
Gross investments	MEUR	**5.2**	3.3	4.5
- of net sales, %	%	**7.4**	4.4	5.0
Balance sheet				
Non-current assets	MEUR	**17.3**	15.8	19.0
Inventories	MEUR	**8.7**	11.3	14.9
Trade receivables and other receivables	MEUR	**8.5**	14.6	15.2
Tax Receivables, income tax	MEUR	**0.3**	0.2	0.3
Bank and cash	MEUR	**4.5**	6.4	6.3
Share capital	MEUR	**15.0**	15.0	15.0
Treasury shares	MEUR	**-2.4**	-2.4	-2.4
Other equity	MEUR	**-5.6**	-5.0	6.5
Non-current liabilities	MEUR	**2.7**	2.0	3.8
Current liabilities	MEUR	**29.7**	38.7	32.8
Balance sheet total	MEUR	**39.3**	48.3	55.6

KEY FIGURES		IFRS 2017	IFRS 2016	IFRS 2015
Profitability				
Return on equity (ROE)	%	**-7.9**	-85.5	-16.8
Return on investment (ROI)	%	**-2.2**	-38.0	-9.2
Finance and financial position				
Net interest-bearing liabilities	MEUR	**8.1**	7.5	4.7
Gearing	%	**115.6**	99.5	24.5
Current ratio		**0.7**	0.8	1.1
Solvency ratio	%	**17.9**	15.7	34.2
Other key figures				
Personnel, average		**432**	679	887
Salaries and wages	MEUR	**11.0**	19.7	18.4
Product development costs (expensed)	MEUR	**5.8**	7.1	5.8
- of net sales, %	%	**8.3**	9.4	6.4
Product development costs (capitalized in balance sheet)	MEUR	**3.4**	2.5	3.3
- of net sales, %	%	**4.9**	3.4	3.6
Product development costs total	MEUR	**9.2**	9.7	9.0
- of net sales, %	%	**13.2**	12.8	10.1

GROUP KEY FIGURES

KEY FINANCIAL INDICATORS PER SHARE		IFRS 2017	IFRS 2016	IFRS 2015
Earnings per share	EUR	**-0.01**	-0.22	-0.07
Diluted earnings per share	EUR	**-0.01**	-0.22	-0.07
Dividend/share	EUR	**0.00**	0.00	0.00
Dividend payout ratio	%	**0.00**	0.00	0.00
Effective dividend yield	%	**0.00**	0.00	0.00
Distribution of assets from the reserve of invested unrestricted equity	EUR	**0.00**	0.00	0.00
Equity per share, adjusted	EUR	**0.13**	0.14	0.36
At the end of fiscal year	EUR	**0.43**	0.55	0.77
P/E ratio		**-43.00**	-2.50	-11.79
Market value				
Market capitalization	MEUR	**22.5**	28.5	40.2
Trading				
Shares traded	1,000 pcs	**9,424**	2,868	11,179
Trading, %	%	**16.90**	5.1	20.0
Number of outstanding shares				
- average on December 31	1,000 pcs	**52,271**	52,271	52,271
- diluted number of shares on December 31	1,000 pcs	**52,271**	52,271	53,034
- actual number of shares on December 31	1,000 pcs	**52,271**	52,271	52,271
Share prices				
lowest	EUR	**0.42**	0.45	0.70
highest	EUR	**0.70**	0.83	0.90
at the end of fiscal year	EUR	**0.43**	0.55	0.77
average	EUR	**0.56**	0.61	0.78

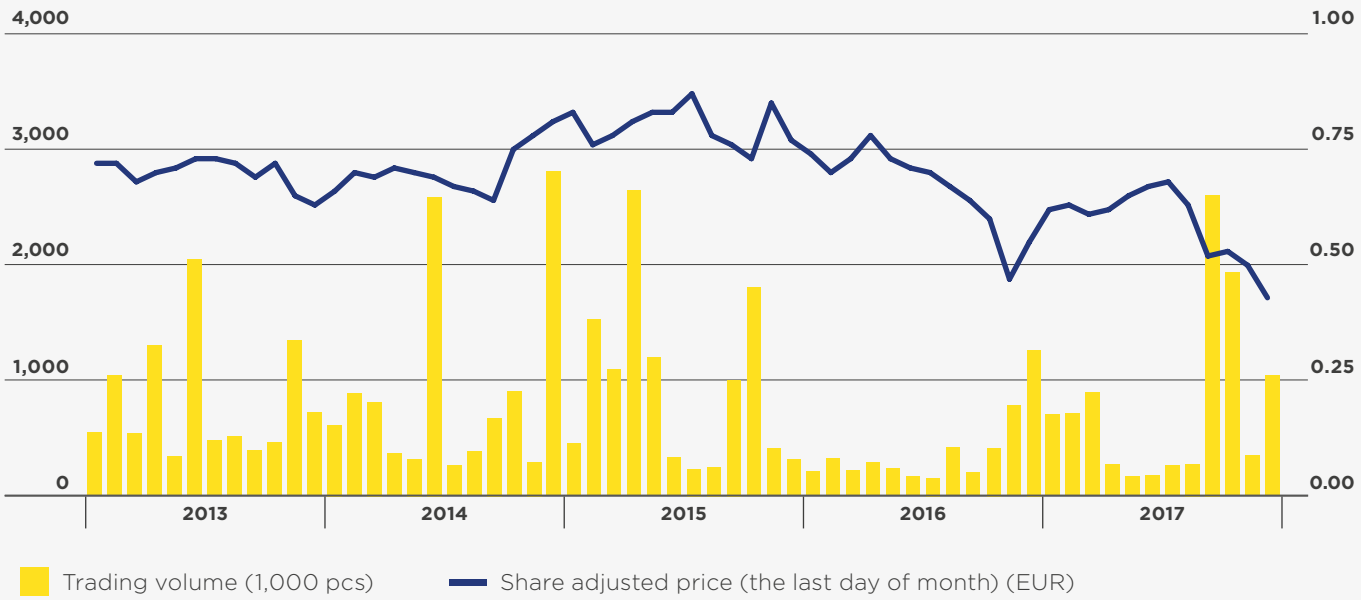
CALCULATION OF KEY FIGURES AND RATIOS

Return on investment (ROI), %	=	Profit before taxes + interest and other financing expenses / Equity + interest-bearing liabilities (average)	x 100
Return on Equity (ROE), %	=	Profit/loss for the period / Equity (average)	x 100
Current ratio	=	Current assets / Current liabilities	
Solvency ratio, %	=	Equity / Total assets - advance payments received - own shares *	x 100
Net interest-bearing liabilities	=	Interest-bearing liabilities - financial assets at fair value through profit or loss - cash and cash equivalents	
Gearing, %	=	Net interest-bearing liabilities / Equity	x 100
Earnings per share	=	Profit or loss attributable to ordinary equity holders of the parent entity / The weighted average number of ordinary shares	
Earnings per share (diluted)	=	Profit or loss attributable to ordinary equity holders of the parent entity / The weighted average number of dilited shares	
Dividend per share	=	Dividend for the financial year / Number of shares - own shares*	
Dividend payout ratio, %	=	Dividend per share / Earnings per share	x 100
Effective dividend yield, %	=	Dividend per share / Adjusted share price at balance sheet date	x 100
Equity per share	=	Equity - own shares* / Number of shares at balance sheet date	
P/E-ratio	=	Share price at balance sheet date / Earnings per share	
Market capitalization	=	Adjusted share price at balance sheet date x number of shares at balance sheet date	
Average personnel	=	The average number of employees at the end of each calendar month during the accounting period	

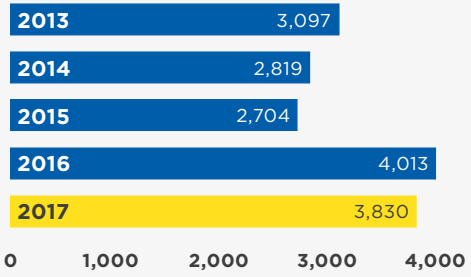
All share-specific figures are based on the issue-adjusted number of shares.
Equity is the equity attributable to the shareholders of the parent company. Result for the period is the result attributable to the shareholders of the parent company.
* There were own shares held by company at the end of the period under review.

SHARES AND SHAREHOLDERS

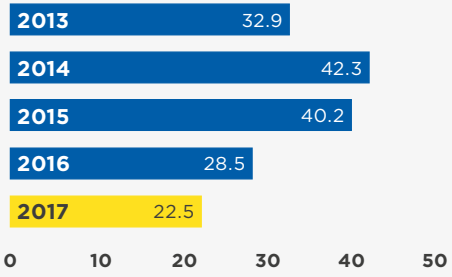
EFORE PLC'S SHARE PRICES AND TRADING VOLUME IN 2013–2017



NUMBER OF REGISTERED SHAREHOLDERS



MARKET CAPITALIZATION, (MEUR)



SHARES AND SHAREHOLDERS

CHANGES IN SHARE CAPITAL 2004–2017

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	Change EUR 1,000	New share capital, EUR 1,000	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
2010	Decreasing of share capital	Jul.19, 2010				–19,450	
2010	Targeted share issue	Oct.18, 2010	0.70	2,000,000	0	0	2010
2013	Targeted share issue	Jul.12, 2013	0.74	5,243,243	0	0	2013
2013	Share issue	Oct. 18, 2013	0.69	8,000,000	0	0	2013
Share capital Dec. 31, 2017				55,772,891 pcs	15,000 (EUR 1,000)		

Share capital Dec. 31, 2017	55,772,891 pcs
Own shares Dec. 31, 2017	3,501,995 pcs
Shares outstanding per Dec. 31, 2017	52,270,896 pcs

SHARES AND SHAREHOLDERS

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF HOLDING, DECEMBER 31, 2017

Shares	Number of shareholders pcs	Proportion of shareholders %	Total number of shares and votes pcs	Proportion of shares and votes %
1–100	1,068	27.89	51,453	0.09
101–500	940	24.54	283,443	0.51
501–1,000	512	13.37	434,568	0.78
1,001–5,000	849	22.17	2,145,201	3.85
5,001–10,000	191	4.99	1,435,317	2.57
10,001–100,000	224	5.85	6,937,503	12.44
100,001–	46	1.20	44,480,781	79.75
Total	3,830	100.00	55,768,266	99.99
of which nominee registered	8		5,854,460	10.50
In joint account			4,625	0.01
In special account			0	0.00
Total			55,772,891	100.00

DISTRIBUTION OF SHAREHOLDINGS BY SHAREHOLDER CATEGORY, DECEMBER 31, 2017

	Shares pcs	Proportion of shares and votes %
Enterprises	22,572,950	40.47
Financial- and insurance institutions	11,573,453	20.75
Public entities	1,578,048	2.83
Households	17,557,076	31.48
Non-profit organizations	1,568,147	2.81
Outside Finland	918,592	1.65
TOTAL	55,768,266	99.99
of which nominee registered	5,847,172	10.48
In joint account	4,625	0.01
In special account	0	0.00
TOTAL	55,772,891	100.00

SHARES AND SHAREHOLDERS

EFORE PLC'S 20 LARGEST SHAREHOLDERS, DECEMBER 31, 2017

	Shares pcs	Proportion of shares and votes %
Jussi Capital Oy	8,313,267	14.91
EVLI Pankki Oyj	5,353,105	9.60
Rausanne Oy	2,491,936	4.47
Tammivuori Leena Maija	1,709,160	3.06
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,578,048	2.83
Umo Capital Oy	1,500,000	2.69
Yleinen Työttömyyskassa YTK	1,375,697	2.47
Jaakko Heininen Oy	877,258	1.57
Laakkosen arvopaperi Oy	857,203	1.54
Arvojyvä Oy	841,027	1.51
Adafor Oy	822,800	1.48
Tammivuori Pirkko	780,004	1.40
Laakkonen Mikko	750,050	1.34
Nordea Bank Ab (Publ)	749,454	4.38
Ahomäki Timo	733,080	1.31
Heininen Jaakko	671,398	1.20
Heininen Pekka	669,541	1.20
4capes Oy	650,000	1.17
Evli Pankki Oyj	485,192	0.87
Takanen Martti Tapio	390,843	0.70
Total	31,599,063	59.70
Nominee registered		
Danske Bank	2,899,820	5.20
Nordea Bank	2,441,220	1.34
Efore Plc's shares on company's posession	3,501,995	6.28

EFORE PLC'S CORPORATE GOVERNANCE STATEMENT 2017

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. In addition, Efore complies with the Insider Guidelines issued by the NASDAX Helsinki Oy and the Finnish Corporate Governance Code 2015 for Listed Companies issued by Securities Market Association. This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015. This statement has been issued separately from the report by the Board of Directors.

The Corporate Governance Code is publicly available, e.g. on the website of the Securities Market Association, address www.cgfinland.fi.

This statement was authorized for issue by the Board of Directors of Efore Plc on February 12, 2018 and is available in Annual Report and at the website of Efore, address www.efore.com.

GOVERNANCE

BOARD OF DIRECTORS

Composition and operations of the Board of Directors

As set out in Efore's Articles of Association, the Board of Directors shall have no less than three and no more than ten ordinary members. The company's President and CEO is not a member of the Board of Directors. The composition shall take into account the needs of the company operations and the development stage of the company. A person to be elected to the Board shall have the qualifications required by the duties, sufficient knowledge of financial matters and business operations. A person to be elected to the Board shall have the possibility to devote a sufficient amount of time to the work.

The majority of the directors shall be independent of the company. In addition, at least two of the members representing this majority shall be independent of significant shareholders of the company.

Composition of the Board of Directors

At the Extraordinary General Meeting on January 31, 2017 the composition of the Board of Director changed. Päivi Marttila, Olli Heikkilä and Jarkko Takanen retired from the Board of Directors. Marjo Miettinen, Jarmo Simola, Antti Sivula were re-elected as members of the Board of Directors and Tuomo Lähdesmäki was elected as a new member.

At the Annual General Meeting on April 5, 2017 Marjo Miettinen, Jarmo Simola, Antti Sivula and Tuomo Lähdesmäki were re-elected as members of the Board of Directors.

Tuomo Lähdesmäki, b. 1957
- Education: M.Sc.(Eng), MBA
- Board member since Jan. 31, 2017
- Chairman of the Board since 2017
- Main duty: Boardman Oy, partner
- Independent of the company and the company's main shareholders
- No Efore shareholding

Marjo Miettinen, b. 1957
- Education: M.Sc. (Education)
- Board member since 2013
- Vice Chairman of the Board since 2015
- Main duty: Board professional
- Independent of the company and the company's main shareholders
- Share ownership: 12,465 Efore shares

Jarmo Simola, b. 1961
- Education: M.Sc.(Eng)
- Board member since 2013
- Main duty: Tulisuoja Suomi Oy, Managing Director
- Independent of the company and the company's main shareholders
- Share ownership: 1,046 Efore shares and 7,495 forward agreements entitled to 749,500 Efore shares

Antti Sivula, b. 1961
- Education: M.Sc.(Eng)
- Main duty: Mekitec Group, Managing Director
- Board member since 2016
- Independent of the company and the company's main shareholders
- No Efore shareholding

Shareholdings per 31.12.2017

Duties and responsibilities of the Board of Directors

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.

More specifically, the Board:
- approves the company's values and strategy
- approves annually the company's main targets of business operations and monitors the Group's result development
- decides on the Group's major investments and company reorganizations
- reviews and approves interim reports and financial statements
- appoints and discharges the President and CEO and decides conditions of the President and CEO's service contract and his remuneration principles
- decides on the compensation scheme of the management and personnel
- monitors the major risks and their management as well as approves the principles of the risk management

The Board of Directors reviews its own working procedures through an annual self-evaluation process or in co-operation with the external company.

Election process of the Board members and principles concerning the diversity of the Board of Directors

The Annual General Meeting elects the members of the Board of Directors by simple majority vote for a term of office that ends with the close of the next Annual General Meeting following their election. The Board of Directors elects among its members a Chairman and a Deputy Chairman.

When preparing the composition of the Board of Directors of Efore, attention is paid to requirements set by the Company's operations and the development stage of the company. Diversity is considered not only from the aspect of gender but also from other attributes promoting the Board's diversity, such as the age structure of the Board, the members' educational and professional background, their experience relevant for the position, and personal characters, for example. Diversity of the Board of Directors supports the development of the business. When preparing the composition, the way how the members' skills, education and experience complement each other is also assessed. The objective is that both genders are represented on the Board as well as the members at different ages and with a different educational background and experience. In respect of gender diversity, there was one female member of the Board in December 2017.

Composition and operation of the Committees of the Board of Directors

The Board of Directors has committees that assist in its work. The Board of Directors elects among its members committee members and Chairman of the committees. External members can be also members of 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.

The main duties of the Audit Committee are to examine the company's finances; oversee compliance with the law and the relevant standards; monitor the reporting process of financial statements, supervise the financial reporting process, monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems; review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement; monitor the statutory audit of the financial statements and consolidated financial statements, evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited and prepare the proposal for resolution on the election of the auditor.

The main duties of the Nomination Committee are to prepare proposals to the general meeting on the composition of the Board of Directors and fees and other financial benefits paid to the Board members.

The main duties of the Remuneration Committee includes preparing matters related to the remuneration of the CEO and other executives of the company as well as preparing proposals related to Group remuneration systems.

Board committees in 2017

Efore had Audit Committee and Remuneration Committee that assisted in Board of Directors' work until the Extraordinary General Meeting January 31, 2017.

The members of the Audit Committee were Olli Heikkilä, Jarmo Simola and Jarkko Takanen.

The members of the Remuneration Committee were Päivi Marttila, Marjo Miettinen and Jarmo Simola. The new Board of Directors decided not to establish Committees from January 31, 2017. The Board of Directors was responsible for the duties of the Audit Committee Feb. 1–April 5, 2017.

In its first meeting held after the Annual General Meeting on April 5, 2017 it was resolved that the Board of Directors will establish an Audit committee and that the duties of the Audit Committee are discharged by the entire Board. No other separate Committees of the Board were established.

Attendance of Board members at the meetings in 2017

The Board of Directors met 16 times in 2017. The Remuneration Committee did not meet in 2017.

	Board meeting	Audit Committee
Tuomo Lähdesmäki (Board member since Jan. 31, 2017)	16/16	2/2
Marjo Miettinen	16/16	2/2
Jarmo Simola	16/16	2/2
Antti Sivula	16/16	2/2

SHAREHOLDERS' NOMINATION BOARD

The Annual General Meeting on April 5, 2017 decided to establish a permanent Shareholders' Nomination Board to prepare future proposals concerning the election and remuneration of the members of the Board of Directors to the General Meetings. In addition, the Meeting adopted the charter of the Shareholders' Nomination Board

The Nomination Board consists of four (4) members, three (3) of which shall be appointed by the company's three (3) largest shareholders, who shall be entitled to nominate one member each. The Chairman of the Board of Directors of the company shall serve as the fourth member. The company itself cannot be a member of the Shareholders' Nomination Board.

The following shareholders of Efore Plc appointed the following members to the Nomination Board in accordance with the Charter of the Nomination Board on September 22, 2017:

- Jussi Capital Oy: Jarkko Takanen
- The Rausanne Group: Jari Suominen
- Jaakko Heininen and related parties: Jaakko Heininen

Tuomo Lähdesmäki, Chairman of the Board of Directors served as the fourth member.

The Shareholders' Nomination Board of Efore Plc made proposals on the composition of the Board of Directors and the remuneration of the Board of Directors on January 19, 2018. Efore published the proposals as a stock exchange release on January 19, 2018.

The Shareholders' Nomination Board convened once in 2017 all the members participated in the meeting.

PRESIDENT AND CEO AND HIS TASKS

The Board of Directors appoints the company's President and CEO and supervises his actions. The main terms and conditions governing the President and CEO's appointment are detailed in 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.

Jorma Wiitakorpi has been acted as President and CEO of the company since 2016.

OTHER MANAGEMENT

Efore's corporate management consists of the Chief Executive Officer (CEO), the members of the Efore's Executive Management Team, as well as managers and experts from the global functions who assist the CEO and members of the Management Team.

The Executive Management Team has no powers based in law or the Articles of Association and is instead a body which provides assistance to the President and CEO. Executive Management Team assists the CEO being responsible for the development of Efore's business. The Executive Management Team duty is to prepare strategy proposals for the Board and execute the approved strategy. The Executive Management Team members are accountable for the performance and development of their management areas and they supervise the operations of the units belonging to their areas.

Members of the Executive Management Team and their responsibilities on December 31, 2017:

Jorma Wiitakorpi, b. 1957, M. Sc. (Eng.)
- President and CEO
- No Efore shareholding and option rights

Vesa Leino, b. 1969, M.Sc. (Econ.)
- CFO
- No Efore shareholding and option rights

Alessandro Leopardi, b. 1968
- Executive Vice President, Sales and Marketing
- No shareholding and option rights

Samuli Räisänen, s. 1968, M.Sc. (Eng.)
- Executive Vice President, Technology and R&D
- No shareholding and option rights

Ruben Tomassoni, b. 1974, LL.M.
- Vice President, Sourcing and Procurement
- No shareholding and option rights

Shareholdings per Dec. 31, 2017

AUDITORS

The principal auditor of Efore Plc is responsible for the audit and the directions and coordination of the audit in the Group. The principal auditor prepares annually an audit plan, which contains focus areas and which the Audit Committee approves. The audit report of the Group financial statements and the Board report required by law is issued by the auditor to the company's shareholders. Furthermore, the auditor reports its findings to the Audit Committee.

The Annual General Meeting held on April 5, 2017 re-elected KPMG Oy Ab as the company's auditor. Authorized Accounting Firm KPMG Oy Ab had informed that Authorized Public Accountant Henrik Holmbom shall continue as the responsible.

The fees for auditing the financial statements of Efore Plc amounted to EUR 54.000 in 2017. The auditing company charged EUR 31.000 for other services in 2017.

THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Systems of internal control

The Board of Directors is responsible that the internal control and risk management are adequately and effectively arranged. In addition, it is the responsibility of the Board to ensure that the internal control of the accounting and financial management is arranged in an appropriate manner. The Audit Committee is responsible for the control of the financial reporting process. The financial management shall inform its findings to the relevant members of the management.

The Group has financial reporting systems for the control of the business, financial management and risks. The Board of Directors of the company has approved the management organization and principles, decision-making authorities and approval procedures, operational policies of the organizational sectors, financial planning and reporting as well as remuneration principles.

The Group does not have a separate internal audit function but the internal audit is part of the Group financial administration. Local auditors shall audit the procedures of internal control in accordance with the audit plan. The representatives of the financial administration shall perform certain controls when they visit the subsidiaries. The financial management shall report the findings to the President and CEO and the Audit Committee, which in turn report to the Board.

The Group financial management together with the other management prepares monthly the financial report. The report contains a summary of the net sales, gross profit, costs level, results, net working capital, cash flow and personnel development for the previous month, year-to-year period and for the forecasted latter part of the year. Furthermore, the report includes the main risks and possibilities. The report is delivered to the Board of Directors, Executive Management Team and to the financial management of the largest subsidiaries as well as to the auditors when it concerns interim reports. In addition to the monthly reporting the management follows more actively certain actual items in their weekly meeting. Efore's objective is further to simplify the financial process and the main business processes of the company as well as to reduce risks related to the maintenance of the several parallel systems.

The Group financial management oversees the centralized interpretation and application of the accounting standards (IFRS). The Group's financing and hedging against currency risks are centralized in the head office in Finland. The Audit Committee of the Board evaluates the financial statements and interim statements as well as separately certain special subjects. The Audit Committee reports its findings to the Board, which monitors that the necessary measures are taken.

Risk management

The aim of the risk management system of Efore is to recognize the strategic, operational and financing risks of the Group as well as any conventional risk of loss. The risks that the Group takes in its operations are risks that are encountered in pursuit of the 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 or risk transfer by insurance or agreement.

Risk management forms part of the Group's business processes in all operational units. In this way the risk management process is tied to internal controls. The Group and its operational units assess the risks of their operations, prepare risk management plans and report risks in accordance with the organizational structure.

The CFO of the Efore Group oversees that risk management is arranged efficiently and that its performance is ensured. CFO is responsible for the general development of Efore's risk management. CFO reports the Group's risk status to the Audit Committee and acts as a representative of the Executive Management Team in the Audit Committee meetings.

The Audit Committee and Board of Directors address risks in connection with the addressing of other business operations. Risk management is taken into consideration in the Group's quality systems, which include also survival plans. More information on the risks is available on Investors section at Efore's web-page.

RELATED PARTY TRANSACTIONS

Efore keeps a list of its related parties. The company evaluates and monitors transactions concluded between the company and its related parties and ensures that it identifies, decides on, approves, reports, and controls related party transactions in accordance with appropriate procedures. Any potential related party transactions are reported in accordance with the Finnish Limited Liability Companies Act and regulations concerning the drawing up of financial statements and published when certain conditions are satisfied in accordance with the Rules of the Helsinki Stock Exchange.

In decision-making pertaining to potential related party transactions, the company ensures that decisions are based on exceptionally careful preparatory work and appropriate reports, opinions and/or assessments. Preparatory work, decision-making, and the evaluation and approval of individual transactions are arranged taking into account all relevant disqualification provisions and the appropriate decision-making body in each individual matter so that a representative of a related party does not participate in the decision-making.

Jussi Capital Oy, which belonged to the related parties of Efore in 2017, issued an absolute guarantee for the loan in 2016 and the guarantee is still valid. As a counter guarantee for the absolute guarantee granted by Jussi Capital Oy, the Board of Directors of Efore resolved to pledge own shares of the company in accordance with the authorization granted by the Annual General Meeting of Shareholders. The credit arrangement has been conducted on market equivalent terms in line with the interests of the company from the company's business perspective.

In 2017, Efore Plc repaid prematurely the loan granted by Jussi Capital Oy, which belonged to the related parties of the company. The arrangement was conducted on market equivalent terms in the interests of the company from the company's business perspective.

INSIDER ADMINISTRATION

Efore has drawn up Group level Insider Guidelines including guidelines e.g. on prohibition on unlawful disclosure and abuse of inside information, insider lists, notification requirements and trading restrictions. Efore's Board of Directors has confirmed the Insider Guidelines. Group CFO is responsible for Insider administration.

Efore has decided, not to establish a separate list of permanent insiders. A project-specific insider list according to the Nasdaq Insider Guidelines is prepared when Efore has an ongoing project.

The persons deemed to discharge managerial responsibilities at Efore ("Managers") are: Members of the Board of Directors; President and CEO and Chief Financial Officer. Efore's persons discharging managerial responsibilities and persons closely associated with them have an obligation to notify Efore and the FIN-FSA about transactions conducted with Efore's Financial Instruments. Efore then discloses the information as a separate stock exchange release.

Efore has organized regular supervision of the trading and the notification requirement regarding persons in an insider list and the persons discharging managerial responsibilities and persons closely associated with them in such a way that the company checks the information to be notified with the persons discharging managerial responsibilities and the persons closely associated with them at regular intervals often enough, at least once a year. Efore's duty of supervision also extends to any external advisors registered in the insider list who have taken on the duty of drawing up and maintaining the insider list. Therefore it is recommendable that the company agrees in writing (e.g. by e-mail) with such external advisor upon the maintenance of the insider list and assure that such party is aware of the obligations and duties under MAR and these Insider Guidelines.

The trading prohibition begins 30 days before the announcement of a financial statement release and a half year interim report and ends the following day after the release of such information. In the exceptional event that the financial statements release does not include all relevant information regarding the financial position of the company, and the closed window accordingly also applies during the 30 days period prior to the publication of the financial statements, the company will inform about this separately.

Outside this period trading in Efore's Financial Instruments is allowed provided that a person is not entered into a project-specific list and he/she does not otherwise possess inside information at that point in time and that the person has prior to the trading received from Efore's person in charge of insider issues in writing or by email an estimate that there is no obstacle for the trading.

Persons in the service of Efore Plc's may via an independent channel announce any alleged infringements of rules and regulations concerning the financial market, including acts against the guidelines for insiders of the company and of Nasdaq Helsinki Ltd. The notification shall be made in an informal letter (anonymously if one so wishes) to the Managing Director of the company.

BOARD OF DIRECTORS DECEMBER 31, 2017

Tuomo Lähdesmäki
b. 1957, M.Sc. (Eng.), MBA

Board member since 1/2017
Chairman of the Board

Main duty:
Boardman Oy, partner since 2002

Primary working experience:
Elcoteq Network Plc, CEO 1997–2001
Leiras Ltd, CEO 1991–1997
Swatch Group, Director 1990–1991
Nokia Mobile Phones, Director 1986–1989

Main present positions of trust:
Kitron ASA, Chairman of the Board since 2014
Council of Finnish Foundations ry, Chairman of the Board since 2012
Board of Turku University Foundation sr, Chairman of the Board since 1995, Board member since 1992
Yliopiston Apteekki, Member of the Board since 2010
Meconet, Member of the Board since 2006
Metsä Tissue Oyj, Member of the Board since 2004

Independent of the company and major shareholder
No shareholding in Efore *

Marjo Miettinen
b. 1957, M.Sc. (Educ.)

Board member since 2013
Vice Chairman of the Board

Main duty:
Board professional

Primary working experience:
Boardman Oy, Partner since 2016
EM Group Oy, CEO 2006–2014
Ensto Oy, different Director positions 1988–2001

Main present positions of trust:
Ensto Invest Oy, Chairman of the Board since 2016
Ensto Oy, Board member since 1999, Chairman 2002–2006 and since 2016
Solidium Oyj, Board member since 2016
EM Group Oy, Board member since 2005
Finnish Foundation for Technology Promotion (Tekniikan edistämissäätiö TES), Chairman of the Board since 2015
Federation of Finnish Technology Industries (Teknologiateollisuus ry), Board member 2005–2012 and since 2017
EVA and ETLA, Delegate since 2005

Independent of the company or the company's main shareholders
Holds 12,465 Efore shares *

Jarmo Simola
b. 1961, M.Sc. (Eng.)

Board member since 2013

Main duty:
Tulisuoja Suomi Oy, Managing Director

Primary working experience:
FireEx Oy as Vice President, Business Development 2012–2015
General Manager of Teleste Electronics (SIP) Co. Ltd in Suzhou, China 2003–2006
General Manager of Alfaram Electrics (SIP) Co. Ltd. in Suzhou 2001–2003

Main present positions of trust:
Tulisuoja Suomi Oy, Board member since 2015

Independent of the company or the company's main shareholders
Holds 1,046 Efore shares and 7,495 forward agreements entitled to 749,500 Efore shares *

Antti Sivula
b. 1961, M.Sc. (Eng.)

Board member since 2016

Main duty:
Mekitec Group, CEO since 2015

Primary working experience:
Bluegiga Technologies Oy, CEO 2011–2015
Elektrobit Corporate, Executive Vice President & Senior Vice President 2007–2011
Oris Group, Finland/Orbis International Technologies, USA, Sales and Marketing Director 2004–2007

Main present positions of trust:
-

Independent of the company and major shareholder
No shareholding in Efore *

Changes during the financial year 2017

The composition of the Board of Directors changed on January 31, 2017 when Päivi Marttila, Olli Heikkilä and Jarkko Takanen retired from the Board of Directors.

* Shareholdings per Dec. 31, 2017

EXECUTIVE MANAGEMENT TEAM SINCE JANUARY 1, 2018

Jorma Wiitakorpi
b. 1957, M.Sc (Eng.)

President and CEO

Employed by Efore since 2016

Since 1984 he has occupied various management positions in the manufacturing industry. Before joining Efore Jorma Wiitakorpi has worked in interim director positions and as Board professional. Previously he held the CEO position at Patria Oyj (2001–2008), Asko Appliances Oy 1993–2000), Uporef Oy and Isora Oy.

No shareholding in Efore
No option rights*

Vesa Leino
b. 1969, M.Sc. (Econ.)

CFO

Employed by Efore since 9/2017, member of EMT since 9/2017

Before joining Efore Vesa Leino has acted as Head of Finance, Phones Business at Microsoft. Previously he has worked as VP for several functions (Device Product Mgmt, Symbian Smartphone, Product Development and Maintenance, R&D Planning) and Business Controlling and Planning director positions at Nokia in Finland, China, Hong Kong and UK.

No shareholding in Efore
No option rights*

Samuli Räisänen
b. 1968, M.Sc. (Eng.)

Executive Vice President, Systems Business Line

Employed by Efore since 2016, member of EMT since 2016

He previously served as CTO at Powernet Oy, Program Manager at Murata Electronics Oy, and as Product Development Manager and Engineering Manager at Vaisala Oyj.

No shareholding in Efore
No option rights*

Alessandro Leopardi
b. 1968

Executive Vice President, Digital Light and Digital Power Business LInes

Employed by Efore since 2013, member of EMT since 2013

Alessandro Leopardi previously held the position of Head of Business Unit – Industrial at Efore (2013–09/2015). Before joining Efore he acted as CEO & General Manager of ROAL Electronics SpA (2006–2013), and prior to that as General Manager and Sales Director (2000–2005).

No shareholding in Efore
No option rights*

Ruben Tomassoni
b. 1974, LL.M.

Vice President, Operations

Employed by Efore since 2013, member of EMT since 2015

Previously, Ruben Tomassoni held the position of Head of Global Sourcing at Efore (2013–2015). Prior to Efore he acted as Supply Chain Director and EMEA Business Development Manager at ROAL Electronics S.p.A. (2006–2013).

No shareholding in Efore
No option rights*

Ari Kemppainen
b. 1964, Tech.Lic.

Executive Vice President, Telecom Business Line

Employed by Efore since 2011, member of EMT since 1/2018

He has previously held the position as Head of Key Account Management and Customer Service at Efore. Before this he has more than 20 years' experience of Telecom Energy business in various positions in Product management and Product Development from companies as Ericsson Energy Systems and Emerson Network Power.

No shareholding in Efore
No option rights*

Changes during the financial year 2017

Martin Raznovich acted as CFO until August 31, 2017.

*Shareholdings per Dec. 31, 2017

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 April 12, 2018 at 10.00 in Stella Business Park (Terra building), Lars Sonckin kaari 16, 02600 Espoo. Notice of Efore Plc Annual General meeting including registration instructions is available at www.efore.com

BOARD OF DIRECTORS' PROPOSAL FOR THE ANNUAL GENERAL MEETING
The Board of Directors will propose to the Annual General Meeting on April 12, 2018 that no dividend will be distributed.

CHANGES OF ADDRESS
The shareholders are advised to inform about changes in their contact details to their book-entry securities account operator.

FINANCIAL REPORTS IN 2018
Efore publishes annually the Financial Statements, an Annual Report and a Half year report, all in Finnish and in English. The stock exchange releases are available at www.efore.com immediately after they are published. The annual report is published at www.efore.com in pdf-format only.

Annual Report 2017
Week 12/2018

Half year report 2018
(January 1–June 30, 2018)
August 16, 2018

KEY SHARE DATA
Exchange listing:
Nasdaq OMX Helsinki, The Nordic Exchange (Small Cap)
Corporate identifier EFO1V
Trading lot 1 share
Shares December 31, 2017:
55,772,891 shares
Share capital 15,000,000.00 eur

ANALYSTS MONITORING EFORE
The information about analysts monitoring Efore is available at www.efore.com/investors/analysts. Efore takes no responsibility for any evaluations or recommendations published by them.

INVESTOR RELATIONS
Jorma Wiitakorpi, President and CEO is responsible for Investor Relations.

The objective of Efore's investor relations is to provide precise and up-to-date information on the Efore Group's business operations and financial development. Efore publishes all investor information on Efore's website in Finnish and English. Efore observes 30 day's silent period before the publication of its results. During this time the company's representatives do not comment on the company's financial position or business development.

INVESTOR CONTACTS
Jorma Wiitakorpi
President and CEO
tel. +358 9 478 466

Sari Jaulas
IR materials & coordination
tel. + 358 9 478 466

E-mail: firstname.lastname@efore.com

EFORE GROUP CONTACT DETAILS

FINLAND
HEAD OFFICE

EFORE PLC
Quartetto Business Park
Linnoitustie 4B
02600 Espoo
Tel. +358 9 478 466
www.efore.com

ITALY

EFORE SPA
Via Ancona 59
60027 Osimo (AN)
Tel. +39 071 721461
Tel. +39 071 72146539

CHINA

EFORE (SUZHOU) ELECTRONICS CO., LTD
Unit 1005, BLK 1,
Trirun Plaza, No.9 West
Suzhou Av
Suzhou Industrial Park,
215021 Suzhou
Tel. +86 512 6767 1500
Tel. +86 512 6283 3080

EFORE (HONG KONG) CO., LTD
Room 702 Hollywood
Plaza
610 Nathan Road
Kowloon
Hong Kong
Tel. +86 512 6767 1500

SWEDEN

EFORE AB
Månskärsvägen 10B
S-141,75 Kungens Kurva
Tel. +46 72 949 2199

TUNISIA

EFORE SARL
36, Rue 8601 Z.I.
2035 Charguia
Tel. +216 71 770 386

UNITED STATES OF AMERICA

EFORE INC.
701 Main Street
Suite 405
18360 Stroudsburg
PA
Tel. (570) 421–5750
Tel. (570) 421–5687

EFORE PLC • P.O. BOX 260 (LINNOITUSTIE 4B), FI-02601 ESPOO, FINLAND • TEL. +358 9 478 466 • WWW.EFORE.COM

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