

908

Annual Report



Information for Shareholders

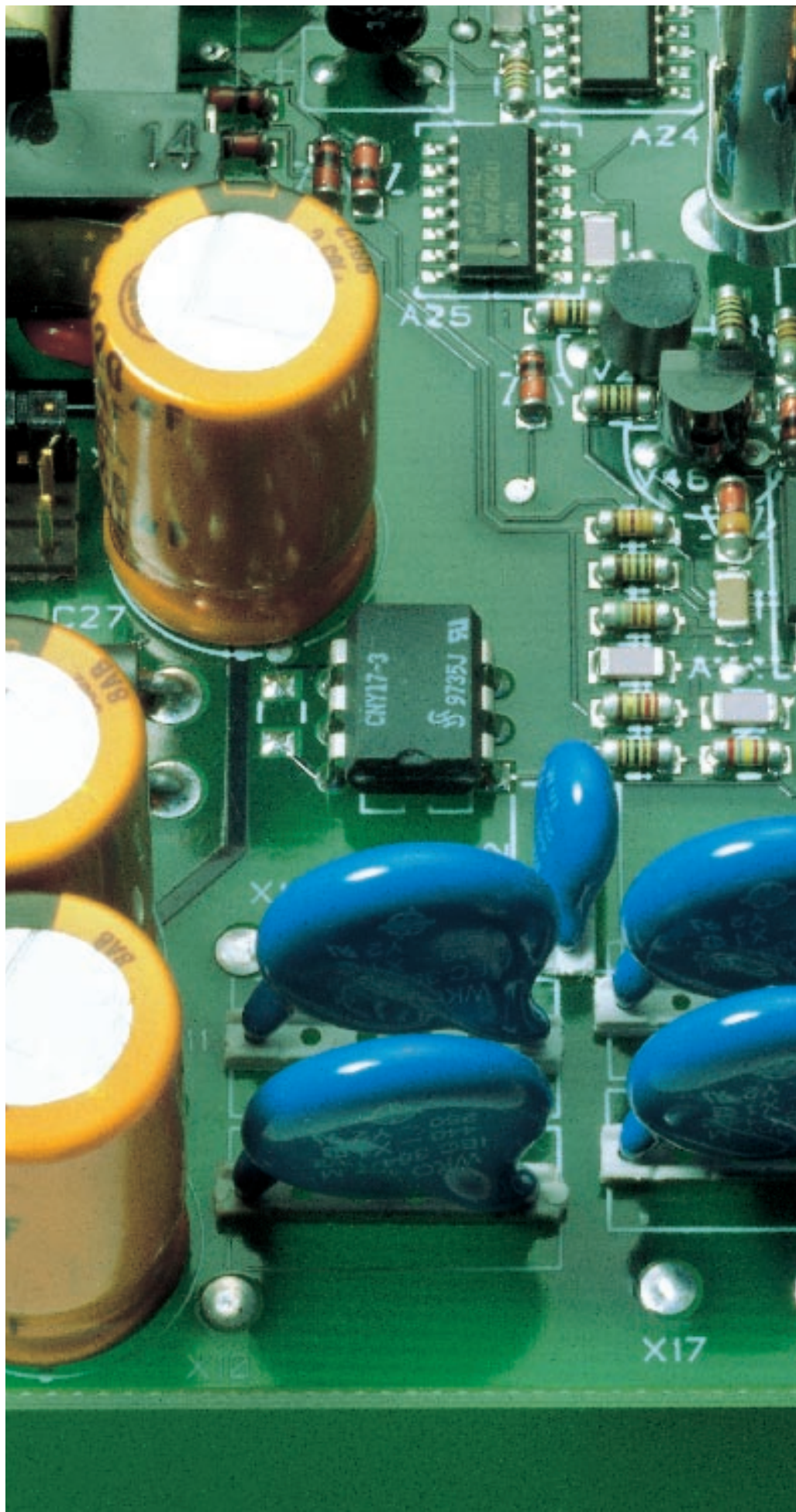
The Annual General Meeting will be held on Wednesday, March 10, 1999 at 5.30 pm at the following address: Diana Auditorium, Erottajankatu 5, 00130 Helsinki. Shareholders wishing to attend must register with Efore by 4.00 pm on Friday, March 5, 1999.

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Interim Report (6 months) November 1998 - April 1999 will be published in Finnish and English on June 14, 1999.

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Contents

- Information for Shareholders **2**
- 1998 in Brief **4**
- Summary of Key Figures **4**
- Managing Director's Review **7**
- Group Structure **9**
- Group Companies **10**
- Developments During the Financial Year **15**
 - Personnel Development **15**
 - A Year of Investment **15**
 - Reformulating Strategy **16**
 - Revision of Quality Policy **17**
 - Product Development Challenges **17**
 - Efore as an Investment Target **17**
 - Developments Following the Close of the Financial Year **17**
- Board of Directors' Report **19**
 - Information on Shares **20**
- Consolidated Profit and Loss Account **25**
- Consolidated Balance Sheet **26**
- Consolidated Source and Application of Funds **28**
- Parent Company Profit and Loss Account **29**
- Parent Company Balance Sheet **30**
- Parent Company's Source and Application of Funds **32**
- Accounting Principles **33**
- Notes to the Financial Statements **35**
- Key Figures for the Group **42**
- Key Financial Indicators Per Share **42**
- Calculation of Key Figures and Ratios **43**
- Board of Directors' Proposal for the Distribution
of Retained Earnings **44**
- Auditors' Report **45**
- Board of Directors, Company Management and Auditors **46**
- 1998 Announcements **47**
- Addresses **47**

Efore

The parent company Efore plc was founded in 1975. Efore Group companies design and manufacture power electronics mainly for customers in the telecommunication and industrial sectors. Group turnover in 1998 was MFIM 261 and the number of employees in the Group was 481 at the close of the financial year.

1998 in Brief

The Annual General Meeting decided in March 1998 to increase Efore plc's share capital through a bonus issue. This issue entitled shareholders to one new similar share free of charge for each old share. Following the bonus issue, the share capital grew to FIM 39,736,220.

The Annual General Meeting also approved the Board's proposal for granting option rights to managers and salaried employees at Group companies.

A new information system was acquired for the operations of the Group's Finnish companies. This will ensure smooth routine operations and trouble-free introduction of the euro and transition to the year 2000.

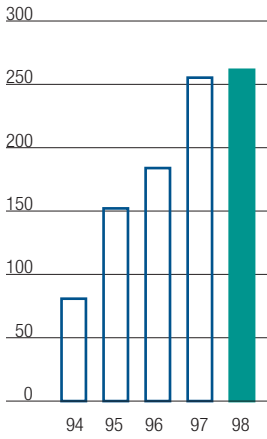
The Saarijärvi factory was expanded again and a new production line utilizing surface mounting technology (SMT) was installed. The value of this investment exceeded FIM 12 million. Muuntolaite Oy's plant was also expanded, by 250 m².

Product development units were established in Tampere and Jyväskylä, Finland. These units are also closely involved in product development projects led by other Group companies. Resources for product development were increased in order to satisfy the demand growth.

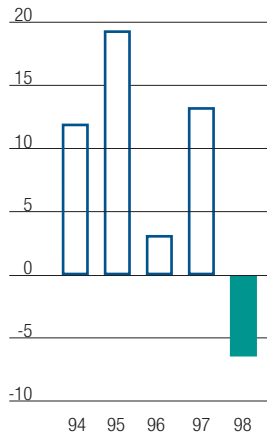
Summary of Key Figures

Efore Group	1998	1997	1996	1995	1994
Net turnover, FIM 1,000	261 477	255 291	183 925	152 092	80 810
Operating result, FIM 1,000	-6 370	13 172	3 045	19 256	11 866
% of turnover	-2.4	5.2	1.7	12.7	14.7
Result before extraordinary items, voluntary provisions and income taxes, FIM 1,000	-6 645	12 870	4 189	19 123	12 846
% of turnover	-2.5	5.0	2.3	12.6	15.9
Balance sheet total	178 640	187 229	139 992	101 376	57 034
Earnings per share, FIM	-1.71	1.32	0.16	5.05	3.62
Dividend of profit, %	-	151.6	1111.1	47.6	51.1
Return on investment (ROI), %	-2.7	12.5	7.1	33.7	31.8
Return on equity (ROE), %	-6.7	5.7	0.8	30.7	26.2
Solvency ratio, %	52.7	57.9	54.4	48.2	71.2
Personnel, average	476	426	326	260	141
Capital investments	20 135	19 726	20 160	15 416	3 922

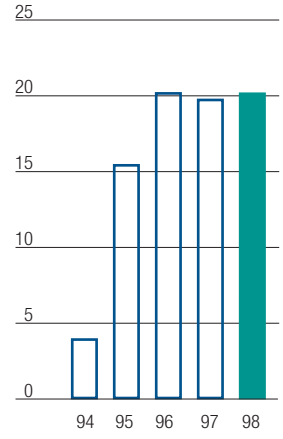
Net Turnover, MFIM



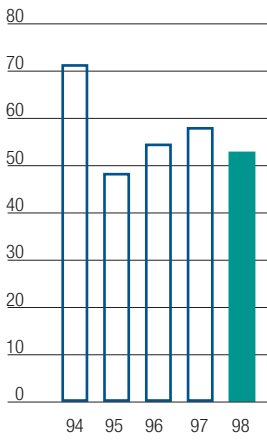
Operating result, MFIM



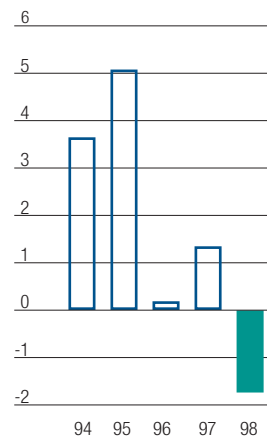
Capital Investments, MFIM



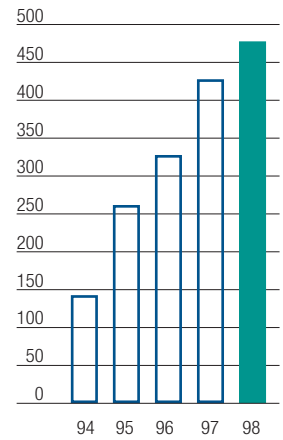
Solvency Ratio, %



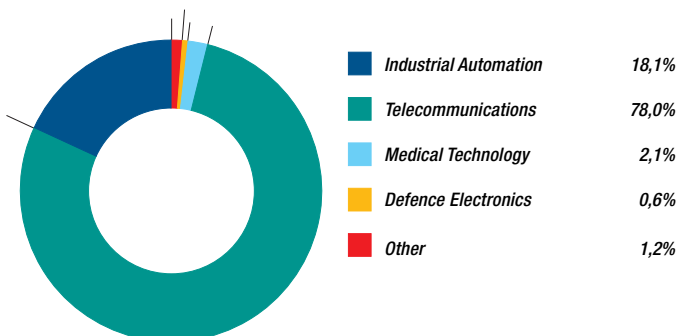
Earnings per Share, FIM



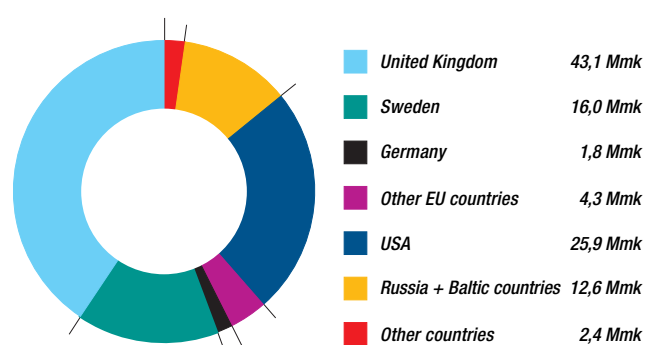
Personnel



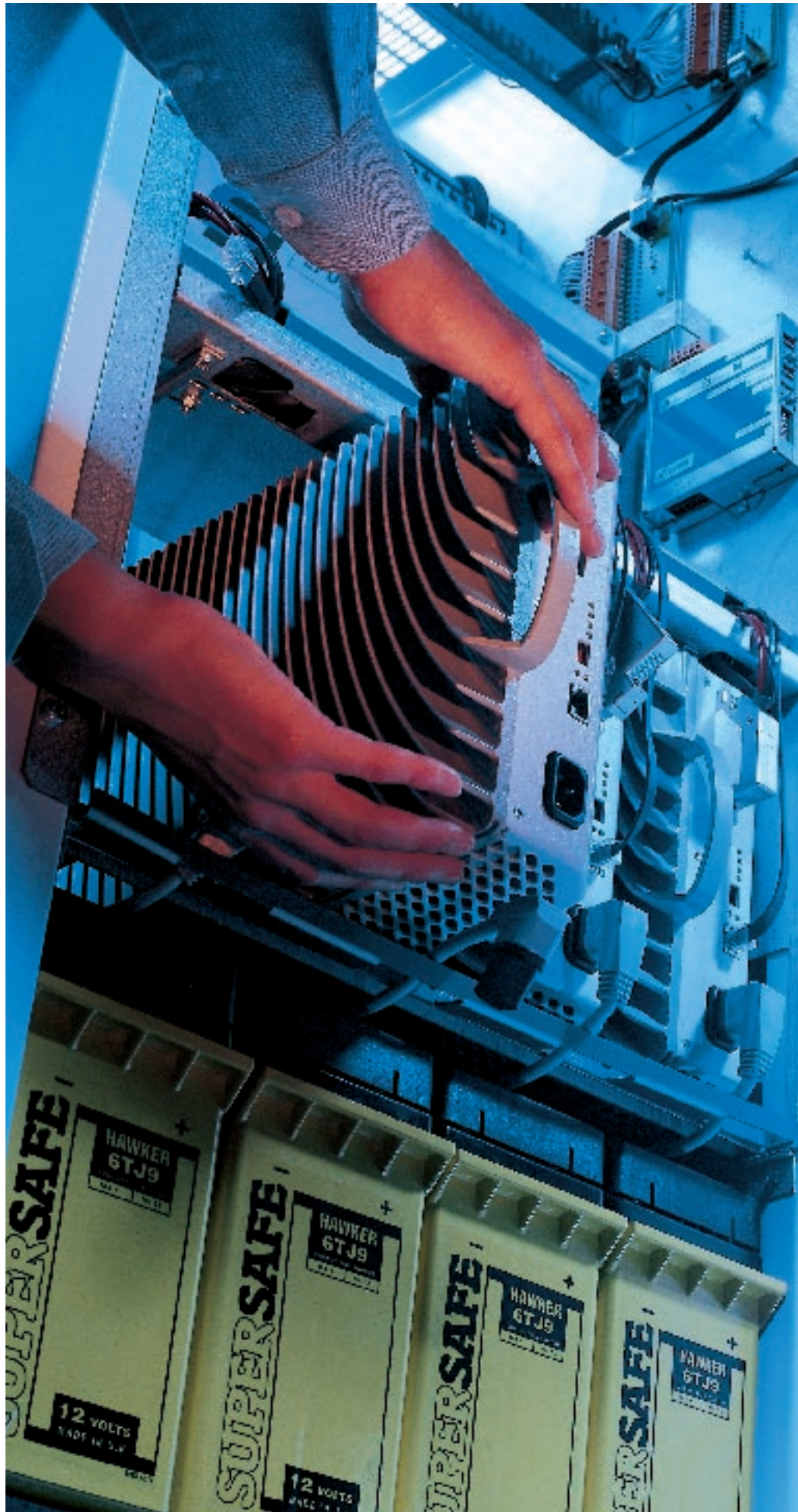
Turnover by Customer Sector



Group Exports and Turnover outside Finland (MFIM 106.1)



Epos Rectifier System



Managing Director's Review

A year of challenges

1998 proved to be a challenging year for Efore in many ways. During the year a number of major customer projects were begun, some for new and others for existing customers. In fact, the Group had a record number of new product development projects in progress at the end of the financial year. As a result of the combined effect of many factors, there was, however, a temporary slowdown in demand for existing products: efficiency improvement in its logistics chain by one of Efore's main customers resulted in a momentary decrease in orders; the major 1997 project deal with a German customer did not continue as the German teleoperator, which was the ultimate customer for the product exported through Efore's associated company Power Innovation, cut back its investment programmes; Muuntolaite Oy's trade with Russia, which had grown well through the summer, practically came to a standstill; and the lifespans of some of Efore's products began to approach their end earlier than expected. Although production volumes actually grew, the growth in turnover was also limited by the negative price trend which was characteristic for the whole sector. The start-up and product development costs for new projects entered as annual costs and related major investment in new production technology were additional strains on the result. The Group result for the year was entered as a loss.

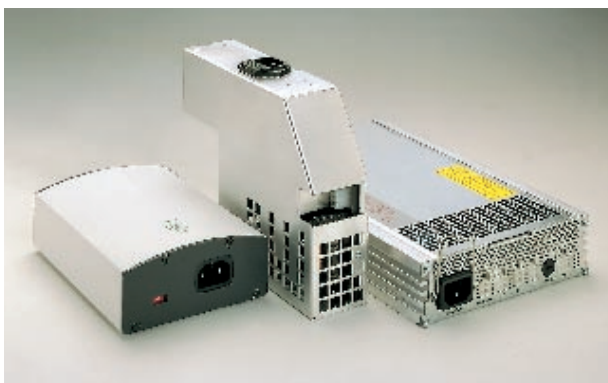
Efore operates in the power supplies industry, an industry whose global turnover is estimated at approximately USD 13 billion. Power supplies form a special sector of their own within the electronics industry, and total demand in this sector is predicted to grow. Many potential customers still produce the power supplies they need themselves, but outsourcing will undoubtedly increase. Consolidation through acquisitions has also been a recent feature in the power supplies industry. The larger entities created in this way typically provide a diversified range of standard products, but these companies have so far not been able to improve their competitiveness based on economies of scale. In the case of some customers, Efore exceptionally competes with contract manufacturers.

Technological expertise a key factor

Within its own special field, Efore concentrates on two core areas of expertise: custom-designed power supply solutions and rectifier systems. The growth in demand in both areas is forecast to be higher than in the power supplies industry as a whole. We believe that by directing our resources to these areas we can achieve a significant position in the market.



VR's (Finnish Railways) double-decker InterCity coaches use Efore's customized power supply solutions.



Custom-designed power supplies

In line with its chosen strategy, Efore provides custom-designed products and services to equipment and system suppliers which operate globally and represent the best available technology in fields including telecommunications, automation and medical applications. Customers for rectifier systems include teleoperators, automation end-users and complete systems suppliers in both sectors. Our existing customers represent rapidly growing segments within their own business sectors. Efore also seeks to grow through controlled expansion of its customer base.

Sustainable development and competitive advantage

Measures to improve the company's competitiveness and enhance its personnel development were continued during the year. A substantial number of key personnel participated in strategy development work, and as a result, awareness of our operating environment and of the strategic objectives within the organization improved significantly. A good understanding of the needs of our customers creates the foundation for good customer relationships and also provides the chance to develop our own expertise. The Group's revised strategic objectives also provided the base for revision of its personnel and quality policies.

A new information system designed to meet the demands of networking and continued growth was acquired for the Group's Finnish operations. The new system not only works well under present conditions but can be further developed to meet future needs and is also equipped for trouble-free introduction of the euro. An extensive study covering all functions within the organization was carried out during the latter part of 1998 to ensure that

Efore's operations are trouble-free during 2000 and beyond.

Efore plc's Saarijärvi factory was extended once again.

A production line incorporating the latest surface mounting technology (SMT) together with an assembly and soldering line suitable for volume production was installed in the new hall. The extension allows us to use the new insulated metal substrate (IMS) technology, which is an essential requirement in new customer orders.

Investment in product development at Muuntolaite Oy focused on a thorough updating of its main product group. The new, advanced Epos range will ensure the company's competitiveness in its existing markets and enable it to expand its business in international markets. The launch of the Epos range is scheduled for the beginning of the 1998-1999 financial year.

The first full operating year for Efore (USA), Inc. continued to be influenced by the lower demand from its main customer than originally forecast. Deliveries to the Group's European customers were begun during the year, with the aim of balancing production capacity within the Group's plants and of ensuring that the concept of joint utilization functions well in practice. The end of the financial year also saw the first product development order from a new US customer.

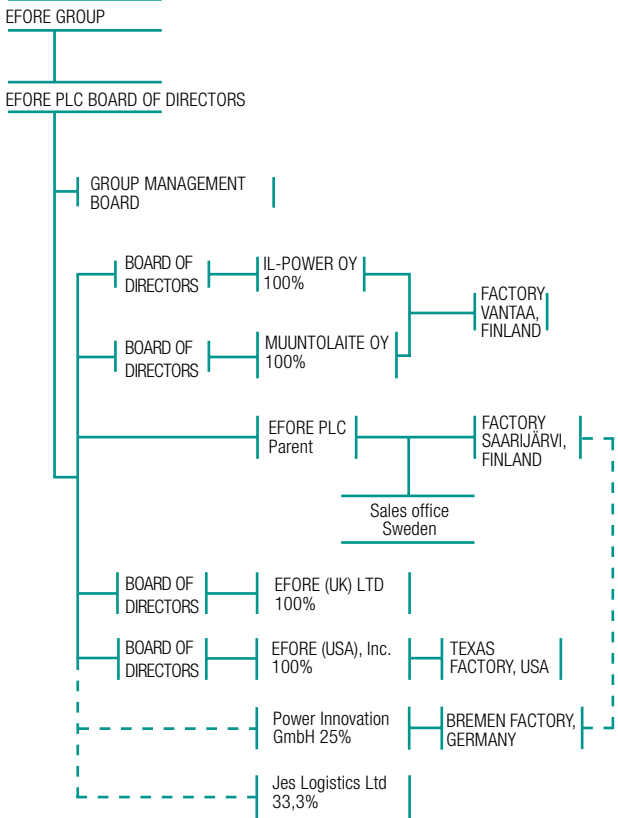
Result expected to improve

The result for the financial year was disappointing. Nevertheless, the Group's operations were developed purposefully during the year and investments were made in support of future competitiveness. To avoid a repetition of similar situations which could adversely affect the result in the future, we are expanding the range of products being offered to existing customers as well as working for a controlled expansion of our customer base.

The past year has been a very demanding one in many respects. I would like to thank our customers, employees, shareholders and partners for their contribution in furthering our common interests and future prospects.

Efore plc
Berndt Schalin
Managing Director

Group Structure



Efore power electronics serve mainly customers in telecommunication sector.

Group Companies



Berndt Schalin
Managing Director
Efore plc

Efore plc

Efore plc specializes in the development, manufacture and marketing of custom-designed power supplies. Its customers are typically international suppliers of telecommunications, industrial automation and medical technology systems. In accordance with the Group's internal division of activities, Efore plc concentrates on products manufactured in large production runs.

Efore plc has operations at Espoo, Saarijärvi and Jyväskylä in Finland and at Täby (near Stockholm) in Sweden.

A record number of new product development projects were ordered by customers during the year. These are expected to result in significant production quantities beginning in summer 1999. At the same time, the price erosion characteristic for the sector continued, the demand for certain existing products fell, customers reduced their stocks, a larger share of the needs of the US market was supplied from the Efore (USA), Inc. factory than in the previous year, and the major 1997 project in Germany came almost to a standstill. The combined effect of these factors resulted in a drop in turnover to MFIM 172 (-7.7%). Despite these difficulties, the parent company's result before extraordinary items, voluntary provisions and income taxes was positive.

The number of personnel employed at the close of the financial year was 328 persons (1997: 289). The growth applied mainly to product development and new production technology based on new orders from customers. In this connection, a new site was opened for product development at the Jyväskylä Technology Centre. Cooperation with IL-Power Oy has helped to balance the need for increasing the number of product development personnel.

To improve flexibility, multiple skills training was increased for personnel at the Saarijärvi factory. A new agreement on the use of flexible working time was negotiated at the factory and took effect as of November 1, 1998.

Continuous improvement of operations is the basis for profitability in increasingly competitive conditions. Each year our products have to be better, more attractively priced, more reliable and more advanced than the previous year. We must also be quicker to respond, more precise and more reliable.

Over MFIM 12 was invested in new production technology at the Saarijärvi factory. With the new SMT line we can manufacture power supplies using insulated metal substrate (IMS) technology, which enables greater power density in products and a higher degree of manufacturing automation. In order to improve productivity the assembly line for existing volume products was modernized. Reorganization at the plant was made possible by the new 2700 m² factory extension.

Vesa Vihavainen
Managing Director
Muuntolaite Oy



Ilpo Heiskanen
Managing Director
IL-Power Oy



The Group's quality system was further developed to make it more comprehensive in line with Efore's new quality policy. The results measured by a number of quality indicators have shown improvement.

A new information system was acquired during the year for the Group's Finnish operations. It will ensure smooth operation and allow for development as operations are networked and continue to grow.

Muuntolaite Oy

Muuntolaite Oy specializes in the development, manufacture and marketing of power supplies and rectifier systems for teleoperators and customers in the industrial automation sector and other industries. The company has operations in Espoo, Vantaa and Tampere.

Muuntolaite's customers comprise equipment manufacturers and teleoperators in the telecommunications sector, mainly process control companies in the industrial automation sector, and the defence equipment industry. Muuntolaite is particularly well placed to supply system deliveries and project integration. Our new rectifier system EPOS (Efore Power System) was launched in November at the Eletronica'98 fair in Munich. The company's exports are mainly to the Baltic countries, Russia, several of the other CIS countries, Sweden, Germany and the United Kingdom.

The company continued to grow during the year, and its total turnover amounted to MFIM 67.6 (1997: MFIM 61.0), up 10.8% on the previous year. Product development, exports and procurement are areas in which noticeable improvements were made during the year. Reductions in costs were also made. A positive result was thus achieved once more, this under tough international competition, pressures of price competition and circumstances of continued growth. The company employed an average of 98 persons (1997: 78) during the financial year.

Muuntolaite's first ever customer satisfaction survey was conducted during the year. Development and implementation of further measures were made subject to continuous monitoring. To improve productivity, the company set up an initiative reward system by forming an evaluation committee and defining clear rules for rewards.

To further develop operations and to improve synergy within the Group, Muuntolaite Oy's sales personnel were transferred to the premises of the parent company at Espoo at the end of the period. Product development at Tampere was transferred from IL-Power Oy to Muuntolaite Oy's organization, thus enhanc-

ing the focus of the Group's internal product development resources. Small production runs for customer-specific equipment designed within the Group were centralized at Muuntolaite's factory in Vantaa, where traditional manual assembly can be carried out quickly, flexibly and accurately, thanks to the considerable experience of the company's employees.

Productivity improvement was one of the company's main themes during the year. A concrete outcome of this was a 're-engineering' process, during which the layout of the production process and production cells was redesigned to better match the material flows and personnel expertise.

In the course of developing its operations, Muuntolaite has focused more attention on ESD protection. It has also made preparations for operating in accordance with the international AQAP 110 standard of the defence industry, which will enable deliveries to the industry outside Finland, too. Muuntolaite has also been closely involved in the development of the Group, for example by participating in joint projects concerning quality, personnel and environmental policies.

Environmental issues will continue to increase in importance in the future. In anticipation of this, Muuntolaite has undertaken a preliminary audit of environmental matters. The successful completion of development measures in this regard will enable systematic, environmentally friendly operations before the year 2000. The recyclability aspects of the company's new products have also been studied. Wherever possible, environmentally friendly packaging containing a maximum of biodegradable material, is used, and the company is also aiming to improve control of its energy consumption.

IL-Power Oy

IL-Power Oy designs customized power supplies and power electronics for telecommunications equipment, industrial use and transport vehicles. The products are manufactured in Vantaa by Muuntolaite Oy and at the production plants of the parent company Efore plc in Saarijärvi and Irving.

Efore's Saarijärvi plant, total area 8400 m²



The company's turnover was MFIM 2.0 (1997: MFIM 4.4). During the previous year, IL-Power Oy became a product development company, having previously been a manufacturing company. This resulted in a reduction in turnover during the financial year under review. A product development unit was established in Tampere during the year and later transferred to the Muuntolaite organization. The work of this unit was mainly related to product development projects led by other units of the Group.

As IL-Power Oy concentrates only on product development and design, it is able to carry out project-type work very efficiently, designing new products more quickly and broadening its customer base. New products and customers will also create good growth prospects at Group level and on both domestic and international markets.

IL-Power Oy makes use of the Group's synergy benefits in its choice of technologies, standardization and design procedures. Cooperation with the Group's other product development units will expand global relations and enable real-time monitoring of this rapidly developing field.

The company will continue to focus on customer-oriented product development both in its own projects and together with the Group's other product development units.

Efore (USA), Inc.

Efore (USA), Inc. specializes in the production and marketing of power supplies custom-designed by other companies in the Efore Group for the telecommunications and industrial automation industries and for companies manufacturing medical equipment. The company also has local sub-contracting.

Efore (USA), Inc. is located in Irving, close to the Dallas/Fort Worth international airport in Texas. Within the Efore Group, the company is responsible for customers in North America.

The financial year under review was the company's first complete operating year, and production showed a clear increase over the previous year. Turnover rose to MFIM 31.7 (1997: MFIM 18.8). At the end of the summer, deliveries were also begun to the Group's European customers, balancing the parent company's production load. Sales at the start of the year did not, however, reach the budgeted figure, and the positive result expected for the year was not achieved.

The search for new local customers was continued and a number of product development projects were begun. These projects are expected to lead to deliveries to customers during the present financial year.

Close cooperation with other Group companies continued in the areas of management, purchasing and product development, and was expanded to include the areas of quality, marketing and personnel.



*Ismo Lindén
Managing Director
Efore (USA), Inc.*

The contribution made by local suppliers was increased during the year where possible, but once again a major share of purchasing was from Finnish and other European suppliers in cooperation with other Group companies.

At the end of the financial year the company employed a total of 41 people (1997: 42). Jobs were rotated within the Group during the year. Most of the people who were involved in starting up the company's operations were transferred during the year to other positions within the Group's parent company. At the same time, three new people were transferred to Irving from within the Group, and so the total number of Finnish employees remained the same for the rest of the financial year.

Efore (UK) Ltd

Efore (UK) Ltd markets the Group's products in the United Kingdom and Ireland. Since marketing is based on custom-designed product development, proximity to the customer is a major competitive advantage.

Deliveries from Efore (USA), Inc. to customers in the UK were begun during the year. The import and billing of these deliveries is via Efore (UK) Ltd, and these activities have thus contributed to the growth in turnover for the company. This billing began during the last quarter, bringing turnover for the year to MFIM 6.5.

Efore (UK) Ltd's office is located in Farnham, west of London. At the end of the year the company employed five people. The company's product development capacity was increased during the year in order to serve the global needs of the Group.

The repair service introduced at the start of the year has considerably improved the speed of response offered to customers. During the year, Efore (UK) Ltd also undertook the administration of the associated company JES Logistics Ltd.

ASSOCIATED COMPANIES

JES Logistics Ltd

The logistics company JES Logistics Ltd, which was established in the second half of 1997, started its operations as planned. In addition to Efore plc, the shareholders are Jyskän Metall Oy and Scanfil Oy, each with a one-third share. The company arranges storage for products to be sold in the UK and delivers them to customers. The company's financial year is the calendar year, and its first financial statements were prepared on December 31, 1998. The company employs one person.

Power Innovation GmbH

Total turnover of Power Innovation GmbH for the year was MDEM 3.8, or 40% of the turnover figure for the previous year. The main reason for this drop in turnover was the severe downturn in demand on the German telecommunications market, which resulted in a collapse of the demand for one of the product success stories of previous years. Although sales to other customers actually grew, this was not enough to compensate for those lost sales, and the result for the financial year was a loss.

The outlook for the present financial year is brighter. Power Innovation has just revealed an updated, more competitive product family, and there are also signs of a pick-up in demand in the telecommunications sector. Major product development projects are also under way, and these are expected to lead to customer deliveries and thus to create work for Efore's Saarijärvi factory during the year. At the end of the financial year the company employed 32 people (1997: 44).



*New Nokia MetroSite Base Station.
Telecommunications applications
comprise close to 80% of
all Efore products.*

Developments During the Financial Year

Personnel development

The total number of people employed by the Group at the close of the financial year was 481 (1997: 439), up 42 (10%) on the previous year. The average number employed during the year was 476 (1997: 426). The increase in personnel was mainly in product development. The average age of Efore's personnel is relatively low and their educational level fairly high. The average age of those employed by the parent company is 34.

During the year, the Group drew up a new personnel policy, which is based on its strategy discussions and company values. The main focus of the new policy is in recruitment of qualified personnel, development of expertise, a motivating work environment and internal communications.

Development of expertise is based on appraisal interviews, in which the employee's present situation is reviewed and his/her future discussed. Skilled and motivated personnel are essential in the rapidly growing industrial sector in which Efore operates.

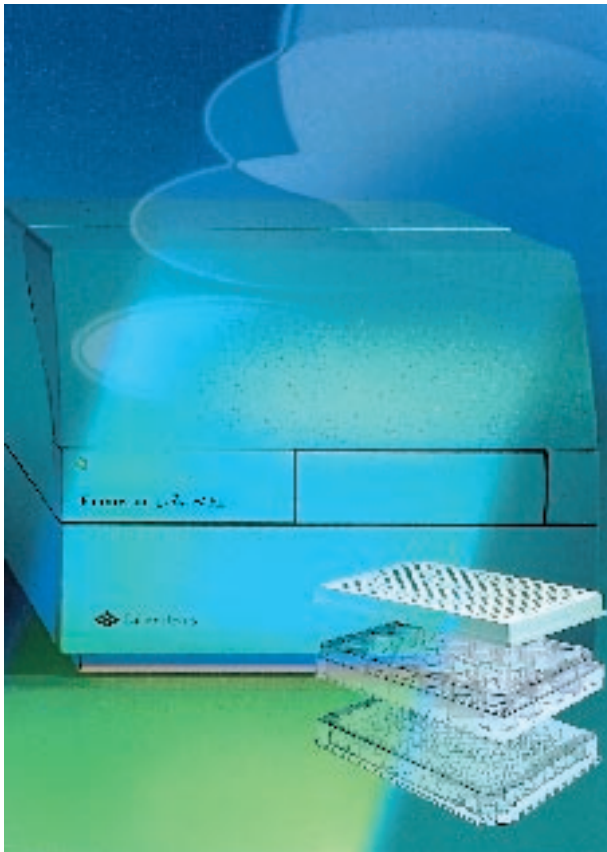
A multiple skills model was implemented at the Saarijärvi factory, which encourages job rotation and introduces more diversity into jobs. The factory's employees also received more training than ever before, which was possible because the factory was at times operating below capacity, owing to the sharp variations in its workload. Particular attention was also given to the well-being of employees. For example, ergonomic surveys were carried out at the Saarijärvi factory, and fitness tests have been conducted and presentations made on mental health. Further development of team work took place once again.

Efore personnel were also given the opportunity to participate in job rotation in the Group's overseas units.

Rewards and incentives are important in developing a motivating work environment. A bonus payment system has long been in place in production, and incentive payment systems were introduced for salaried staff during the year. The Efore Group also has an extensive option rights arrangement covering all salaried staff as part of its personnel incentive system.

A year of investments

The Saarijärvi factory was expanded in 1997 and again in 1998. In August, a new production line utilizing surface mounting technology (SMT) was installed in the brand new 2700 m² extension hall built by Saarijärven Seudun Yrittäjäpalvelu Oy. In the autumn,



Power supply application in medical technology: Labsystem's new Fluoroskan Ascent FL, a combination instrument equipped with both fluorometric and luminometric technologies.

an assembly and soldering line suitable for volume production was acquired. With the new SMT production line, power supplies using insulated metal substrate (IMS) technology can also be manufactured. This allows greater power density in products and a higher degree of manufacturing automation. These features will be made use of in new projects ordered by customers.

The logistics of Muuntolaite Oy's operations were improved with the addition of a further 250 m² at its plant in Vantaa.

A new information system was acquired for the operations of the Group's Finnish companies, and includes operational control and financial administration systems. This will ensure smooth routine operations and have potential for system development as the Group continues to grow and to network its operations. It will also ensure trouble-free operation for introduction of the euro and for transition to the year 2000 and beyond. Introduction of the new information system and its software has also required the replacement of older computer equipment.

Reformulating Strategy

A substantial number of key personnel participated in strategy development work, and as a result, awareness of the Group's operating environment and the strategic objectives within the organization improved significantly.

Efore concentrates on two areas of core expertise: custom-designed power supply solutions and rectifier systems. The growth in demand in both areas is forecast to be more rapid than in the power supplies industry as a whole. Efore believes that by directing its resources to these areas it can achieve an important position in the market.

In line with its chosen strategy, Efore provides custom-designed products and services to equipment and system suppliers which operate globally and represent the best available technology in fields including telecommunications, automation and medical applications. Customers for rectifier systems include teleoperators, automation end-users and complete systems suppliers in both sectors. Efore is also seeking to grow through controlled expansion of its customer base.

Revised strategic goals also formed the basis for the Group's revision of its personnel and quality policies to meet the challenges set by the market.

Revision of Quality Policy

Efore revised its quality policy during the year. Since Efore's strategy is to work in close cooperation with global high-technology companies as part of their supply chain, Efore's quality objectives have also been set at the same level as the corresponding objectives of its customers. Investment in quality has shown good results as measured by a number of quality indicators.

Product Development Challenges

Efore's product development resources have been increased to meet the growing demand. To safeguard the availability of skilled personnel in the longer term, a product development facility for Efore plc was established during the year in the vicinity of the University of Jyväskylä, and another for IL-Power Oy in Tampere near the University of Technology. Both universities have a power electronics department.

In line with the strategies of Efore plc and IL-Power Oy, the product development work consists mainly of projects commissioned and paid for by customers leading eventually to manufacture at the Group's plants. The additional investments in product development have been based on such orders.

The product development investments carried out at Muuntolaite Oy concentrated on a thorough updating of its main product family. The new, advanced Epos product family will ensure the company's competitiveness in its existing markets and enable it to expand its business in international markets. The launch of the Epos system is scheduled for the beginning of the 1998-1999 financial year.

Efore as an Investment Target

The Efore Group has continued to grow throughout the 1990s. Part of this growth has been achieved through acquisitions which have significantly improved the Group's position on the market. This increased the value of the investment made by shareholders many times over in the period up to 1997.

In 1998, the share value was depressed by the difficulties met during the year and by the general uncertainty in the world and on share markets, although the Group's dividend and share issue policy continued to be favourable to shareholders.

The bonus issue made in March, which doubled the number of shares, produced such a competitive share price for trade lots that the number of shareholders grew. The number of shareholders at the end of the financial year was 819 (1997: 605), and by January 15, 1999 the number had risen to 877. Foreign ownership, however, has decreased from its peak in 1995 and stood at 7% at the beginning of 1999. Trade in Efore's shares on the Investor List (I List) of the Helsinki Exchanges was relatively brisk, and a total of 1.3 million shares (35%) were traded during the year, despite the declining trend in the share price.

Developments Following the Close of the Financial Year

Efore has initiated an environmental system development project in cooperation with Vaasa Vocational Adult Education Centre and certain small companies which are sub-contractors or suppliers to Efore in central Finland and in Uusimaa province. Efore's aim on completion of the project is to be fully prepared to meet the demands of ISO 14001 certification. The project was started in December 1998 and will be concluded at the end of the present financial year.

New agreements on flexible working time for both hourly paid and salaried employees were introduced at the Saarijärvi factory on November 1, 1998. The aim is to be more cost-effective in meeting the large fluctuations in customer demand.

Introduction of the new SMT production line at the Saarijärvi plant was carried out according to plan and the line has already supplied products to three different customers.

Muuntolaite Oy's Epos system product family was presented at the Munich Electronica'98 fair in November, and the first systems were delivered for trial use to Helsinki Telephone Corporation.

*A customized power supply
in Datex-Ohmeda's
AS/3 Anesthesia Monitor*



Board of Directors' Report

General

Growth in the sector was once again driven by the Nokia Group. Sub-contractors and many suppliers in the network have found themselves acting as 'buffers', experiencing considerable fluctuations in their business operations. This has widely affected the profitability of many of these companies. Exports, however, have continued to grow, especially for companies operating in the telecommunications sector.

The Group's objectives for the period under review were growth, expansion of its customer base, introduction of new technology in a new generation of products, closer links between the operations of subsidiary companies and the Group, and improvement of the profitability of subsidiaries abroad. The financial year proved more difficult than anticipated. Despite the savings made in the cost of production and raw materials, improvement of the result was hampered by the large fluctuations in customers' business operations, the problems in Russia and, to an extent, also by the influence of the economic crisis in Asia. Production capacity was not fully utilized. The result thus turned into a loss for both six-month periods.

The Efore Group designs and manufactures mainly custom-designed power supplies and rectifier systems which convert electricity and ensure a disturbance-free power supply. A major share of the Group's turnover is based on long-term framework agreements. Pressures on product prices were identified. The development of a new product generation made full use of the latest technologies and more advanced production techniques, with the aim of achieving a high level of competitiveness. Other factors enhancing the Efore Group's competitiveness are its specialization and its high level of know-how in the field. All of the Group's factories have been awarded ISO 9001 certification. The largest of these factory units is in central Finland, at Saarijärvi. Efore (USA), Inc. is a smaller production plant operating in Irving, near Dallas, Texas, USA. The Group's factory operated by Muuntolaite Oy in Vantaa, Finland, produces mainly rectifier systems.

Following completion of the US plant in 1997, investments were directed at the factories in Finland. The 2700 m² factory extension at Saarijärvi was completed in the summer, incorporating production lines that enable efficient manufacture of new technology products. The utilization of the new production lines will increase during 1999. The Vantaa plant was expanded and production streamlined in order that it can also be used for manufacture of new product generations.

Considerable investment was made in product development to satisfy the demand from customers. Present product development projects give potential for turnover growth as well as

profitability in the coming years.

Exploiting the benefits of global operation and improving cost-efficiency are the Group's main objectives in 1999 and beyond. Achieving these objectives will help to restore the profitability to the level of earlier years.

Turnover

Group turnover in the year under review rose to MFIM 261.5 (1997: MFIM 255.3), which was clearly below expectations. The increase on the previous year's turnover was only 2.4% (1997: 38.8%).

Turnover of the parent company Efore plc fell to MFIM 172.0 (1997: MFIM 186.4). One of the factors influencing this was that the US plant was in operation for its first full financial year and products were delivered not only to US customers but also to the UK. Previously, products had been supplied exclusively from Finland.

Group exports and turnover outside Finland amounted to MFIM 106.1 (1997: MFIM 102.1). The most important export countries were the UK, USA, Sweden, Germany, Russia and the Baltic countries.

It proved more difficult to anticipate business developments in the year under review than in previous years.

Result

The Group result for the financial year was down on the previous year and was entered as a loss. The Group result before extraordinary items, voluntary provisions and income taxes was MFIM -6.6 (1997: MFIM +12.9). The corresponding result for the parent company was MFIM 4.8 (1997: MFIM 23.8). Earnings per share came to FIM -1.71 (1997: FIM +1.32). The Group net result was MFIM -6.7 (1997: MFIM +23.5). The low utilization of capacity, on average, at both the Saarijärvi and Irving factories had a considerable impact on the the result. The US plant's operations were also again affected by additional expenses related to the start-up. Product development expenses were all entered in annual costs and grew by 73% in comparison with the previous year, to MFIM 19.4 (1997: MFIM 11.2). The unexpected developments in the Russian and Asian markets added to the negative effect on the result during the final months of the financial year.

Group operating profit was MFIM 5.0, or 1.9% (1997: MFIM 22.3, or 8.7%). The parent company's operating profit was MFIM 4.4, or 2.5% (1997: MFIM 22.0, or 11.8%). The Group's net financial expenses remained unchanged from the previous year, at MFIM 0.3.

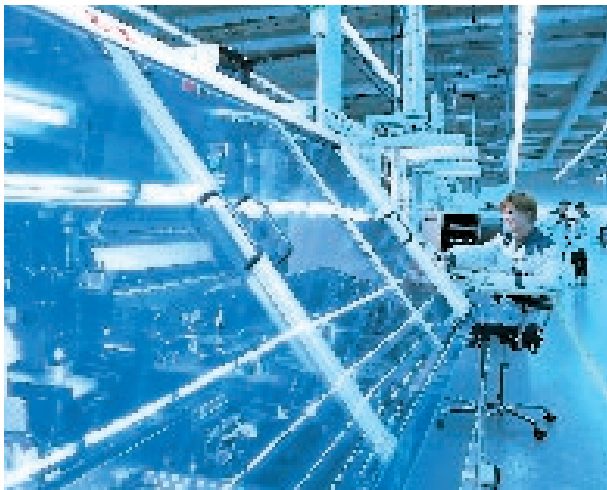
Financing

According to the Group's consolidated source and application of funds, cash flow from operations was MFIM 5.1. Long-term loans amounting to MFIM 1.1 were repaid, and MFIM 17.2 of new loans were drawn. The dividends paid totalled MFIM 7.9. Efore Group's financial position remained sound. The solvency ratio at the end of the year was 52.7% (1997: 57.9%). The Group's financing was affected by the large investments made and by the need for additional working capital due to the growth in operations of both the US and UK subsidiaries. In addition to using income from the sale of the Group's own shares in the previous year, the investments were financed by an investment loan of MFIM 12. The repayment period for the loan is six years.

The total on the consolidated balance sheet was MFIM 178.6 (1997: MFIM 187.2). The ratio of net debt to shareholders' equity (i.e. gearing), describing the Group's indebtedness, stood at 38.4% (1997: -2.44%). Liquid funds at the close of the period were MFIM 14.1.

Investments

Direct investments in fixed assets and other long-term expenditures amounted to a total of MFIM 20.1 (1997: MFIM 19.7). The largest investments were those made at the Saarijärvi and Muuntolaite Oy factories. The factory extension at Saarijärvi was brought on stream during the autumn. Muuntolaite Oy's factory extension was completed at the end of the financial year. Both factory investments are expected to start showing returns during 1999.



The new production line in Saarijärvi factory

Product development activities were developed at different locations in line with the demands of global operations, with the unit at Espoo functioning as the co-ordinator and type-testing laboratory. Product development investment in fixed assets consisted mainly of measuring equipment.

The Group's information system was updated and now meets the needs of a networked operation and the introduction of the euro. Modernization of the system speeded up the programme of replacing older computer equipment.

Investments were made on the basis of the Group's operations outlined in the plans for 1998 and 1999. These investments have been essential to maintain competitiveness.

INFORMATION ON SHARES

Share capital

According to Efore plc's Articles of Association, registered on March 13, 1998, the company's minimum share capital is FIM 20,000,000 and its maximum share capital FIM 80,000,000.

On March 10, 1998, the Annual General Meeting decided to double the company's share capital through a bonus issue, in which existing shareholders received one new similar share free of charge for one corresponding old series A or series K share. With the bonus issue, the share capital increased by FIM 19,868,110, bringing the paid-up and registered share capital to FIM 39,736,220.

Acquiring the company's own shares

The Annual General Meeting authorized the Board of Directors to buy and sell series A shares of the company within the limitations of the Companies' Act that came into effect on September 1, 1997. No purchases or sales requiring this authorization were made. The authorization was thus not used, and the Board of Directors have no other valid authority to obtain the company's series A shares.

Authority to increase share capital

The Annual General Meeting of March 10, 1998 was not requested to grant authorization to the Board of Directors to increase the share capital of Efore plc. The Board of Directors does not have any other valid authority to perform share issues.

Shares and share series

The nominal value of one share is FIM 10. The shares are divided into series A and series K shares. According to the Articles of Association, there is a minimum of 1,857,200 and a maximum of 7,428,800 series A shares, and a minimum of 142,800 and a maximum of 571,200 series K shares. The series A shares carry one vote and the series K shares 20 votes. According to section 7 of the Articles of Association, the assignability of series K shares is restricted by a redemption clause.

Efore plc's shares are included in the book-entry system and quoted on the I list of the Helsinki Exchanges. The company has a market-making agreement with Merita Securities Ltd, which has undertaken to provide quotations and to buy and sell Efore plc shares in trade lots.

Distribution of share capital by share series, October 31, 1998

	Shares, no.	% of shares	Votes, no.	% of votes
series A	3 708 814	93,34	3 708 814	41,19
series K	264 808	6,66	5 296 160	58,81
Total	3 973 622	100,00	9 004 974	100,00

Increases in share capital during 1994–1998

Subscription share ratio	Subscription price	Subscription period	Dividend right	Increase	New share capital, FIM
Bonus issue 5A:K;1A:K		April 21-May 20, 1994	100 % 1993/94	1 045 270 FIM 104 527 no.	6 271 630
Bonus issue 10A:K;3A:K		April 3-April 28, 1995	100 % 1994/95	1 881 480 FIM 188 148 no.	8 153 110
New issue 1A:K;1A:K Paid upon subscription	FIM 40	April 1-April 30, 1996	100 % 1995/96	8 145 400 FIM 814 540 no. Share premium 24 436 200 FIM	16 298 510
Merger consideration		January 10, 1997		2 550 000 FIM 255 000 no.	18 848 510
Bonus issue 10A:K;1A:K		April 1-April 30, 1997	100 % 1996/97	1 806 180 FIM 180 618 no.	19 868 110
Bonus issue 1A:K;1A:K		March 16, 1998	100 % 1997/98	19 868 110 FIM 1 986 811 no.	39 736 220

Distribution of shareholdings by shareholder category, October 31, 1998

	Number of shareholders	Proportion of shareholders, %	Proportion of votes, %	Proportion of shares, %	Votes	Shares
Private enterprises	114	13.92	3.98	8.95	358 150	355 452
Financial and insurance institutions	25	3.05	12.12	27.46	1 091 278	1 091 278
Public sector entities	9	1.10	5.17	11.72	465 740	465 740
Non-profit organizations	15	1.83	1.06	2.39	95 006	95 006
Households	650	79.37	73.69	40.48	6 636 921	1 608 267
Nominee registered	4	0.49	3.77	8.53	339 087	339 087
Abroad	2	0.24	0.04	0.09	3 640	3 640
On interim list			0.16	0.36	14 300	14 300
In joint account			0.01	0.02	852	852
Total	819	100,00	100,00	100,00	9 004 974	3 973 622

Total number of shares 3,973,622

Total number of votes 9,004,974

Distribution of shareholdings by size of holding, October 31, 1998

Series A and K shares	Number of shares	Proportion of shareholders, %	Series A shares	Proportion of series A shares, %	Series K shares	Proportion of series K shares, %	Votes	Proportion of votes, %
1 - 100	92	11.23	5 330	0.14	0	0.00	5 330	0.06
101 - 500	336	41.03	96 409	2.60	142	0.05	99 249	1.10
501 - 1,000	155	18.93	123 286	3.32	0	0.00	123 286	1.37
1,001 - 5,000	159	19.41	377 536	10.18	0	0.00	377 536	4.19
5,001 - 10,000	35	4.27	251 484	6.78	0	0.00	251 484	2.79
10,001 - 100,000	32	3.91	1 177 249	31.74	0	0.00	1 177 249	13.07
100,001 - 999,999	10	1.22	1 662 510	44.84	264 666	99.95	6 955 830	77.25
Total	819	100.00	3 693 804	99.60	264 808	100.00	8 989 964	99.83
On interim list			14 158	0.38	0	0.00	14 158	0.16
In joint account			852	0.02	0	0.00	852	0.01
Total	819	100,00	3 708 814	100.00	264 808	100.00	9 004 974	100.00

Total number of series A shares 3,708,814

Total number of series K shares 264,808

Total number of shares 3,973,622

Total number of votes 9,004,974

Efore plc's 20 largest shareholders according to the share register, October 31, 1998

	Series K shares	Series A shares	Total shares	Total votes	Proportion of shares, %	Proportion of votes, %
1 Tammivuori Esko	127 678	382 182	509 860	2 935 742	12.83	32.60
2 Fabritius Hannes	90 032	180 054	270 086	1 980 694	6.80	22.00
3 Fabritius Pirkko	46 956	130 240	177 196	1 069 360	4.46	11.88
4 The Local Government Pensions Institution	0	174 160	174 160	174 160	4.38	1.93
5 Evli-Select investment fund	0	159 900	159 900	159 900	4.02	1.78
6 Leonia Bank plc/ nominee registered	0	155 774	155 774	155 774	3.92	1.73
7 Evli Nordic Smaller Companies investment fund	0	128 600	128 600	128 600	3.24	1.43
8 Tapiola Mutual Pension Insurance Company	0	124 000	124 000	124 000	3.12	1.38
9 Pension Insurance Company Ilmarinen	0	116 000	116 000	116 000	2.92	1.29
10 Mutual Insurance Company Tapiola	0	111 600	111 600	111 600	2.81	1.24
11 Svenska Handelsbanken/ nominee registered	0	92 600	92 600	92 600	2.33	1.03
12 Tapiola Mutual Life Assurance Company	0	91 840	91 840	91 840	2.31	1.02
13 Merita Bank Ltd/ nominee registered	0	71 873	71 873	71 873	1.81	0.80
14 Nova Life Insurance Company Ltd	0	69 400	69 400	69 400	1.75	0.77
15 Gyllenberg Small Firm investment fund	0	67 140	67 140	67 140	1.69	0.75
16 Sampo Enterprise Insurance Company Limited	0	66 000	66 000	66 000	1.66	0.73
17 Evli Mix balanced fund	0	65 330	65 330	65 330	1.64	0.73
18 Church Central Fund	0	49 520	49 520	49 520	1.25	0.55
19 Enterprise Fennia Mutual Insurance Company	0	43 160	43 160	43 160	1.09	0.48
20 Syrjälä, Timo Kalevi	0	42 000	42 000	42 000	1.06	0.47
TOTAL	264 666	2 321 373	2 586 039	7 614 693	65.08	84.56
Proportion of total, %	99.95	62.59	65.08	84.56		

Shares: total 3,973,622 series A 3,708,814 series K 264,808
 Votes: total 9,004,974 series A 3,708,814 series K 5,296,160

Efore plc's share prices and trading volume in 1995–1998



Shareholdings of company management as proportion of all shares

According to the share register, the company's Board members and Managing Director and family members owned a total of 475,258 Efore plc shares, amounting to 11.96% of the total capital stock and 34.18% of the voting rights, as at October 31, 1998.

Market and market maker

Efore plc's shares are quoted on the I List of the Helsinki Exchanges. The company has a market-making agreement with Merita Securities Ltd. The Merita Securities broker has undertaken to provide quotations and to buy and sell Efore's shares in trade lots.

Warrant bonds and option rights

In 1994, some of the company's Board members subscribed Efore plc's warrant bond to management, which gives entitlement to subscribe 286,000 share-issue adjusted series A shares at a price of FIM 42.30 per share during the period December 1, 1998 - January 31, 2000. The share-issue adjusted number of shares available to Board members on the basis of the warrant bond is 94,380, which represents 2.38% of the increased number of shares and 1.05% of the votes.

The Annual General Meeting held on March 10, 1998 approved the Board's proposal on awarding option rights to a broad range of Group employees. The Meeting decided to award 120,000 option rights to individually nominated managers and salaried employees, giving entitlement to subscribe 120,000 Efore plc A shares in phases between April 1, 2000 and December 31, 2004.

The company's Managing Director thus has option rights to 2,400 shares, which, once all option rights have been used, equals 0.055% of all shares. After all warrants launched in 1994 and 1998 have been used, members of the Board and the Managing Director will own a maximum of 547,778 shares, amounting to 12.5% of the increased total number of shares and 33.9% of the votes.

Shareholder agreements

The Board of Directors of Efore plc has not been notified of any shareholder agreements concerning the company's shareholding or the use of voting rights.

Wages, salaries and fees

The wages, salaries and fees paid by the Group during the financial year were FIM 68,726,896 (1997: FIM 60,396,847). Of this total, FIM 4,200,769 (1997: FIM 2,899,835) was paid to members of the Board of Directors and to the Managing Directors, of which FIM 76,038 (1997: FIM 88,990) was paid in the form of bonuses. In the parent company, FIM 44,212,149 (1997: FIM 38,348,887) was paid as wages, salaries and fees, of which FIM 1,897,918 (1997: FIM 1,880,706) was paid to Board members and the Managing Director.

The wages, salaries, fees and benefits paid to the companies' Boards of Directors and Managing Directors are determined by the Board of Directors of each company. A result-oriented bonus system is in use which allows a bonus payment related to the person's annual earnings.

Administration

At the Annual General Meeting on March 10, 1998, the following persons were elected members of the Board of Directors of the company: Hannes Fabritius (whom the Board elected to continue as chairman), Pirkko Fabritius, Olli Kokkonen, Matti Ruhala and Aarne J. Valkama. Risto Kari was elected deputy member by the Annual General Meeting on March 10, 1998, to replace Olli Heikkilä.

Hannes Fabritius, Chairman, and Board member Pirkko Fabritius have performed their roles on a full-time basis. Board member Olli Kokkonen has acted as consultant in certain projects related to operations abroad. The employment and consultancy agreements have been discussed and ratified by the company's Board of Directors.

The Managing Director of Efore plc is Berndt Schalin. Auditors for the company until March 10, 1998, were the authorized accounting firm Price Waterhouse Oy, with Hannele Selesvuo, Authorized Public Accountant, as the responsible auditor. Since March 10, 1998, the authorized accounting firm Tilintarkastajien Oy - Ernst & Young has been acting as auditor for the company, with Olli Mäkinen, Authorized Public Accountant, as the responsible auditor.

The year 2000

By the end of 1998, the company had completed an extensive study of its operations in the form of internal audits and as part of the company's quality assurance system to ensure trouble-free operations in the year 2000 and beyond.

Outlook for the current year

The Group's forecasts of developments in the near future is somewhat more cautious than before. Economic growth will continue, but the rate of investment will decline somewhat. Customers' responses to the situation in Asia may influence Efore's operations in 1999. Fluctuations in demand in the Group's business sector will continue to increase.

The present financial year began positively with record turnover in November. However, a less active period in customers' operations looks likely in early 1999, the effects of which are not yet known. It is particularly encouraging to see that sales by our US subsidiary are reaching a level that should improve its result.

The positive effect of the Group's recent investments and reorganization of operations is expected to show in the 1999 result. New projects are not expected to result in increased sales before the second half of the financial year. We expect the Group result to improve in the present financial year, but nevertheless to remain below the 1997 level. There are no major investments in sight for 1999.

Consolidated Profit and Loss Account

	1997-1998 FIM 1,000	1996-1997 FIM 1,000
Net turnover	261 477	255 291
Increase (+) or decrease (-) in stocks of finished goods	1 148	3 684
Production for own use (+)	27	31
Share of result of associated companies	0	306
Other operating income	1 854	365
Costs		
Raw materials and consumables		
Purchases during the financial period	133 072	136 476
Increase (-) or decrease (+) in inventories	2 764	-6 224
External charges	10 568	9 921
Staff costs	87 885	76 820
Rents	4 983	3 740
Other costs	19 706	16 693
Share of loss of associated companies	504	0
Total costs	259 482	237 426
Profit from operations before depreciation	5 024	22 251
Depreciation on fixed assets and other capitalized expenditure	7 540	5 231
Depreciation on Group goodwill	3 853	3 848
Operating result	-6 369	13 172
Financial income and expenses		
Dividend income	22	26
Interest income	1 946	1 459
Other financial income	587	729
Interest expenses	-2 352	-1 925
Other financial expenses	-383	-591
Value adjustments on investments	-96	0
Total financial income and expenses	-276	-302
Result before extraordinary items, voluntary provisions and income taxes	-6 645	12 870
Extraordinary income and expenses		
Extraordinary income	0	24 581
Result before voluntary provisions and income taxes	-6 645	37 451
Increase (-) or decrease (+) in accelerated depreciation	55	-2 451
Decrease (+) in voluntary provisions	0	501
Income taxes		
From the period	-1 760	-11 966
From previous periods	1 599	14
Total	-161	-11 952
Result for the period	-6 751	23 549

Consolidated Balance Sheet

	October 31, 1998 FIM 1,000	October 31, 1997 FIM 1,000
Assets		
Fixed assets and other non-current investments		
Intangible assets		
Intangible rights	1 218	1
Group goodwill	6 166	10 001
Other capitalized expenditure	566	665
	7 950	10 667
Tangible assets		
Land	1 027	1 027
Buildings	3 740	3 385
Machinery and equipment	37 725	26 912
Other tangible assets	1 546	1 534
	44 038	32 858
Financial assets		
Shares	2 001	2 354
Loan receivables	608	601
	2 609	2 955
Valuation items		
Valuation items	939	0
Current assets		
Stocks		
Raw materials and consumables	25 391	30 454
Work in progress	2 018	2 589
Finished goods	9 014	5 331
	36 423	38 374
Receivables		
Trade receivables	44 913	43 942
Loan receivables	162	238
Prepaid expenses and accrued income	8 579	6 278
Other receivables	18 568	18 266
	72 222	68 724
Investments		
Shares	363	253
Other securities	5 000	5 000
	5 363	5 253
Cash in hand and at banks	9 096	28 398
	178 640	187 229

Consolidated Balance Sheet

	October 31, 1998 FIM 1,000	October 31, 1997 FIM 1,000
Liabilities		
Shareholders' equity		
Restricted		
Share capital	39 736	19 868
Reserve fund	31 220	41 866
Premium fund	6	8 847
	70 962	70 581
Unrestricted		
Profit/loss brought forward	25 892	11 410
Result for the period	-6 751	23 549
Translation difference	399	-739
	19 540	34 220
Provisions		
Accelerated depreciation	4 966	5 021
Creditors		
Non-current		
Bonds	10 000	10 000
Loans from credit institutions	17 542	6 978
Pension loans	17 392	10 716
Other non-current liabilities	532	1 650
	45 466	29 344
Current		
Loans from credit institutions	1 218	0
Pension loans	3 936	1 665
Advances received	59	65
Trade payables	15 659	17 014
Accrued liabilities and deferred income	13 244	25 173
Other current liabilities	3 590	4 146
	37 706	48 063
	178 640	187 229

Consolidated Source and Application of Funds

	1997-1998 FIM 1,000	1996-1997 FIM 1,000
Operations		
Operating profit	5 024	22 251
Financial income and expenses	-275	-303
Profit from sale of fixed assets	0	-24
Share of result of associated companies	504	-306
Income taxes	-162	-7 082
Cash flow from operations	5 091	14 536
Change in working capital		
Change in stocks, increase (-), decrease (+)	1 950	-9 908
Change in current receivables, increase (-), decrease (+)	-3 497	-13 859
Change in current liabilities without interest, increase (+), decrease (-)	-13 845	11 034
Total change in working capital	-15 392	-12 733
Total cash flow from business operations	-10 301	1 803
Investments		
Investments in fixed assets	-20 589	-19 726
Sales proceeds from fixed assets	139	84
Effect of Efore Fuusio Oy merger	0	3 151
Total investments	-20 450	-16 491
Cash flow before financing activities	-30 751	-14 688
Financing activities		
Increase (+) in non-current liabilities	17 240	6 122
Decrease (-) in non-current liabilities	-1 118	-3 392
Change in current liabilities, increase (+), decrease (-)	3 489	617
Dividends paid	-7 947	-6 339
Income from sale of company's own shares	0	39 317
Tax paid on profit from sale of shares	0	-8 310
Total cash flow from financing activities	11 664	28 015
Translation difference	-105	-915
Increase/decrease in current assets according to calculation	-19 192	12 412
Increase/decrease in current assets according to balance sheet	-19 192	12 412

The items in the consolidated source and application of funds cannot be derived directly from the consolidated balance sheet because of fluctuations in exchange rates.

Parent company Profit and Loss Account

	1997-1998 FIM 1,000	1996-1997 FIM 1,000
Net turnover	171 975	186 396
Increase (+) or decrease (-) in stocks of finished goods	-303	2 672
Other operating income	2 649	1 630
Costs		
Raw materials and consumables		
Purchases during the financial period	85 170	102 047
Increase (-) or decrease (+) in inventories	4 508	-1 711
External charges	6 983	5 598
Staff costs	56 531	48 832
Rents	3 129	2 359
Other costs	13 448	11 620
Total costs	169 769	168 745
Profit from operations before depreciation	4 552	21 953
Depreciation on fixed assets and other capitalized expenditure	4 232	2 667
Operating result	320	19 286
Financial income and expenses		
Dividend income	3 164	3 498
Interest income	2 825	2 236
Other financial income	587	729
Interest expenses	-1 543	-1 364
Other financial expenses	-261	-565
Value adjustments on investments	-96	0
Total financial income and expenses	4 676	4 534
Result before extraordinary items, voluntary provisions and income taxes	4 996	23 820
Extraordinary income and expenses		
Extraordinary income	0	24 582
Result before voluntary provisions and income taxes	4 996	48 402
Increase (-) or decrease (+) in accelerated depreciation	0	-2 019
Income taxes		
For the period	-1 429	-11 005
For previous periods	1 599	14
Total income taxes	170	-10 991
Result for the period	5 166	35 392

Parent Company Balance Sheet

	October 31, 1998 FIM 1,000	October 31, 1997 FIM 1,000
Assets		
Fixed assets and other non-current investments		
Intangible assets		
Intangible rights	897	0
	897	0
Tangible assets		
Machinery and equipment	26 409	14 182
Other tangible assets	1 133	825
	27 542	15 007
Financial assets		
Shares	37 994	32 366
Loan receivables	24 604	17 311
	62 598	49 677
Valuation items		
Valuation items	939	0
Current assets		
Stocks		
Raw materials and consumables	14 796	19 305
Work in progress	136	171
Finished goods	3 353	3 622
	18 285	23 098
Receivables		
Trade receivables	38 928	41 030
Loan receivables	203	217
Prepaid expenses and accrued income	7 637	6 080
Other receivables	18 384	20 687
	65 152	68 014
Investments		
Shares	363	253
Other securities	5 000	5 000
	5 363	5 253
Cash in hand and at banks	3 745	21 768
	184 521	182 817

Parent Company Balance Sheet

	October 31, 1998 FIM 1,000	October 31, 1997 FIM 1,000
Liabilities		
Shareholders' equity		
Restricted		
Share capital	39 736	19 868
Reserve fund	30 845	41 866
Premium fund	0	8 847
	70 581	70 581
Unrestricted		
Profit/loss brought forward	45 231	17 787
Result for the period	5 166	35 392
	50 397	53 179
Provisions		
Accelerated depreciation	4 097	4 097
Creditors		
Non-current		
Bonds	10 000	10 000
Loans from credit institutions	10 800	0
Pension loans	10 736	7 952
Other non-current liabilities	82	1 650
	31 618	19 602
Current		
Loans from credit institutions	1 200	0
Pension loans	3 000	1 457
Trade payables	11 577	10 115
Accrued liabilities and deferred income	9 328	21 202
Other current liabilities	2 723	2 584
	27 828	35 358
	184 521	182 817

Parent Company's Source and Application of funds

	1997-1998 FIM 1,000	1996-1997 FIM 1,000
Operations		
Operating profit	4 552	21 953
Financial income and expenses	4 677	4 534
Profit from sale of fixed assets	0	-24
Income taxes	169	-6 121
Cash flow from operations	9 398	20 342
Change in working capital		
Change in stocks, increase (-), decrease (+)	4 811	-4 383
Change in current receivables, increase (-), decrease (+)	2 863	-18 042
Change in current liabilities without interest, increase (+), decrease (-)	-10 273	7 980
Total change in working capital	-2 599	-14 445
Total cash flow from business operations	6 799	5 897
Investments		
Investments in fixed assets	-31 528	-22 222
Sales proceeds from fixed assets	3	84
Effect of Efore Fuusio Oy merger	0	3 151
Total investments	-31 525	-18 987
Cash flow before financing activities	-24 726	-13 090
Financing activities		
Increase (+) in non-current liabilities	16 327	2 295
Decrease (-) in non-current liabilities	-1 568	-3 393
Dividends paid	-7 947	-6 339
Income from sale of company's own shares	0	39 317
Tax paid on profit from sale of shares	0	-8 310
Total cash flow from financing activities	6 812	23 570
Decrease/ increase in current assets according to calculation	-17 914	10 479
Decrease / increase in current assets according to balance sheet	-17 914	10 479

Accounting Principles

Efore Group's consolidated financial statements have been prepared in accordance with accounting principles defined in the Finnish accounting legislation.

Scope of the consolidation and accounting principles applied

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

The consolidated financial statements have been compiled using the acquisition cost method. The amount of the acquisition cost of the subsidiaries' shares in excess of their shareholders' equity at the time of acquisition is shown on the balance sheet as a separate item under Group goodwill and shall be amortized according to plan over a period of five years. All intercompany income and expenses as well as receivables and liabilities and internal profit distribution have been eliminated.

The associated company Power Innovation GmbH has been consolidated using the equity method. The associated company JES Logistics Limited has not been consolidated into the Group financial statements, as it has no material bearing on the Group's unrestricted shareholders' equity.

Translation of the financial statements of foreign subsidiaries

In the consolidated financial statements the balance sheet items of the foreign subsidiaries have been translated into Finnish markkas using the Bank of Finland middle rates quoted on the balance sheet date. The profit and loss accounts have been translated into Finnish markkas using the average rates of exchange for the financial year calculated on the basis of the Bank of Finland middle rates for each month. The translation differences resulting from translation are transferred directly to unrestricted shareholders' equity.

Foreign currency items

Transactions in foreign currencies have been recorded at the rate of exchange prevailing on the date of transaction. The outstanding receivables and liabilities in foreign currencies at the end of the



*Customized power supply for the industrial sector:
an application for ABB Robotics Products.*

financial year have been valued using the middle rates of exchange published by the Bank of Finland on the balance sheet date. Exchange rate gains and losses relating to ordinary business operations have been adjusted against sales and purchases. Exchange rate gains and losses from financing have been included as net amounts in financial income and financial expenses. Unrealized exchange-rate losses from non-current loan receivables have been entered in the valuation items under liabilities on the balance sheet (for the previous period, these exchange-rate losses were entered under financial income and expenses in the profit and loss account).

Net turnover

In calculating turnover, indirect sales taxes and sales discounts have been deducted from sales revenue.

Research and development expenses

With the exception of investment in equipment, research and development costs are charged against income as incurred.

Pension costs

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

Stocks

Raw materials included in stocks are stated at their weighted average cost. The value of stock is comprised of direct costs.

Current investments

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

Fixed assets

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

Income taxes

Income taxes included in the financial statements have been calculated on the basis of results for the financial year and local tax regulations.

Dividend distribution

The dividend proposed by the Board of Directors to the Annual General Meeting has not been recorded in the financial statements. This will be done after the decision by the Annual General Meeting.

Notes to the Financial Statements

October 31, 1998

	Group 1998 FIM 1,000	Group 1997 FIM 1,000	Parent company 1998 FIM 1,000	Parent company 1997 FIM 1,000
1. TURNOVER BY MARKET AREA				
Finland	155 404	153 164	106 756	103 098
European Union	65 231	73 105	58 377	71 064
USA	25 902	18 683	6 710	12 220
Other countries	14 940	10 339	132	14
Total	261 477	255 291	171 975	186 396
2. STAFF COSTS				
Wages, salaries and fees	68 727	60 397	44 212	38 521
Pension costs	9 536	8 137	6 519	5 470
Other social costs	9 622	8 286	5 800	4 841
	87 885	76 820	56 531	48 832
Benefits	501	372	270	154
Total	88 386	77 192	56 801	48 985
<p>Pension costs include only the pension costs of the Finnish companies. The pension costs of the foreign companies are included in other social costs.</p> <p>The parent company's Managing Director and some of the members of the Board of Directors are covered by an optional pension scheme, which allows early retirement. The agreed age of retirement is 60 years.</p>				
3. DEPRECIATION				
Depreciation according to plan				
Intangible assets	178	100	60	0
Buildings	241	255	0	0
Machinery and equipment	6 489	4 346	3 746	2 336
Other tangible assets	632	530	427	331
Total	7 540	5 231	4 233	2 667
Group goodwill	3 854	3 847		
Change in accelerated depreciation				
Intangible assets	0	-108	0	0
Machinery and equipment	-55	2 533	0	1 993
Other tangible assets	0	26	0	26
Total	-55	2 451	0	2 019
<p>Depreciation according to plan is based on the cost of fixed assets and is calculated on a straight-line basis over the estimated useful lifetimes of the assets.</p> <p>The estimated useful lifetimes of the assets are as follows:</p> <ul style="list-style-type: none"> Intangible rights 5 years Buildings 15 years Machinery and equipment 5-10 years Other non-current investments 5-10 years Group goodwill 5 years 				

	Group 1998 FIM 1,000	Group 1997 FIM 1,000	Parent company 1998 FIM 1,000	Parent company 1997 FIM 1,000
4. INTANGIBLE AND TANGIBLE ASSETS				
Intangible rights				
Acquisition cost on Nov. 1	10	10	0	
Increases Nov. 1 - Oct. 31	1 303	0	957	
Acquisition cost on Oct. 31	1 313	10	957	
Accumulated planned depreciation on Oct. 31	95	9	60	
Balance sheet value on Oct. 31	1 218	1	897	
Group goodwill				
Acquisition cost on Nov. 1	18 573	15 920		
Increases Nov. 1 - Oct. 31	19	2 653		
Acquisition cost on Oct. 31	18 592	18 573		
Accumulated planned depreciation on Oct. 31	12 426	8 572		
Balance sheet value on Oct. 31	6 166	10 001		
Other non-current investments				
Acquisition cost on Nov. 1	941	1 074		
Increases Nov. 1 - Oct. 31	0	117		
Decreases	0	-250		
Acquisition cost on Oct. 31	941	941		
Accumulated planned depreciation on Oct. 31	375	275		
Balance sheet value on Oct. 31	566	665		
Land				
Acquisition cost on Nov. 1	1 027	1 027		
Increases Nov. 1 - Oct. 31	0	0		
Acquisition cost on Oct. 31	1 027	1 027		
Balance sheet value on Oct. 31	1 027	1 027		
Buildings				
Acquisition cost on Nov. 1	5 036	5 036		
Increases Nov. 1 - Oct. 31	596	0		
Acquisition cost on Oct. 31	5 632	5 036		
Accumulated planned depreciation on Oct. 31	1 891	1 650		
Balance sheet value on Oct. 31	3 741	3 385		
Machinery and equipment				
Acquisition cost on Nov. 1	39 063	21 284	22 326	13 845
Translation difference	-329	474		
Increases Nov. 1 - Oct. 31	17 593	18 562	15 976	9 017
Covered by investment grants	0	-476		-476
Decreases Nov. 1 - Oct. 31	-139	-781	-3	-60
Acquisition cost on Oct. 31	56 188	39 063	38 299	22 326
Accumulated planned depreciation on Oct. 31	18 464	12 151	11 890	8 144
Balance sheet value on Oct. 31	37 724	26 912	26 409	14 182

	Group 1998 FIM 1,000	Group 1997 FIM 1,000	Parent company 1998 FIM 1,000	Parent company 1997 FIM 1,000
Other tangible assets				
Acquisition cost on Nov. 1	4 688	3 996	3 544	3 460
Increases Nov. 1 - Oct. 31	643	723	735	102
Translation difference	2			
Covered by investment grants	0	-19	0	-19
Decreases	0	-12	0	0
Acquisition cost on Oct. 31	5 333	4 688	4 279	3 544
Accumulated planned depreciation on Oct. 31	3 786	3 154	3 145	2 719
Balance sheet value on Oct. 31	1 547	1 534	1 134	825
Advance payments and construction in progress				
Acquisition cost on Nov. 1	0	193	0	103
Increases Nov. 1 - Oct. 31	0	0	0	0
Decreases Nov. 1 - Oct. 31	0	-193	0	-103
Acquisition cost on Oct. 31	0	0	0	0
Balance sheet value on Oct. 31	0	0	0	0
Accelerated depreciation on Nov. 1	5 021	2 571	4 097	2 077
Change in accelerated depreciation	-55	2 451	0	2 019
Accelerated depreciation on Oct. 31	4 966	5 021	4 097	4 097
Machinery and equipment included in the balance sheet on Oct. 31	29 464	18 869	20 493	10 483

5. SHARES IN ASSOCIATED COMPANIES OWNED BY THE GROUP AND THE PARENT COMPANY

Group companies

FI-Systems Oy, Espoo

Ownership	100 %	100 %
Voting rights	100 %	100 %
Proportion of shareholders' equity	27	
Number of shares		20
Book value		20
Total nominal value		20
Loss declared in last financial statements FIM 1,498.05		

Muuntolaite Oy, Vantaa

Ownership	100 %	100 %
Voting rights	100 %	100 %
Proportion of shareholders' equity	9 478	
Number of shares		30 000
Book value		11 176
Total nominal value		300
Profit declared in last financial statements FIM 2,602,699.96		

	Group 1998 FIM 1,000	Group 1997 FIM 1,000	Parent company 1998 FIM 1,000	Parent company 1997 FIM 1,000
IL-Power Oy, Vantaa				
Ownership	100%		100%	
Voting rights	100%		100%	
Proportion of shareholders' equity	3 468			
Number of shares			20 000	
Book value			14 356	
Total nominal value			200	
Profit declared in last financial statements FIM 276,105.09				
Efore (UK) Ltd, the United Kingdom				
Ownership	100 %		100 %	
Voting rights	100 %		100 %	
Proportion of shareholders' equity	-815			
Number of shares			25 000	
Book value			167	
Total nominal value, GBP			25	
Loss declared in last financial statements FIM 233,803.79				
Efore (USA), Inc., Texas, USA				
Ownership	100 %		100 %	
Voting rights	100 %		100 %	
Proportion of shareholders' equity	-11 745			
Number of shares			10 000	
Book value			10 502	
Total nominal value, USD			0,1	
Loss declared in last financial statements FIM 7,638,837.14				
Associated companies				
Power Innovation GmbH, Germany				
Ownership	25 %		25 %	
Voting rights	25 %		25 %	
Proportion of shareholders' equity	803			
Number of shares	1		1	
Book value	1 714		1 557	
Total nominal value, DEM	50		50	
Loss declared in last financial statements FIM 396,350.52				
Date of financial statements October 31, 1998 (12 months)				
JES Logistics Limited, the United Kingdom				
Ownership	33,33 %		33,33 %	
Voting rights	33,33 %		33,33 %	
Proportion of shareholders' equity	42			
Number of shares	5 000		5 000	
Book value	45		45	
Total nominal value, GBP	5		5	
Date of financial statements December 31, 1998 (16 months)				
Other shares and holdings				
Book value	242		171	

	Group 1998 FIM 1,000	Group 1997 FIM 1,000	Parent company 1998 FIM 1,000	Parent company 1997 FIM 1,000
6. TAXABLE VALUES OF FIXED ASSETS				
Land	741	755	0	0
Buildings	688	693	0	0
Shares	242	143	10 273	9 612
The taxable values used are 1997 values. In cases where the taxable value was not available, the book value is given.				
7. VALUATION ITEMS				
Capitalized unrealized exchange-rate losses from non-current loan receivables on November 1	0		0	
Increases from Nov 1 - Oct 31	939		939	
Decreases from Nov 1 - Oct 31	0		0	
Capitalized exchange-rate losses	939		939	
8. CURRENT ASSETS				
Shares				
Market value	390	363	390	363
Corresponding book value	363	253	363	253
Difference	27	110	27	110
Receivables and liabilities				
Group companies				
Trade receivables			9 510	11 346
Current loan receivables			146	196
Non-current loan receivables			23 996	16 710
Prepaid expenses due			1 329	454
Other receivables				2 421
Trade payables			1 236	1 306
Accrued liabilities and deferred income			15	125
Associated companies				
Trade receivables	14	268	14	268
Non-current loan receivables	608	601	608	601
Prepaid expenses due	9		9	
Trade payables	17		17	
Non-current liabilities				
Other receivables		28		28
9. SHAREHOLDERS' EQUITY				
Restricted shareholders' equity				
Share capital on Nov. 1	19 868	16 299	19 868	16 299
Bonus issue 1997		1 806		1 806
Bonus issue 1998	19 868		19 868	
Increase in share capital	0	2 550		2 550
Decrease in share capital	0	-787		-787
Share capital on Oct. 31	39 736	19 868	39 736	19 868
Reserve fund on Nov. 1	41 866	42 886	41 866	42 886
Share premium	0	0	0	0
Bonus issue 1997		-1 806	0	-1 806
Bonus issue 1998	-11 021		-11 022	0
Increase in share capital	381			
Decrease in share capital	-6	787	0	787
Reserve fund on Oct. 31	31 220	41 866	30 845	41 866

	Group 1998 FIM 1,000	Group 1997 FIM 1,000	Parent company 1998 FIM 1,000	Parent company 1997 FIM 1,000
Premium fund on Nov. 1	8 847	0	8 847	0
Increases Nov. 1 - Oct. 31	6	8 847	0	8 847
Decreases Nov. 1 - Oct. 31	-8 847	0	-8 847	0
Premium fund on Oct. 31	6	8 847	0	8 847
Unrestricted shareholders' equity				
Retained earnings on Nov. 1	34 220	14 710	53 179	21 087
Dividends distributed	-7 947	-6 339	-7 947	-6 339
Acquisition cost of own shares sold	0	3 039	0	3 039
Increase in share capital	-381			
Net result	-6 751	23 549	5 166	35 392
Translation differences	398	-739		
Retained earnings on Oct. 31	19 539	34 220	50 397	53 179
The share capital of the parent company comprises the following share series	1998 no.	1997 no.	1998 FIM 1,000	1997 FIM 1,000
Series A (1 vote per share)	3 708 814	1 854 407	37 088	18 544
Series K (20 votes per share)	264 808	132 404	2 648	1 324

10. PROVISIONS

The deferred tax liability relating to the Group's voluntary provisions and accelerated depreciation was FIM 1,390,468.11 on October 31, 1998 (FIM 1,405,983.85 on October 31, 1997).

11. LIABILITIES

Non-current loans and their repayments

Bonds 1998-2003	10 000	10 000	10 000	10 000
Loans from credit institutions 1998-2003	10 820	6 978	10 800	0
2003-	7 940	0	1 200	0
Pension loans 1998-2003	16 244	7 778	11 689	6 874
2003-	5 084	4 603	2 048	2 536
Other loans 1998-2003	2 066	3 169	1 616	3 150

12. WARRANT BOND

The amount outstanding in respect of the 1994 warrant bond of FIM 50,000 is FIM 50,000. The subscription and trading period for the shares is December 1, 1998 - January 31, 2000.

The subscription price for one series A share is FIM 42.30.

The 1994 warrant bond to management of FIM 50,000 gives entitlement to subscribe 286,000 series A shares (adjusted), which is 2.38% of the company's total share capital and 1.05% of the votes after the issuance.

13. DERIVATIVE CONTRACTS

The Group has no derivative contracts.

	Group 1998 FIM 1,000	Group 1997 FIM 1,000	Parent company 1998 FIM 1,000	Parent company 1997 FIM 1,000
14. FINANCIAL INCOME AND EXPENSES				
Financial income from Group companies				
Dividend income			2 263	2 500
Interest income			968	862
Financial expenses from Group companies				
Interest expenses			30	14
15. PLEDGES GIVEN AND CONTINGENT LIABILITIES				
Pledges given				
On own behalf	10 584	8 168	5 384	8 168
On behalf of Group companies			5 200	
Mortgages as security for loans				
On own behalf	29 571	17 571	24 000	12 000
Guarantees				
On behalf of Group companies			8 330	8 572
Other commitments and contingent liabilities				
Leasing commitments on own behalf				
Falling due within a year	273	504	205	302
Falling due after more than one year	353	407	305	388
Rent commitments on own behalf				
Falling due within a year	5 421	3 656	4 143	2 405
Falling due after more than one year	10 239	6 942	7 977	3 430

Key Figures for the Group

	1998	1997	1996	1995	1994
Turnover, FIM 1,000	261 477	255 291	183 925	152 092	80 810
Change, %	2.4	38.8	20.9	88.2	37.8
Result from operations before depreciation, FIM 1,000	5 024	22 251	10 185	24 283	13 153
% of turnover	1.9	8.7	5.5	16.0	16.3
Operating result, FIM 1,000	-6 370	13 172	3 045	19 256	11 866
% of turnover	-2.4	5.2	1.7	12.7	14.7
Result before extraordinary items, voluntary provisions and income taxes, FIM 1,000	-6 645	12 870	4 189	19 123	12 846
% of turnover	-2.5	5.0	2.3	12.6	15.9
Result before voluntary provisions and income taxes, FIM 1,000	-6 645	37 451	4 189	19 123	12 846
% of turnover	-2.5	14.7	2.3	12.6	15.9
Net result	-6 751	23 549	1 053	14 083	10 331
% of turnover	-2.6	9.2	0.6	9.3	12.8
Gross investments, FIM 1,000	20 135	19 726	20 160	15 416	3 922
% of turnover	7.7	7.7	11.0	10.1	4.9
Return on equity (ROE), %	-6.7	5.7	0.8	30.7	26.2
Return on investment (ROI), %	-2.7	12.5	7.1	33.7	31.8
Current ratio	1.35	2.93	2.87	3.03	3.35
Internal financing ratio of investments, %	25.4	74.0	37.2	120.6	278.7
Solvency ratio, %	52.7	57.9	54.4	48.2	71.2
Interest-bearing liabilities, FIM 1,000	50 620	31 009	27 663	26 748	1 733
Personnel, average	476	426	326	260	141
Research and development expenses, FIM 1,000	19 417	11 203	10 936	7 400	5 600
Research and development expenses, % of turnover	7.4	4.4	5.9	4.9	6.9

Key Financial Indicators Per Share

	1998	1997	1996	1995	1994
Earnings per share, FIM	-1.71	1.32	0.16	5.05	3.62
Dividend per share for the financial year, FIM	1.00	4.00	4.00	8.00	8.00
Dividend per share, adjusted, FIM	1.00	2.00	1.82	2.40	1.85
Dividend payout ratio, %	neg.	151.6	1111.1	47.6	51.1
Dividend yield, %	2.6	2.8	3.5	3.3	4.3
Shareholders' equity per share, FIM	24.03	27.28	21.22	17.99	14.94
Adjusted share price, October 31, FIM	39.00	72.50	51.37	72.14	42.78
P/E ratio	neg.	54.96	311.53	14.28	11.82
Market capitalization, FIM 1,000	154 971	144 044	83 717	58 817	26 827
Dividend distribution, FIM 1,000 (for shares in circulation)	3 974	7 947	6 206	6 522	5 017
Number of series A shares traded	1 307 363	1 208 343	597 452	483 039	259 234
As % of the total number of series A shares	35.3	65.2	60.6	73.0	50.0
Value of trading, FIM	117 905 190	165 708 763	80 437 805	100 677 296	38 388 192
Number of shares adjusted					
- average number	3 973 622	3 973 622	3 188 518	2 712 410	2 712 410
- number on October 31	3 973 622	3 973 622	3 585 672	2 712 410	2 712 409
Actual number of shares on October 31	3 973 622	1 986 811	1 629 851	815 311	627 163
Share prices, FIM lowest	32.00	110.00	107.00	140.00	130.00
highest	196.00	160.00	290.00	275.00	208.00
at balance sheet date	39.00	145.00	113.00	240.00	185.00
average	90.19	138.16	134.63	208.42	148.08

The deferred tax liability calculated on the accelerated depreciation has been taken into account in the calculation of the equity and profit per share ratios.

Calculation of Key Figures and Ratios

Return on investment (ROI), %	=	$\frac{\text{Profit before extraordinary items + interest expenses + other financial expenses}}{\text{Balance sheet total – Interest-free liabilities (ave. for financial year)}} \times 100$
Return on equity (ROE), %	=	$\frac{\text{Profit before extraordinary items – income taxes (incl. change in deferred tax liability)}}{\text{Shareholders' equity + voluntary provisions and accelerated depreciation – deferred tax liability (ave. for financial year)}} \times 100$
Current ratio	=	$\frac{\text{Liquid assets + stocks}}{\text{Current liabilities}}$
Solvency ratio, %	=	$\frac{\text{Shareholders' equity + voluntary provisions and accelerated depreciation – deferred tax liability}}{\text{Balance sheet total – advance payments received}} \times 100$
Earnings per share	=	$\frac{\text{Profit before extraordinary items – income taxes (incl. change in deferred tax liability)}}{\text{Adjusted average number of shares}}$
Adjusted dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Product of adjustment coefficients for issues after end of financial year}}$
Dividend payout ratio, %	=	$\frac{\text{Adjusted dividend per share}}{\text{Earnings per share}} \times 100$
Dividend yield, %	=	$\frac{\text{Adjusted dividend per share}}{\text{Adjusted share price at balance sheet date}} \times 100$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity + voluntary provisions and accelerated depreciation – deferred tax liability}}{\text{Adjusted number of shares on Oct. 31}}$
P/E ratio	=	$\frac{\text{Adjusted share price at balance sheet date}}{\text{Earnings per share}}$
Market capitalization	=	Adjusted share price at balance sheet date x actual number of shares

Board of Directors' Proposal for the Distribution of Retained Earnings

The parent company's distributable shareholders' equity is FIM 50,397,194. The Group's distributable shareholders' equity is FIM 19,539,089.

The Board of Directors proposes that these retained earnings be used as follows:

Dividend of FIM 1.00 per share	FIM 3,973,622
Retained and carried forward	FIM 15,565,467
Total	FIM 19,539,089

Espoo, January 20, 1999

Hannes Fabritius

Pirkko Fabritius	Olli Kokkonen	Matti Ruhala
Aarne J. Valkama		Berndt Schalin



*From left:
Mr. Risto Kari (Deputy Board Member),
Mr. Olli Kokkonen, Mrs. Pirkko Fabritius,
Mr. Matti Ruhala, Mr. Hannes Fabritius,
Mr. Aarne J. Valkama.*

Auditors' Report

To the shareholders of Efore plc

We have audited the accounting, the financial statements and the corporate governance of Efore plc for the financial period November 1, 1997 to October 31, 1998. The financial statements, which include the report of the Board of Directors, the consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit, we express an opinion on these financial statements and on the corporate governance.

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

In our opinion, the financial statements, which show a loss of FIM 6,751,211.21 for the Group, have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the result of operations as well as of the financial position of the Group and the parent company. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

We have reviewed the interim report published during the financial year. The interim report has been prepared in accordance with applicable regulations.

Espoo, January 27, 1999

Tilintarkastajien Oy - Ernst & Young
Authorized Accounting Firm

Olli Mäkinen
Authorized Public Accountant

Board of Directors, Company Management and Auditors

The Board of Directors of Efore plc

Hannes Fabritius, 56

Pirkko Fabritius, 55

Olli Kokkonen, 62

Matti Ruhala, 50

Aarne J. Valkama, 60

Olli Heikkilä, 39

Risto Kari, 58

Board member since 1979, chairman since 1994

Board member 1979-1990 and since 1996

Board member since 1991

Board member from March 6, 1997

Board member from March 6, 1997

Deputy Board member from March 6, 1997 to March 10, 1998

Deputy Board member from March 10, 1998

Efore plc

Berndt Schalin, 44

Managing Director

Muuntolaite Oy

Vesa Vihavainen, 36

Managing Director

IL-Power Oy

Ilpo Heiskanen, 42

Managing Director

Efore (USA), Inc.

Ismo Lindén, 46

Managing Director

Efore (UK) Ltd

Berndt Schalin, 44

Reijo Valkonen, 51

Managing Director

Unit Manager from Sept. 1, 1998

Efore Sverige

Stig Cedervall, 58

Area Sales Manager

Auditors

Price Waterhouse Oy, Authorized Accounting Firm,
Hannele Selesvuo, Authorized Public Accountant,
Kalervo Ariluoma, Authorized Public Accountant, Deputy
Auditor, until the Annual General Meeting on March 10, 1998

Tilintarkastajien Oy - Ernst & Young
Olli Mäkinen, Authorized Public Accountant,
as of the Annual General Meeting on March 10, 1998

1998 Announcements

November 13, 1997	Efore Group financial information 1998
November 25, 1997	Decision of Supreme Administrative Court (Muuntolaite Oy; announcement of purchase price)
November 26, 1997	Decision of Supreme Administrative Court (IL-Power Oy; announcement of purchase price)
December 19, 1997	Advance information on financial statements for November 1, 1996 - October 31, 1997
January 16, 1998	Efore prepares for the euro and 2000 by updating its information system
January 20, 1998	Announcement on financial statements; major improvement in Efore's result
January 28, 1998	Efore expands at Saarijärvi
February 26, 1998	Efore Oy Annual General Meeting on March 10, 1998
March 11, 1998	Resolutions of Efore Oy Annual General Meeting
March 12, 1998	Efore invests in new production equipment at its Saarijärvi factory
March 13, 1998	Efore's entries in the Trade Register (bonus issue)
March 27, 1998	Efore establishes design unit at Tampere
April 28, 1998	Efore's performance for first six months below expectations
June 16, 1998	Interim report November 1, 1997 - April 30, 1998
August 20, 1998	Efore acquires its own shares
September 30, 1998	Efore's growth slows, turnover MFIM 258
October 28, 1998	Efore Group financial information 1999
November 30, 1998	Publication timetable for Efore Group financial statements
December 3, 1998	Efore Group's financial year begins with a record month

This document, prepared for the international business community, is a translation of Efore Oyj's 1998 Annual Report in Finnish. In the event of any conflict in interpretation, reference should be made to the Finnish version of this report, which represents the official text.

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