

POWERING YOUR SUCCESS



 EFORE

**ANNUAL REPORT
2003**



INFORMATION FOR SHAREHOLDERS AND INVESTORS

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 Tuesday, February 3, 2004 at 6.00 pm at the following address: Radisson SAS Royal hotel, 00100 Helsinki, Finland. Registration starts at 5.00 pm.

Those shareholders who are listed in Efore's shareholders listing in Finnish Central Securities Depository Ltd by January 23, 2004 and who have given notification of their participation no later than 4.00 pm on Thursday, January 26, 2004 have the right to participate in the Annual General Meeting.

Those intending to participate in the Annual General Meeting are asked to notify Efore accordingly: Efore Plc, PO Box 61 (Piispanportti), FIN-02211 Espoo, Finland, tel. +358 (0)9 478 466, fax +358 (0)9 478 46500, e-mail anu.virokannas@efore.fi.

Annual General Meeting and dividend payment in 2004

Annual General Meeting	February 3, 2004
Dividend ex-day	February 4, 2004
Dividend payment record date	February 6, 2004
Dividend payment	February 13, 2004

Financial reports for fiscal year November 1, 2003 – October 31, 2004

Annual Report 2003	Week beginning January 12, 2004
Interim Report (3 mths)	Week beginning March 1, 2004
Interim Report (6 mths)	Week beginning May 31, 2004
Interim Report (9 mths)	Week beginning August 30, 2004

Share data

Exchange listing	Helsinki Exchanges, I List
Corporate identifier	FIFAS
Trading lot	100 shares
Series A shares	7,605,488 shares



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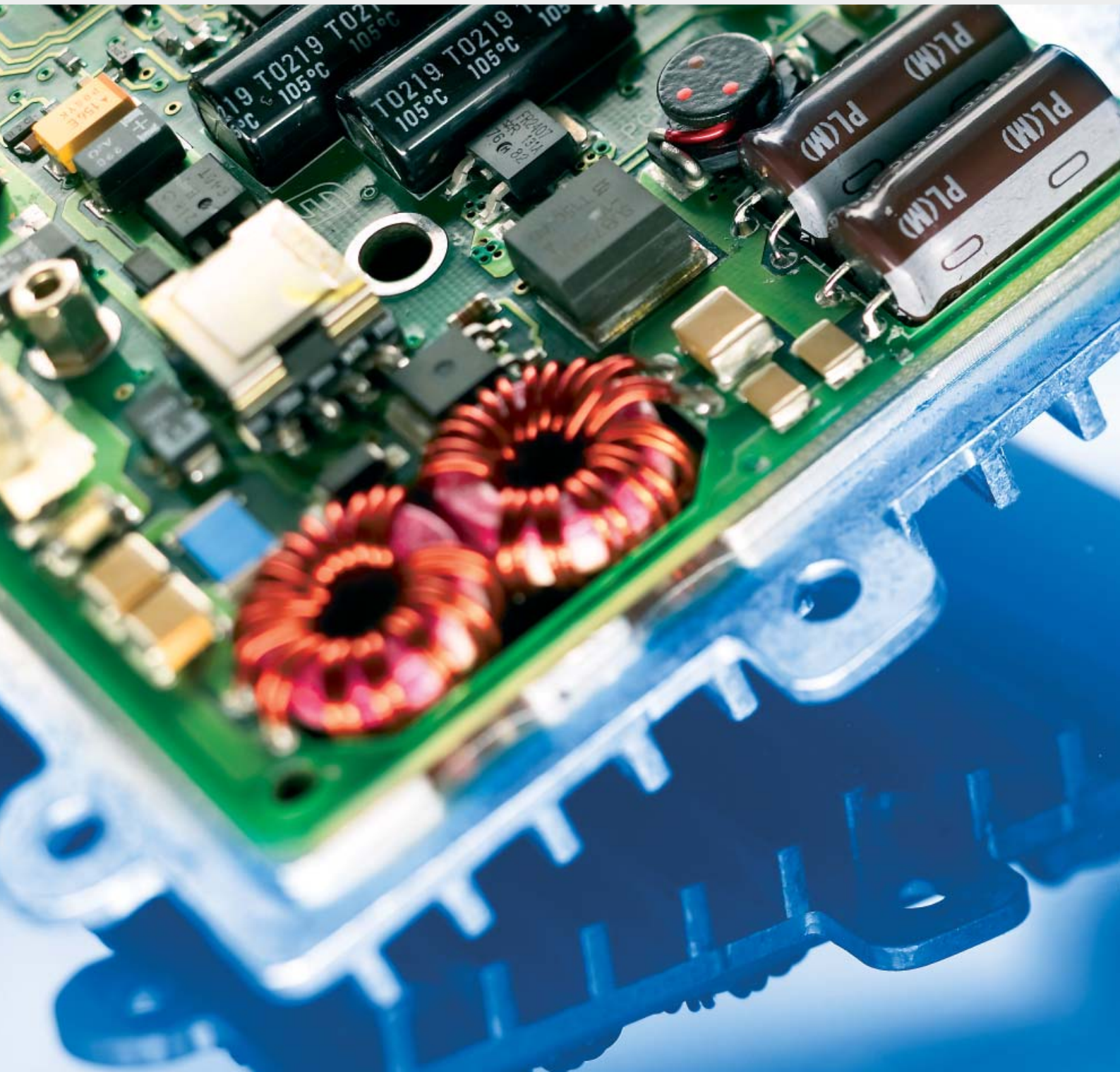
Year 2003 in brief

- ▶ Net sales and net profit increased
- ▶ Production expanded in United States and China
- ▶ New factory construction started in Estonia
- ▶ Product development started in China
- ▶ Personnel increased in Finland, United States, and China

Group key figures		2003	2002
Net sales	€ million	64.3	38.8
Operating profit (loss)	€ million	6.9	-2.3
- % of net sales	%	10.8	-5.9
Profit (loss) before extraordinary items	€ million	6.8	-2.4
Net profit (loss) for the period	€ million	7.8	-2.4
Return on equity (ROE)	%	47.8	-23.0
Return on investment (ROI)	%	37.1	-9.2
Net interest-bearing liabilities	€ million	-3.2	3.9
Solvency ratio	%	49.5	37.8
Gearing	%	-18.2	41.6
Earnings per share (before extraordinary items)	€	0.79	-0.30
Equity per share	€	2.16	1.16
Dividends per share	€	0.37 ¹⁾	0.00
Share price on October 31, 2003	€	6.75	1.00
Market capitalization on October 31, 2003	€ million	54.1	8.1

1) Board's proposal to AGM





” We want to create long lasting partnerships with our customers. Our competitiveness is based on customer-oriented service, excellence in electronics design and cost leadership in manufacturing. ”

Mission

Efore's mission is to become a preferred and trusted global partner who creates and manufactures highly advanced power conversion solutions and provides electronics design and manufacturing services to leading companies in the telecommunication, information, industrial automation, medical electronics, and engineering industries.

Vision

- ▶ We will rank in the top ten in global custom-designed power conversion solutions providers.
- ▶ We will achieve a well-established position as an electronics design and manufacturing services (EDMS) provider.
- ▶ Our growth rate will be above the sector average.

Strategy

We are focusing our business activities on power conversion solutions and electronics design and manufacturing services (EDMS). This enables us to provide our customers a wider and more versatile offering as a one-stop shop.

We want to create long-term partnerships with our customers. Our competitiveness is based on customer-focused service, excellence in electronics design and cost leadership in manufacturing. Along with our growth we will expand our sales network, product development activities, and manufacturing facilities close to our customers in Europe, the Americas, and in Asia. This will enable us to serve our customers expeditiously, flexibly, and in the local language.

We will enhance our technological excellence by annually investing 5-10 % of our turnover in product development. Approximately, 20% of our personnel will focus on innovative products and technology development.

Competitiveness in manufacturing is maintained and improved by concentrating our manufacturing in countries with low production costs, such as China and Estonia. We will constantly procure our components internationally from the most cost-effective sources.

In order to balance market fluctuations, we will increase the weight of industrial automation and engineering industries in our business portfolio in relation to the telecommunication and information technology sector dominating our business today.

Values

▶ Customer-focused service

We listen to our customers to understand their needs and solve their problems in a flexible and effective way.

▶ Cooperation

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

▶ Developing expertise

Expert, innovative staff who are constantly developing their professional skills represent our most valued asset.

▶ Openness

Openness between partners is the basis for reliability and trust.

▶ Profitability

Our success is derived from our customers' success





” Signs of recovery in the market suggest that 2004 will be a good year for growth. Efore’s strategy, expertise and capacity are all in place to meet the coming challenges. ”

REVIEW BY THE PRESIDENT AND CEO

The fiscal year 2003 was a significant one for Efore. We managed to turn the Group’s net sales onto a high growth track, and to post a profit on Efore’s operations. These can be seen as excellent achievements, as the general outlook for the sector is only now beginning to increase.

Net sales for the fiscal year were up by 65.4 per cent to EUR 64 million. Efore’s market share was also up, demonstrating that our choices have been correct.

Behind this success has been the Group’s considerable investment in new products and expansion of the customer base, new customers in Europe, the United States, and China. Our competitiveness has also improved, thanks to the structural changes and adjustments during the previous fiscal year. Efficiency was improved at the plants in Finland, the United States and China, and the Group’s program of readjustment measures was completed at the start of the review year. In addition to these essential changes, another key factor in Efore’s turnaround has been the well-timed revision of the Group strategy and the fruitful implementation of that strategy.

Under the revised strategy, we are actively seeking growth in both power conversion solutions and electronics design and manufacturing services. Our operations are organized into five international, customer-focused business units, each of which is independently responsible for sales and product development for its customers. These business units are supported by the Group’s joint operations, the most important of which are production and materials procurement. Sales and vendor partnerships built up

over many years also provide a comprehensive supporting network, allowing Efore to provide a genuinely global service to its customers.

We constantly strive to develop our operations to meet the changing needs of customers and suppliers. In doing so, we make full use of our unique expertise as a power conversion technology specialist and electronics designer. Our production plants are located on three different continents and allow us to flexibly manufacture and test all our products close to the customer. This relies on a high level of standardization in design, component selection and production technology.

Efore’s price competitiveness is derived from its solid technological expertise, global component procurement, and efficient production, as well as the beneficial location of the Group’s production facilities. Expansion of the Chinese factory is a concrete example, as is the new production plant under construction in Estonia.

Signs of recovery in the market suggest that 2004 will be a good year for growth. Efore’s strategy, expertise and capacity are all in place to meet the coming challenges.

May I take this opportunity to thank all our customers, vendors, personnel, and other partners for their valued cooperation during the year. I would also like to thank our shareholders for the confidence they have shown in Efore.

December 2003

Markku Hangasjärvi





CUSTOMER RELATIONSHIPS

Throughout its operations, Efore's priority is to provide customer-focused service. The aim is to build and maintain long-term partnerships with customers. Once a promise is given, it is kept. This applies to all products and services, whether it is a question of offers, design, orders, deliveries, or maintenance. The design and manufacturing service operates on three continents, thus guaranteeing a high quality service close to the customer.

The Efore Group is divided into five customer-focused business units. Global customer care is an integral part of each business unit's operations. Each unit also has its own customer service and design personnel. The Group's customer-focused business is supported by its centralized functions: marketing, supply management, production, technology development, finance, human resources, quality management, and environment, health and safety.

Efore's products and services are marketed through direct sales, dealer networks and equipment manufacturers, and via brand name customers seeking to complement their product ranges with Efore's products. Through its sales networks, the Group serves customers in more than 20 countries worldwide.

Efore's products, systems, and its electronics design and manufacturing services are used by customers in the telecommunications, electronics,

and engineering industries, and in specialist areas such as healthcare, power production, power transmission, transportation, and defense equipment. The Group's customers are international leaders in their respective fields.

Extensive customer satisfaction surveys form part of Efore's service development process. The results of the fall 2003 survey show that customers highly appreciate Efore's production quality, willingness to serve, accuracy and clarity of offers, technical quality of products, availability of technical support, production flexibility, and product development expertise. The survey also revealed that improvements could be made in the speed of maintenance, the product development process, and in logistics.

” Efore’s strength lies in its own products and technologies. During the past five years we have invested an average of 7% of net sales in product development. ”

PRODUCT DEVELOPMENT

One of Efore’s key investment priorities is the development of new products and systems. The Group’s solid product development expertise in power supplies and electronics is one of its main competitive strengths. Efore’s expertise is unique, the result of almost thirty years in the business and continuous acquisition of skills and experience. This conclusion is supported by the results of fall 2003 customer surveys.

Efore’s research work focuses on new power conversion technologies, applications, and materials. The aim is to enhance the Group’s competitiveness and add to the range of products it can offer its customers. The research work also ensures that Efore’s new products meet the current and future environmental and recycling requirements set for electronic equipment.

Most of the product development work is concerned with new customer-specific power conversion solutions. Development work also focuses on standard power supplies and the EPOS DC power systems. The aim is to continuously bring new products to market and expand Efore’s product range. In the fiscal year under review, Efore’s total expenditure on the development of products and technology solutions was EUR 3.8 million.

The Efore Group’s product and system development work is concentrated in Finland, the USA, and China. Some product development work is also carried out by Power Innovation, the Group’s German

affiliate company. This allows the special features and requirements relevant in different parts of the world to be taken into account. Having locations close to the customer enables quick and seamless cooperation with customers’ own product development organizations, which is essential when designing customer-specific products.

Efore has its own product-testing laboratories, in which the success of product designs can be verified. All power supplies and other electronics equipment designed by Efore are type-tested in the laboratories. EMC testing and other operating tests are also carried out, and the environmental conformity and safety of products are verified. The laboratories are located in Finland, the USA, China, and Germany. The main focus of the laboratory work is in Finland.

Following the test results, Efore’s laboratories then apply for the relevant international and national electrical equipment approvals for the product designs. The timescale for this approval process is aided by Efore’s long experience and its very valuable international network of partnerships with approval authorities.





PRODUCTION

Products and systems designed by Efore are mainly manufactured in its own production plants. Efore has production facilities in Saarijärvi (Finland), Irving (Texas, USA), and Suzhou (China). Efore's newest production plant will begin operations in Estonia in the spring of 2004. Efore-designed products are also manufactured by Efore's German affiliate company Power Innovation, and by the Group's subcontractor partners in Estonia, China, and Brazil. Close cooperation between Efore's production facilities and its subcontractors ensures that it can respond even to rapid changes in demand. In 2003, construction of the new production plant in Estonia was begun, and production was expanded in both the USA and China.

Efore's production plants all have similar production lines. Each factory has production lines based on automatic surface mounting and flow soldering technologies. Efore's products are also considerably standardized, making the manufacture of all its products and systems possible at any of the Group's

production plants. This enables production close to the customer and allows production to be optimized. Efore aims to arrange production in such a way that major product series and those products requiring a higher input of manual work are made in China and Estonia, while the role of the Saarijärvi plant will be to develop and manufacture new and demanding products and systems, for European markets in particular. The Irving plants will have a similar role to the US market.

Global expertise in materials procurement is essential for cost-effective production of both power supplies and other electronics. Efore's Chinese subsidiary has a key role in materials procurement for the entire Group.



” Our manufacturing covers three continents. Cooperation between our manufacturing and our partners ensures that we can swiftly meet even the most challenging changes in demand. Our shared quality system guarantees world-class quality everywhere. ”

QUALITY, ENVIRONMENT, HEALTH, AND SAFETY

Efore places the highest emphasis on quality and has obtained ISO 9001-2000 certificates for all its business locations. It has also obtained ISO 14001 certification for its environmental management system. In addition, the Group has a number of certificates and approvals from other countries.

Efore's quality policy sets out quality goals that include world-class operations, a full sense of responsibility, transparent cooperation, and continuous development. The quality policy can be viewed in full on the Group's website.

Efore takes environmental requirements into account throughout its operations, as set out in the Group's environmental management policy. Electronics waste is the main environmental issue. This waste is recycled in partnership with companies that specialize in electronics waste recycling.

As part of its concern for the environment, Efore also pays close attention to the environmental behavior of its suppliers. It supports improvements in this area by offering environmental training and by putting forward various initiatives. Efore's environmental policy can be viewed in full on the Group's website.

Close attention is paid to the health and working capacity of the Group's personnel, and this is supported through cooperation with the occupational health service. Employees attend regular health checks. Efore also looks closely at ergonomic design in the workplace, aiming to prevent musculoskeletal disorders among employees, and we invest in occupational safety measures in general. Efore also

encourages its personnel to look after their health by supporting various fitness activities and organizing sports events.

Prevention forms the basis of Efore's safety policy. The principal objectives are: securing continuity of operations, retaining customer confidence, and safeguarding the company's image as a credible and reliable partner. Further objectives are to protect the Group's commercial and professional secrets, ensure the safety of all personnel, maintain awareness of safety issues, and protect the Group's assets.

Our operations are designed to ensure that all Efore products are safe for manufacturing, transporting, installing, using, maintaining, and disposing.





PRODUCTS AND SERVICES

Efore's products are supplied to leading companies in the telecommunications, industrial automation, medical electronics, and engineering sectors. The Group's products and services can be divided into two areas: power conversion solutions, and electronics design and manufacturing services (EDMS). Both areas make use of the Group's product development, production, and logistics expertise.

Power conversion solutions

Power supplies are needed for AC and DC conversion and for power input in all kinds of electrical and electronic equipment. DC power systems convert the alternating current of the power grid into direct current suitable for use in electronics equipment. Inverters convert direct current from batteries into alternating current. Efore's power supply units are often used as components in equipment being manufactured by customers. In these cases, the power supply unit will take care of the power input requirements and allow the equipment to function. Efore's power conversion solutions can be divided into custom-designed power supplies, standard power supplies, and DC power systems and inverters. The majority of net sales are derived from custom-designed power supplies.

▶ Custom-designed power supplies

Custom-designed power supplies are tailored precisely to the customer's needs, to cope with the special con-

ditions in which the equipment is to be used. Design of a new power supply begins with a product development project undertaken jointly with the customer and continues with a production contract covering the entire life cycle of the product. The production runs of custom-designed power supplies vary according to the product and customer, but will be in the range 1,000-100,000 units annually.

Efore has continually product design projects in progress for dozens of customers. The power of these products varies in the range 50-5,000 W. Seamless coordination between Efore's and the customer's product development, manufacturing, and logistics processes guarantees benefits and cost efficiency for both parties.

▶ Standard power supplies

Efore's standard power supplies include an extensive selection of AC/DC and DC/DC power supplies and inverters in different power classes. The product group also includes controllers, distributor units, and cooling fans. A common technology base between Efore's custom-designed and standard power supplies allows considerable synergy benefits in design, component procurement, and manufacturing.

Standard power supplies are designed at Efore's design centers and manufactured in its production plants or by its partners. Some products are designed and manufactured at Efore's German affiliate company, Power Innovation.

” Power supplies are needed for AC and DC conversion and for power input in all kinds of electrical and electronic equipment and systems. Power supply technology is one of the most challenging areas of application in electronics. ”

► DC power systems and inverters

DC power systems contain both an AC/DC power supply and a battery system for ensuring DC power input for the customer's equipment during any power interruption. DC power systems are used in mobile network base stations, power stations and power transmission grids, and for various industrial applications. Inverter systems include equipment for obtaining disturbance-free AC power from the batteries in DC power systems, thus ensuring electrical supply for AC-powered equipment during power interruptions.

The systems are designed and assembled as standard modules. The mechanical parts for the systems are also standardized. This allows special customer specific requirements to be taken into account in a flexible and cost-effective way. Upgrading the power class of systems is easily done by adding the necessary modules.

Electronics design and manufacturing services (EDMS)

Customers can also take advantage of Efore's electronics design and manufacturing services. Solid expertise in product development and testing is one of Efore's key strengths, which is particularly valued by customers who wish to outsource part of their production or are transferring to more demanding systems. A further strength is the Group's ability to serve customers on three different continents.

Efore's electronics design service is based on its profound knowledge of component and production technologies, allowing equipment manufacture to be carried out cost effectively. Besides electronics design, Efore's services include software and mechanical design. Where necessary, Efore can also use the services of its partners specializing in electronics design services. These partners are committed to

Efore's quality standards and have worked successfully with Efore for several years or longer.

With its comprehensive expertise, Efore is able to design, manufacture and test a very wide variety of products. There are currently dozens of different products being manufactured, ranging from surface-mounted circuit boards and motherboards to control units and system products.

If a customer requests, Efore can procure the materials needed for products, assess the manufacturing impact of modifications, and carry out product maintenance during the entire product lifecycle. This allows customers to focus on improving the competitiveness of their own core operations and on growth opportunities.



PERSONNEL

2003 was also a very good year for Efore's personnel. The number of people employed by the Group increased during the period, reaching a year-end total of 458 (376).

Efore's personnel policy is based on the following shared values: customer-focused service, cooperation, developing expertise, openness, and profitability.

The personnel policy is aimed at maintaining a customer-focused approach. Cooperation among the Group's different companies and units is a fundamental part of Efore's operations. Continuous development of staff expertise and a good working atmosphere are key elements of Efore's corporate culture.

The methods embodied in Efore's personnel policy are characterized by openness, reward and incentive.

Efore aims to recruit appropriately educated and trained personnel with good interpersonal skills and the potential to develop their careers. All Group vacancies are announced to existing employees and every effort is made to fill vacancies internally. External recruitment begins if no suitable candidates can be found within the company. Where necessary, parent company personnel are posted to the Group's subsidiaries for a fixed period, and rotation of duties is also practiced within the companies. Efore's personnel policy has a strong emphasis on non-discrimination.

Personnel appraisal interviews form part of the Group's interactive approach to management, which is supported by training for managers and supervisors. Staff development forms an integral part of Efore's personnel policy and is designed to help implement the Group strategy and achieve the corporate objectives. In 2003, training focused on the following areas: financial operations, project management, inter-unit cooperation, and efficient work roles.

Open and effective internal communication is a key part of Efore's way of working and is designed to improve self-directed teamwork and the self-directed work in the business units of product development, manufacturing, and customer care.

The personnel incentive system includes an options program started in 1998 and is targeted at key personnel in the Group's parent company and Finnish subsidiaries.

The personnel policy is set out in full on the Group's website.



BOARD OF DIRECTORS' REPORT

GENERAL FEATURES OF EFORE GROUP

Efore Group's field of activity consists of the design, manufacturing and marketing of power supplies and electronics products. Efore's business consists of: custom-designed power supplies, standard power supplies, DC power systems and inverter systems, and electronics design and manufacturing services (EDMS). The main market areas are Europe, North and South America, and Asia. Efore Group consists of the parent company, Efore Plc, and its wholly owned subsidiaries, Efore Power Design Oy, Efore (UK) Ltd, Efore (USA), Inc., Efore (Suzhou) Electronics Co., Ltd, and Efore Ltda. In addition, Efore Plc has an investment of 25% in the shares of the German power electronics company, Power Innovation GmbH. The Estonian subsidiary, Efore AS, was registered in the Pärnu trade register in December 2003, after the close of the fiscal year.

NET SALES AND PROFIT PERFORMANCE FOR FISCAL YEAR

Net sales for the fiscal year totalled EUR 64.3 million (EUR 38.8 million), an increase of 65.4% on the previous year. The Group's operating profit improved significantly on the previous year, thanks to increased sales, measures to improve competitiveness, and cost-effective operations. Operating profit for the fiscal year totalled EUR 6.9 million (EUR -2.3 million). This was in part attributable to the EUR 0.3 million booked as a one-off sales profit on the sale of the Rekola site in Vantaa. Profit before extraordinary items totalled EUR 6.8 million (EUR -2.4 million), and net profit EUR 7.8 million (EUR -2.4 million). One-off tax receivables of EUR 1.5 million have been booked as net profit, of which EUR 1.4 million is entered under extraordinary items. The Group's return on investment was 37.1% (-9.2%), and its return on equity 47.8% (-23.0%).

Sales of power supplies and electronics equipment increased in all customer sectors. The growth in power supply sales has been helped by the new products launched at the end of 2002 and being launched in the current fiscal year. Many of these products are for third generation wireless mobile networks. Sales of DC power systems also increased during the 2003 fiscal year. In addition, net sales were boosted by new customers for Efore's electronics design and manufacturing services.

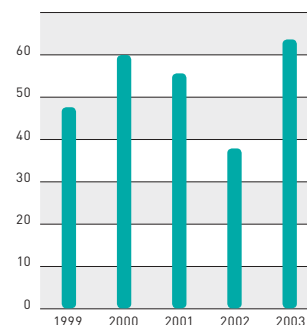
Efore's operations in North America grew faster than its other operations. In the fiscal year under review, Efore won a number of projects in the United States, and added new customers, too. Efore's business also grew significantly in Europe and Asia, where, despite continuing tough competition on prices, new agreements were signed with customers in the telecommunications, industrial, healthcare electronics, and engineering sectors. Profit from Efore's South American business operations fell short of the targets set, even though net sales increased on the previous fiscal year. The financial results from business operations showed a profit in all four continents.

MORE EFFICIENT OPERATIONS

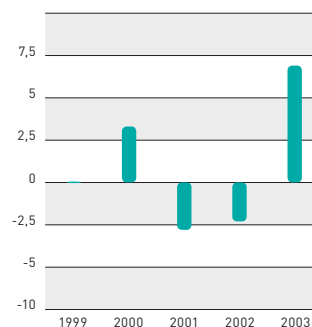
The main emphasis in the measures to improve efficiency and competitiveness was on cost efficiency in production, materials procurement, and the management of working capital.

In production, cost-efficiency was improved by completion of the outsourcing of Vantaa's power supply production to Efore's Estonian subcontractor at the start of the year, and transferring the manufacture of DC power systems to Efore's Saarijärvi factory. With the end of production at Vantaa, the Rekola site was sold. The investments in China and Estonia, both low-cost countries, have boosted the competitiveness of Efore's production. The new production facilities at Suzhou in China were up and running in the third quarter of the fiscal year, increasing Efore's production capacity by approximately

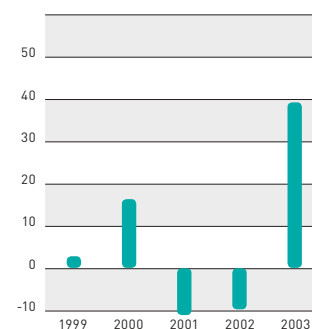
Net sales, € million



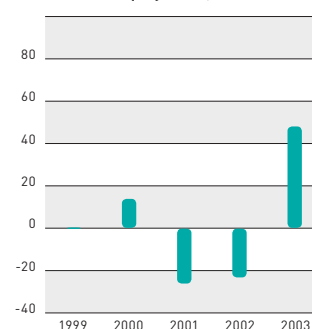
Operating profit, € million



Return on investment (ROI), %



Return on equity (ROE), %



one third. Construction of Efore's new production plant in Estonia began at the end of the fiscal year.

Competitiveness in materials procurement was increased by achieving lower materials costs, extending payment periods, increasing consignment stocks, and by making greater use of e-business methods. These measures also had a beneficial effect on the working capital needs of the company and on cash flow. At the close of the fiscal year, 9.6% of net sales were committed to working capital (16.2% at the end of the previous fiscal year). The aim is to further reduce the amount of working capital committed to the business in relation to net sales.

PRODUCT DEVELOPMENT

The number of product development projects in progress grew during the year, due to the new customer agreements signed. Most of the projects involve custom-designed power supplies, and the new products that will enter production during the current fiscal year. Net sales growth in the 2005 fiscal year and beyond will be considerably boosted by the new products.

Efore's product development operations were expanded in China and the United States. Additional personnel were also employed in product development in Finland. Besides custom-designed power supplies, investment was also made in developing future power supply technology solutions, new DC power systems, and a lead-free production process, among other things. New products and technology solutions worth a total of EUR 3.8 million (EUR 3.3 million) were developed during the fiscal year.

During the past five years the Group has invested an average of 7% of net sales in product development. This estimate is based on the work input of the personnel working directly in product development. An average of 50 employees were engaged in product development during the fiscal year. In addition, an average of 30 employees worked in areas that directly supported product development.

EXPANDING PRODUCTION

The increase in net sales brought expansion to Efore's production in the United States and China. Construction of a new factory also began in Estonia. US production potential was increased by doubling the size of the existing premises. In China, the new facilities, which are three times their previous size, and the investment in new equipment have boosted Efore's global production capacity by one third.

Primarily serving the European market, the new production plant in Estonia, to begin operating in spring 2004, will concentrate on the manufacture of high-volume products and those requiring considerable manual labor. Efore's Saarijärvi factory will concentrate increasingly on developing and manufacturing demanding products and products requiring a high degree of automation.

INVESTMENT

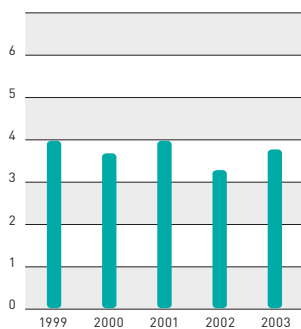
Investment in fixed assets totalled EUR 2.7 million (EUR 1.4 million), of which approximately one third consisted of product development capitalization. The higher investment was due to the equipment needed to expand production in the United States and China, and to raise the level of automation and buy new testing equipment at the Saarijärvi plant.

The amount of investment in the 2004 fiscal year is planned to be about the same as in the previous year. This will include further investment expenditure on setting up the new production plant in Estonia, new equipment for expanding production in China and the United States, and automation investments at Saarijärvi. The aim over the next few years is that investment should not exceed planned depreciation.

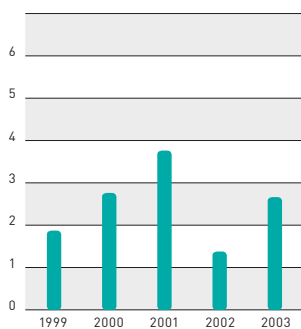
FINANCING

The Group's financial standing of the review year was satisfactory. Its net financial expenses totalled EUR -0.1 million (EUR -0.1 million). The Group's year-end solvency ratio stood at 49.5% (37.8%), and its gearing at -18.2% (41.6%). At the close of the fiscal year, the Group no longer had any interest-bearing net debt. Consolidated interest-bearing debt totalled

Product development expenditures, € million



Gross investments, € million



EUR -3.2 million (EUR 3.9 million). Cash flow after investments amounted to EUR 6.1 million (EUR 0.5 million). Liquid funds excluding undrawn credit facilities at the close of the fiscal year totalled EUR 7.2 million (EUR 3.6 million). The balance sheet total was EUR 35.5 million (EUR 24.7 million).

TAXATION

In its decision issued on April 22, 2003, the Supreme Administrative Court rejected Efore's appeal concerning taxation of the sales profit from the sale of the company's own shares that were in its possession. In contrast to Efore's view, the Court considered that the sales profit was taxable business income. As a consequence, the previously mentioned extraordinary tax item of EUR 0.3 million was booked for the first half of the fiscal year.

In other respects, the taxation payable on taxable income and the deferred tax receivables in each of the separate companies for the review period have been included under taxes. Previous fiscal years' losses, which can be offset in taxation, are included in the calculations. One-time deferred tax receivables totalling EUR 1.5 million have been booked in the financial statements, of which EUR 1.4 million is entered under extraordinary items.

The parent company's unused tax surplus is EUR 3.3 million, taking into account the Board of Directors' proposed dividend for the 2003 fiscal year.

PERSONNEL

The average number of personnel employed by the Group during the fiscal year was 411 (415), and at the close of the year 458 (376). The number of personnel increased by 82 during the year. The additional personnel were employed in Finland, the United States, and China. The biggest increase was in the United States. The number of personnel employed in Finland at the end of the fiscal year was 317 (309), or 69.1% (82.2%) of the total, and in other countries 141 (67).

ENVIRONMENTAL POLICY AND ENCUMBRANCES

The development and maintenance of environmental management systems in Efore Group's Finnish companies is based on international standard ISO 14001, which is applied to all operations. Standard certification is valid for the Espoo, Saarijärvi, Vantaa and China facilities. Standard ISO 14001 certification for the US facilities is planned for 2004. The management is not aware of any environmental risks or responsibilities having an impact on the company's economy.

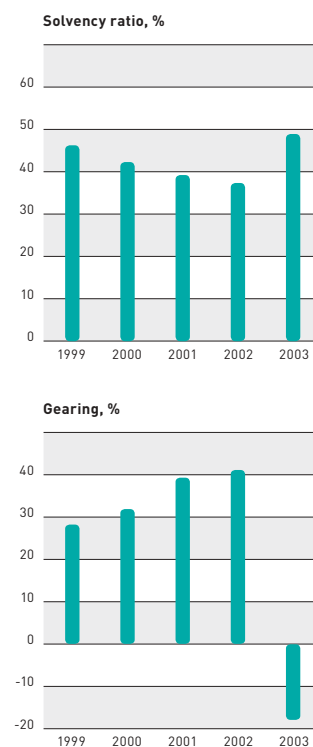
GROUP STRUCTURE AND ORGANIZATION

To streamline the Group's structure, the Efore Board of Directors decided at the end of the year to concentrate all the Group's Finnish operations under the parent company, Efore Plc. This will involve dismantling Efore Power Design Oy as a company and transferring its operations and personnel to the parent company. This process was begun in October 2003.

Two new business units were created in the Group's organization in July 2003. The new organization is based on five customer-focused business units, each of which is responsible for sales and product development worldwide for the customers allocated to it. The Group's joint global functions are marketing, supply management, production, technology development, finance, human resources administration, quality and environmental matters. The organization is also divided geographically into four regions: Europe, Asia, and North and South America.

BOARD OF DIRECTORS AND PRESIDENT AND CEO

The Efore Plc Annual General Meeting, held on March 13, 2003, elected five members and one deputy member to the company's Board of Directors: Hannes Fabritius, Timo Syrjälä, Matti Tammivuori, Veijo Komulainen, and Heikki Marttinen as members, and Pirkko Fabritius as deputy member. These persons all held the same positions on the Board in the previous fiscal year.



At its inaugural meeting following the AGM, the Board of Directors elected Hannes Fabritius as its chairman and Timo Syrjälä as deputy chairman. The Board convened 15 times during the fiscal year.

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

AUDITORS

The AGM appointed Authorized Accounting Firm Ernst & Young Oy as Efore's auditors, with Authorized Public Accountant Juha Nenonen as the principal auditor.

OUTLOOK

The power supply markets began to grow again in 2003. This growth is forecast to continue at an annual rate of 5-10% for at least the next five years. Efore's aim is to grow at a rate considerably faster than the average for the power supply markets as a whole.

Most of Efore's custom-designed power supplies, DC power systems and other electronics equipment have been developed for various telecommunications applications. Market research indicates that the demand for power supplies in the telecommunications sector will grow over the next five years at a faster rate than in other customer sectors, approximately 10-15% annually. Part of this growth will occur because the new third generation network technology requires more power than before, and therefore more power supply units. In industrial automation, medical electronics and engineering sectors, the demand for power supplies is forecast to remain steady.

The short-term growth prospects for the electronics design and manufacturing services (EDMS) market are also good, as customers continue to outsource their functions. The market in these sectors is generally expected to grow at an annual rate of 20-30% in the next few years. Efore's aim is to achieve a level of growth in the EDMS market at least equal to the average in that sector. In 2004, Efore's EDMS business is expected to grow by substantially more than the average growth forecast for the market.

With new products and customers, net sales in the current fiscal year are forecast to be up by 20-30% on the previous year. Thanks to sales growth and cost-efficient operations, operating profit is also expected to improve on the previous year's figure.

PROFIT AND LOSS STATEMENT
1,000 €

		Group 2003	Group 2002	Parent Company 2003	Parent Company 2002
	Notes to the financial statements				
NET SALES	(1)	64,267	38,850	55,963	33,349
Change in stocks of finished and unfinished goods		502	-530	616	-398
Other operating income		397	84	545	382
Raw materials and services					
Raw materials and consumables					
Purchases during the financial year		36,116	19,362	37,421	17,823
Change in inventories		-1,713	800	-163	712
Raw materials and consumables in total		34,402	20,162	37,258	18,535
External charges		1,764	1,401	794	1,076
		36,166	21,563	38,052	19,611
Personnel costs	(2)				
Wages, salaries and fees		12,120	10,436	7,583	7,014
Social security expenses					
Pension expenses		1,583	1,432	1,234	1,116
Other social security expenses		1,237	881	512	415
		14,940	12,749	9,329	8,545
Reduction in value	(3)				
Depreciation according to plan		2,157	2,325	2,109	2,156
Depreciation on Group Goodwill		16	9	0	0
		2,173	2,334	2,109	2,156
Other operating expenses	(4)	4,958	3,974	4,323	3,741
Share of loss of participating interests		17	95	0	0
OPERATING PROFIT (LOSS)		6,910	-2,311	3,311	-720
Financial income and expenses	(5)				
Income from other investments and fixed assets		8	8	8	2
Other interest and financial income		306	565	225	550
Decrease in value of inv. held as non-curr.assets		0	0	-350	0
Decrease in value of inv. held as curr.assets		0	-28	0	-28
Interest expenses and other financial expenses		-414	-601	-395	-502
		-101	-56	-512	22
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		6,810	-2,367	2,799	-698
Extraordinary items	(6)				
Extraordinary income		1,426	0	0	0
PROFIT BEFORE APPROPRIATIONS AND AND TAXES		8,236	-2,367	2,799	-698
Appropriations					
Decrease in accelerated depreciation		0	0	-71	-86
Income taxes					
Income taxes for the period		-232	-7	-89	0
Income taxes for previous years		-288	0	0	0
Change in deferred tax liability		80	-25	0	0
		-439	-32	-89	0
PROFIT (LOSS) FOR THE PERIOD		7,796	-2,399	2,639	-784

BALANCE SHEET**1,000 €**

		Group	Group	Parent Company	Parent Company
		2003	2002	2003	2002
	Notes to the financial statements				
LIABILITIES					
SHAREHOLDERS' EQUITY	(11)				
Share capital		13,830	13,830	13,830	13,830
Premium fund		1	1	0	0
Other funds					
Fund of own shares		481	119	481	119
Reserve fund		167	167	0	0
Other funds		77	92	0	0
Retained earnings		-4,517	-2,388	3,155	3,939
Profit (loss) for the period		7,796	-2,399	2,639	-784
		17,835	9,422	20,105	17,104
APPROPRIATIONS	(12)				
Depreciation		0	0	377	306
Voluntary provisions		0	0	0	288
		0	0	377	594
CREDITORS	(14)				
Non-current creditors					
Loans from credit institutions		1,372	2,339	1,372	2,339
Pension loans		681	1,482	681	1,482
Liabilities to Group companies		0	0	137	137
Deferred tax liability	(13)	109	88	0	0
		2,162	3,909	2,190	3,958
Current creditors					
Loans from credit institutions		1,626	2,996	766	1,981
Pension loans		374	641	374	641
Advance received		0	5	0	0
Trade payables		9,035	4,884	5,813	3,798
Liabilities to Group companies		0	0	3,503	734
Liabilities to associated companies		51	3	51	3
Other liabilities		418	332	245	215
Accruals and deferred income		4,045	2,529	3,301	2,174
		15,549	11,390	14,053	9,546
TOTAL LIABILITIES		35,546	24,721	36,725	31,202

CASH FLOW STATEMENT
1,000 €

	Group 2002 - 2003	Group 2001 - 2002	Parent company 2002 - 2003	Parent company 2001 - 2002
Cash flow from business operations				
Payments from sales	62,422	39,878	54,852	34,262
Payments from other operating income	166	83	281	490
Costs of business operations	-54,136	-37,899	-47,481	-31,371
Cash flow from business operations before financing items and taxes	8,452	2,062	7,652	3,381
Paid interests on business operations	-498	-633	-465	-534
Received interests on business operations	124	577	175	555
Paid direct taxes	-145	90	0	32
Cash flow before extraordinary items	7,933	2,096	7,362	3,434
Cash flow from extraordinary items	0	0	0	0
Cash flow from business operations (A)	7,933	2,096	7,362	3,434
Cash flow from investments				
Investments on tangible and intangible assets	-3,013	-1,811	-3,027	-2,380
Income from sale of tangible and intangible assets	1,182	116	1,013	47
Increase in non-current receivables	0	0	0	-3,240
Increase in other investments	-51	0	-51	-230
Decrease in non-current receivables	0	0	0	1,611
Income from sale of other investments	0	77	0	0
Interest income from investments	8	0	8	0
Dividend income from investments	4	1	4	1
Cash flow from investments (B)	-1,870	-1,617	-2,052	-4,191
Cash flow from financing				
Increase in current liabilities	0	0	0	1,014
Decrease in current liabilities	-883	0	-883	-1,020
Decrease in non-current liabilities	-1,926	-1,857	-1,926	-399
Cash flow from financing (C)	-2,809	-1,857	-2,809	-405
Change in cash flow (A+B+C): increase (+), decrease (-)	3,254	-1,378	2,501	-1,162
Cash in hand and at banks on Nov. 1, 2002	3,588	5,081	2,473	3,749
Non-monetary changes	362	-114	362	-114
Cash in hand and at banks on Oct. 31, 2003	7,204	3,588	5,336	2,473
	3,254	-1,378	2,501	-1,162

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2003
1,000 €

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
1. Net sales in market areas				
by customers				
Finland	18,586	16,747	18,487	16,745
European Union	30,254	15,887	29,361	12,485
USA	9,164	770	4,722	1,822
Other countries	6,263	5,446	3,393	2,297
Total	64,267	38,850	55,963	33,349
2. Personnel costs				
Wages, salaries and fees	12,120	10,436	7,583	7,014
Pension costs	1,583	1,432	1,234	1,116
Other social security expenses	1,237	881	512	415
Presented in the profit and loss account	14,940	12,749	9,329	8,545
Management salaries and fees				
Members of the Boards of Directors, President and CEO, Senior Executive Vice President, Executive President and CFO, and Presidents of subsidiaries	804	655	307	296
The President and CEO, Senior Executive Vice President, Executive Vice President and CFO, and the members of the Board of Directors employed by the company are covered by an optional pension plan.				
Total personnel, average				
Hourly paid	249	259	190	227
Salaried	162	156	72	82
Total	411	415	262	309
3. Depreciation				
Depreciation according to plan:				
Development expenses	584	508	1,070	940
Intangible assets	97	105	85	84
Group goodwill	16	9	0	0
Other capitalized expenditure	13	19	13	19
Buildings and constructions	11	35	11	35
Machinery and equipment	1,349	1,570	926	1,061
Other tangible assets	103	89	4	17
Total	2,173	2,335	2,109	2,156
4. Other operating expenses				
Other operating expenses are normal expenses				
5. Financial income and expenses				
Interest income from non-current investments				
From others	8	9	8	2
Interest income from non-current investments in total	8	9	8	2
Other interest and financial income				
From others	306	565	225	550
Value reductions in non-current assets				
Value reductions in Group holding	0	0	-350	0
Value reductions in current assets				
Investments	0	-28	0	-28

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Interest expenses and other financial expenses				
For Group companies	0	0	-2	-1
Others	-414	-601	-393	-501
	-414	-601	-395	-502
Financial income and expenses in total	-101	-56	-512	22
The item 'financial income and expenses' includes exchange rate gains/losses, net	122	451	122	426
6. Extraordinary items				
Extraordinary income				
Change in deferred tax assets	1,426	0	0	0
	1,426	0	0	0
7. Non-current assets				
Intangible assets				
Development expenses				
Acquisition cost on Nov. 1	2,991	2,087	5,329	3,499
Increases Nov. 1 - Oct. 31	1,051	904	2,032	1,830
Decreases Nov. 1 - Oct. 31	-52	0	-127	0
Acquisition cost on Oct. 31	3,990	2,991	7,234	5,329
Accumulated planned depreciation on Nov. 1	1,459	951	2,374	1,434
Depreciations Nov. 1 - Oct. 31	584	508	1,070	940
Accumulated planned depreciation on Oct. 31	2,042	1,459	3,444	2,374
Balance sheet value on Oct. 31	1,948	1,532	3,789	2,955
For the largest individual projects, product development costs accruing income for three or more years have been capitalized as development expenses. For the Group, capitalized direct development expenditure totals 1.9 Meur.				
Intangible rights				
Acquisition cost on Nov. 1	581	535	422	383
Decreases Nov. 1 - Oct. 31	42	47	40	39
Acquisition cost on Oct. 31	624	581	462	422
Accumulated planned depreciation on Nov. 1	396	291	262	177
Depreciations Nov. 1 - Oct. 31	97	105	85	84
Accumulated planned depreciation on Oct. 31	494	396	347	262
Balance sheet value on Oct. 31	130	185	115	160
Group goodwill				
Acquisition cost on Nov. 1	3,205	3,127	0	0
Increases Nov. 1 - Oct. 31	0	78	0	0
Acquisition cost on Oct. 31	3,205	3,205	0	0
Accumulated planned depreciation on Nov. 1	3,136	3,127	0	0
Depreciations Nov. 1 - Oct. 31	16	9	0	0
Accumulated planned depreciation on Oct. 31	3,152	3,136	0	0
Balance sheet value on Oct. 31	53	69	0	0
Other non-current investments				
Acquisition cost on Nov. 1	224	224	125	125
Increases Nov. 1 - Oct. 31	71	0	71	0
Decreases Nov. 1 - Oct. 31	-93	0	-93	0
Acquisition cost on Oct. 31	202	224	103	125
Accumulated planned depreciation on Nov. 1	132	113	32	14
Accumulated depreciation on decreases	-6	0	-6	0
Depreciations Nov. 1 - Oct. 31	13	19	13	19
Accumulated planned depreciation on Oct. 31	139	132	39	32
Balance sheet value on Oct. 31	64	93	64	93

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Tangible assets				
Land				
Acquisition cost on Nov. 1	173	173	173	173
Decreases Nov. 1 - Oct. 31	-173	0	-173	0
Acquisition cost on Oct. 31	0	173	0	173
Balance sheet value on Oct. 31	0	173	0	173
Buildings and constructions				
Acquisition cost on Nov. 1	947	947	535	535
Decreases Nov. 1 - Oct. 31	-471	0	-471	0
Acquisition cost on Oct. 31	477	947	64	535
Accumulated planned depreciation on Nov. 1	477	441	64	29
Accumulated depreciation on decreases	-11	0	-11	0
Depreciations Nov. 1 - Oct. 31	11	35	11	35
Accumulated planned depreciation on Oct. 31	477	477	64	64
Balance sheet value on Oct. 31	0	471	0	471
Machinery and equipment				
Acquisition cost on Nov. 1	14,443	14,349	9,569	9,407
Translation difference	-473	-290	0	0
Increases Nov. 1 - Oct. 31	1,001	505	332	244
Decreases Nov. 1 - Oct. 31	-114	-121	-84	-82
Acquisition cost on Oct. 31	14,857	14,443	9,817	9,569
Accumulated planned depreciation on Nov. 1	8,978	7,614	5,635	4,592
Translation difference	-323	-176	0	0
Accumulated depreciation on decreases	-36	-31	-20	-17
Depreciations Nov. 1 - Oct. 31	1,349	1,570	926	1,061
Accumulated planned depreciation on Oct. 31	9,967	8,978	6,541	5,635
Balance sheet value on Oct. 31	4,890	5,466	3,276	3,933
Other tangible assets				
Acquisition cost on Nov. 1	1,109	1,061	661	661
Translation difference	-66	-31	0	0
Increases Nov. 1 - Oct. 31	263	79	3	0
Decreases Nov. 1 - Oct. 31	-4	0	-4	0
Acquisition cost on Oct. 31	1,302	1,109	660	661
Accumulated planned depreciation on Nov. 1	919	851	648	632
Translation difference	-82	-21	0	0
Depreciations Nov. 1 - Oct. 31	103	89	4	17
Accumulated planned depreciation on Oct. 31	940	919	652	648
Balance sheet value on Oct. 31	362	190	9	13
Advance payments and work in progress				
Increases Nov. 1 - Oct. 31	237	0	237	0
Acquisition cost on Oct. 31	237	0	237	0
Balance sheet value on Oct. 31	237	0	237	0
Financial assets				
Holdings in Group companies				
Shares on Nov. 1	0	0	3,459	3,151
Increases Nov. 1 - Oct. 31	0	0	0	309
Reductions in value Nov. 1 - Oct. 31	0	0	-350	0
Balance sheet value on Oct. 31	0	0	3,109	3,459
Receivables from Group companies				
Receivables on Nov. 1	0	0	5,002	4,171
Increases Nov. 1 - Oct. 31	0	0	1,605	3,240
Decreases Nov. 1 - Oct. 31	0	0	-752	-2,409
Balance sheet value on Oct. 31	0	0	5,854	5,002

	Group		Group	Parent company	Parent company
	2003		2002	2003	2002
Holdings in participating interests					
Shares on Nov. 1	262		262	262	262
Translation difference	3		3	0	0
Increases Nov. 1 - Oct. 31	99		0	99	0
Accrued adjustment in the shareholders' equity of the participating interests on Oct. 31	-276		-171	0	0
Share of loss of participating interests	-17		-95	0	0
Balance sheet value on Oct. 31	71		0	361	262
Receivables from participating interests					
Receivables on Nov. 1	102		102	102	102
Balance sheet value on Oct. 31	102		102	102	102
Other shares and similar rights of ownership					
Shares on Nov. 1	32		32	31	31
Decreases Nov. 1 - Oct. 31	-1		0	-1	0
Balance sheet value on Oct. 31	31		32	30	31
Other receivables					
Shares on Nov. 1	0		78	0	78
Decreases Nov. 1 - Oct. 31	0		-78	0	-78
Balance sheet value on Oct. 31	0		0	0	0
Summary of fixed assets					
Acquisition cost on Nov. 1	24,070		22,978	25,670	22,578
Translation difference	-536		-318	0	0
Increases Nov. 1 - Oct. 31	2,488		1,443	4,419	5,662
Decreases Nov. 1 - Oct. 31	-925		-294	-1,704	-2,570
Reductions in value of inv. held as non-current assets	0		0	-350	0
Acquisition cost on Oct. 31	25,099		23,809	28,034	25,670
Accumulated planned depreciation on Nov. 1	15,495		13,388	9,016	6,877
Translation difference	-406		-196	0	0
Accumulated depreciation on decreases	-53		-31	-37	-17
Depreciations Nov. 1 - Oct. 31	2,173		2,335	2,109	2,156
Accumulated planned depreciation on Oct. 31	17,210		15,495	11,088	9,016
Balance sheet value on Oct. 31	7,889		8,313	16,947	16,654
Book value on Oct. 31					
Production machinery and equipment	4,174		4,713	2,795	3,303
8. Shares and similar rights of ownership					
	Nominal value	pcs	Group holding	Shareholders equity held by Group	Book value
				1,000 EUR	1,000 EUR
Subsidiary companies					
FI-Systems Oy, Espoo	3,363,75 EUR	20	100 %	4	3
Efore Power Design Oy, Vantaa	180,000 EUR	20,000	100 %	635	2,064
Efore (UK) Ltd, United Kingdom	25,000 GBP	25,000	100 %	15	28
Efore (USA), Inc., Texas, USA	100 USD	10,000	100 %	-1,235	0
Efore (Suzhou) Electronics Co. Ltd, China	1,050,000 USD		100 %	1,706	705
Efore (Ltda), Brazil	472,000 BRL		100 %	417	309
Associated companies					
Power Innovation GmbH, Germany	500,000 EUR	1	25%	71	361
Other shares and similar rights of ownership owned by parent company					
Book value	30 EUR		31 EUR		
Other shares and similar rights of ownership owned by subsidiaries					
Book value	1 EUR		1 EUR		

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
9. Receivables				
Non-current debtors				
Deferred tax assets	1450	0	0	0
	1450	0	0	0
Non-current receivables in total	1450	0	0	0
Current receivables				
Trade receivables	6,441	4,570	4,938	2,796
Other receivables	1,951	453	1,925	365
Prepaid expenses and accrued income	1,728	1,100	1,500	960
	10,120	6,123	8,363	4,121
Current receivables from Group companies				
Trade receivables	0	0	628	3,237
Prepaid expenses and accrued income	0	0	77	93
	0	0	705	3,330
Current receivables from participating interests				
Trade receivables	7	34	7	34
Loan receivables	77	77	77	77
Prepaid expenses and accrued income	0	3	0	3
	84	113	84	113
Current receivables in total	10,204	6,236	9,151	7,565
Prepaid expenses and accrued income				
Group and parent company prepaid expenses and accrued income include the following key items:				
Distribution of personnel costs	92	127	61	75
Distribution of financial income	1	3	1	3
Income taxes	1	332	0	332
Group companies	0	0	77	93
Associated companies	0	3	0	3
Capitalized exchange rate loss on long-term investments	1,084	332	1,084	332
Other items	549	306	354	218
	1,727	1,103	1,577	1,056
10. Investments				
Market value	1,416	666	1,416	666
Corresponding book value	1,045	635	1,045	635
Difference	371	31	371	31
11. Shareholders' equity				
Share capital on Nov. 1	13,830	13,830	13,830	13,830
Share capital on Oct. 31	13,830	13,830	13,830	13,830
Premium fund on Nov. 1	1	1	0	0
Premium fund on Oct. 31	1	1	0	0
Fund for own shares on Nov. 1	119	234	119	234
Increase in value/write-off of own shares	362	-114	362	-114
Fund for own shares on Oct. 31	481	119	481	119

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Reserve fund on Nov. 1	167	209	0	0
Decrease	0	-42	0	0
Reserve fund on Oct. 31	167	167	0	0
Other funds on Nov. 1	92	56	0	0
Other changes	-15	37	0	0
Other funds on Oct. 31	77	92	0	0
Retained earnings on Nov. 1	-4,788	-2,571	3,155	3,939
Transfer to other funds	0	-37	0	0
Translation and exchange differences	270	220	0	0
Retained earnings on Oct. 31	-4,517	-2,388	3,155	3,939
Result for the financial year	7,796	-2,399	2,639	-784
Shareholders' equity total	17,835	9,422	20,106	17,104
Calculation of distributable earnings				
Retained earnings	-4,518	-2,388	3,155	3,939
Result for the financial year	7,796	-2,399	2,640	-784
Equity share of accelerated depreciation	-268	-217	0	0
Voluntary provision	0	-288	0	0
Distributable earnings from shareholders' equity	3,011	-5,293	5,795	3,155
Parent company share capital is divided by share category as follows:				
	2003		2002	
	pcs	eur	pcs	eur
Series A (1 vote/share)	7,605,488	12,929,329.60	7,605,488	12,929,329.60
Series K (20 votes/share)	529,616	900,347.20	529,616	900,347.20

By the end of October, 2003, the Parent Company Efore Plc had with the Board's authorization repurchased 119,200 of its own series A-shares at a total acquisition cost of 481,237.83 eur, nominal value 202,640 eur, book value 481,237.83 eur.

The Annual General Meeting of 1998 approved option rights to the management and a broad range of salaried employees. The option rights give entitlement to subscribe 240,000 Efore Plc series A shares between April 1, 2000 and Dec. 31, 2004 at a price of 8.07 eur/share. The share subscription price is reduced by the amount of dividends distributed after the option rights issue.

12. Appropriations

Accumulated difference between depreciation according to plan and depreciation allowance

Intangible rights	0	0	423	297
Machinery and equipment	0	0	-50	0
Other tangible assets	0	0	4	8
Voluntary provisions	0	0	0	288
Total	0	0	377	594

13. Deferred tax liabilities and receivables

Deferred tax liabilities

Accelerated depreciation	109	89	0	0
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14. Liabilities

Non-current loans

Loans from credit institutions	1,372	2,339	1,372	2,339
Pension loans	681	1,482	681	1,482
Deferred tax liability	109	89	0	0
	2,162	3,909	2,053	3,821

Non-current liabilities to Group companies

Other liabilities	0	0	137	137
	0	0	137	137

Non-current liabilities in total

	2,162	3,909	2,190	3,958
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	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Current liabilities				
Loans from credit institutions	1,626	2,996	766	1,981
Pension loans	374	641	373	641
Advances received	0	5	0	0
Accounts payable	9,035	4,884	5,814	3,798
Other liabilities	418	333	245	215
Accruals and deferred income	4,045	2,529	3,301	2,174
	15,498	11,387	10,499	8,809
Current liabilities to Group companies				
Accounts payable	0	0	3,482	720
Other liabilities	0	0	7	6
Accruals and deferred income	0	0	14	9
	0	0	3,503	735
Current liabilities to associated companies				
Accounts payable	51	3	51	3
Current liabilities in total	15,549	11,389	14,053	9,546
Accruals and deferred income				
Group and parent company accruals and deferred income include the following key items:				
Distribution of holiday pay	1,396	1,272	1,073	1,063
Distribution of other personnel costs	1,124	317	854	222
Distribution of financial expenses	27	75	22	74
Group companies	0	0	15	8
Income taxes from the period	88	0	89	0
Other items	1,410	865	1,263	815
	4,043	2,529	3,316	2,182
15. Security, contingent liabilities and other commitments given				
Security given on own behalf				
Property mortgages	0	588	0	588
Corporate mortgages	6,740	6,404	6,572	6,236
Pledges given	10	0	2	0
Other contingent liabilities	127	0	127	0
Security given on behalf of group companies				
Corporate mortgages	0	0	168	168
Guarantees	0	0	1,040	1,014
Securities given in total				
Property mortgages	0	588	0	588
Corporate mortgages	6,740	6,404	6,740	6,404
Pledges given	10	0	2	0
Guarantees	0	0	1,040	1,014
Other contingent liabilities	127	0	127	0
Mortgages to property as security for loans				
Mortgages given	0	588	0	588
Corporate mortgages as security for loans				
Pension loans	1,055	2,123	1,055	2,123
Mortgages given	3,208	3,208	3,208	3,208
Loans from credit institutions	2,071	4,012	1,211	2,998
Mortgages given	3,532	3,196	3,364	3,027
Mortgages as security for loans in total	6,740	6,404	6,572	6,235
Rent and leasing commitments on own behalf				
Payable in current period	1,482	1,510	889	1,109
Payable later	760	1,719	343	1,026
Other contingent liabilities				
Derivative contracts				
Forward currency contracts:				
Fair value	2323	0	2323	0
Nominal value of underlying instruments	2415	0	2415	0

Since the end of the fiscal year, parent company Efore Plc has signed a new, five-year lease agreement for its office premises. The rent commitments on this lease are approximately EUR 2 million.

ACCOUNTING PRINCIPLES

Efore Group's consolidated financial statements have been prepared in accordance with accounting principles defined in the Finnish Accounting Act, which came into effect in 1998.

Scope of the consolidation and accounting principles applied

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

The consolidated accounts have been compiled using the acquisition cost method. The amount of the acquisition cost of the subsidiaries in excess of their shareholders' equity at the time of acquisition is shown on the balance sheet as a separate item under Group goodwill and has been amortized according to plan over a period of five years. All intracompany transactions, unrealized margins on internal deliveries, receivables and liabilities, and internal profit distribution have been eliminated.

The affiliated company Power Innovation GmbH has been consolidated using the equity method.

Translation of the financial statements of foreign subsidiaries

In the consolidated accounts the balance sheet items of the foreign subsidiaries have been translated into euros using the European Central Bank middle rates quoted on the balance sheet date. The profit and loss statements have been translated into euros using the average rates of exchange for the fiscal year calculated on the basis of the European Central Bank middle rates for each month. The translation differences arising from this, as with the translation differences for shareholders' equity, are presented in the balance sheet liabilities under the item 'retained earnings'.

Foreign currency items

Transactions in foreign currencies have been recorded at the rate of exchange prevailing on the date of transaction. The outstanding receivables and liabilities in foreign currencies at the end of the fiscal year have been valued using the middle rates of exchange pub-

lished by the European Central Bank on the balance sheet date. Exchange rate gains and losses relating to ordinary business operations have been adjusted against sales and purchases. Exchange rate gains and losses from financing have been entered under financial income and financial expenses. Unrealized exchange rate losses from non-current loan receivables have been entered in the 'prepayments and accrued income' item under assets in the balance sheet. The exchange rate differential of hedged items under assets has been corrected using the exchange rate differentials for derivatives taken to hedge currency positions.

Fixed assets

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

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

Development expenses	3-5 years
Intangible rights	5 years
Other capital expenditure	5-10 years
Group goodwill	5 years
Buildings and constructions	15 years
Machinery and equipment	3-10 years
Other tangible assets	5-20 years

Stocks

Raw materials included in stocks are stated at their weighted average cost. Direct variable acquisition costs have been included in the value of stocks. Non-marketability deductions have been made on obsolete and slow-moving materials in stock based on the Group's value adjustment principles.

Current investments

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

Own shares

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

Appropriations and deferred tax liabilities and assets

The appropriations in the consolidated balance sheet, consisting of accelerated depreciation, have been divided into shareholders' equity and deferred tax liability. The deferred part of the changes in depreciation reserve for fixed assets in the profit and loss statements of Group companies has been separated as a tax item for the period in the consolidated financial statements. Under the Companies Act, the appropriations included in the Group shareholders' equity are not distributable shareholders' equity.

Underutilized deferred tax assets of EUR 1,426,300 arising from losses that occurred in previous years have been entered in the profit and loss statement as extraordinary income, and in the balance sheet as non-current receivables. The entries are based on the assessment that the tax assets can be utilized in future years. In previous years the financial statements have not included deferred tax assets. The deferred tax assets of EUR 101,000 arising from the capital losses related to the dissolution of Efore Power Design Oy are included under the change in deferred tax liability in the profit and loss statement.

Net sales

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

Product development expenses

Development expenses accruing income over three or more years, in the case of the largest individual projects, have been capitalized under intangible assets and amortized over 3 – 5 years. In this way, the company intends to more accurately divide development expenses over the fiscal years in which it accrues income. In capitalizing product development expenditure, the company has complied with the Ministry of Trade and Industry's decision on capitalizing development expenses in balance sheets. The capitalized direct product development expenditure for the Group amounts to EUR 1.9 million.

Pension costs

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

Income taxes

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



EFORE GROUP KEY FIGURES	2003	2002	2001	2000	1999
Net sales, Meur	64.3	38.8	56.3	60.0	48.8
Change, %	65.4	-31.1	-6.1	23.0	10.9
Operating profit (loss), Meur	6.9	-2.3	-2.8	3.3	0.0
% of net sales	10.8	-5.9	-5.0	5.5	0.0
Profit (loss) before extraordinary items, Meur	6.8	-2.4	-3.5	3.2	0.2
% of net sales	10.6	-6.1	-6.2	5.4	0.4
Profit (loss) before appropriations and taxes, Meur	8.2	-2.4	-3.5	3.2	0.2
% of net sales	12.8	-6.1	-6.2	5.4	0.4
Net profit (loss), Meur	7.8	-2.4	-3.5	2.1	0.0
% of net sales	12.1	-6.2	-6.2	3.4	0.1
Gross investments, Meur	2.7	1.4	3.8	2.8	1.9
% of net sales	4.2	3.6	6.7	4.6	3.8
Non-current assets, Meur	7.9	8.3	9.4	8.4	8.4
Stocks, Meur	8.8	6.6	7.9	11.2	6.5
Receivables, Meur	11.7	6.2	6.6	12.8	11.6
Cash in hand and at banks, Meur	7.2	3.6	5.1	4.3	5.6
Share capital, Meur	13.8	13.8	13.8	6.9	6.7
Other shareholders' equity, Meur	4.0	-4.4	-2.0	9.1	8.2
Non-current creditors, Meur	2.2	3.9	6.4	4.8	7.4
Current creditors, Meur	15.5	11.4	10.9	15.9	9.7
Balance sheet total, Meur	35.5	24.7	29.0	36.7	32.1
Return on equity (ROE), %	47.8	-23.0	-25.4	13.4	0.2
Return on investment (ROI), %	37.1	-9.2	-11.5	15.4	2.6
Net interest bearing debt, Meur	-3.2	3.9	4.5	5.1	4.2
Gearing, %	-18.2	41.6	39.7	32.2	28.5
Current ratio	1.69	1.44	1.80	1.78	2.43
Solvency ratio, %	49.5	37.8	39.7	42.8	46.8
Personnel, average	411	415	505	515	491
Product development expenditure (booked as costs), Meur	2.8	2.4	3.1	3.1	3.3
Previous product development expenditure, % of net sales	4.4	6.2	5.5	5.2	6.7
Product development expenditure (capitalized in balance sheet), Meur	1.0	0.9	0.9	0.6	0.7
Previous product development expenditure, % of net sales	1.6	2.3	1.6	1.0	1.5

KEY FINANCIAL INDICATORS PER SHARE	2003	2002	2001	2000	1999
Earnings per share, eur	0.79	-0.30	-0.43	0.26	0.00
Dividend per share for the financial year, eur	0.37	0.00	0.00	0.20	0.18
Dividend per share, adjusted, eur	0.37	0.00	0.00	0.10	0.09
Dividend payout ratio, %	46.8	0.00	0.00	39.1	2499.1
Dividend yield, %	5.5	0.00	0.00	2.8	4.5
Shareholders' equity per share, eur	2.16	1.16	1.44	1.91	1.93
Adjusted share price, October 31, eur	6.75	1.00	1.80	3.60	2.07
P/E ratio	8.49	-3.34	-4.17	14.08	560.47
Market capitalization, Meur	54.1	8.1	14.4	29.3	16.5
Dividend distribution, Meur (for shares in circulation)	0.0	0.0	0.0	0.8	0.7
Number of series A shares traded	4 522	980	1 760	4 174	2 142
As % of the total number of series A shares	60.4	12.9	23.1	102.6	57.6
Value of trading, Meur	13.4	1.5	6.6	28.6	12.8
Number of shares adjusted (1,000 shares)					
- Average number	8,135	8,135	8,135	8,135	7,969
- Actual number of shares on October 31	8,135	8,135	8,135	8,135	7,969
- Actual number of shares on October 31 excl. own shares	8,016	8,016	8,016	8,042	7,969
Actual share price, eur					
lowest	0.72	0.81	1.01	2.01	1.90
highest	6.90	2.56	4.20	6.48	4.50
at balance sheet date	6.75	1.00	1.80	3.60	2.07
average	2.41	1.49	2.50	3.74	2.99

In calculation of key figures and key indicators own shares have been excluded from number of shares and the fund of own shares has been excluded from shareholders' equity.

The capitalization of development expenses, introduced in 1999 in accordance of the Ministry of Trade and Industry, improved the result before taxes for the year 2003 0.4 Meur, year 2002 0,4 Meur, year 2001 0.9 Meur and year 1999 0.7 Meur.

CALCULATION OF KEY FIGURES AND RATIOS

Return on investments (ROI), %	=	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial expenses}}{\text{Balance sheet total} - \text{Interest-free liabilities (ave. for financial year)}} \times 100$
Return on Equity (ROE) %	=	$\frac{\text{Profit before extraordinary items} - \text{income taxes}}{\text{Shareholders' equity (ave. for financial year)}} \times 100$
Current ratio	=	$\frac{\text{Liquid asset} + \text{stocks}}{\text{Current liabilities}}$
Solvency ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advance payments received} - \text{own shares}} \times 100$
Net interest-bearing debt	=	Interest-bearing debt - cash in hand and at bank and financial assets
Gearing, %	=	$\frac{\text{Net interest-bearing debt}}{\text{Shareholders' equity} + \text{minority interest} - \text{deferred tax liability} - \text{own shares}} \times 100$
Earnings per share	=	$\frac{\text{Profit before extraordinary items} - \text{income taxes}}{\text{Adjusted average number of shares} - \text{own shares}}$
Adjusted dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Product of adjustment coefficients for issues after the end of financial year} - \text{own shares}}$
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	=	$\frac{\text{Shareholders' equity (ave. for financial year)} - \text{own shares}}{\text{Adjusted average number of shares}}$
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



SHARES AND SHAREHOLDERS

SHARE CAPITAL AND SHARES

The total number of Efore shares is 8,135,104, of which 7,605,488 are series A shares and 529,616 series K shares. On October 31, 2003, Efore's registered share capital was EUR 13,829,676.80.

TRADING AND SHARE PRICES

The total number of Efore Plc series A shares traded on the HEX I list during the fiscal year was 4.5 million, amounting to a value of EUR 13.4 million. This represented 60.4% of the share-issue adjusted number of series A shares, and 56.4% of all Efore shares on October 31, 2003. The number of shareholders at the close of the fiscal year was 1,340 (October 31, 2002: 1,370).

The highest share price during the fiscal year was EUR 6.90, and the lowest price EUR 0.72. The average share price was EUR 2.41, and the closing price EUR 6.75. The market capitalization calculated at the final trading price of series A shares on October 31, 2003 was EUR 54.1 million.

EFORE SHARES IN THE COMPANY'S POSSESSION

In previous fiscal years the company purchased Efore shares in public trading, as authorized by the Board of Directors. At the close of the fiscal year, Efore had 119,200 series A shares in its possession, for which it has paid a total of EUR 481,237.83. The nominal total value of the shares is EUR 202,640, and their book value EUR 481,237.83. The Efore shares in the company's possession account for 1.5% of the share capital and 0.7% of the votes. The Efore shares in the company's possession do not confer any voting rights and no dividend is paid on them.

INVESTIGATING TRANSFER TO THE MAIN LIST AND COMBINING THE SHARE SERIES

The company's Board of Directors has decided to look into the possibility of transferring to the Helsinki Exchanges Main List and at the same time combining the series K and A shares. This has proceeded well, and progress will be reported in January 2004.

1998 OPTION RIGHTS PROGRAM

The 1998 Annual General Meeting decided to award option rights to Efore's management and to a broad range of salaried employees of the company and its Finnish subsidiaries. A total of 120,000 option rights were issued free of charge, and this doubled to 240,000 as a result of the 2001 bonus issue. The option rights entitle their holders to subscribe 240,000 Efore Plc series A shares in phases between April 1, 2000 and December 31, 2004 at a price of EUR 8.07 per share. The subscription price is reduced by the amount of dividends distributed after the option rights issue and during the option rights validity period (before December 31, 2004), which totals EUR 0.65 per share including the Board of Directors' proposal for dividend for the 2003 fiscal year. The share subscription price must, however, be at least the nominal value of the share. The option rights program forms part of a personnel incentive system and only company personnel are entitled to subscribe shares (depending on the type of employment relationship). The shares subscribed on the basis of the option rights may not constitute more than 2.87% of the company's shares or 1.30% of the votes. The Board of Directors has applied for a listing of the options in the Helsinki Exchanges as of March 1, 2004.

SHAREHOLDINGS OF EFORE MANAGEMENT

The total share ownership of Efore Plc's Board members, President and CEO and Senior Executive Vice President, as laid down in chapter 1, section 5 of the Securities Markets Act, stood at 1,375,444 series A shares and 273,976 series K shares on October 31, 2003. On the basis of the 1998 option rights program, the President and CEO and the Senior Executive Vice President may subscribe a total of 15,900 series A shares. Their share ownership will be equivalent to 0.2% of the total number of votes after they have made use of all option rights. After all the 1998 warrants have been used, the Board members, President and CEO, and Senior Executive Vice President will together own a maximum of 1,391,344 series A shares and 273,976 series K shares. This amounts to 19.88% of all shares and 38.75% of all votes.

DISTRIBUTION OF SHARE CAPITAL BY SERIES OF SHARES, 31 OCTOBER 2003

	Shares	Proportion of votes %	Votes	Proportion of votes %
Series A shares	7,605,488	93.49	7,605,488 kpl	41.79
Series K shares	529,616	6.51	10,592,320 kpl	58.21
Total	8,135,104	100.00	18,197,808 kpl	100.00

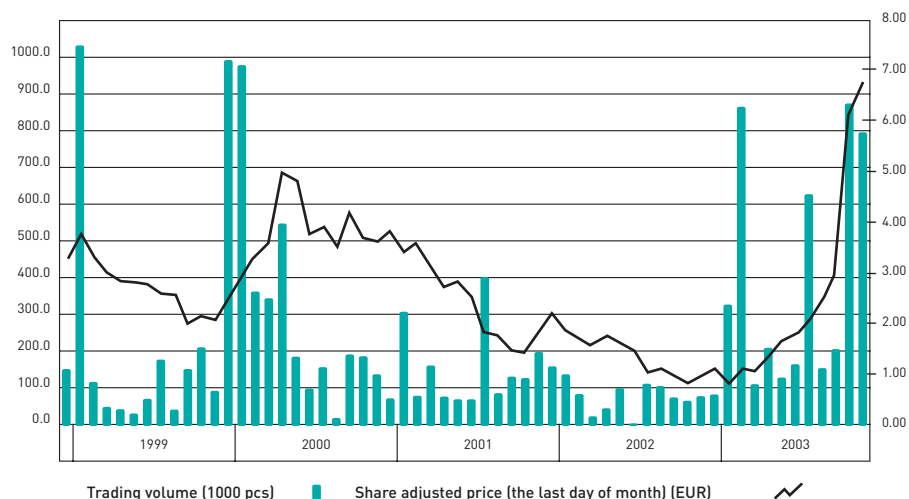
DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF HOLDING, OCTOBER 31, 2003

Series A and K shares A + K	Number of shareholders	Proportion of shareholders %	Series A shares	Proportion of A shares %	Series K shares	Proportion of K shares %	Votes	Proportion of votes %
1 - 100	114	8.51	7,898	0.10	0,00	0.00	7,898	0.04
101 - 500	445	33.21	137,307	1.81	284	0.05	142,987	0.79
501 - 1,000	326	24.33	265,514	3.49	0,00	0.00	265,514	1.46
1,001 - 5,000	330	24.63	771,404	10.14	0,00	0.00	771,404	4.24
5,001 - 10,000	51	3.81	396,484	5.21	0,00	0.00	396,484	2.18
10,001-100,000	48	3.58	1,696,552	22.31	0,00	0.00	1,696,552	9.32
100,001 - 999,999	25	1.87	4,209,851	55.35	529,332	99.95	14,796,491	81.31
TOTAL	1,339	99.93	7,485,010	98.42	529,616	100.00	18,077,330	99.34
In joint account			886	0.01	0,00	0.00	886	0.00
In special accounts			392	0.01	0,00	0.00	392	0.00
Shares in company's possession	1	0.07	119,200	1.57	0,00	0.00	119,200	0.66
NUMBER ISSUED	1,340	100.00	7,605,488	100.00	529,616	100.00	18,197,808	100.00

INCREASES IN SHARE CAPITAL, 1997 - 2003

Subscription share ratio	Price EUR	Subscription period	Dividend right	Increase, shares	Increase 1,000 EUR	New Share capital 1,000 EUR
Merger consideration		Jan. 10, 1997	1997	255,000	429	3,170
Bonus issue 10A:K;1A:K		Apr. 1 - 30, 1997	1997	180,618	304	3,342
Bonus issue 1A:1A;1K:1K		Apr. 1 - 30, 1998	1998	1,986,811	3,342	6,683
Subscriptions made on basis of options	7.11	July 1, 1999	2000	11,000	19	6,702
Subscriptions made on basis of options	7.11	Apr. 14, 2000	2000	82,930	139	6,841
Bonus issue		(Change of nominal value into euros)			74	6,915
Bonus issue 1A:1A;1K:1K		March 9, 2001	2001	4,067,552	6,915	13,830

EFORE PLC'S SHARE PRICES AND TRADING VOLUME IN 1998 - 2003



DISTRIBUTION OF SHAREHOLDINGS BY SHAREHOLDER CATEGORY, 31 OCTOBER,

	Number of shareholders, pcs	Proportion of shareholders %	Shares pcs	Proportion of shares %	Votes pcs	Proportion of votes %
ENTERPRISES						
Domestic enterprises	103		1,697,636		1,703,032	
ENTERPRISES TOTAL	103	7.69	1,697,636	20.87	1,703,032	9.36
FINANCIAL- AND INSURANCE INSTITUTIONS						
Deposit banks	2		161,800		161,800	
of which nominee registered	1		398,839		398,839	
Insurance companies	5		309,720		309,720	
Other financial institutions	7		575,770		575,770	
FINANCIAL-AND INSURANCE INSTITUTIONS	14	1.04	1,446,129	17.78	1,446,129	7.95
PUBLIC ENTITIES						
Municipalities	1		5,000		5,000	
Employment Pension Institutions	1		98,000		98,000	
PUBLIC ENTITIES TOTAL	2	0.15	103,000	1.27	103,000	0.57
NON PROFIT ORGANIZATIONS						
Non profit organizations	15		417,432		417,432	
NON PROFIT ORGANIZATIONS TOTAL	15	1.12	417,432	5.13	417,432	2.29
HOUSEHOLDS						
Entrepreneurs	57		118,942		118,942	
Wage earners	906		3,782,278		13,839,586	
Other households	235		501,529		501,529	
HOUSEHOLDS TOTAL	1,198	89.40	4,402,749	54.12	14,460,057	79.46
ABROAD TOTAL						
	8	0.60	66,880	0.82	66,880	0.37
In joint account			886	0.01	886	0.00
In special accounts			392		392	
NUMBER ISSUED	1,340	100.00	8,135,104	100.00	18,197,808	100.00

EFORE PLC'S 20 LARGEST SHAREHOLDERS, OCTOBER 31, 2003

	Series K shares	Series A shares	Series A shares, total	Total shares	Total votes	Proportion of shares %	Proportion of votes %
Tammivuori Esko	255,356		804,364	1,059,720	5,911,484	13.03	32.48
Fabritius Hannes	180,064		412,028	592,092	4,013,308	7.28	22.05
Fabritius Pirkko	93,912		321,400	415,312	2,199,640	5.11	12.09
EVLl Bank Plc			361,100	361,100	361,100	4.44	1.98
FIM Fenno			299,200	299,200	299,200	3.68	1.64
Syrjälä & Co			273,920	273,920	273,920	3.37	1.51
Q&A Consulting Oy Ab			259,600	259,600	259,600	3.19	1.43
Tapiola Group							
Tapiola General Mutual Insurance Company		131,000					
Tapiola Mutual Life Assurance Company		83,680	214,680	214,680	214,680	2.64	1.18
Ingman Finance Oy Ab			200,000	200,000	200,000	2.46	1.10
Syrjälä Timo Kalevi			200,000	200,000	200,000	2.46	1.10
Svenska Handelsbanken Ab			161,800	161,800	161,800	1.99	0.89
Rausanne Oy			155,000	155,000	155,000	1.91	0.85
Lähteenmäki Petteri			120,000	120,000	120,000	1.48	0.66
FIM Securities Ltd			111,600	111,600	111,600	1.37	0.61
Tapiola Mutual Pension Insurance Company			98,000	98,000	98,000	1.20	0.54
Maijos Oy			91,400	91,400	91,400	1.12	0.50
Suomi Group							
Suomi Mutual Life Assurance Company		73,040					
Suomi Insurance Company Ltd		15,000	88,040	88,040	88,040	1.08	0.48
Oy Leimark Invest Ab			70,000	70,000	70,000	0.86	0.38
Nelimarkka Heikki			68,200	68,200	68,200	0.84	0.37
Placeringsfonden Aktia Capital			66,728	66,728	66,728	0.82	0.37
TOTAL	529,332		4,377,060	4,906,392	14,963,700	60.31	82.23
Proportion of total, %	99.95%		57.55%	60.31%	82.23%		
NOMINEE REGISTERED							
Nordea Bank Plc			398,839	398,839	398,839	4.90	2.19
Efore Plc's shares on company's possession			119,200	119,200	119,200	1.47	0.66

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF RETAINED EARNINGS

According to the final accounts at October 31, 2003, the parent company's distributable shareholders' equity is EUR 5,794,676.74. After the Group's shareholders' equity has been reduced by the amount transferred from voluntary provisions, the Group's total distributable shareholders' equity is EUR 3,010,662.61.

Board of directors' proposal

At the Annual General Meeting of February 3, 2004, the Board of Directors will propose that AGM approves a dividend of EUR 0.37 per share for the fiscal year November 1, 2002 - October 31, 2003, equivalent to approximately 46.8% of the group's earnings per share.

Espoo, 18 December 2003

Hannes Fabritius
Chairman

Timo Syrjälä
Deputy Chairman

Matti Tammivuori

Veijo Komulainen

Heikki Marttinen

Pirkko Fabritius
Deputy board member

Markku Hangasjärvi
President and CEO

AUDITORS' REPORT

To the shareholders of Efore Plc

We have audited the accounting, the financial statements and the administration of Efore Plc for the year ended 31 October 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on administration of the parent company.

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

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

Espoo, 22 December 2003

ERNST & YOUNG OY
Authorised Public Accounting Firm

Juha Nenonen
Authorised Public Accountant

RISK MANAGEMENT

The purpose of risk management is to identify the strategic, operational and financial risks faced by a company and any conventional risks of loss. Risk management seeks to control these risks in a preventive and comprehensive manner. All Efore's units incorporate risk management in their business processes in accordance with operational risk management principles.

Efore Group and its operating units must follow the risk management principles when assessing the risks of their own operations, prepare related plans for development, and report risks in accordance with the organizational structure.

To reduce occupational accidents and improve overall safety levels, Efore's units have an active, long-established training and development program.

The ISO 14001 standard forms the basis for the environmental management systems used by the Group to handle its environmental risks.

There are separate guidelines for data and corporate security.

Risk management for purchasing is based on harmonized purchasing guidelines, contract texts, and advanced data systems.

MANAGEMENT OF FINANCING RISKS

Risk management for financing aims to avoid risks altogether and to have cost-effective arrangements for protecting the Group from factors that may affect its performance and cash flow.

Only financing instruments with market value and risk profiles that can be reliably monitored are used by the Efore Group for exchange-rate and interest-rate hedging.

Exchange-rate risks

The aim of exchange-rate risk management is to control risks resulting from currency fluctuations so that they do not affect business performance or Group solvency.

During the fiscal year under review, 88% of Efore Group's sales and 70% of its operating expenses were in euros. Most of the remaining foreign currency denominated sales and operating expenses were in US dollars or in currencies closely tied to it.

The subsidiaries manage their own exchange-rate risks in local currencies and their business operations are mainly in the currencies of the countries in which they are located or in currencies closely tied to them. Thus, the parent company bears most of the exchange-rate risks. The principal subsidiary companies are in the United States, China, and Brazil. In addition, production will begin in Estonia in spring 2004.

The policy of the Group is to hedge all foreign currency surpluses and deficits of commercial value and fixed purchase and sales contracts. Hedging is with currency derivatives, such as forward currency contracts and currency options and foreign currency loans. Most currency derivatives have a duration of less than one year. The instruments used for

hedging against exchange-rate risks and their nominal values at the end of the fiscal year have been itemized in the notes to the financial statements on page 29.

Liquidity risks

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

The liquidity of the Efore Group remained good. At the end of the fiscal year, the Group's net interest-bearing liabilities stood at EUR -3.2 million, which means that the Group's cash reserves exceeded its interest-bearing liabilities.

Interest-rate risks

Interest-rate risks are caused by interest-rate fluctuations affecting the loan portfolio and cash reserves on the one hand, and by the nature of the interest-bearing liabilities (i.e. are they fixed-interest or floating rate). Interest-rate risks are managed by making the right decisions on loan interest periods and by using different types of interest-rate derivative instruments.

At the end of the fiscal year, the interest-bearing liabilities of the Efore Group totalled EUR 4.1 million (EUR 7.5 million), of which 74% was tied to floating market rates of less than one year. At time of the closing of the books, the Group did not have any open interest-rate hedges.

Credit and other counter party risks

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

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

RISK OF LOSS

Efore aims to prevent losses by observing the highest standards in its operations and taking predictive risk management measures. The risks that are beyond Efore's control are transferred with insurance policies. The aim is to have proper insurance cover for all risks of loss connected with matters such as assets, business interruption, and operational and product liability.

CORPORATE GOVERNANCE

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

The Group operates in accordance with the guidelines issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers on the governance of public companies, and with the insider trading instructions issued by Helsinki Exchanges.

Group structure

Efore Group consists of the parent company, Efore Plc, and wholly owned subsidiaries Efore (USA), Inc. in the United States, Efore (Suzhou) Electronics Co., Ltd in China, Efore Ltda in Brazil, Efore (UK) Ltd in the United Kingdom, and Efore Power Design Oy.

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

The Group's operations are based on five customer-focused business units, each responsible independently for their customer relations, sales, and product development. The global functions common to all parts of the Group are marketing, supply management, production, technology development, finance, human resources, quality management, and environment, health and safety (EHS).

Annual General Meeting

The functions of the Annual General Meeting as the company's supreme decision-making authority are defined in the Companies Act and Efore's Articles of Association. Shareholders are able to exercise their decision-making power at the AGM.

Appointing Board members

The Annual General Meeting elects the members and deputy members of the Board of Directors by simple majority vote for a term of office that ends with the close of the next AGM following their election. The Board of Directors elects from amongst its members a chairman and deputy chairman. Board member nominations to be proposed at the AGM that are notified to the Board will be published in the AGM invitation, provided that the proposal is supported by at least 20% of the total votes of the company.

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 seven members, and no more than one deputy member. The Board currently has five members and one deputy member. The company's President and CEO is not a member of the Board of Directors.

Duties and responsibilities of the Board

The Board of Directors has general decision-making authority in all company matters that are not stipulated (by law or under the Articles of Association) for the decision or action of another party. The Board is responsible for the governance of the company and for duly organizing its operations. It also approves the corporate strategy, operational plans, the annual budget, and major investments.

President and CEO and Senior Executive Vice President

The Board of Directors appoints the company's President and CEO and Senior Executive Vice President and supervises their actions. Terms and conditions governing their appointments are detailed in written contracts. The President and CEO manages and supervises Group operations within the guidelines and directives issued by the Board of Directors. When the President and CEO is temporarily prevented from performing his duties, the Senior Executive Vice President assumes the powers of President and CEO.



Senior Executive Committee and Corporate Executive Committee

The President and CEO chairs and is assisted by the Senior Executive Committee and the Corporate Executive Committee. The Senior Executive Committee comprises the chairman, Senior Executive Vice President, Executive Vice President and CFO, and the President of the Chinese subsidiary. (Senior Executive Vice President holds also a position as the President of the US Subsidiary.)

The Executive Committee's responsibilities are as follows: drafting the Group's strategy and budget; monitoring the Group's strategic goals and operating plans; financial supervision of the parent company and Group subsidiaries; considering investment plans and important tenders; considering matters relating to quality, environment, health and safety; and initiating and supervising other Group development projects. The Senior Executive Committee also considers the matters submitted to the Board of Directors for decision.

The Senior Executive Committee convened 12 times during the fiscal year.

The Corporate Executive Committee comprises the Senior Executive Committee, senior management representatives responsible for the business units, the President of the Brazilian subsidiary, and senior management representatives responsible for marketing, supply management, production, human resources and technology development.

The responsibilities of the Corporate Executive Committee are as follows: participation in the drafting of the Group's strategy and budget, monitoring the Group's strategic goals and operating plans, development and monitoring of business processes, and consideration of matters submitted to the Senior Executive Committee for decision.

The Corporate Executive Committee convened 12 times during the fiscal year.

Supervision

The Group has financial reporting systems for supervising its business operations and financial management. The supervision is carried out within guidelines approved by the Board of Directors covering the following matters:

- management organization and governing principles
- decision-making authority and approval procedures
- administrative operating policies
- financial planning and reporting
- management fee guidelines

Efore Plc's principal auditor is responsible for coordinating the Group's auditing and issuing guidelines for it. The Group has no separate organization for internal auditing. The principal auditor and the company management jointly draw up an auditing plan each year.

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

BOARD OF DIRECTORS



Hannes Fabritius

Veijo Komulainen

Pirkko Fabritius



Matti Tammivuori

Heikki Marttinen

not in photograph: Timo Syrjälä

Hannes Fabritius, b. 1942

Chairman, since 1994
Founding shareholder of Efore Plc
Efore Plc, Managing Director, until 1994
412,028 series A shares
180,064 series K shares

Timo Syrjälä, b. 1958

Deputy Chairman
Syrjälä & Co Oy, management consultant
565,320 series A shares

Veijo Komulainen, b. 1954

Board member
VIA Group, senior consultant, since 2002
Savcor Group, Chief Operating Officer, 2001-2002
Fortum Engineering, Vice President, Thermal Power BU, 1995-2001
Polartest Oy, managing director, 1989-1994
3,000 series A shares

Heikki Marttinen, b. 1946

Board member
Kamensky Consulting Oy, partner, since 2003
Eimo Corporation, President and CEO, 2002-2003
Fortum Corporation, CEO, 1998-2000
Imatran Voima Oy, Chairman and CEO, 1996-1998
12,500 series A shares

Matti Tammivuori, b. 1957

Board member
Tamcor Ky, managing director, since 1985
PeslaSoft Oy, board member
Virtaankosken Voima Oy, board member
Pienvesivoimayhdistys, Chairman
Päijänne Leader+, board member
39,796 series A shares

Pirkko Fabritius, b. 1943

Deputy board member
Founding shareholder of Efore Plc
Efore Group, board-appointed Controller, since 1997
Efore Plc board member, until 2002
Efore Plc, Managing Director, 1996-1997
Efore Plc, director of finance, until 1995
Osakesäästäjien Keskusliitto ry, deputy board member
321,400 series A shares
93,912 series K shares

EXECUTIVE COMMITTEE

Senior Executive Committee (SEC) as of October 31, 2003



Markku Hangasjärvi

MSc(Eng), b. 1966
Chairman of Executive Committees
President and CEO since 2001
9,000 series A shares
11,100 share options



Vesa Vihavainen

BSc(Econ), MBA, b. 1962
Deputy Chairman of Executive
Committees
Employed by Efore since 1997
Deputy to President and CEO since 2000
Senior Executive Vice President, OEM4
President of Efore (USA), Inc.
12,400 series A shares
4,800 share options



Jorma Lappalainen

BSc(Econ), b. 1950
Employed by Efore since 2000
Executive Vice President and CFO
since 2001
65,200 series A shares
3,600 share options



Khalid Hafeez

Tech. Lic., MBA, b. 1950
Employed by Efore since 2002
Vice President, Asia Pacific and OEM5
President of Efore (Suzhou)
Electronics Co, Ltd.
18,000 series A shares
2,400 share options

Corporate Executive Committee (CEC) as of October 31, 2003

(In addition to the members of Senior Executive Committee)



Jukka Jokinen

BSc(Eng), b. 1957
Employed by Efore since 1999
Vice President, Business Unit OEM1
1,500 series A shares
2,400 share options



Håkan Povenius

BSc(Eng), b. 1955
Employed by Efore since 1996
Vice President, Business Unit OEM2
0 series A shares
2,400 share options



Cary Kilpinen

Electronics fitter, b. 1959
Employed by Efore since 1997
Vice President, Business Unit OEM3
0 series A shares
2,400 share options



Ture Nyholm

BSc(Econ), b. 1952
Employed by Efore since 1993
Vice President, South America
President of Efore (Brazil) Ltda
0 series A shares
2,400 share options



Kai Aro

BSc(Eng), b. 1950
Employed by Efore since 2002
Vice President, Sales and Marketing
0 series A shares
2,400 share options



Riitta Kirjalainen

BSc(Econ), b. 1946
Employed by Efore since 1995
Vice President, Human Resources
220 series A shares
2,400 share options



Juhani Vuola

MSc(Eng), b. 1966
Employed by Efore since 1996
Vice President, Production
2,200 series A shares
2,400 share options



Esko Yliportimo

BSc(Eng), b. 1947
Employed by Efore since 2001
Vice President, Supply Management
2,400 series A shares
2,400 share options

www.efore.fi

firstname.lastname@efore.fi



Headquarters:

Piispanportti 12

P.O.Box 61

FIN-02211 Espoo, Finland

FROM MAY 2004 ON

Quartetto Business Park

Linnoitustie 4 A

FIN-02600 Espoo, Finland

Tel. +358 9 478 466

Fax +358 9 4784 6500

Vantaa office:

Joukontie 42

FIN-01400 Vantaa

Tel. +358 9 478 466

Fax +358 9 874 5852

Tampere office:

Hermia 10, Hermiankatu 3 A

FIN-33720 Tampere

Tel. +358 3 316 7500

Fax +358 3 316 7501

Saarijärvi factory:

Rentontie 7

P.O.Box 7

FIN-43101 Saarijärvi

Tel. +358 14 429 61

Fax +358 14 422 705

Efore (USA), Inc.

3200 West Story Road,

Irving, Texas 75038, USA

Tel. +1 972 570 4480, Fax +1 972 607 2287

6029 W. Campus Circle Drive

Irving, Texas 75063, USA

Tel. +1 214 493 0200, Fax +1 214 493 0201

Efore (Suzhou) Electronics Co. Ltd.

Building 4B, No.428 Xinglong Street,

Suchun Industrial Square,

Suzhou Industrial Park,

Suzhou, P.R China 215126

Tel. +86 512 6283 7744, Fax +86 512 6283 3080

Efore Ltda

R Werner Habig S/NR

Edificio 03 Sala 03, Hortolandia

SP 13187-020, Brazil

Tel. +55 19 3865 9170, Fax +55 19 3865 9110

Affiliate Company:

Power Innovation GmbH

Rehland 2

D-288 32 Achim, Germany

Tel. +49 4202 511 710, Fax +49 4202 511 770

Efore Plc

Piispanportti 12
FIN-02211 Espoo, Finland

Tel. +358 9 478 466
Fax +358 9 4784 6500

www.efore.fi

