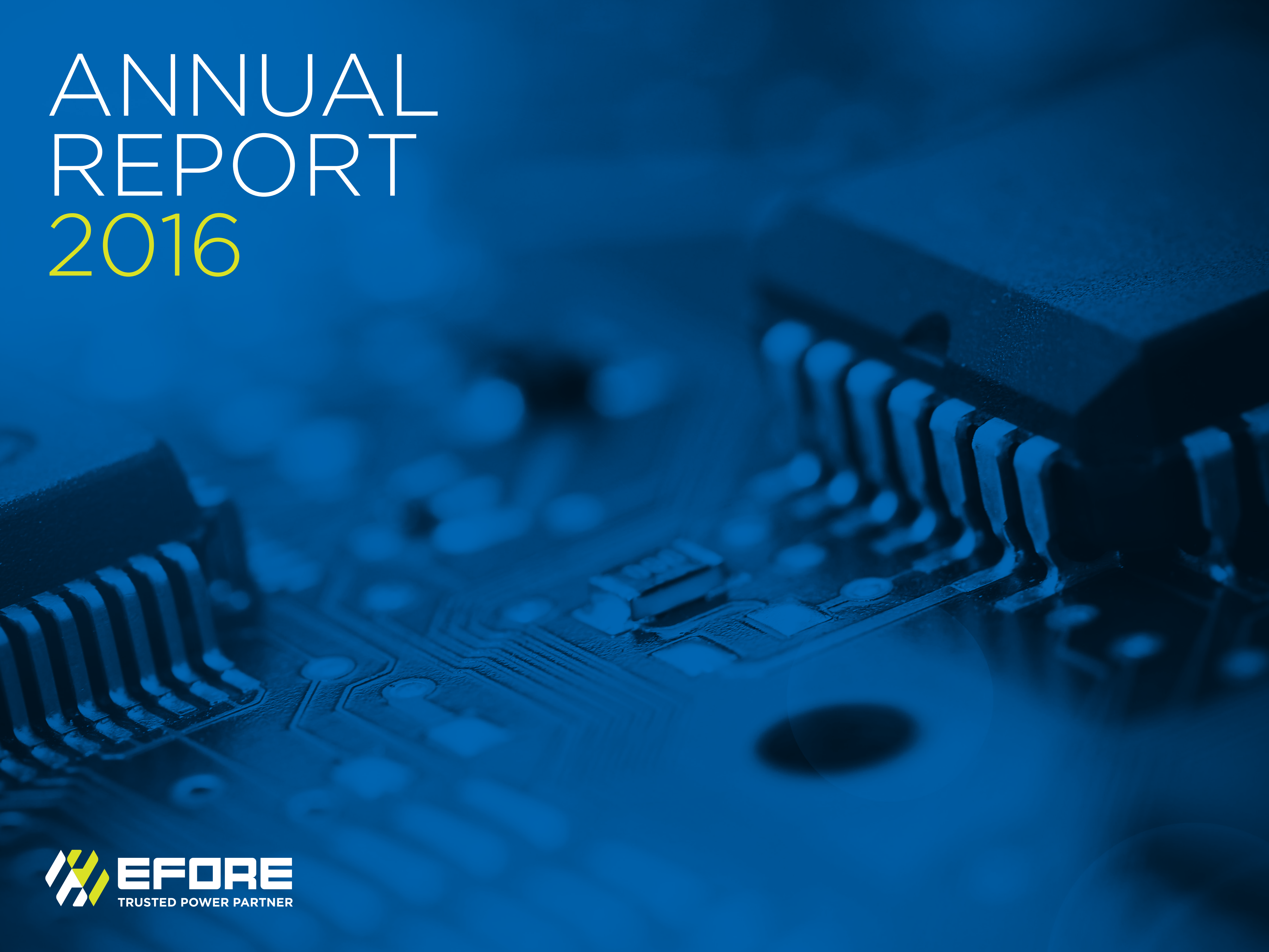
ANNUAL REPORT 2016



EFORE
TRUSTED POWER PARTNER

CONTENTS

EFORE IN BRIEF

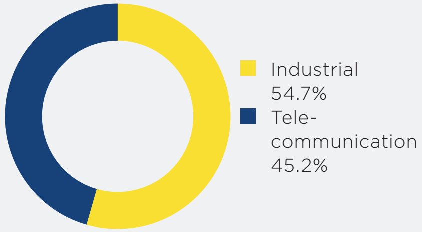
Efore is an international Group which develops and produces demanding power products. Efore's head office is based in Finland, and its R&D operations are located in Europe and China. Sales and Marketing operations are located in Europe, the United States and China. In the financial year ending in December 2016, consolidated net sales totalled EUR 75.4 million and the Group's personnel averaged 679. The parent company's share is quoted on the Nasdaq Helsinki Ltd.

FINANCIAL YEAR 2016 IN BRIEF

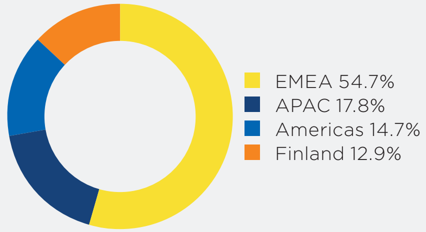
Key figures		2016	2015
Net sales	MEUR	**75.4**	89.9
Results from operating activities without one-time costs	MEUR	**-4.8**	-1.6
Results from operating activities	MEUR	**-9.7**	-2.0
% of net sales	%	**-12.8**	-2.3
Result before taxes	MEUR	**-10.4**	-3.3
Result for the period	MEUR	**-11.4**	-3.4
Return on equity (ROE)	%	**-85.5**	-16.8
Return on investment (ROI)	%	**-38.0**	-9.2
Cash flow from business operations	MEUR	**-1.1**	1.8
Net interest-bearing liabilities	MEUR	**7.5**	4.7
Solvency ratio	%	**15.7**	34.2
Net gearing	%	**99.5**	24.5
Earnings per share	EUR	**-0.22**	-0.07
Equity per share	EUR	**0.14**	0.36
Dividend per share	EUR	**0**	0
Share price on December 31	EUR	**0.55**	0.77
Market capitalization on December 31	MEUR	**28.5**	40.2
Personnel, average		**679**	887

- Net sales fell short of previous year's level and net result was weak.
- The whole year and especially the first half of the year was characterized by a weaker than forecasted demand in the telecommunications sector.
- In the early part of the year the industrial sector sales were almost at the same level as in the corresponding period of last year but during the latter part of the year the industrial sales went down compared with the corresponding period of last year.
- Efore and Wuxi Hodgen Technology Co Ltd signed the master supply and asset agreements related to the outsourcing of manufacturing as well as manufacturing support functions at the Suzhou plant in China.
- National Instruments has recognized Efore again with the Global Supplier Award.
- In the autumn, Efore started several actions to reduce its fixed costs and lighten the balance sheet.

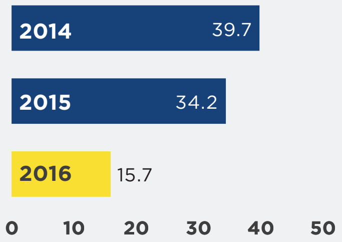
Net sales by sectors



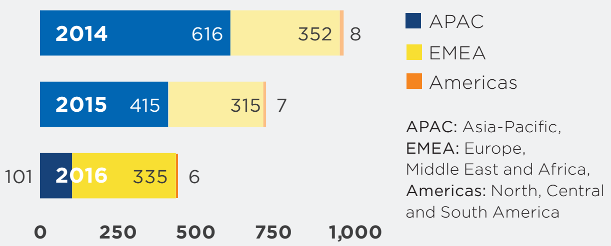
Net sales by areas



Solvency ratio, %



Personnel by geographical area



A DIFFICULT YEAR FOR EFORE IN 2016

Efore's net sales in 2016 fell short of the previous year's level and the net result was weak. The weak development was mainly due to lower-than-forecasted demand in the telecommunications sector, costs arising from the outsourcing of our manufacturing in China and our organization being too slow in reacting to changes in the business environment. We initiated measures in the autumn to reduce our fixed costs and balance sheet. During spring 2017, we will revise our strategy and business approach as required by the business environment. We estimate our operating result and cash flow for 2017 to be positive.

Efore announced its new strategy and organizational structure in late 2015. The implementation of the strategy did not go according to the original objectives. The company initiated a process in autumn 2016 to adjust its strategy.

In early 2016, Efore began discussions on outsourcing production at the Suzhou plant in China. In August, the company finalized negotiations with Wuxi Hodgen Technology Co Ltd concerning the outsourcing of manufacturing as well as manufacturing support functions at the Suzhou plant in China and signed master supply and asset agreements. The arrangement enables Efore to increase its focus on its core competency, which is developing power solutions for its customers. The transfer of production significantly reduces Efore's operating costs and is part of the company's balance sheet reduction program.

Weak demand in the telecommunications sector and production-related challenges led to weaker-than-expected profit performance

Demand in the telecommunications sector was substantially below forecasts for the full year 2016 and particularly in the early part of the year. Our power supply products for the telecommunications sector have traditionally been focused on large macro base stations. However, in recent years, the demand in wireless network hardware has been strongest for smaller base station products.

The demand for our telecommunications products improved in the final quarter of the year, but we were unable to adequately increase our delivery volumes due to the production outsourcing process that was underway at the time. Moreover, the net sales from a significant product development project completed in late 2015 fell short of our original estimates.

In the industrial sector, our net sales in the first part of 2016 were at the same level with the previous year, but the full-year total showed a year-on-year decrease. This was primarily due to two EMS customers starting to use the services of other companies in the fourth quarter as a result of the outsourcing of our production operations. Nevertheless, there were some positive developments in the industrial sector as well. The sales of our Digital Light and Digital Power product groups increased slightly from the previous year. National Instruments again recognized Efore with performance awards in its annual supplier assessment, which is evidence of our excellent quality and reliability as a partner.

Our operating result was substantially weighed down by significant one-time costs caused by the outsourcing of our production in China, arising from factors such as personnel costs and restructuring arrangements.

PRODUCT DEVELOPMENT AS A FOUNDATION FOR GROWTH

In the telecommunications sector, we continued the product development projects we launched in 2015, particularly in the area of power supply systems for small base stations. We have expanded our technology portfolio to include power supplies with power back-up and inverter technologies. Part of our product development projects are focused on 5G network technology. Products based on 5G technology will play a key role in the future expansion of telecommunications networks. While the wider roll-out of 5G technology is not expected to take place before the next decade, in the meantime operators will respond to the growing need for network capacity by investing particularly in small base station products and technologies that support 5G preparedness.

In the industrial sector, we have expanded our technology portfolio particularly in the areas of more energy-efficient power supply solutions and smart LED lighting systems. In 2016, we complemented our product offering by launching several products based on digital control. Among other new product introductions, we launched new dimming CIELO LED drivers to strengthen the ROAL Digital Light brand. Power supplies for LED lighting, instrumentation, medical equipment and infrastructure will offer substantial growth opportunities in the industrial sector going forward. Our product development and marketing investments in the industrial sector will be carefully targeted at subsectors in which the key competitive factors are high reliability and long product life cycles.

> ”We have implemented actions to reduce the fixed costs and to lighten the balance sheet. These actions together with the new products will create good conditions for positive result development in 2017.”

POSITIVE DEVELOPMENT IS ON THE HORIZON

In autumn 2016, we initiated measures that will gradually lighten our fixed costs. We will achieve our targeted cost level by the end of the second quarter of 2017. Our target is to reduce our annual fixed costs by approximately EUR 7 million while also lightening our balance sheet. Our changed business environment also requires us to make adjustments to our strategy and business plan as well as our operating model. The measures associated with these adjustments will be implemented during spring 2017.

We expect that these measures and our new products/product solutions, combined with the strong growth of the LED market and slightly improved demand in the telecommunications sector, will improve the profitability of our operations. We have won several new accounts in the industrial sector in Europe and the United States. We will also launch new products, which is why we anticipate slight growth in this sector in 2017.

We estimate that our net sales in 2017 will be at the same level with the previous year and that our operating result and cash flow will be positive.

I would like to thank our customers, shareholders and partners for their constructive and faithful cooperation in 2016, a year that was a very challenging period for us. I want to express my special thanks to our personnel for working with a committed and positive attitude in spite of the fact that the difficult market climate has forced us to also implement measures that have affected our personnel. The commitment of our personnel and our strong customer focus in the fiscal year 2016 were evidenced by the significant awards we again received from National Instruments.

Jorma Wiitakorpi
President and CEO

REPORT OF THE BOARD OF DIRECTORS

Efore is an international Group which develops and produces demanding power electronics products. In 2016 Efore complied with the Insider Guidelines issued by the NASDAX Helsinki Oy and the Finnish Corporate Governance Code 2015 for Listed Companies issued by Securities Market Association.

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

GROUP STRUCTURE

At the end the financial year Efore Group consisted of the parent company Efore Plc and its directly or indirectly wholly owned subsidiaries Efore (USA) Inc. in the United States, Efore(Suzhou) Electronics Co. Ltd in China, Efore (Suzhou) Automotive Technology Co., Ltd in China, Efore OU in Estonia, Efore AB in Sweden, Efore (Hong Kong) Co. Ltd in China and FI-Systems Oy in Finland as well as Efore SpA in Italy, Efore Sarl in Tunisia and Efore Inc. in the U.S.A.

NET SALES AND RESULT OF THE FULL YEAR

The full year net sales totalled EUR 75.4 million (EUR 89.9 million).

The full year 2016 net sales of the telecommunications sector totalled EUR 34.2 million (EUR 44.8 million) and the net sales of the industrial sector totalled EUR 41.2 million (EUR 45.1 million).

The whole year was characterized by a clearly weaker than forecasted demand in the telecommunications sector. The demand improved during the fourth quarter of the year but Efore was not able to sufficiently increase the volume of production due to the simultaneous outsourcing of the manufacturing in China.

Furthermore, the net sales of an important R&D project finalized at the end of 2015 remained lower than estimated in 2016. All these had a negative effect on the net sales and the profitability during the financial year.

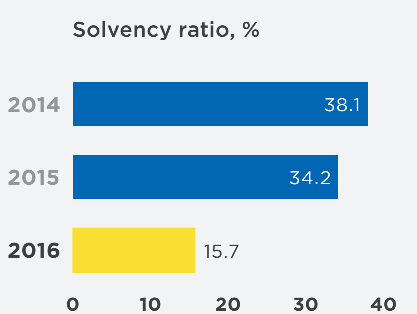
The full year industrial sector sales decreased 8.6% from the previous year. The main reason for the decrease was that two EMS-customers started cooperation with other suppliers due to the outsourcing of manufacturing in China during the fourth quarter of the year.

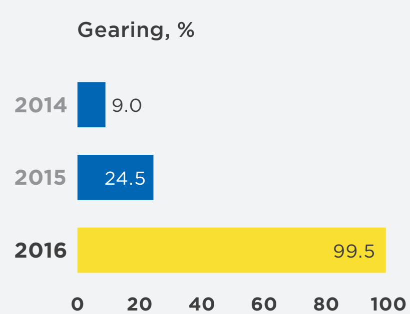
The weaker than expected productivity and manufacturing facilities temporarily in two locations reduced the operating result during the second part of the year.

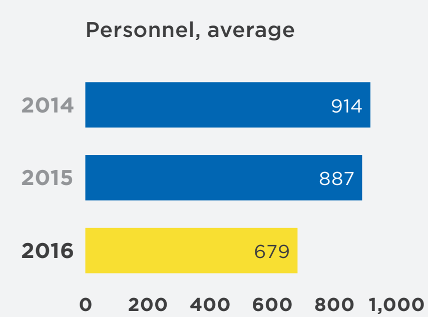
Adjusted operating result for the fiscal year was EUR -4.8 million (EUR -1.6 million). The results from operating activities were lowered by the one-time items of EUR -3.8 (EUR 0 million) related mainly to China outsourcing and one-time items of EUR -1.0 million (EUR -0.4 million) related to the structural changes of the company.

BUSINESS DEVELOPMENT

In telecommunications sector Efore had several new R&D projects especially for the power supply systems of small cell base stations. A part of the ongoing R&D projects have also been developed for future 5G market.







In 2016 Efore launched new Digital Light power products for industrial applications and introduced new dimming CIELO LED drivers. Efore's technology portfolio has been expanded to include especially energy efficient power products and intelligent LED lighting systems.

Efore Plc and Wuxi Hodgen Technology Co Ltd signed the master supply and asset agreements related to the outsourcing of manufacturing as well as manufacturing support functions at the Suzhou plant in China in the end of August 2016. The negotiations concerning the outsourcing of manufacturing in China were finalized in October 2016. Efore will remain responsible for the quality of the delivered products as well as for the NPI (New Product Introduction) process. This arrangement is a key part of Efore's strategy and will allow Efore to become focused on the demanding power products and their product development. At the same time the outsourcing will significantly reduce operational costs and net working capital.

New actions have been implemented in autumn 2016. These actions will reduce the fixed costs of the Group from the beginning of the year 2017. The target level of the fixed costs will be reached gradually by the end of the second quarter of the year.

There have been changes in the business environment which require adjustments to the strategy and business plan as well as the operating model of the organization. Actions related to these adjustments will be implemented in spring 2017.

INVESTMENTS AND PRODUCT DEVELOPMENT

Group investments in fixed assets during the financial year amounted to EUR 3.3 million (EUR 4.5 million) which include EUR 2.5 million (EUR 3.3 million) capitalization of product development costs. At the end of the financial year, the capitalized product development investments amounted to EUR 7.6 million (EUR 7.3 million)

The full fiscal year product development expenditure amounted to EUR 7.1 million (EUR 5.8 million), 9.4% (6.4%) of net sales.

FINANCIAL POSITION

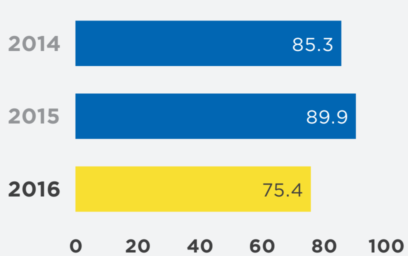
The interest-bearing liabilities exceeded the consolidated cash reserves by EUR 7.5 million (EUR 4.7 million) at the end of the financial year. The consolidated net financial expenses were EUR 0.7 million (EUR 1.3 million).

The cash flow from business operations was EUR -1.1 million (EUR 1.8 million). The cash flow after investments was EUR -2.9 million (EUR -2.6 million).

The Group's solvency ratio was 15.7% (34.2%) and the gearing was 99.5% (24.5%).

The liquid assets excluding undrawn credit facilities totalled EUR 6.4 million (EUR 6.3 million) at the end of the financial year. At the end of the financial year the Group had the undrawn credit facilities excluding factoring limits EUR

Net sales, MEUR



Operating profit, MEUR

Return on investment (ROI), %

3.9 million (EUR 6.1 million). The balance sheet total was EUR 48.3 million (EUR 55.6 million).

On December 31, 2016 the parent company had loans of EUR 8.2 million from one financier that have the following covenants: equity ratio, net debts/ 12 months rolling adjusted EBITDA and absolute adjusted EBITDA The covenants concerning equity ratio and absolute adjusted EBITDA were breached at the end of December 2016. Due to the breaches, the related EUR 6.0 million non-current loan was classified as current liabilities in the Financial Statements. The total loan amount consists of loans, factoring limits and bank limits as follows: loans EUR 6.0 million, factoring limits in use EUR 2.0 million and limit from financial institution EUR 0.2 million.

Efore has negotiated with the financier and the company received a waiver on February 13, 2017 concerning the measurement point at the end of December 2016. Efore expects that both cash flow and profit will be improving in 2017. Next measurement point for covenants will be June 30, 2017. The company believes that the covenants will be reach both in June 2017 and in December 2017. When assessing the going concern principle, the management has taken into account the company's strategy and cost savings program and the forecasts associated with these, as well as the sources of finance available and the refinancing and liquidity risks. Based on analyses prepared the management is confident that Efore can either obtain a waiver, renegotiate with the financier or arrange an earlier repayment if, however, the covenants would be breached.

According to the stock exchange release published on December 21, 2016 Efore Oyj has drawn a loan of EUR 2.0 million from Jussi Capital Oy on January 2, 2017. The loan is due on June 30, 2017 and the interest rate is 14%. This credit arrangement has been conducted on market equivalent terms and in line with the interests of the business perspectives of the company.

ENVIRONMENTAL POLICY AND ENCUMBRANCES

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

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

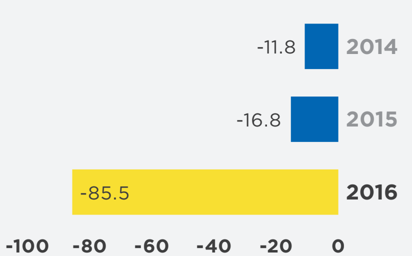
Efore's production facility is equipped for lead-free production in accordance with RoHS Directive (Restriction of the use of Certain Hazardous Substances). Also lead based production is used in order to meet product requirements.

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

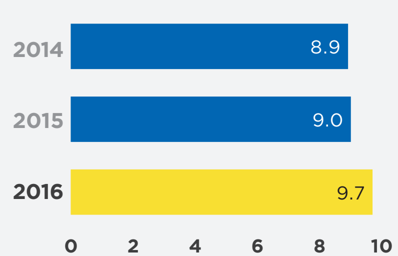
PERSONNEL

The number of the Group's own personnel including temporary personnel averaged 679 (887) during the finan-

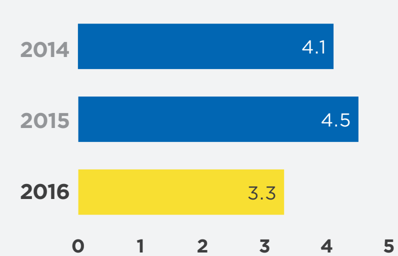
Return on equity (ROE), %



Product development costs, MEUR



Gross investments, MEUR



cial year and at the end the financial year it was 442 (737). The decrease in personnel amount was mainly due to decrease in personnel in manufacturing as a result of the outsourcing of manufacturing in China.

The Board of Directors of Efore Plc resolved on March 30, 2016, to issue stock options to the key employees of Efore Plc, based on the authorization received from the Annual General Meeting on March 30, 2016. But no options were subscribed during 2016 and therefore stock option plan 1/2016 has expired. In the same connection, the Board of Directors of Efore Plc has on March 30, 2016, resolved to cancel stock options "A", "B" and "C" from stock option plan 1/2014 which have not been allocated and/or have been returned to the company.

As a part of the cost savings program Efore initiated cooperation procedure with its entire personnel in all locations on October 19, 2016. Negotiations have mainly been concluded.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

At the Annual General Meeting on March 30, 2016 Mr Olli Heikkilä, Ms Päivi Marttila, Ms Marjo Miettinen, Mr Jarmo Simola and Mr Jarkko Takanen were re-elected as board members and Antti Sivula as a new member. The Board re-elected Ms Päivi Marttila as the Chairman. Ms Marjo Miettinen was selected as the Vice Chairman.

The Extraordinary General Meeting on January 31, 2017 set the number of the members of the Board of Directors at four. Marjo Miettinen, Jarmo Simola and Antti Sivula were re-elected as members of the Board of Directors and Tuomo Lähdesmäki was elected as a new member of the Board of Directors.

Jorma Wiitakorpi started as the President and CEO of Efore Plc on April 29, 2016. Heikki Viika acted as the President and CEO until April 28, 2016.

Efore Plc implemented a new organisation to support more efficiently the Group's strategic and financial targets.

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

- Jorma Wiitakorpi, President and CEO
- John Cahill, Manufacturing (until Dec. 31, 2016)
- Alessandro Leopardi, Sales and Marketing
- Martin Raznovich, Finance and ICT
- Samuli Räisänen, Quality and R&D
- Ruben Tomassoni, Sourcing and Procurement

AUDITORS

The Annual General Meeting on March 30, 2016 appointed KPMG Oy Ab as Efore's auditors, with Authorized Public Accountant Henrik Holmbom as principal auditor.

SHARE, SHARE CAPITAL AND SHAREHOLDERS

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

The highest share price during the financial year was EUR 0.83 and the lowest price was EUR 0.45. The average price during the financial year was EUR 0.61 and the closing price was EUR 0.55. The market capitalization calculated at the final trading price at the end of the financial year was EUR 28.5 million.

The total number of Efore shares traded on the Nasdaq Helsinki during the financial year was 2.8 million pcs and their turnover value was EUR 1.7 million. This accounted for 5.1% of the total number of shares 55,772,891 pcs. The number of shareholders totalled 4013 (2704) at the end of the financial year.

FLAGGING NOTIFICATIONS

The share of Jussi Capital Oy of the total number of shares and voting rights in Efore Plc exceeded 15 per cent on December 20, 2016. Share of total number of shares and voting rights of Jussi Capital Oy following the flagging notification is 18,20%. Reason for the notification was Sievi Capital Oyj's dividend distribution.

The share of Sievi Capital Plc of the total number of shares and voting rights in Efore Plc went below 5 per cent on December 20, 2016. Share of total number of shares and voting rights of Sievi Capital Oyj following the flagging notification is 1,04%. Reason for the notification was Sievi Capital's dividend distribution.

BOARD AUTHORIZATIONS

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

The Board of Directors was authorized, in accordance with its proposal, to resolve on the acquisition of the company's own shares or their acceptance as pledge, in one or several instalments, on the following terms and conditions:

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

The authorization cancels the authorization given by the Annual General Meeting on 31 March 2015 to resolve on the acquisition of the company's own shares.

The authorization is valid until 30 June 2017.

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

The Board of Directors was authorized, in accordance with its proposal, to, in one or more transactions, decide on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows:

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

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

The authorization cancels the authorization given by the Annual General Meeting on 31 March 2015 to decide on the issuance of shares and special rights entitling to shares.

The authorization is valid until 30 June 2017.

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

The Company will grant a maximum of 1,500,000 stock options, entitling to the subscription for a maximum of 1,500,000 new shares in the Company. One (1) stock option entitles its holder to subscribe one (1) new share in the Company.

The share subscription period for the stock options shall be April 1, 2017–March 31, 2018.

The share subscription price for the stock options is 0.79 euros per share. The share subscription price is determined by valuating the effect of company's strategic profit targets to the share value. The share subscription price may change according to the terms of the Stock Option program 1/2016.

There are weighty financial reasons referred to in Chapter 10, paragraph 1 of the Limited Liability Companies Act for granting stock options, as the stock options are intended to form part of the commitment and incentive scheme of the key employees of Efore Plc Group. The shares subscribed for with the stock options constitute in total to a maximum of 2.7 per cent of the total number of shares in the company. No options were granted in 2016.

Based on the authorization received the Board of Directors of Efore Plc resolved to pledge 3,501,995 own shares of the company as a counter guarantee for the absolute guarantee granted by Jussi Capital Oy on September 30, 2016.

The Board of Directors of Efore Plc has on March 30, 2016, resolved to cancel stock options "A", "B" and "C" from stock option plan 1/2014 which have not been allocated and/or have been returned to the company. There are 233.333 stock options "A", 500.000 stock options "B" and 500.000 stock options "C" which have not been allocated and/or have been returned to the company. The cancellation registered in the Finnish Trade Register on April 25, 2016.

After the cancellation there are 266,667 allocated stock options "A" and they entitle its holders to subscribe for maximum of 266,667 new shares in the company for EUR 0.7 subscription price.

SHORT-TERM RISKS AND FACTORS OF UNCERTAINTY

Risks related to business environment

The market typical fluctuation in demand can cause rapid changes in Efore's business. Business risks are related to the success of key customers in their markets and to Efore's delivery capability for the key customers.

Progress of Efore's product development projects depends on the customers' own project schedules and the establishment of the whole market.

Expanding the Group's product range to standard products in industrial sector means growth of product liability risk. It has been recognized that global economic development may have an effect on Efore's business environment.

Risks related to financing

Due to Efore's weakened financing situation there are some risks related to the current undrawn credit facilities and adequate financing.

The covenants concerning equity ratio and absolute adjusted EBITDA were breached at the end of December 2016.

After the end of financial year 2016 Efore received a waiver for the breach on December 31, 2016. If the covenants are breached at the end of June 2017 there is a risk that the waiver will not be granted. Efore expects that both cash flow and profit will be improving in 2017. The Group actively monitors possible impacts of risks on both financing and liquidity.

Efore Plc closed a new financing agreement in October 2016. The financing arrangements are depending on the future results of the Group. There are loans from one financier that have the following covenants: equity ratio, net debts/ 12 months rolling adjusted EBITDA and absolute adjusted EBITDA. Efore did not breach the covenant terms related to equity ration and absolute adjusted EBITDA on December 31, 2016. After negotiations with the financier, Efore received a waiver on February 13, 2017 concerning the breach of its loan covenants at the end of December 2016. Next measurement point for covenants will be June 30, 2017. The company believes that the covenant terms will be reached in June 2017 and in December 2017. When assessing the going concern principle, the management has taken into account the company's strategy and cost savings program and the forecasts associated with these, as well as the sources of finance available and the refinancing and liquidity risks. Based on analyses prepared the management is confident that Efore can either obtain a waiver, renegotiate with the financier or arrange an earlier repayment if, however, the covenants would be breached.

In 2016, several actions have been implemented in order to strengthen the Group's profitability and cash flow. In April there was a CEO change and during the fiscal year reorganizations have been implemented. The manufacturing in China was outsourced in October and before year-end the Group launched a cost savings program aiming to save EUR 7 million annually and in addition the group attempts to reduce the total balance sheet amount. These measures will strengthen the profit level and equity ratio and net debt will decrease.

The management has taken into account the uncertainty factors when assessing the ability of the group to continue as a going concern.

The management considers that the planned actions concerning cost savings and reorganization will ensure the sufficiency of financing. At the time for preparing the financial statements there are no commercial nor financial risks that, when realized, would risk the continuity of the operations.

Uncertainty factors relating to the financing arrangement actually taking place, which are described in the accounting principles for the financial statements and in Note 27.

RISK MANAGEMENT

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

Management of business risks

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

Efore's operational units have long-established training and development programs for reducing occupational accidents and improving overall safety levels. Environmental management systems based on the ISO 14001:2004 standard and quality management tools based on ISO 9001/2000 are applied in the Group's different business locations and form the basis for the management of environmental risks.

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

Management of risks of loss

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

Management of financing risks

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

Financing risks are managed through exchange-rate and interest-rate hedging using only financial instruments with a market value and risk profile that can be reliably monitored. Management of financing risks can be found on Notes to the consolidated financial statements, 27.

FUTURE OUTLOOK

The outlook for telecommunications market is expected to improve slightly in 2017. Efore continues R&D investments by widening the technology portfolio into power supply technology for new small cell products. The products based on the 5G technology are in a key role in future network expansions.

Power supplies for LED lighting, instrumentation, medical equipment and infrastructure offer still several growth opportunities for Efore in the industrial sector. In the future the Group will focus on a few sectors where high reliability and long product life cycles are the key factors in competition.

Factors of uncertainty have been presented in the section "Short-term risks and factors of uncertainty".

FINANCIAL ESTIMATE FOR 2017

Due to the financial situation of the Group and the structural changes currently taking place, giving earnings guidance is exceptionally challenging but the operating result and the cash flow for 2017 are estimated to be positive.

Efore is not for the time being making forecasts about its long term development.

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

The Board of Directors will propose to the Annual General Meeting to be held on April 5, 2017, that no dividend will be paid and that the loss will be transferred to the company's retained earnings accounts.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On January 2, 2017 Efore Plc has drawn a loan of EUR 2 million from Jussi Capital Oy. The loan is due on June 30, 2017 and the interest rate is 14%. This credit arrangement has been conducted on market equivalent terms and in line with the interests of the business perspectives of the Group.

The Extraordinary General Meeting of Efore Plc was held on January 31, 2017.

The Extraordinary General Meeting set the number of the members of the Board of Directors at four. Marjo Miettinen, Jarmo Simola, Antti Sivula and Tuomo Lähdesmäki were elected as members of the Board of Directors.

In its first meeting held after the Extraordinary General Meeting, the Board of Directors elected Tuomo Lähdesmäki as Chairman of the Board of Directors.

It was resolved that the Board of Directors will not establish any separate committees of the Board of Directors and that the duties of the audit committee are discharged by the company's entire Board of Directors.

Efore Plc has received a waiver on February 13, 2017 concerning the breach of its loan covenants at the end of December 2016.

STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

	Note	Jan. 1,–Dec. 31, 2016	Jan. 1,–Dec. 31, 2015
NET SALES	1	75,368	89,857
Change in inventories of finished goods and work in progress		-1,293	-635
Work performed for own purposes and capitalised		84	140
Other operating income	3	1,312	860
Materials and services	4	-49,556	-59,463
Personnel expenses	5	-19,708	-18,357
Depreciation and amortization	6	-3,659	-3,608
Impairment loss on development expenditure	6	-274	-501
Other operating expenses	7	-11,937	-10,334
OPERATING PROFIT (-LOSS)		-9,664	-2,040
Financial income	8, 10	3,202	4,432
Financial expenses	9, 10	-3,939	-5,719
PROFIT (-LOSS) BEFORE TAX		-10,400	-3,327
Income taxes	11	-976	-86
PROFIT (-LOSS) FOR THE PERIOD		-11,377	-3,412
Other comprehensive income			
Items that will not be reclassified to statement of income			
Remeasurements of the net defined benefit liabilty		11	-166
Items that may be subsequently relcassified to profit or loss			
Translation differences		-150	944
Total comprehensive income		-11,516	-2,634
NET PROFIT/LOSS ATTRIBUTABLE TO			
Shareholders of the company		-11,377	-3,413
Non-controlling interest		0	0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the company		-11,517	-2,634
Non-controlling interest		1	1
Earnings per share calculated on profit attributable to equity holders of the parent:			
Earnings per share, eur	12	-0.22	-0.07
Earnings per share, diluted eur	12	-0.22	-0.07

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

CONSOLIDATED BALANCE SHEET, EUR 1,000

	Note	Dec. 31, 2016	Dec. 31, 2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13	**9,197**	9,242
Goodwill	2, 14	**1,114**	1,114
Tangible assets	15	**2,822**	5,049
Trade receivables and other receivables	19	**108**	111
Other non-current investments	16	**91**	56
Deferred tax asset	17	**2,471**	3,391
NON-CURRENT ASSETS		**15,803**	18,963
CURRENT ASSETS			
Inventories	18	**11,257**	14,882
Trade receivables and other receivables	19	**14,638**	15,160
Income tax receivables		**217**	279
Cash and cash equivalents	20	**6,411**	6,347
CURRENT ASSETS		**32,523**	36,669
ASSETS		**48,327**	55,632

CONSOLIDATED BALANCE SHEET, EUR 1,000

	Note	Dec. 31, 2016	Dec. 31, 2015
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	**15,000**	15,000
Own shares	21	**-2,427**	-2,427
Other reserves	21	**28,673**	28,673
Translation differences	21	**3,355**	3,505
Retained earnings		**-37,037**	-25,715
Equity attributable to shareholders		**7,564**	19,038
Non-controlling interests		**1**	1
TOTAL EQUITY		**7,565**	19,038
NON-CURRENT LIABILITIES			
Deferred tax liability	17	**331**	455
Long-term debt	22, 23	**26**	1,245
Other payables	24	**0**	135
Pension loans	25	**1,412**	1,728
Provisions	26	**250**	250
NON-CURRENT LIABILITIES		**2,018**	3,813
CURRENT LIABILITIES			
Short-term debt	22, 23	**13,910**	9,768
Trade payables and other liabilities	24, 27, 28	**20,512**	22,634
Income tax liabilities		**291**	286
Provisions	26	**4,030**	91
CURRENT LIABILITIES		**38,743**	32,780
LIABILITIES		**40,762**	36,593
TOTAL EQUITY AND LIABILITIES		**48,327**	55,632

STATEMENT OF CASH FLOWS, EUR 1,000

	Note	1.1–Dec. 31, 2016	1.1–Dec. 31, 2015
Cash flows from operating activities			
Cash receipts from customers		**79,854**	91,070
Cash paid to suppliers and employees		**-80,289**	-87,432
Cash generated from operations		**-435**	3,638
Interest paid		**-386**	-427
Interest received		**15**	18
Other financial items		**-259**	-1,186
Income taxes paid		**-40**	-230
Net cash provided by operating activities (A)		**-1,104**	1,813
Cash flows from investing activities:			
Purchase of tangible and intangible assets		**-3,200**	-4,394
Proceeds from sale of tangible and intangible assets		**1,444**	43
Proceeds from sale of investments		**2**	0
Income taxes paid on investments		**-19**	-18
Net cash used in investing activities (B)		**-1,773**	-4,369
Cash flows from financing activities:			
Proceeds from short-term borrowings		**9,478**	6,206
Net payment of short-term debt		**-8,084**	-3,966
Proceeds from long-term borrowings		**4,000**	0
Principal payment of long-term debt		**-2,100**	-1,100
Principal payment of financial leases		**-242**	-219
Net cash used in financing activities (C)		**3,052**	921
Net decrease/increase in cash and cash equivalents (A+B+C)		**175**	-1,635
Cash and cash equivalents at beginning of period		**6,347**	7,806
Net decrease/increase in cash and cash equivalents		**175**	-1,635
Effects of exchange rate fluctuations on cash held		**-110**	175
Cash and cash equivalents at end of period	20	**6,411**	6,347

STATEMENT OF CHANGES IN EQUITY, EUR 1,000

	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of the parent company	Non-controlling interests	Equity Total
Equity January 1, 2016	**15,000**	**-2,427**	**27,971**	**702**	**3,505**	**-25,715**	**19,038**	**1**	**19,038**
Comprehensive income	0	0	0	0	0	-11,377	-11,377	1	-11,376
Ohter comprehensive income									
Remeasurements of the net defined benefit liabilty	0	0	0	0	0	11	11	0	11
Translation difference	0	0	0	0	-150	0	-150	0	-150
Total comprehensive income	**0**	**0**	**0**	**0**	**-150**	**-11,366**	**-11,516**	**1**	**-11,516**
Transactions between the shareholders									
Share-based payments	0	0	0	0	0	43	43	0	43
Other changes	0	0	0	0	0	0	0	-1	-1
Total transactions between the shareholders	**0**	**0**	**0**	**0**	**0**	**43**	**43**	**-1**	**43**
Equity December 31, 2016	**15,000**	**-2,427**	**27,971**	**702**	**3,355**	**-37,037**	**7,564**	**1**	**7,565**

	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of the parent company	Non-controlling interests	Equity Total
Equity January 1, 2015	**15,000**	**-2,427**	**27,972**	**720**	**2,561**	**-22,298**	**21,528**	**0**	**21,528**
Comprehensive income	0	0	0	0	0	-3,413	-3,413	1	-3,412
Ohter comprehensive income									
Remeasurements of the net defined benefit liabilty	0	0	0	0	0	-166	-166	0	-166
Translation difference	0	0	0	0	944	0	944	0	944
Total comprehensive income	**0**	**0**	**0**	**0**	**944**	**-3,579**	**-2,634**	**0**	**-2,634**
Transactions between the shareholders									
Share-based payments	0	0	0	0	0	162	162	0	162
Other changes	0	0	0	-18	0	0	-18	0	-18
Total transactions between the shareholders	**0**	**0**	**0**	**-18**	**0**	**162**	**144**	**0**	**144**
Equity December 31, 2015	**15,000**	**-2,427**	**27,971**	**702**	**3,505**	**-25,715**	**19,038**	**1**	**19,038**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION ON THE GROUP

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

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

The consolidated financial statements were authorized for issue by the Board of Directors of Efore Plc on March 3, 2017. In accordance with Finnish Company Law the shareholders can either approve, amend or reject the financial statements in the Annual General Meeting held after publishing the financial statements.

GENERAL

The consolidated financial statements for the financial period January 1,2016 to December 31, 2016 are prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2016. In the Finnish Accounting legislation based on the provisions of the Act, IFRSs refer to the standards and to their interpretations adopted in accordance with the procedures laid down in the EU regulation (EC) No 1606/2002. The notes to the consolidated financial statements are also prepared in accordance with the Finnish accounting and company legislation.

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

ASSUMPTION OF ABILITY TO CONTINUE AS A GOING CONCERN

The financial statements for the 2016 fiscal year have been prepared on the going concern basis.

Efore Plc closed a new financing agreement in October 2016. The financing arrangements are depending on the future results of the Group. There are loans from one financier that have the following covenants: equity ratio, net debts/ 12 months rolling adjusted EBITDA and absolute adjusted EBITDA. Efore breached the covenant terms related to equity ratio and absolute adjusted EBITDA on December 31, 2016. After negotiations with the financier, Efore received a waiver on February 13, 2017 concerning the breach of its loan covenants at the end of December 2016. Next measurement point for covenants will be June 30, 2017. The company believes that the covenant terms will be reached in June 2017 and in December 2017. When assessing the going concern principle, the management has taken into account the company's strategy and cost savings program and the forecasts associated with these, the available sources of financing as well as the risks concerning the sufficiency of financing. If, however, the covenants would be breached. the management is confident, based on analyses prepared, that Efore can either obtain a waiver, renegotiate with the financier or arrange an earlier repayment of the loan.

In 2016, several actions have been implemented in order to strengthen the Group's profitability and cash flow. In April there was a CEO change and during the fiscal year reorganizations have been implemented. The manufacturing in China was outsourced in October and before year-end the Group launched a cost savings program aiming to save EUR 7 million annually and in addition the Group attempts to reduce the total balance sheet amount. These measures will strengthen the profit level and equity ratio and net debt will decrease.

The management has taken into account the uncertainty factors when assessing the ability of the group to continue as a going concern. The management considers that the planned actions concerning cost savings and reorganizations will ensure the sufficiency of financing. At the time for preparing the financial statements there are no commercial nor financial risks that, when realized, would risk the continuity of the operations.

NEW AND AMENDED STANDARDS APPLIED IN FINANCIAL YEAR ENDED

The Group has applied as from January 1, 2016 the following new and amended standards that have come into effect.

- Annual Improvements to IFRSs (2012–2014 cycle) (effective for financial years beginning on or after January 1, 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to four standards. Their impacts vary standard by standard but are not significant.
- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for financial years beginning on or after January 1, 2016). The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items in the balance sheet and in the statement of profit or loss, presenting subtotals and to the structure and accounting policies in the financial statement. The amendments have had a minor impact on presentation in the consolidated financial statements of Efore.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for financial years beginning on or after January 1, 2016): The amendments state that revenue-based methods of depreciation cannot be used for property, plant and equipment and may only be used in limited circumstances to amortise intangible assets if revenue and the consumption of the economic benefits of the intangible assets are highly correlated. The amendments have had no impact on the consolidated financial statements of Efore.
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (effective for financial years beginning on or after January 1, 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments have had no impact on the consolidated financial statements of Efore.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception* (effective for financial years beginning on or after January 1, 2016): The amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements for preparing consolidated financial statements when there are investment entities within the group. The amendments also provide relief for non-investment entities for equity accounting of investment entities. The amendments have had no impact on the consolidated financial statements of Efore.
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after January 1, 2016): The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments have had no impact on on the consolidated financial statements of Efore.

Other changes in standards, amendments and interpretations have no impact on the consolidated financial statements of Efore.

SUBSIDIARIES

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

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

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

ASSOCIATED COMPANIES

Associated companies, in which the Group holds, through direct or indirect shareholding, usually between 20 per cent and 50 per cent of the voting rights and in which it exercises significant influence but not control, are consolidated using the equity method. If the Group's share of the associated company's losses exceeds the acquisition cost of the company, the investment has no value in the balance sheet. No consideration is given to losses in excess of the acquisition amount unless the Group has other obligations relating to the associated company. Unrealized profits between Efore and its associates are eliminated in proportion to the share ownership. The profit or loss for the associated companies in the Group is presented as a separate line below operating profit. In the end of the fiscal year December 31, 2016 and December 31, 2015 there were no associated companies in the group.

FOREIGN CURRENCY TRANSLATION

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

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the respective functional currencies using the exchange rates at the date of the transaction. In practice, an exchange rate that approximates the rate at the date of the transaction is often used. Monetary foreign currency balances at the balance sheet date are translated into functional currency using the exchange rates prevailing at the balance sheet date. Non-monetary foreign currency items recognised at fair value are translated into functional currency using the exchange rates at the dates when the fair value was calculated. Otherwise non-monetary items are translated using the exchange rate at the transaction date. Gains and losses arising from foreign currency transactions and translation of monetary balances are recognized in profit or loss.

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

TRANSLATION OF THE FINANCIAL STATEMENTS OF THE FOREIGN GROUP COMPANIES

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

GOVERNMENT GRANTS

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

INTANGIBLE ASSETS

Goodwill

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

Research and development cost

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

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

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

Intangible rights

The intangible rights included licences concerning for IT software.

Intangible assets financial lease

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

Other intangible assets

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

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

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

Amortisation periods for the other intangible assets are as follows:

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

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets, and the disposal groups, as well as assets and liabilities relating to discontinued operations are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An asset is classified as held for sale when a disposal is highly probable and the asset, or the disposal group, is available for immediate sale in its present condition subject to usual and customary terms, when the management is committed to sell the asset and the sale is expected to be completed within one year from the date of classification. The assets held for sale, or the disposal group, is recognised at the lower of their carrying amount and disposable value. Depreciation and amortisation on these assets ends at the date of classification. Where IFRS 5 is not applicable on assets and liabilities in disposal groups the items are treated accordance to the applicable IFRS.

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

INVENTORIES

Inventories are stated at the lower of historical cost or net realizable value. The cost of raw materials is calculated on the weighted average cost basis. The cost for finished goods and work in progress consists of raw materials, direct labour, other direct cost and an appropriate part of the variable and fixed production overheads based on the normal operating capacity. The net realizable value is the estimated sales price in the normal course of business less the cost of completion and realization. An allowance for excess inventory and obsolescence is recorded when the impairment occurs.

LEASES

Group as lessee

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

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

IMPAIRMENTS

Tangible and intangible assets

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

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

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

EMPLOYEE BENEFITS

Pension obligations

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

Defined benefit obligations

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

Share-based payments

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

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

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

In connection to the acquisition of the Italian subsidiary a share-based incentive program was established for the key management in the acquired subsidiary. Any rewards based on this program are settled in both shares and cash. The vesting period in the program was July 11, 2013 to June 30, 2016 and the performance criteria was the share price development of Efore plc during the period.

Further information concerning the programs is presented in Note 21 in the consolidated financial statements.

FINANCIAL ASSETS AND LIABILITIES

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits and other highly liquid current investments convertible to known amounts of cash, without significant risk of changes in value. Items qualifying as cash and cash equivalents have initial maturities of three months or less. Bank overdrafts relating to the cash pool accounts in the Group are included in current liabilities.

Financial liabilities

Efore’s financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss and financial liabilities valuated at amortized cost. The first-mentioned category includes derivative financial liabilities and the latter loans from credit institutions. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial cost of the financial liabilities valuated at amortized cost. Financial liabilities are included in both non-current and current liabilities and can be either interest-bearing or non-interest-bearing. Financial liabilities are classified as current if the Group does not have an unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date.

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

Derivative financial instruments

Derivative financial instruments are recognised both initially and subsequently at fair value. Derivatives are used in the group as hedges of risks related to the currency positions in the balance sheet. The Group does not, however, apply hedge accounting as specified in IAS 39. All gains and losses, both realised and unrealised, arising from the fair value changes of derivatives are recognised in profit or loss as incurred regardless of the fact that the hedged item has not an effect on profit or loss until in the future period. Changes in the fair value are reported in financial items in the income statement. Derivatives used for hedging against exchange rate risks are recorded as current receivables or liabilities in the balance sheet.

Trade payables

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

Provisions

Provisions are recognized in the balance sheet when the Group has, as a result of a past event, a present legal or constructive obligation and the settlement is expected to occur and the amount of the obligation can be estimated reliably. Provisions may relate to restructuring costs, onerous contracts, legal cases and warranty costs, among other costs. A reimbursement from a third party relating to a part of the provision is recognised as a separate asset only when the reimbursement is virtually certain.

A warranty provision is recognized when the underlying product is sold. The amount of the provision is based on historical warranty information. Warranty provisions are expected to be used within two years. A restructuring provision is recognized when the Group has drawn up a detailed restructuring plan and the implementation of the plan has started or the plan is announced. A provision for onerous contracts is recognised when the minimum costs for meeting the contract obligation exceeds the expected income from the income from the contract.

CONTINGENT ASSETS AND LIABILITIES

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

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

INCOME TAXES

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

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

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

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

PRINCIPLES FOR REVENUE RECOGNITION

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

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

NON-RECURRING ITEMS

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

OPERATING PROFIT

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

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

- valuation of capitalized development expenditure
- future business estimates and other elements of impairment testing.
- net realizable value of inventories,
- sufficiency of financing,
- probability of future taxable profits against which tax deductible temporary differences can be utilized,
- fair value (collectable amount) of trade receivables,

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

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

* = Not yet endorsed for use by the European Union as of December 31, 2016.

- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after January 1, 2018): The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognize revenue, and at what amount. Revenue is recognized when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The impacts of IFRS 15 on Efore's consolidated financial statements have been assessed as follows:
  - Analysis of revenue streams has started and the effect related to the most essential revenue streams has been made. Out of Efore's revenue 41% comprise of sales

to two significant customers that are covered by frame agreements. Frame agreement and related purchase orders form together a contract with customer in accordance with IFRS 15 that determine performance obligations. Efore's sales to these customers is sale of goods and do not contain any significant sale of services. Revenue is recognized also in the future at a point in time, which does not change current practice, where criteria for satisfying performance obligation is transfer of risks and rewards, which is also an indication of transfer of control to customer.

- Efore's contract with customers do not contain variable considerations nor significant financing components.
- Warranties granted by Efore are more statutory in nature thus accounting for such warranties correspond mainly current practice.
- IFRS 15 requires capitalization of the incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer. Efore does not have incremental costs of obtaining a contract with a customer nor costs incurred in fulfilling a contract with a customer.
- Disclosure requirements in IFRS 15 will increase information related to revenue from contracts with customers.
- During year 2017 Efore will continue the analysis in more detailed level and implement the standard during the year 2018. Efore will decide implementation option of IFRS 15 during 2017 and will inform effects in a more detailed level during the year 2017.

- Amendments to IFRS 15 - Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after January 1, 2018). The amendments include clarifications and further examples on how to apply certain aspects of the five-step recognition model. The impact assessment of the clarifications has been included in the IFRS 15 impact assessment described above.
- IFRS 9 Financial Instruments* (effective for financial years beginning on or after January 1, 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is not assessed to have any impact on the consolidated financial statements of Efore.
- IFRS 16 Leases* (effective for financial years beginning on or after January 1, 2019): The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5,000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The group is currently assessing the impact of the standard.
- Amendments to IAS 7 Statement of Cash Flows- Disclosure Initiative* (effective for financial years beginning on or after January 1, 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not assessed to have a significant impact on the disclosures in the consolidated financial statements of Efore.
- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses *(effective for financial years beginning on or after January 1, 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The standard is not assessed to have any impact on the consolidated financial statements of Efore.
- Amendments to IFRS 2 Sharebased payments - Clarification and Measurement of Sharebased Payment Transactions * (effective for financial years beginning on or after January 1, 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments are not assessed to have any impact on the consolidated financial statements of Efore.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Join Venture * (the effective date has been post-

poned indefinitely). The amendments address to clarify the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments are not assessed to have any impact on the consolidated financial statements of Efore.

- IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration* (effective for financial years beginning on or after January 1, 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation has no impact on the consolidated financial statements of Efore.
- Annual Improvements to IFRSs (2014–2016 cycle)* (effective for financial years beginning on or after January 1, 2017 for IFRS 12 and on or after January 1, 2018 for IFRS 1 and IAS 28). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to three standards. Their impacts vary standard by standard but are not significant.

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

1. SEGMENT INFORMATION (EUR 1,000)

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

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

Geographical areas 2016	Americas	EMEA	Finland	APAC	Non-allocated	Group
Net sales	**11,071**	**41,179**	**9,694**	**13,424**	**0**	**75,368**
Assets	**3**	**16,242**	**1,491**	**10,984**	**9,145**	**37,865**

Geographical areas 2015	Americas	EMEA	Finland	APAC	Non-allocated	Group
Net sales	12,740	44,037	9,730	23,350	0	89,857
Assets	3	10,951	8,701	10,889	10,086	40,630

In 2016 around 41 percent of net sales in the Group consisted of income from the two major customers. From customer A EUR 17,817 (18,517) thousand and customer B EUR 12,845 (21,356) thousand, totalling EUR 30,662 (39,873) thousand.

Net sales consist of sales of goods EUR 75,199 (89,452) thousand and sale of services EUR 169 (406) thousand.

2. BUSINESS ACQUISITIONS (EUR 1,000)

Efore Group had no business acquisitions during 2016 and 2015.

3. OTHER OPERATING INCOME (EUR 1,000)

	2016	2015
Grants for product development	**118**	71
Gain on disposal of non-current assets, tangibles *)	**549**	23
Other income	**645**	766
Total	**1,312**	860

*) Fiscal year 2016 contains EUR 548 thousand gain related to the outsourcing of manufacturing in China. See disclosure in Note 26. Provisions.

4. MATERIALS AND SERVICES (EUR 1,000)

	2016	2015
Materials	46,522	58,977
Change in inventories	2,124	-598
Services	910	1,084
Total	49,556	59,463

5. PERSONNEL EXPENSES (EUR 1,000)

	2016	2015
Salaries and wages *)	15,993	14,110
Pension expenses, defined contibution plans	2,450	2,600
Pension expenses, defined benefit obligations (TFR in Italy)	324	41
Other social security expenses	941	1,605
Total	19,708	18,357

*) Fiscal year 2016 contains EUR 1,948 thousand salaries related to the outsourcing of manufacturing in China. See disclosure in Note 26. Provisions.

Information about management compensation, other employment benefits and shareholdings are shown in Note 32. Related party transactions.

Average number of personnel	2016	2015
Average number of personnel during fiscal year	679	887
Average number of personnel at the end of year	442	737

The number of own personnel includes temporary personnel.

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

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

	2016	2015
Depreciation and amortization by asset class		
Development costs	1,939	1,332
Intangible rights	329	328
Intangible assets, finance lease	201	191
Other intangible assets	59	38
Machinery and equipment	1,022	1,555
Machinery and equipment, finance lease	37	30
Other tangible assets	71	135
Total	3,659	3,608
Impairment on development costs	274	501

7. OTHER OPERATING EXPENSES (EUR 1,000)

	2016	2015
Rental costs	1,321	1,460
Non-statutory employee benefits	947	1,012
Professional fees	1,732	2,231
Office and administration expenses	665	815
Maintenance and operational expenses	1,228	1,455
Travel expenses	832	739
Increase in allowance recognised in profit and loss	77	54
Entertainment expenses	39	43
Insurance expenses	250	286
Marketing expenses	203	152
Car expenses	139	159
Expenses related to the outsourcing of manufacturing in China *)	2,398	0
Other fixed expenses	1,302	987
Credit losses	192	5
Sales services	610	882
Losses on sales of fixed assets	2	55
Total	11,937	10,334

Audit fees:	2016	2015
KPMG		
Audit	**56**	54
Tax services	**37**	7
Other services	**24**	23
	117	84
OTHER AUTHORISED AUDITING FIRMS		
Audit	**24**	24
Tax services	**0**	67
Other services	**0**	30
	24	121
TOTAL		
Audit	**80**	78
Tax services	**37**	74
Other services	**24**	53
	141	205

*) In 2016 the entire amount is expenses from the outsourcing of manufacturing in China. See disclosure in Note 26. Provisions.

8. FINANCIAL INCOME (EUR 1,000)

	2016	2015
Interest income from loans and other receivables	**15**	18
Exchange rate gains from loans and other receivables	**3,073**	4,411
Other financial income	**114**	2
Total	**3,202**	4,432

9. FINANCIAL EXPENSES (EUR 1,000)

	2016	2015
Interest expenses for financial liabilities valued at aquisition cost	**600**	492
Exchange rate losses	**3,034**	4,829
Other financial expenses	**305**	398
Total	**3,939**	5,719

10. EXCHANGE RATE DIFFERENCES (EUR 1,000)

		2016	2015
Net amounts of Exchange rate gains(+) and losses(-) according to Financial Statement items			
Total	Gains	**3,072**	4,411
	Losses	**-3,031**	-4,829
	Net	**40**	-419
Sales	Gains	**1,347**	1,627
	Losses	**-1,329**	-1,741
	Net	**18**	-114
Purchases	Gains	**216**	181
	Losses	**-546**	-303
	Net	**-330**	-122
Financial items	Gains	**674**	957
	Losses	**-618**	-1,234
	Net	**56**	-277
Intra-group receivables and liabilities	Gains	**836**	1,647
	Losses	**-540**	-1,554
	Net	**296**	93

11. INCOME TAXES (EUR 1,000)

	2016	2015
Income taxes in statement of income		
Income tax for fiscal year	**-214**	-693
Income tax on investments	**-19**	-18
Deferred taxes	**-744**	626
Total	**-976**	-86
The differences between income tax expense calculated at Finnish tax rate in Parent company and tax expense in income statement are:		
Result before taxes	**-10,400**	-3,327
Taxes calculated at tax rate in parent company (20.0%)	**2,080**	665
Difference due to other tax rates in subsidiaries	**-109**	248
Non-deductible expenses	**197**	508
Tax-exempt income	**-315**	-1,496
Use of previously unrecognized tax on losses	**-1**	-71
Unrecognized tax on losses	**-2,201**	60
Other items	**-629**	0
Tax expense in consolidated statement of income	**-976**	-86

12. EARNINGS PER SHARE (EUR 1,000)

	2016	2015
Result for fiscal year attributable to shareholders in parent company	**-11,377**	-3,413
Weighted average number of shares (in thousands)	**52,271**	52,271
Effect of adjustment for potential shares in the share-based incentive plans	**0**	763
Weighted average number of diluted shares	**52,271**	53,034
Earnings per share, EUR		
Basic	**-0.22**	-0.07
Diluted	**-0.22**	-0.07

BASIC

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

DILUTED

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

Stock options have a dilutive effect, as the exercise price is lower than the market value of the company share. Not yet recognized option expenses are accounted for in the exercise price. The diluting effect is the number of shares that the company has to issue without compensation as the funds received from the exercised options do not cover a share issue at the fair value of the shares. The fair value of the company's share is determined as the average market price of the share during the period.

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

1. Stock option program 1/2014

The stock option plan was issued on June 17, 2014 and a the total amount of stock options according to the program are 1,500,000 pcs. The subscription period for the stock options ended on July 31, 2015. Each option entitles the holder to subscribe for one (1) new share in Efore Plc. The share subscription periods for the stock options issued are the following: Option A: August 1, 2016–July 31, 2018 (500,000 options), Option B: August 1, 2017–July 31, 2019 (500,000 options), Option C: August 1, 2018–July 31, 2020 (500,000 options). The shares subscribed for with the stock options equalled a maximum of 2.69 per cent of the total number of shares in the company. Stock options have a dilutive effect, as the exercise price is lower than the market value of the company share. Not yet recognised option expenses are accounted for in the exercise price. The diluting effect is the number of shares that the company has to issue without compensation as the funds received from the exercised options do not cover a share issue at the fair value of the shares. The fair value of the company's share is determined as the average market price of the share during the period.

On March 30, 2016 the Board of Directors of Efore Plc resolved to cancel stock options A, B and C from Stock option program 1/2014, which have not been allocated and/or have been returned to the company. The amount of forfeited and expired option rights are as follows: A-options 233,333, B-options 500,000 and C-options 500,000. Subsequent to the cancellation there are 266,667 option rights outstanding and they entitle the subscription of 266,667 new shares to the subscription price EUR 0.7.

2. Stock option program 1/2016

On March 30, 2016 there was a resolution to issue a stock option program with maximum number of 1,500,000 stock options that were to be subscribed at the latest on December 31, 2016. Each option entitles the holder to subscribe for one(1) new share in Efore Plc. The subscription period for the stock options is April 1, 2017 to March 31, 2018. The subscription price for the shares based on the options rights is EUR 0.79. The shares to be subscribed for with the stock options equals a maximum of 2.7 per cent of the total number of the shares in the company.

No option rights were granted in 2016.

3. Share-based incentive program

The 2016 earnings per share were diluted by the incentives to be settled as shares in the share-based incentive program concerning the key management in Roal Electronics S.P.A., where the performance period ended on June 30, 2016. The shares were taken into account as stock options in the calculation of the dilutive earnings per share, although the settlement concerning the shares was contingent. No settlements were made in July 2016 based on the share-based incentive program.

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

Intangible assets 2016	Development expenditure*	Intangible rights	Intangible assets, financial leasing	Other capitalised long-term expenditure	Advance payments for intangible assets	Total
Acquisition cost on Jan. 1	13,735	3,346	1,674	3,266	0	22,021
Translation difference (+/-)	-9	-4	0	0	0	-13
Additions	2,536	94	0	119	0	2,749
Disposals	-466	0	0	-407	0	-873
Reclassifications between classes	0	0	0	27	0	27
Cost on Dec. 31	15,796	3,436	1,674	3,004	0	23,910
Accumulated amortization and impairment on Jan. 1	-6,422	-1,980	-1,273	-3,104	0	-12,779
Translation difference (+/-)	2	4	0	0	0	6
Accumulated depreciation on disposed and reclassified assets	455	0	0	407	0	862
Amortization	-1,939	-329	-201	-59	0	-2,528
Impairments**	-274	0	0	0	0	-274
Accumulated amortization and impairment on Dec. 31	-8,178	-2,305	-1,474	-2,757	0	-14,714
Book value on Dec. 31, 2016	7,617	1,132	199	248	0	9,197

Intangible assets 2015	Development expenditure*	Intangible rights	Intangible assets, financial leasing	Other capitalised long-term expenditure	Advance payments for intangible assets	Total
Acquisition cost on Jan. 1	11,560	3,345	2,875	1,900	6	19,686
Translation difference (+/-)	18	2	0	0	0	20
Additions	3,276	21	118	65	26	3,506
Disposals	-1,118	-39	0	-51	0	-1,209
Reclassifications between classes	0	17	-1,319	1,352	-32	17
Cost on Dec. 31	13,735	3,346	1,674	3,266	0	22,021
Accumulated amortization and impairment on Jan. 1	-5,689	-1,689	-2,369	-1,831	0	-11,578
Translation difference (+/-)	-3	-2	0	0	0	-5
Accumulated depreciation on disposed and reclassified assets	1,103	39	1,287	-1,235	0	1,193
Amortization	-1,332	-328	-191	-38	0	-1,888
Impairments**	-501	0	0	0	0	-501
Accumulated amortization and impairment on Dec. 31	-6,422	-1,980	-1,273	-3,104	0	-12,779
Book value on Dec. 31, 2015	7,313	1,367	401	161	0	9,242

* On December 31, 2016 the carrying amount of unfinished development expenditure was 3,006 (3,843) thousand euros. Development costs are tested for impairment annually. The test is a comparison between the carrying amount of the development cost and the recoverable amount, which is defined as the present value of the future cash flows expected to be derived from the asset.
** An impairment in the value of development expenditure was recognized in 2016 due to weaker than forecasted demand, whereas an impairment was recognized in 2015 as the customer decided to discontinue the development of the product.

14. CONSOLIDATED GOODWILL, (EUR 1,000)

Consolidated Goodwill 2016	
Acq.cost on Jan. 1	**1,114**
Cost on Dec. 31	**1,114**
Book value on Dec. 31, 2016	**1,114**

Consolidated Goodwill 2015	
Acq.cost on Jan. 1	1,114
Cost on Dec. 31	1,114
Book value on Dec. 31, 2015	1,114

IMPAIRMENT TESTING

For impairment testing the goodwill is allocated to the cash generating unit, the Efore SpA subgroup. The recoverable amount has been determined based on value-in-use calculations. Cash flow forecasts are based on five year plans approved by management. Cash flow forecasts after planning period have been extrapolated using 2% growth in net sales.

Central assumptions used in impairment testing:
1. The development of EBITDA was based on long term forecasts by the management.
2. The discount rate has been determined by means of weighted average cost of capital (WACC). The discount rate of 12.83% (10.7%) is a pre tax rate.
3. The long-term growth factor 1.5% (2015: 2%)

According to sensitivity analysis the net present value of the discounted cash flows would equal the carrying amount, if EBITDA would be 9% (12%) lower during the years 2017–2022 or if the discount rate would be 1.5% (2.6%) -units higher.

15. TANGIBLE ASSETS, (EUR 1,000)

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

Tangible assets 2015	Buildings and structures	Machinery and equipment	Machinery and equipment, finance lease	Tangible, other	Other tangible assets	Advance payments and work in progress	Total
Acq.cost on Jan. 1	6	32,548	697	1,437	4,131	254	39,074
Translation difference (+/-)	0	787	0	7	253	0	1,046
Additions	0	924	44	25	25	75	1,092
Disposals	0	-804	0	-71	-1	-78	-955
Reclassifications	0	38	0	0	0	-55	-17
Cost on Dec. 31	6	33,493	741	1,397	4,407	196	40,240
Accumulated depreciation and impairment on Jan. 1	-6	-27,515	-648	-1,373	-3,968	0	-33,510
Translation difference (+/-)	0	-536	0	-4	-240	0	-780
Accumulated depreciation on disposed and reclassified assets	0	749	0	68	1	0	818
Depreciation	0	-1,555	-30	-20	-115	0	-1,720
Accumulated depreciation and impairment on Dec. 31	-6	-28,857	-677	-1,329	-4,322	0	-35,191
Book value on Dec. 31, 2015	0	4,637	63	68	85	196	5,049

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

	2016	2015
At beginning of fiscal year	56	48
Disposals	-2	0
Increase due to revaluation	37	0
Reversal of impairment	0	7
Total	91	56

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

Deferred tax assets	Jan. 1, 2016	Recognized in income statement	Translation difference (+/-)	Dec. 31, 2016
Tax loss carried forward and other items, Efore China	1,458	-671*	-54	732
Tax losses and other items, Efore Italy	1,934	-194	0	1,740
Total	3,391	-866	-54	2,471
Deferred tax liabilities				
Other items, Efore China	53	-46	-2	5
Other items, Efore Italy	0	14	0	14
Fair value evaluation of intangible assets in business combinations	403	-90	0	313
Total	455	-122	-2	331
Deferred taxes, net	2,936	-744	-52	2,140

* The deferred tax assets in China were impaired as the company's ability to generate profit has weakened.

Deferred tax assets	Jan. 1, 2015	Recognized in income statement	Translation difference (+/-)	Dec. 31, 2015
Tax loss carried forward and other items, Efore China	1,316	53	89	1,458
Tax losses and other items, Efore Italy	1,424	510	0	1,934
Total	2,740	563	89	3,391
Deferred tax liabilities				
Other items, Efore China	0	53	-1	53
Fair value evaluation of intangible assets in business combinations	519	-116	0	403
Total	519	-63	-1	455
Deferred taxes, net	2,221	626	89	2,936

The group companies in Finland, China and USA had tax losses totalling EUR 45.8 (43.6) million on December 31, 2016. A deferred tax asset was not recognized on these losses as they are unlikely to be used in the foreseeable future. EUR 4.0 million of the unrecognized deferred tax assets is allocated to Finland, EUR 4.5 millions to USA and EUR 3.1 millions to China. The losses will expire in the years 2017–2033.

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

18. INVENTORIES (EUR 1,000)

	2016	2015
Materials and supplies	4,702	6,990
Work in progress	635	1,345
Finished goods	5,920	6,547
Total	11,257	14,882

During 2016 the write-downs on inventory in order to decrease the value from historical to the lower net realizable value were EUR 0.3 million (1.0 million).

The total inventory cost in 2016 was EUR 49,939 (58,874) thousand. This is included in the line for materials and services as well as the line change in inventories od finished goods and work in progress in the income statement.

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

	2016	2015
Long-term other receivables	108	111
Trade receivables	9,260	13,436
Provision for bad debt	-413	-371
Other receivables	5,080	1,308
Prepayments and accrued income	712	787
Total	14,746	15,271

Other receivables on December 31, 2016 contain EUR 4.3 millions receivable from sale of machinery ans and equipment and inventories related to the outsourcing of manufacturing in China. See more exact details in Note 26. Provisions.

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

During the fiscal year the Group recognized write-offs of EUR 320 thousand (5 thousand) on trade receivables. Write-offs include both the increase in provision for bad debt and credit losses.

	2016	2015
Provision for bad debt Jan. 1	371	366
Additions	42	5
Provision for bad debt Dec. 31	413	371
Analysis of trade receivables past due:		
Neither past due nor impaired	6,988	10,094
Due not more than 30 days	797	1,476
Due 31 to 60 days	140	379
Due 61 to 90 days	420	305
Due 91 to 120 days	26	301
Due more than 120 days	889	881
Total	9,260	13,436
Trade and other receivables by currency:		
EUR	4,205	6,827
RMB	7,399	5,851
USD	2,949	2,381
SEK	129	144
Others currencies	64	68
Total	14,746	15,271
Material items in prepayments and accrued income:		
Prepaid expenses	504	405
Other items	208	382
Total	712	787

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

	2016	2015
Cash and bank	6,411	6,347

21. SHARE CAPITAL (EUR 1,000)

	Number of shares	Share capital	Acquisition of own shares	Invested Unrestricted Equity reserve	Total
January 1, 2016	**52,270,896**	**15,000**	**-2,426**	**27,972**	**40,546**
Shares outstanding per December 31, 2016	**52,270,896**	**15,000**	**-2,426**	**27,972**	**40,546**
Total number of shares	**55,772,891**				
Own shares held by the group per December 31, 2016	**3,501,995**				
January 1, 2015	52,270,896	15,000	-2,426	27,972	40,546
Shares outstanding per December 31, 2015	52,270,896	15,000	-2,426	27,972	40,546
Total number of shares	55,772,891				
Own shares held by the group per December 31, 2015	3,501,995				

On December 31, 2015 the number of shares was 55,772,891 and the share capital was EUR 15,000,000 in Efore plc. The Articles of association for Efore pcl do not state the highest amount of shares or share capital.

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

DESCRIPTION OF THE RESERVES WITHIN EQUITY:

OTHER RESERVES

Reserve for invested unrestricted equity

The total value EUR 1,400.00 of the new shares issued in the directed share issue to Efore Management was recognised in the reserve for invested unrestricted equity. On February 9th, 2010 the Annual General Meeting decided to decrease the share capital of the Efore Plc by EUR 19,450.000. The decreased amount was transferred to the reserve for unrestricted equity. The sales of own shares in the parent company amounted to EUR 14,547.36 was entered in the reserve for unrestricted equity. (Year 2010). According to the decision made by the Annual General Meeting on February 9th 2012, in the fiscal period distribution of assets from the reserve of invested unrestricted equity was made, amounting 2,097,097.75 EUR. The distribution of assets was EUR 0.05 per share. The share issue of EUR 9,399,999.82 and the issue-related transaction costs of EUR -195,887,84 have been recognised in the reserve for invested unrestricted equity in the fiscal year 2013.

Legal reserve

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

Other reserves

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

Reserve for own shares

The reserve for own shares consists of the cost of own shares. On December 31, 2016 the parent company held 3,501,995 own shares. The acquistions cost for this treasury stock was EUR 2,425,731.10, and this amount is reported as a reduction in the equity of the Group. The shares of Efore Plc are recognized in the balance sheet as aquisition of own shares.

Translation reserve

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

Dividends

No dividend was distributed for the fiscal period.

Share-based incentive program

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

The program included one vesting period began on July 11, 2013 and ended on June 30, 2016. The earnings criteria to vest during the vesting period was the share price development of the Efore Plc share during the vesting period. The Board of Directors could have, at its discretion, decided to end the performance period earlier.

The potential settlement would have been paid partly in shares and partly in cash in July 2016. The proportion to be settled in cash was intended to cover taxes and tax-related costs arising from the reward to the key management. No reward would have been settled, if the employment or service of the key manager would have ended before June 30, 2016.

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

Stock option program

The Board of Directors of Efore Plc issued on June 17, 2014 stock options to the key employees of Efore Plc. The further issue of stock options to the key employees shall be determined by the Board of Directors later. The resolution was based on the authorization by the Annual General Meeting held on April 10, 2014. The maximum number of stock options to be issued are 1,500,000 shares according to the conditions in the program. The stock options shall be given free of charge.

On March 30, 2016 the Board of Directors of Efore Plc resolved to cancel stock options A, B and C from Stock option program 1/2014. which have not been allocated and/or have been returned to the company. The amount of forfeited and expired option rights are as follows: A-options 233,333, B-options 500,000 and C-options 500,000.

Subsequent to the cancellation there are 266,667 option rights outstanding and they entitle the subscription of 266,667 new shares to the subscription price EUR 0.7.

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

Stock option program 2014	Share-based option rights 2014 A	2014 B	2014 C	Total	Weighted average option price
Quantities 2014					
Option rights granted	133,333	133,333	133,332	399,998	
Option rights forfeited	0	0	0	0	
Option rights expired	0	0	0	0	
Option rights exercised	0	0	0	0	
Option rights outstanding	133,333	133,333	133,332	399,998	0.70
Option rights held for future grants	366,667	366,667	366,668	1,100,002	0.70
Option rights exercisable	0	0	0	0	
Changes during 2015					
Option rights granted	266,667	266,666	266,666	799,999	
Option rights forfeited	133,334	133,332	133,332	399,998	
Option rights expired	0	0	0	0	
Option rights exercised	0	0	0	0	
Average price weighed by turnover in subscription period, eur	0	0	0	0	
Option rights expired	0	0	0	0	
Quantities 2015					
Option rights granted	400,000	399,999	399,998	1,199,997	
Option rights forfeited	133,334	133,332	133,332	399,998	
Option rights expired	0	0	0	0	
Option rights exercised	0	0	0	0	
Option rights outstanding	266,666	266,667	266,666	799,999	0.78
Option rights held for future grants*	233,334	233,333	233,334	700,001	0.78
Options exercisable	0	0	0	0	

Stock option program 2014	Share-based option rights 2014 A	2014 B	2014 C	Total	Weighted average option price
Changes during 2016					
Option rights granted	0	0	0	0	
Option rights forfeited	0	0	0	0	
Option rights expired	0	266,666	266,666	533,332	
Option rights exercised	0	0	0	0	
Average price weighed by turnover in					
subscription period, eur	0	0	0	0	
Option rights expired	0	0	0	0	
Quantities 2016					
Option rights granted	400,000	399,999	399,998	1,199,997	
Option rights forfeited	133,334	133,332	133,332	399,998	
Option rights expired	0	266,666	266,666	533,332	
Option rights exercised	0	0	0	0	
Option rights outstanding	266,667	0	0	266,667	0.70
Option rights held for future grants*	233,333	233,334	233,334	700,001	0.70
Options exercisable	0	0	0	0	

The Black-Scholes option pricing model is used to determine the fair value of the options. The fair value for the option rights is determined on the grant day which recognized in employee benefits expenses during the vesting period. The grant date is the date of decision by the Board of Directors. Future dividends are not included in the calculation. The effect of option rights on the financial performance of the company for fiscal year 2016 was EUR 20 thousand (2015: 89 thousand).

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

Implementation	2016 Granted	2015 Granted	2014 Granted	Total
Option rights granted	0	799,999	399,998	1,199,997
Share price, EUR	-	0.69	0.69	0.69
Subscription price, EUR	-	0.78	0.70	0.75
Risk-free interest %	-	0.8	0.8	0.8
Expected dividends (dividend yield)	-	0.00%	0.00%	0.00%
Expected volatility, %*	-	27%	27%	27%
Option rights forfeiting, %	-	0.00%	0.00%	0.00%
Fair value, total, EUR	-	123,241.45	61,620.49	184,861.94
Valuation model	BS	BS	BS	BS

NOTES TO THE GROUP FINANCIAL STATEMENTS, IFRS

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

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

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

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

	Share-based option rights		Average option price (weighted)
Stock option program 2016	**2016**	**Total**	
Quantities 2016			
Option rights granted	0	0	
Option rights forfeited	0	0	
Option rights expired	0	0	
Option rights exercised	0	0	
Option rights outstanding	0	0	0.79
Option rights held for future grants*	1,500,000	1,500,000	0.79
Options exercisable	0	0	

No option rights were granted in 2016.

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

	2016	2015
Non-current		
Finance lease liabilities	**26**	245
Pension loans	**0**	1,000
Total	**26**	1,245
Current		
Finance lease liabilities	**245**	236
Current derivatives at fair value	**0**	88
Other liabilities	**193**	145
Loans from credit institutions	**12,706**	7,665
Pension loans	**0**	1,100
Factoring	**766**	535
Total	**13,910**	9,768

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

On December 31, 2016 the current loans from credit institutions contained EUR 6.2 million, that have the following covenants : equity ratio, net debts/ 12 months rolling adjusted EBITDA and absolute adjusted EBITDA. The covenants concerning equity ratio and absolute adjusted EBITDA were breached at the end of December 2016. Due to the breaches, the related EUR 6.0 million non-current loan was classified as current liability.

Efore Plc received a waiver on February 13, 2017 to depart from the loan covenants that were breached in the end of financial year 2016. Next measurement point for covenants will be June 30, 2017.

Factors concerning the uncertainty of financing are disclosed in Note 27, including the presentation of the maturities of financial liabilities.

23. MATURITY OF FINANCIAL LEASE LIABILITIES (EUR 1,000)

	2016	2015
Minimum lease payments concerning financial lease liabilities		
Less than 1 year	**249**	246
1–5 years	**26**	248
	275	494
Finance lease liabilities - present value of minimum lease payments		
Less than 1 year	**245**	236
1–5 years	**26**	245
	271	480
Finance expenses accumulating in the future	**4**	13
Total amount of finance lease liabilities	**275**	494

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

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

	2016	2015
Non-current		
Accrued expenses	**0**	135
Current		
Advances received	**10**	40
Trade payables	**16,526**	17,463
Liabilities to related parties	**0**	13
Other payables	**1,396**	1,738
Derivatives, not hedge accounting	**29**	0
Accruals and deferred income	**2,551**	3,380
Total	**20,512**	22,634

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

Material items included in accruals and deferred income	**2016**	**2015**
Accrued personnel expenses	**1,735**	2,412
Taxes, other than income taxes	**615**	354
Factoring	**0**	218
Accrual for project	**0**	160
Share based payments	**0**	135
Current interest payable	**48**	21
Other items	**153**	215
Total	**2,551**	3,515

25. PENSION OBLIGATIONS (EUR 1,000)

The Group has a post-employment defined benefit obligation in Italy, where IAS standard 19 is applicable. The Italian legislation provides that, at employment contract termination, each employee receives a severance indemnity (Trattamento Fine Rapporto, TRF), which is paid from a fund held in the company or held in an external institution. The amount of each annual contribution equals approximately 6,9% of the gross annual salary which is accrued monthly to the personnel expenses. The contributions to the fund are recognized as personnel expenses in the income statement and the interest from the fund as financial items. The remeasurement of the fund is recognized in equity. The liability represents the accumulated benefit payment obligation at employment contract termination. The value of this liability is a fair value index-adjusted annually. This value is is based on actuarial calculations taking into account demographic assumptions in the future concerning current and future employees and financial assumptions based on market expectations.

	2016	2015
Pension obligations Jan. 1	**1,728**	1,564
Changes recognised in income statement		
Interest expense	**19**	39
Benefits paid	**-324**	-41
Remeasurements recognised in equity:		
Actuarial Gains(+)/ Losses(-) for experience	**1**	-11
Actuarial Gains(+)/ Losses(-) for demographic assumptions	**0**	-2
Actuarial Gains(+)/ Losses(-) for financial assumptions	**-11**	178
Pension obligations Dec. 31	**1,412**	1,728

The benefits expected to be paid to employees leaving indemnities during 2016 is EUR 69 (407) thousand. During 2018–2021 the annual estimated benefits to be paid are approximately 64 (60) thousand.

Actuarial assumptions 31.12.2016	2016	2015
Discount rate	**1.30%**	1.21%
Price Inflation	**1.80%**	1.50%
Withdrawal rate	**2.85%**	2.63%

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

	2016		2015	
	Change +1%	Change -1%	Change +1%	Change -1%
Discount rate	**1,371**	**1,448**	1,686	1,765
Price Inflation	**1,433**	**1,385**	1,749	1,700
Withdrawal rate	**1,396**	**1,423**	1,710	1,741

26. PROVISIONS (EUR 1,000)

	2016	2015
Non-current provisions		
Warranty provision Jan. 1	**0**	35
Provisions used	**0**	-35
Warranty provision Dec. 31	**0**	0
Other provisions Jan. 1	**250**	250
Other provisions Dec. 31	**250**	250
Current provisions		
Warranty provision Jan. 1	**91**	51
Translation difference	**-3**	3
Additions	**58**	37
Warranty provision Dec. 31	**146**	91
Restructuring provision Jan.1.	**0**	0
Additions	**4,866**	0
Provisions used	**-982**	0
Restructuring provision Dec 31.	**3,884**	0
Provisions total Dec.31	**4,280**	341

On August 31, 2016 Efore signed an agreement concerning the outsourcing of manufacturing in China to Wuxi Hodgen Technology Co Ltd (Hodgen). The outsourcing included manufacturing as well as manufacturing support functions at the Suzhou plant in China. As part of the agreement Efore sold also some assets (machinery) and some inventory (raw materials). The outsourcing will enable Efore to increase focus on its core competency, which is developing demanding power solutions for its customers. This arrangement will also release capital allowing Efore to invest in its core business and also facilitate structural changes. The target is to simplify Efore's operating model. The new planned operating model requires structural changes that enable permanent reductions in the level of fixed costs in Efore. According to the agreement, Hodgen will for the time being continue manufacturing in Efore's current production facilities in Suzhou. Efore will remain responsible for the quality of the delivered products as well as for the NPI (New Product Introduction) process.

One-time costs for the outsourcing have been estimated to be EUR 4,346 thousand. In the end of 2016 the realized one-time costs were EUR 924 thousand and a provision was set for the remaining EUR 3,422 thousand.

The restructuring provision on December 31, 2016 consists of EUR 3,422 thousand provisions related to the outsourcing of the manufacturing in China. The items related to the outsourcing in China are presented in the income as follows: EUR 548 thousand in other operating income (Note 3), EUR -1,948 thousand in salaries and wages (Note 5) and EUR -2,398 thousand in other operating expenses (Note 7). The rest of the restructuring provision is related to group companies in other countries. Efore expects that the restructuring provision will be realised within the fiscal year 2017.

Products sold by the company have normally a 12 to 24 months warranty period. Future warranty costs relating to delivered products are recognized in the warranty provision. Actual warranty costs are recognized in the income statement in the fiscal year in which they arise.

27. FINANCIAL RISK MANAGEMENT

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

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

Approximately 41% of Group Net Sales comes from the two major customers.

The total amount of trade receivables from these two key customers were EUR 2.3 million, from which EUR 0.0 million was overdue.

The maturity analysis of trade receivables and currency exposure of trade and other receivables are presented in note 19, Trade and other receivables.

FOREIGN EXCHANGE RISK

Foreign exchange risks refer to the risks caused by changes in foreign exchange rates which can affect business performance or Group solvency. Most of the Group's sales are denominated in euro, Renminbi and US dollar. The operating expenses are generated in euro, US dollar, Swedish krona and Renminbi. The material foreign currency surpluses and deficits are hedged according to the Group hedging policy.

In 2015 the primary hedging method has been matching of foreign currency income and expence flows. Material net currency positions are hedged. The currency derivatives used in fiscal year 2015 had a maturity of 1 to 6 months.

In the financial statements the equity of foreign subsidiaries is translated at the European Central Bank's average fixing rate on the balance sheet date. Exchange rate differences are presented in the consolidated financial statements as translation differences. The net investments in foreign operations has not been hedged. The instruments used for hedging against exchange rate risks and their nominal values at the end of the fiscal year are specified in note 28, Fair values of derivative financial instruments.

INTEREST RATE RISK

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

LIQUIDITY RISK

According to the financing policy, liquidity risk management, funding and efficient cash management of the Group are responsibilities of the parent company. The liquidity risk is managed by adequate cash assets, partial sale of trade receivables, credit limits and by monitoring the maturities of loans. The financial position of the group has weakened. On December 31, 2016 the gearing was 99.5% (24.5%) and solvency ratio was 15.7% (34.2%).

In the end of the fiscal year the Group's liquid assets totalled EUR 6.4 million (EUR 6.3 million). The Group's interest-bearing liabilities totalled EUR 13.9 million (EUR 11.0 million). Credit limits in use were EUR 5.8 million on December 31, 2016, as on December 31, 2015 they were EUR 3.8 million. The financial reserves in the Group comprised unused credit limits totalling EUR 3.9 (6.1) million on December 31, 2016, from which EUR 2.8 (4.7) million will expire within one year and EUR 1.1 (1.4) million are valid for an unspecified term.

During 2016 Efore has rearranged its financing. In connection with the arrangement, Jussi Capital Oy, which belongs to the related parties of the Company, has issued an absolute guarantee for the EUR 4 million loan from an external financier. As a counter guarantee for the absolute guarantee granted by Jussi Capital Oy, the Board of Directors resolved to pledge 3,501,995 own shares in accordance with the authorization granted by the Annual General Meeting of Shareholders. In addition to the absolute guarantee Jussi Capital Oy granted an EUR 2 million loan, upon which an agreement was closed during fiscal year 2016. Both arrangements were conducted on market equivalent terms and in line with the interests of the business perspectives of the company.

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

On December 31, 2016 the parent company had EUR 8.2 million loans from one financier, that have the following covenants: equity ratio, net debts/ 12 months rolling adjusted EBITDA and absolute adjusted EBITDA. The covenants concerning equity ratio and absolute adjusted EBITDA were breached at the end of December 2016. Due to the breaches, the related EUR 6.0 million non-current loan was classified as current liability. The total loan amount consists of loans, factoring limits and bank limits as follows: loans EUR 6.0 million, factoring limits in use EUR 2.0 million and limit from financial institution EUR 0.2 million.

Efore Plc received a waiver on February 13, 2017 to depart from the loan covenants that were breached in the end of financial year 2016. Next measurement point for covenants will be June 30, 2017.

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

The Company believes that the covenant terms will be reached in June 2017 and December 2017. When assessing the going concern principle, the management has taken into account the company's strategy and cost savings program and the forecasts associated with these, the available sources of financing as well as the risks concerning the sufficiency of financing. If however, the covenants would be breached the management is confident, based on analyses prepared, that Efore can either obtain a waiver, renegotiate with the financier or arrange an earlier repayment of the loan. This matter is disclosed in detail in the accounting principles for the financial statements in the chapter Assumption of ability to continue as a going concern.

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

Maturities of financial liabilities, 2015	Carrying amount	Contractual cash flows	6 months or less	6–12 months	Later
Trade payables	17,504	17,504	17,504	0	0
Loans from credit institutions	7,665	7,820	2,610	5209	0
Pension loan	2,100	2,147	570	565	1,012
Finance lease liabilities	480	494	123	123	248
Other liabiliities	88	88	88	0	0
Factoring (Efore's liquidity risk)	145	145	145	0	0
Factoring (maksuvalmiusriski Eforella)	535	535	535	0	0

CREDIT AND OTHER COUNTERPARTY RISKS

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

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

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

	2016	2015
Currency derivatives, hedging purpose (not IAS 39 Hedge accounting)		
Derivatives		
Nominal value	4,144	1,748
Negative fair value	29	88

In 2016 and 2015 the derivatives in use were forward contracts.

29. OPERATING LEASE COMMITMENTS (EUR 1,000)

	2016	2015
Group as lessee		
Noncancellable minimum operating lease payments:		
Within 1 year	932	807
1–5 years	2,144	517
	3,077	1,324

The leasing contracts for the premises will expire latest in December 2022. The fixed-term leasing contracts usually include a renewal option after the original expiry date. The operating lease commitments include leases for the premises amounting to EUR 2,778 (920) thousand and rents for equipment and cars amounting to EUR 298 (404) thousand.

30. OTHER CONTRACTS

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

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

31. CONTINGENT LIABILITIES (EUR 1,000)

	2016	2015
Security given on own behalf		
Business mortgages	5,000	0
Other contingent liabilities	186	107
Pledged parent company shares, pcs	3,501,955	0
Liabilities guaranteed by business mortgages		
Loans from credit institutions	6,193	0
Factoring in use	1,962	0
Total	8,154	0
Credit insurance liability according to factoring contract. The liability has not been realized.	98	0

32. RELATED PARTY TRANSACTIONS (EUR 1,000)

The Group has related party relationships with subsidiaries and with the key employees, that consists of the members of the Board of Directors, the President the CEO as well as Efore management team. Efore Management Oy was a related party until the liquidation on January 19, 2015.

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

		2016	2015
Presidents and CEO, compensation			
Wiitakorpi Jorma	April 29, 2016–	**263**	0
Viika Heikki	June 1, 2015–October 28, 2016	**226**	150
Järnstedt Riitta	March 1, 2015–May 31, 2015	**0**	60
Vähämöttönen Vesa	Jan. 1, 2015–Feb. 28, 2015	**0**	63
		489	272
Hallituksen jäsenet, palkat ja palkkiot			
Casoli Franscesco	January 1.–March 31., 2015	**0**	5
Heikkilä Olli		**21**	20
Marttila Päivi		**42**	41
Miettinen Marjo		**21**	20
Simola Jarmo		**21**	20
Sivula Antti	March 30, 2016–	**16**	0
Takanen Jarkko		**21**	20
		142	128
Other key management, compensation		**1,107**	890
including fees		**0**	0
Key management			
Salaries and other short-term employment benefits		**1,737**	1,291
Benefits after termination of employment		**120**	275
Total		**1,857**	1,566

RELATED PARTY TRANSACTIONS

During 2016 Jussi Capital Oy has issued an EUR 4 million absolute guarantee for a loan to the financier of Efore Plc. Jussi Capital Oy belongs to the related parties of the Company. Efore Plc has pledged 3,501,995 own shares as a counter guarantee for the absolute guarantee from Jussi Capital Oy. The arrangement was conducted in line with the interests of the business perspectives of the company, as this was a requirement for the credit arrangement.

In addition Jussi Capital granted an EUR 2 million loan to Efore Plc that was drawn on January 2, 2017. The loan is due on June 30, 2017 and the interest rate is 14 per cent. The arrangement was conducted on market equivalent terms and in line with the interests of the business perspectives of the company.

No pension commitments with special terms have been granted nor have any other securities been granted on behalf of the related parties in 2016. In 2016 the amount of stock options issued to other management and CEO was 0 pieces. On December 31, 2016 no stock option rights were granted to the management or CEO. No stock option rights have been granted to the members of the Board of Directors in 2016.

Efore Management Oy was a related party until January 19, 2015 when the company was liquidated.

No pension commitments with special terms or loans have been granted to the related parties in 2015. The group did not grant any other securities on behalf of them in 2015. In 2015 the amount of stock options issued to other management and CEO was 799,999 pieces. On December 31, 2015 the total amount of of issued stock option rights to the management and CEO was 1,199,997 pieces, whereof none was exercisable. No stock option rights have been granted to the members of the Board of Directors in 2015.

The compensations to the Board Members were paid in cash in 2016 and 2015.

Non-controlling interest

		Share of voting rights of non-controlling interest, %		Profit/loss attributable to non-controlling interest, eur		Changes in equity attributable to non-controlling interest, eur	
Non-controlling interest	**Home country**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Efore Management Oy	Finland	**-**	100%	**-**	-	**-**	-
Other subsidiaries, owned by non-controlling interest, but not material non-controlling interest in the Group.				**1**	0	**0**	0

33. EVENTS AFTER THE END OF THE FINANCIAL PERIOD

On December 31, 2016 the parent company had EUR 8.2 million loans from one financier that have the following covenants : equity ratio, net debts/ 12 months rolling adjusted EBITDA and absolute adjusted EBITDA. The covenants concerning equity ratio and absolute adjusted EBITDA were breached at the end of December 2016. Due to the breaches, the related EUR 6.0 million non-current loans were classified as current liability. The total loan amount consists of loans, factoring limits and current liabilities as follows: loans EUR 6.0 million, factoring limits in use EUR 2.0 million and limit from financial institution EUR 0.2 million.

Efore Plc received a waiver from the financier on February 13, 2017 to depart from the loan covenants that were breached in the end of financial year 2016. Next measurement point for covenants will be June 30, 2017.

On January 2, 2017 Efore Plc has drawn a loan of EUR 2 million that is due on June 30, 2017. The loan is granted by Jussi Capital Oy, which belongs to the related parties. This credit arrangement was conducted on market equivalent terms and in line with the interests of the business perspectives of the Group.

The Extraordinary General meeting on January 31, 2017 set the number of the members ofthe Board of Directors at four. Marjo Miettinen, Jarmo Simola, Antti Sivula and Tuomo Lähdesmäki were elected as members of the Board of Directors. In its first meeting held after the Extraordinary General Meeting, the Board of Directors elected Tuomo Lähdesmäki as Chairman of the Board of Directors. It was resolved that the Board of Directors will not establish any separate committees of the Board of Directors and that the duties of the audit committee are discharged by the Company’s entire Board of Directors.

INCOME STATEMENT FOR THE PARENT COMPANY, EUR 1,000

	Note	Jan. 1,–Dec. 31, 2016	Jan. 1,–Dec. 31, 2015
NET SALES	1	**27,702**	33,439
Change in inventories of finished goods and work in progress		**-1,055**	220
Other operating income	2	**125**	437
Materials and services			
Materials and consumables			
Purchases during the financial year	3	**21,105**	25,787
External services	3	**141**	189
		21,246	25,976
Personnel expenses			
Wages, salaries and fees	4	**4,062**	2,989
Social security expenses			
Pension expenses	4	**675**	480
Other social security expenses	4	**146**	75
		4,883	3,544
Depreciation, amortization and impairments			
Depreciation and amortization according to plan	5	**672**	417
Impairment on non-current assets	5	**116**	501
		788	918
Other operating expenses	6	**5,014**	4,916
OPERATING PROFIT (LOSS)		**-5,160**	-1,258
Financial income and expenses			
Income from group companies	7	**1,078**	2,727
Other interest and financial income	7, 9	**1,613**	684
Interest expenses from group companies	8	**-229**	-211
Impairment on long-term loan receivables from group companies	8	**-5,067**	0
Interest and other financial expenses	8, 9	**-1,729**	-1,505
		-4,333	1,694
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-9,493**	436
Income taxes			
Income taxes for the period	10	**-21**	-66
PROFIT (LOSS) FOR THE PERIOD		**-9,514**	370

BALANCE SHEET FOR THE PARENT COMPANY, EUR 1,000

ASSETS	Note	Dec. 31, 2016	Dec. 31, 2015
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	11	**3,167**	2,818
Intangible rights	11	**95**	45
Other intangible assets	11	**12**	19
		3,274	2,881
Tangible assets			
Machinery and equipment	11	**220**	150
Other tangible assets	11	**20**	2
Advance payments and construction in progress	11	**51**	172
		291	324
Investments			
Holdings in group companies	12, 13	**12,908**	12,908
Other shares and holdings	12, 13	**2**	2
		12,910	12,910
CURRENT ASSETS			
Inventories			
Finished goods		**2,410**	3,465
		2,410	3,465
Non-current receivables			
Receivables from group companies	14	**26,933**	32,000
		26,933	32,000
Current receivables			
Trade receivables	14	**1,026**	4,534
Receivables from group companies	14	**4,364**	3,308
Other receivables	14	**141**	174
Prepayments and accrued income	14	**265**	528
		5,796	8,543
Cash and cash equivalents		**1,036**	854
TOTAL ASSETS		**52,649**	60,978

BALANCE SHEET FOR THE PARENT COMPANY, EUR 1,000

EQUITY AND LIABILITIES	Note	Dec. 31, 2016	Dec. 31, 2015
EQUITY			
Share capital	15	**15,000**	15,000
Other reserves	15	**28,201**	28,201
Retained earnings	15	**-3,917**	-4,287
Profit (loss) for the period	15	**-9,514**	370
		29,770	39,284
MANDATORY PROVISIONS	16	**260**	0
Other mandatory provisions		**260**	0
LIABILITIES			
NON-CURRENT LIABILITIES			
Premium loans from employee pension institutions	17	**0**	1,000
Liabilities to group companies	17	**6,792**	6,597
		6,792	7,597
CURRENT LIABILITIES			
Loans from credit institutions	17	**6,193**	2,145
Premium loans from employee pension institutions	17	**0**	1,100
Advances received	17	**9**	32
Trade payables	17	**508**	1,157
Liabilities to group companies	17	**8,043**	8,538
Other liabilities	17	**178**	104
Accruals and deferred income	17	**897**	1,021
		15,828	14,098
TOTAL EQUITY AND LIABILITIES		**52,649**	60,978

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

	Jan. 1,–Dec. 31, 2016	Jan. 1,–Dec. 31, 2015
Cash flows from operating activities:		
Cash receipts from customers	29,403	31,667
Cash paid to suppliers and employees	-30,618	-32,468
Cash generated from operations	-1,216	-801
Interest paid	-738	-112
Dividends received	990	2,649
Interest received	98	545
Other financial items	-175	-701
Income taxes paid	0	-26
Net cash provided by operating activities (A)	-1,041	1,553
Cash flows from investing activities:		
Purchase of tangible and intangible assets	-1,159	-1,597
Proceeds from sale of tangible and intangible assets	19	0
Increase in loans receivable	0	-1,302
Decrease in loans receivable	414	401
Net cash used in investing activities (B)	-726	-2,498
Cash flows from financing activities:		
Proceeds from short-term borrowings	193	145
Repayment of short-term borrowings	-145	0
Proceeds from long-term borrowings	4,000	625
Principal payment of long-term debt	-2,100	-1,100
Net cash used in financing activities (C)	1,948	-330
Net decrease/increase in cash and cash equivalents (A+B+C)	181	-1,275
Cash and cash equivalents at beginning of period	854	2,129
Net increase/decrease in cash and cash equivalents	181	-1,275
Cash and equivalents at the end of period	1,036	854

ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS OF PARENT COMPANY

GENERAL

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

FOREIGN CURRENCY ITEMS

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

EVALUATION OF NON-CURRENT ASSETS

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

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

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

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

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

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

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

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

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

INVENTORIES

Inventories are stated at the lowest of historical cost, net realizable value. Variable purchasing costs are included in the the cost of inventories. The cost of inventories is calculated on the weighted average cost basis.

PROVISIONS

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

NET SALES

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

LEASING

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

PENSIONS

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

INCOME TAXES

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

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

1. NET SALES

	2016	2015
Finland	**1,636**	2,546
European Union, except Finland	**24,406**	28,264
America	**969**	1,099
Other countries	**691**	1,531
Total	**27,702**	33,439

2. OTHER OPERATING INCOME

	2016	2015
Service fee charges, Group companies	**0**	360
Product development subsidies	**118**	71
Other income	**8**	7
Total	**125**	437

3. MATERIALS AND SERVICES

	2016	2015
Materials and consumables		
Purchases during the financial year	**21,105**	25,787
External services	**141**	189
Materials and services in total	**21,246**	25,976

4. PERSONNEL EXPENSES

	2016	2015
Wages, salaries and fees	**4,062**	2,989
Pension costs	**675**	480
Other social security expenses	**146**	75
Total	**4,883**	3,544
Management salaries and fees		
President and CEO, Members of the Board of Directors	**751**	400
Total personnel, average		
Salaried employees	**70**	66

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

	2016	2015
Depreciation and amortization according to plan:		
Development costs	**553**	290
Intangible rights	**31**	32
Other intangible assets	**6**	6
Machinery and equipment	**81**	89
Other tangible assets	**1**	0
Total	**672**	417
Impairment on development costs	**116**	501
Total	**116**	501

6. OTHER OPERATING EXPENSES

	2016	2015
Other operating expenses are normal expenses.		
Audit fees:		
KPMG		
Audit	21	19
Tax services	16	6
Other services	24	24
Total	61	48

7. FINANCIAL INCOME

	2016	2015
Dividend income from Group companies	990	2,305
Interest income from Group companies	88	422
Interest income from others	9	0
Exchange rate gains	1,603	684
Total	2,691	3,411

8. FINANCIAL EXPENSES

	2016	2015
Interest expenses to Group companies	229	211
Impairment on loan receivable from Group company	5,067	0
Interest expenses to others	96	90
Exchange rate losses	1,312	1,168
Other financial expenses	321	248
Total	7,024	1,717

9. EXCHANGE RATE DIFFERENCIES

		2016	2015
Specification of net exchange rate gains (+) and losses (-) according to financial statement items			
Sales	Gains	747	196
	Losses	-768	-154
	Net	-21	41
Purchases	Gains	48	0
	Losses	-2	0
	Net	45	0
Financial items	Gains	390	204
	Losses	-388	-243
	Net	2	-39
Group receivables and liabilities	Gains	419	285
	Losses	-154	-771
	Net	265	-486
Total	Gains	1,603	684
	Losses	-1,312	-1,168
	Net	291	-483

10. INCOME TAXES

	2016	2015
Non-deductible taxes at source	21	66
Total	21	66

11. NON-CURRENT ASSETS

	2016	2015
Intangible assets		
Development expenditure		
Acquisition Cost on Jan. 1	5,345	4,905
Additions	1,029	1,542
Disposals	-244	-1,103
Cost on Dec.31	6,131	5,345
Accumulated amortization and impairment on Jan. 1	2,527	2,839
Acc. amortizations on disposed assets	-232	-1,103
Amortization	553	290
Impairment	116	501
Accumulated amortization and impairment on Dec. 31	2,964	2,527
Book value on Dec.31	3,167	2,818
Intangible rights		
Acquisition Cost on Jan. 1	510	532
Additions	80	0
Disposals	0	-39
Reclassifications	0	17
Cost on Dec. 31	590	510
Accumulated amortization on Jan. 1	465	472
Acc. amortizations on disposed assets	0	-39
Amortization	31	32
Accumulated amortization on Dec. 31	496	465
Book value on Dec. 31	95	45
Other intangible assets		
Acquisition Cost on Jan. 1	34	34
Cost on Dec.31	34	34
Accumulated amortization on Jan. 1	16	9
Amortization	6	6
Accumulated amortization on Dec. 31	22	16
Book value on Dec. 31	12	19

	2016	2015
Tangible assets		
Machinery and equipment		
Acquisition Cost on Jan. 1	3,246	3,203
Additions	47	82
Disposals	-6	-73
Reclassification	110	34
Cost on Dec. 31	3,396	3,246
Accumulated depreciation on Jan. 1	3,095	3,079
Acc. depreciation on disposed assets	0	-73
Depreciation	81	89
Accumulated depreciation on Dec. 31	3,176	3,095
Book value on Dec. 31	220	150
Other tangible assets		
Acquisition Cost on Jan. 1	364	365
Additions	19	0
Disposals	-1	-1
Cost on Dec. 31	383	364
Accumulated depreciation on Jan. 1	362	363
Acc. depreciation on disposed assets	0	-1
Depreciation	1	0
Accumulated depreciation on Dec. 31	362	362
Book value on Dec. 31	20	2
Advance payments and construction in progress		
Acquisition Cost on Jan. 1	172	250
Change Jan. 1 - Dec. 31	-11	51
Reclassification	-110	-129
Cost on Dec. 31	51	172
Book value on Dec. 31	51	172

12. INVESTMENTS

	2016	2015
Holdings in group companies		
Book value on Jan. 1	**12,908**	12,908
Book value on Dec. 31	**12,908**	12,908

	2016	2015
Other shares and similar rights of ownership		
Shares on Jan. 1	**2**	2
Book value on Dec. 31	**2**	2

13. HOLDINGS IN GROUP COMPANIES

		2016	2015
		Book value	Book value
Fi-Systems Oy, Espoo	Finland	**3**	3
Efore (USA), Inc., Dallas TX	USA	**0**	0
Efore AB, Stockholm	Sweden	**107**	107
Efore (Hongkong) Co. Limited, Kowloon	China	**1**	1
Efore (Suzhou) Automotive Power Technology Co., Ltd., Suzhou	China	**0**	0
Efore SpA, Castelfidardo	Italy	**12,796**	12,796
		12,908	12,908
Other shares		**2**	2

14. RECEIVABLES

	2016	2015
Non-current receivables from Group companies		
Subordinated loans on Jan 1	**32,000**	32,000
Impairment of subordinated loan in fiscal period	**-5,067**	0
Non-current receivables from Group companies in total	**26,933**	32,000

The company has given Fi-Systems Oy a subordinated loan of EUR 32,000,000.00. The interest rate is 5%. In the event of liquidation on bankruptcy, the principal and interest payable to Efore Plc would have lower priority than other credits. Interest is payable only when, at the time of payment, the amount of the non-restricted equity and all subordinated loans of Fi-Systems Oy exceeds the amount of loss recorded in the balance sheet included in the financial statements of the latest completed fiscal period or in later financial statements. If interest cannot be paid, the interest accumulated during such a fiscal period will be payable later. The loan has no security. The accumulated unbooked interest is EUR 12,525,747.33.

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

	2016	2015
Current receivables		
Trade receivables	1,026	4,534
Other receivables	141	174
Prepayments and accrued income	265	528
	1,433	5,235
Current receivables from group companies		
Trade receivables	2,315	942
Loan receivables	1,593	1,973
Interest receivables	33	33
Prepaid expenses and accrued income	423	360
	4,364	3,308
Current receivables in total	5,796	8,543
Prepayments and accrued income		
Prepayments and accrued income include the following items:		
Accrued personnel expenses	6	25
Product development grant	68	35
Prepayments	91	405
Unbilled revenue	51	0
Other items	49	63
	265	528

15. EQUITY

	2016	2015
Share capital on Jan. 1	15,000	15,000
Share capital on Dec. 31	15,000	15,000
Own shares	-2,427	-2,427
Own shares on Dec. 31	-2,427	-2,427
Other reserves		
Unrestricted equity reserve on Jan 1	28,201	28,201
Unrestricted equity reserve on Dec. 31.	28,201	28,201
Retained earnings	-1,490	-1,861
Result for the period	-9,514	370
Equity total	29,770	39,284

THE COMPANY'S DISTRIBUTABLE FUNDS

	2016	2015
Retained earnings	-1,490	-1,861
Result for the period	-9,514	370
Reserve for invested unrestricted equity	28,201	28,201
Own shares	-2,427	-2,427
Deferred development costs	-3,167	0
Distributable funds	11,603	24,284
Parent company share capital		
one type of shares		
Shares outstanding	pcs	pcs
Outstanding shares on Jan. 1	52,270,896	52,270,896
Outstanding shares on Dec. 31	52,270,896	52,270,896
Share capital in Parent company	pcs	pcs
one type of shares	55,772,891	55,772,891

16. MANDATORY PROVISIONS

	2016	2015
Other mandatory provisions on Jan. 1	**0**	0
Other mandatory provisions, change	**260**	0
Other mandatory provisions on Dec. 31	**260**	0

17. LIABILITIES

	2016	2015
Non-current liabilities		
Premium loans from employee pension institutions	**0**	1,000
	0	1,000
Non-current Intercompany liabilities		
Other liabilities	**6,156**	6,156
Accruals and deferred income	**636**	441
	6,792	6,597
Non-current liabilities total	**6,792**	7,597
Current liabilities		
Loans from credit institutions	**6,193**	2,145
Premium loans from employee pension institutions	**0**	1,100
Advances received	**9**	32
Trade payables	**508**	1,157
Other liabilities	**178**	104
Accruals and deferred income	**897**	1,021
	7,785	5,560

On December 31, 2016 the company had of EUR 8,154,294.15 from one financier that have the following covenants: equity ratio, net debts/ 12 months rolling adjusted EBITDA and absolute adjusted EBITDA. The covenants concerning equity ratio and absolute adjusted EBITDA were breached at the end of December 2016. Due to the breaches, the related EUR 6,000,000.00 non-current loans were classified as current liability. The total loan amount consists of loans, factoring limits and current liabilities as follows:

	2016	2015
Loans	**6,000**	0
Factoring limits in use	**1,962**	0
Limit from financial institutions	**193**	0
Total	**8,154**	0

The company received a waiver from the financier on February 13, 2017 to depart from the loan covenants, that were breached in the end of financial year 2016. Next measurement point for covenants will be June 30, 2017.

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

The Company believes that the covenant terms will be reached in June 2017 and December 2017. When assessing the going concern principle, the management has taken into account the company's strategy and cost savings program and the forecasts associated with these, the available sources of financing as well as the risks concerning the sufficiency of financing. If however, the covenants would be breached the management is confident, based on analyses prepared, that the company can either obtain a waiver, renegotiate with the financier or arrange an earlier repayment of the loan. This matter is disclosed in detail in the Group accounting principles for the financial statements in the chapter Assumption of ability to continue as a going concern.

	2016	2015
Current liabilities to group companies		
Trade payables	**7,886**	8,424
Accruals and deferred income	**157**	114
	8,043	8,538
Current liabilities total	**15,828**	14,098
Accruals and deferred income		
External accruals and deferred income include the following items:		
Accrued holiday pay	**700**	694
Accrued other personnel expenses	**82**	1
Accrued financial items	**48**	21
Currency derivatives, hedging purpose	**29**	88
Other items	**38**	218
	897	1,021

18. CONTINGENT LIABILITIES

	2016	2015
Security given		
Security given on own behalf		
Business mortgages	**5,000**	0
Other contingent liabilities	**186**	107
	Pcs	Pcs
Pledged parent company shares, pcs	**3,501,955**	0
Liabilities guaranteed by business mortgages. Liabilities include covenant terms.		
Loans from credit institutions	**6,193**	0
Factoring in use on Dec 31. 2016	**1,962**	0
	8,154	0
Liability engagements and other contingent liabilities		
Rent and leasing commitments on own behalf		
Payable in the following financial year	**591**	494
Payable later	**1,190**	313
Credit insurance liability according to factoring contract. The liability has not been realized.	**98**	0

19. RELATED PARTY TRANSACTIONS

	2016	2015
During 2016 Jussi Capital Oy has issued an EUR 4,000,000.00 absolute guarantee for the loan to the financier of the company. Jussi Capital Oy belongs to the related parties of the company.	4,000	0
	Pcs	Pcs
The company has pledged 3,501,995 own shares as a counter guarantee for the absolute guarantee from Jussi Capital Oy. The arrangement was conducted in line with the interests of the business perspectives of the company, as this was a requirement for the credit arrangement.	3,501,955	0
In addition Jussi Capital granted an EUR 2,000,000.00 loan to the company that was drawn on January 2, 2017. The loan is due on June 30, 2017 and the interest rate is 14 per cent. The arrangement was conducted on market equivalent terms and in line with the interests of the business perspectives of the company.	2,000	0

20. EVENTS AFTER THE END OF THE FINANCIAL PERIOD

On January 2, 2017 the company has drawn a loan of EUR 2,000,000.00 that is due on June 30, 2017. The loan is granted by Jussi Capital Oy, that belongs to the related parties. This credit arrangement was conducted on market equivalent terms and in line with the interests of the business perspectives of the Group.

On December 31, 2016 the company had of EUR 8,154,294.15 from one financier that have the following covenants: equity ratio, net debts/ 12 months rolling adjusted EBITDA and absolute adjusted EBITDA. The covenants concerning equity ratio and absolute adjusted EBITDA were breached at the end of December 2016. Due to the breaches, the related EUR 6,000,000.00 non-current loans were classified as current liability. The total loan amount consists of loans, factoring limits and current liabilities as follows:

	2016	2015
Loans	6,000	0
Factoring limits in use	1,962	0
Limit from financial institutions	193	0
Total	8,154	0

The company received a waiver from the financier on February 13, 2017 to depart from the loan covenants, that were breached in the end of financial year 2016. Next measurement point for covenants will be June 30, 2017.

The Extraordinary General Meeting on January 31, 2017 set the number of the members of the Board of Directors at four. Marjo Miettinen, Jarmo Simola, Antti Sivula and Tuomo Lähdesmäki were elected as members of the Board of Directors. In its first meeting held after the Extraordinary General Meeting, the Board of Directors elected Tuomo Lähdesmäki as Chairman of the Board of Directors. It was resolved that the Board of Directors will not establish any separate committees of the Board of Directors and that the duties of the audit committee are discharged by the company's entire Board of Directors.

GROUP KEY FIGURES

KEY FIGURES		IFRS 2016	IFRS 2015	IFRS 2014
Income statement				
Net sales	MEUR	**75.4**	89.9	85.3
- change	%	**-16.1**	5.4	3.4
Operating profit/-loss	MEUR	**-9.7**	-2.0	-2.0
- of net sales, %	%	**-12.8**	-2.3	-2.3
Profit/loss before taxes	MEUR	**-10.4**	-3.3	-3.1
- of net sales, %	%	**-13.8**	-3.7	-3.7
Profit/loss for the period	MEUR	**-11.4**	-3.4	-2.6
- of net sales, %	%	**-15.1**	-3.8	-3.1
Gross investments	MEUR	**3.3**	4.5	4.1
- of net sales, %	%	**4.4**	5.0	4.8
Balance sheet				
Non-current assets	MEUR	**15.8**	19.0	17.7
Inventories	MEUR	**11.3**	14.9	14.5
Trade receivables and other receivables	MEUR	**14.6**	15.2	15.8
Tax Receivables, income tax	MEUR	**0.2**	0.3	0.8
Bank and cash	MEUR	**6.4**	6.3	7.8
Share capital	MEUR	**15.0**	15.0	15.0
Treasury shares	MEUR	**-2.4**	-2.4	-2.4
Other equity	MEUR	**-5.0**	6.5	9.0
Non-current liabilities	MEUR	**2.0**	3.8	4.9
Current liabilities	MEUR	**38.7**	32.8	30.1
Balance sheet total	MEUR	**48.3**	55.6	56.6

KEY FIGURES		IFRS 2016	IFRS 2015	IFRS 2014
Profitability				
Return on equity (ROE)	%	**-85.5**	-16.8	-11.8
Return on investment (ROI)	%	**-38.0**	-9.2	-6.7
Finance and financial position				
Net interest-bearing liabilities	MEUR	**7.5**	4.7	1.9
Gearing	%	**99.5**	24.5	9.0
Current ratio		**0.8**	1.1	1.3
Solvency ratio	%	**15.7**	34.2	38.1
Other key figures				
Personnel, average		**679**	887	914
Salaries and wages	MEUR	**19.7**	18.4	18.9
Product development costs (expensed)	MEUR	**7.1**	5.8	6.1
- of net sales, %	%	**9.4**	6.4	7.1
Product development costs (capitalized in balance sheet)	MEUR	**2.5**	3.3	2.8
- of net sales, %	%	**3.4**	3.6	3.3
Product development costs total	MEUR	**9.7**	9.0	8.9
- of net sales, %	%	**12.8**	10.1	10.5

GROUP KEY FIGURES

KEY FINANCIAL INDICATORS PER SHARE		IFRS 2016	IFRS 2015	IFRS 2014
Earnings per share	EUR	**-0.22**	-0.07	-0.05
Diluted earnings per share	EUR	**-0.22**	-0.07	-0.05
Dividend/share	EUR	**0***	0.00	0.00
Dividend payout ratio	%	**0.00**	0.00	0.00
Effective dividend yield	%	**0.00**	0.00	0.00
Distribution of assets from the reserve of invested unrestricted equity	EUR	**0.00**	0.00	0.00
Equity per share, adjusted	EUR	**0.14**	0.36	0.41
At the end of fiscal year	EUR	**0.55**	0.77	0.81
P/E ratio		**-2.50**	-11.79	-15.12
Market value				
Market capitalization	MEUR	**28.5**	40.2	42.3
Trading				
Shares traded	1,000 pcs	**2,868**	11,179	10,941
Trading, %	%	**5.1**	20.0	19.6
Number of outstanding shares				
- average on December 31	1,000 pcs	**52,271**	52,271	52,271
- diluted number of shares on December 31	1,000 pcs	**52,271**	53,034	52,491
- actual number of shares on December 31	1,000 pcs	**52,271**	52,271	52,271
Share prices				
lowest	EUR	**0.45**	0.70	0.62
highest	EUR	**0.83**	0.90	0.96
at the end of fiscal year	EUR	**0.55**	0.77	0.81
average	EUR	**0.61**	0.78	0.70

* The board of Directors (assembled to a meeting on the 11th of February 2016) will propose for the Annual General Meeting that no dividend will be distributed from financial period 2016.

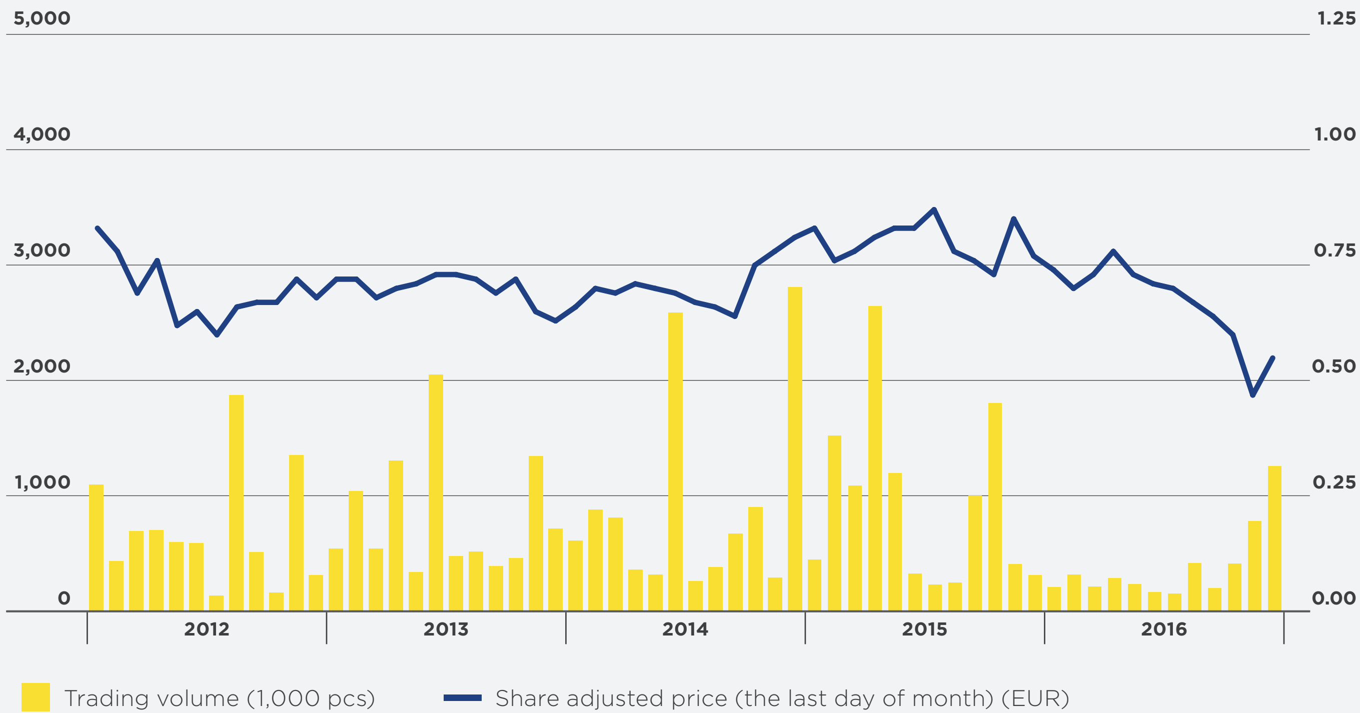
CALCULATION OF KEY FIGURES AND RATIOS

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

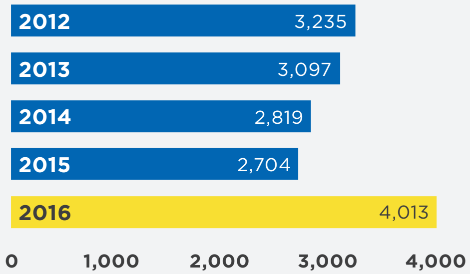
All share-specific figures are based on the issue-adjusted number of shares.
Equity is the equity attributable to the shareholders of the parent company. Result for the period is the result attributable to the shareholders of the parent company.
* There were own shares held by company at the end of the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

SHARES AND SHAREHOLDERS

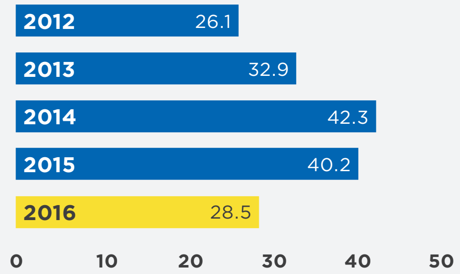
EFORE PLC'S SHARE PRICES AND TRADING VOLUME IN 2012–2016



NUMBER OF REGISTERED SHAREHOLDERS



MARKET CAPITALIZATION, (MEUR)



SHARES AND SHAREHOLDERS

CHANGES IN SHARE CAPITAL 2004–2016

Share capital Nov. 1, 2003				8,135,104 pcs		13,830 (EUR 1,000)	
Year	**Subscription-share-relationship**	**Subscription- / registering time**	**Subscription-price EUR**	**New shares pcs**	**Change EUR 1,000**	**New share capital, EUR 1,000**	**Dividend right**
2004	On basis of options	Jan. 23, 2004	7.79	600	1	13,831	2004
2004	Exchangend and targeted issue for K-shareholders, 1K:1.5A	Feb. 27, 2004	0.85	529,616	450	14,281	2004
2004	Split 1:1, gratuitous	Feb. 27, 2004		8,135,704		14,281	2004
2004	On basis of options	Apr. 21, 2004	3.71	2,400	2	14,283	2004
2004	Targeted share issue	Apr. 30, 2004	6.95	3,240,000	2,754	17,037	2004
2004	On basis of options	Jun. 22, 2004	3.71	47,200	40	17,077	2004
2004	On basis of options	Aug. 27, 2004	3.71	11,000	9	17,086	2004
2004	On basis of options	Oct. 28, 2004	3.71	47,400	40	17,127	2004
2004	On basis of options	Dec. 2, 2004	3.71	46,000	39	17,165	2004
2004	Annulment of shares	Dec. 21, 2004		-238,400	-203	16,963	
2004	Bonus issue 1:1	Dec. 21, 2004		19,956,624	16,963	33,926	2005
2005	On basis of options	Feb.10, 2005	1.70	616,400	523	34,450	2005
2010	Decreasing of share capital	Jul.19, 2010				–19,450	
2010	Targeted share issue	Oct.18, 2010	0.70	2,000,000	0	0	2010
2013	Targeted share issue	Jul.12, 2013	0.74	5,243,243	0	0	2013
2013	Share issue	Oct. 18, 2013	0.69	8,000,000	0	0	2013
Share capital Dec. 31, 2016				55,772,891 pcs		15,000 (EUR 1,000)	
Share capital Dec. 31, 2016				55,772,891 pcs		15,000 (EUR 1,000)	
Own shares Dec. 31, 2016				3,501,995 pcs			
Shares outstanding per Dec. 31, 2016				52,270,896 pcs			

SHARES AND SHAREHOLDERS

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF HOLDING, DECEMBER 31, 2016

Shares	Number of shareholders pcs	Proportion of shareholders %	Total number of shares and votes pcs	Proportion of shares and votes %
1–100	1,133	28.23	55,127	0.10
101–500	1,041	25.94	313,927	0.56
501–1,000	526	13.11	446,163	0.80
1,001–5,000	854	21.28	2,147,282	3.85
5,001–10,000	182	4.54	1,355,056	2.43
10,001–100,000	228	5.68	6,784,878	12.17
100,001–	49	1.22	44,665,833	80.09
Total	4,013	100.00	55,768,266	99.99
of which nominee registered	8		5,031,130	9.02
In joint account			4,625	0.01
In special account			0	0.00
Total			55,772,891	100.00

DISTRIBUTION OF SHAREHOLDINGS BY SHAREHOLDER CATEGORY, DECEMBER 31, 2016

	Shares pcs	Proportion of shares and votes %
Enterprises	24,257,631	43.49
Financial- and insurance institutions	11,254,063	20.18
Public entities	1,578,048	2.83
Households	17,448,526	31.28
Non-profit organizations	971,693	1.74
Outside Finland	258,305	0.46
TOTAL	55,768,266	99.99
of which nominee registered	5,031,130	9.02
In joint account	4,625	0.01
In special account	0	0.00
TOTAL	55,772,891	100.00

SHARES AND SHAREHOLDERS

EFORE PLC'S 20 LARGEST SHAREHOLDERS, DECEMBER 31, 2016

	Shares pcs	Proportion of shares and votes %
Jussi Capital Oy	9,570,868	17.16
EVLI Bank Plc	5,161,446	9.25
Jussi Invest Oy	1,920,000	3.44
Tammivuori Leena	1,720,160	3.08
Rausanne Oy	1,633,971	2.93
Ilmarinen Mutual Pension Insurance Company	1,578,048	2.83
Umo Capital Oy	1,100,000	1.97
Yleinen Työttömyyskassa YTK	875,944	1.57
Laakkosen arvopaperi Oy	857,203	1.54
Adafor Oy	822,800	1.48
Tammivuori Pirkko	812,004	1.46
Laakkonen Mikko	750,050	1.34
Nordea Bank AB, Finnish Branch	749,454	1.34
Ahomäki Timo	733,080	1.31
Heininen Jaakko	653,836	1.17
Arvojyvä Oy	642,247	1.15
Jaakko Heininen Oy	616,427	1.11
Sievi Capital Oyj	580,585	1.04
Heininen Pekka	517,276	0.93
Takanen Jarkko	475,000	0.85
Total	31,770,399	56.96
Nominee registered		
Danske Bank	2,902,578	5.20
Nordea Bank	1,883,176	3.38
Efore Plc's shares on company's posession	3,501,995	6.28

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

Espoo, March 3, 2017

Tuomo Lähdesmäki
Chairman

Marjo Miettinen

Jarmo Simola

Antti Sivula

Jorma Wiitakorpi
President and CEO

AUDITOR'S REPORT

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

To the Annual General Meeting of Efore Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Efore Plc (business identity code 0195681-3) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

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

BASIS FOR OPINION

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

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

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

MATERIALITY

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

The key audit matter	How the matter was addressed in the audit
Recognition and impairment of capitalised development costs (Accounting principles for the consolidated financial statements, note 13)	
— Research and development function is a significant part of operations in Efore Group's industry. Development expen-ditures are capitalised in the consolidated balance sheet to the extent they meet the capitalisation criteria set out in the relevant accounting standard (IAS 38) and are assessed to contribute future economic benefits. The assessment may change even in a rather short term, e.g. as a result of technical development. — Efore estimates the recoverable amount based on the present value of the future cash flows expected to be derived from the capitalised development costs. — In applying the impairment model management makes several estimates relating to the assumptions used. The future cash flow projections also involve uncertainty, therefore affecting the valuation.	Our audit procedures included, among others: — We assessed the appropriateness of the capitalisation process of development expenditures and considered whether the development costs capitalised during the financial year had met the capitalisation criteria under the relevant IFRS. — We involved KPMG valuation specialists to consider the appropriate valuation of the capitalised development costs. The performed audit procedures included, among others: — challenging the key assumptions used in impairment testing. — evaluating the reasonableness of Efore's cash flow projections for future financial years and assessing the key elements in impairment tests, such as discount rates, including comparison to Efore's historical data and performance. — testing the mathematical accuracy of the impairment model used. — assessing the adequacy and appropriateness of the disclosures provided.

The key audit matter	How the matter was addressed in the audit
Monitoring and valuation of inventories (Accounting principles for the consolidated financial statements, note 18)	
— Efore Group operates in competitive markets and the lifecycle of its products is typically rather short, especially in Telecom sector. — Furthermore, the outsourcing of the manu-facturing operations in China has affected the inventory valuation, as the related inventories are transferred to the outsour-cing partner in phases and the process still continues in the financial year started. — Valuation of inventories involves management judgement. Such judgements include management's estimates of future sales of inventory items, among others. Consequently, the write-downs recognized on inventories may subsequently prove insufficient. — The Group's IT systems and monitoring routines for inventory are non-concentrated and partly rely on manual work phases.	Our audit procedures included, among others: — We assessed the appropriateness of the inventory valuation principles applied and the adequacy of the write-downs recognized. — We attended inventory counts at the significant inventory locations. — We assessed the appropriateness of the inventory monitoring process to consider the accuracy of financial reporting. — On a sample basis, we tested: — accuracy of inventory pricing — transactions to check that revenues and purchase expenses were recognised in the appropriate period.

The key audit matter	How the matter was addressed in the audit
Sufficiency of financing (Consolidated statement of financial position, Accounting principles for the consolidated financial statements, note 22 and 27)	
— The Group has been loss making over the last years and its financial position has weakened during the financial year. — The consolidated net cash provided by operating activities was EUR 1.1 million negative in 2016. The Group's interest-bearing liabilities exceeded cash and cash equivalents by EUR 7.5 million at the financial year-end 2016. — At year-end 2016 the equity ratio and absolute adjusted EBITDA covenants in a finance agreement were breached. The lender waived the year-end breaches in February 2017. The finance agreement includes the following financial covenants: equity ratio, net debts/12 months rolling adjusted EBITDA and absolute adjusted EBITDA. These covenants will be reviewed biannually in 2017. — Preparation of financial statements on the going concern basis requires that the Group's financing be secured for at least a 12 month period from the approval of the financial statements. The company assesses that the financing is secured for a 12 month period from the approval of the financial statements.	— To assess the sufficiency of financing we analysed the reasonableness of the cash flow, result and balance sheet forecasts as well as of the related sensitivity calculations prepared by the Group, amongst others. In addition, we analysed the reliability of the information underlying the forecasts. — We have discussed with management the implemented and planned savings, restructuring and financing measures and their impacts on the prepared forecasts and calculations. — In addition, we assessed the adequacy and appropriateness of the disclosures related to the sufficiency of financing.

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

OTHER REPORTING REQUIREMENTS

OTHER INFORMATION

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

Our opinion on the financial statements does not cover the other information.

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

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

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 13 March 2017
KPMG Oy Ab

Henrik Holmbom
Authorised Public Accountant, KHT

CORPORATE GOVERNANCE STATEMENT 2016

The obligations of Efore's decision-making bodies are defined in accordance with Finnish legislation and the principles established by the Board of Directors. Efore's corporate governance complies with the provisions of the Companies Act. In addition, Efore complies with the Insider Guidelines issued by the NASDAX Helsinki Oy and the Finnish Corporate Governance Code 2015 for Listed Companies issued by Securities Market Association. This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015. This statement has been issued separately from the report by the Board of Directors.

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

This statement was authorized for issue by the Board of Directors of Efore Plc on February 14, 2016 and is available in Annual Report and at the website of Efore, address www.efore.com.

GOVERNANCE

BOARD OF DIRECTORS

Composition and operations of the Board of Directors

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

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

Board members in 2016

The following persons were elected as Board members at the Annual General meeting on March 30, 2016.

Päivi Marttila, b. 1961
Education: MSc (Econ)
Board member since 2013
Chairman of the Board
Main duty: Midagon Oy, Chairman of the Board and Partner
Independent of the company and the company's main shareholders
Share ownership: 10,000 Efore shares

Olli Heikkilä, b. 1959
Education: M.Sc (Eng.)
Board member since 2011
Main duty: UPM-Kymmene Oyj, Vice President
Independent of the company and the company's main shareholders
Share ownership: 35,131 Efore shares

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

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

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

Jarkko Takanen, b. 1967
Education: Qualified Production Engineer and holds a Commercial College Diploma in Management Accountancy
Board member since 2013
Main duty: Jussi Capital Oy, Managing Director
Independent of the company
Share ownership: 475,000 Efore shares

Shareholdings per 31.12.2016

Duties and responsibilities of the Board of Directors

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

The main duties and operating principles of the Board of Directors are given in a separate working order. This refers to the declaration of a quorum at Board meetings, the writing and approval of minutes, and the preparations needed on matters for decision.

More specifically, the Board:

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

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

The Board of Directors met 19 times, the audit Committee met 5 times and the Remuneration Committee met once during the financial year 2016.

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

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

When preparing the composition of the Board of Directors of Efore, attention is paid to requirements set by the Company's operations and the development stage of the company. Diversity is considered not only from the aspect of gender but also from other attributes promoting the Board's diversity, such as the age structure of the Board, the members' educational and professional background, their experience relevant for the position, and personal characters, for example. Diversity of the Board of Directors supports the development of the business. When preparing the composition, the way how the members' skills, education and experience complement each other is also assessed. The objective is that both genders are represented on the Board as well as the members at different ages and with a different educational background and experience. In respect of gender diversity, there were two female members of the Board in December 2016.

Composition and operation of the Committees of the Board of Directors

The Board of Directors has committees that assist in its work. The Board of Directors elects among its members committee members and Chairman of the committees. External members can be also members of the Nomination Committee. The committees' working orders set out the duties and operating principles for each committee. The committees report their work to the Board of Directors on a regular basis.

Attendance of Board members at the meetings in 2016

	Board meeting	Audit Committee	Remuneration Committee
Päivi Marttila	19/19		1/1
Olli Heikkilä	19/19	5/5	
Marjo Miettinen	19/19		1/1
Jarmo Simola	18/19	5/5	1/1
Antti Sivula (from March 30)	13/14		
Jarkko Takanen	18/19	5/5	

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

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

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

Members of the Board committees during the financial year 2016

During the financial year 2016 Efore had Audit Committee and Remuneration Committee that assist in Board of Directors' work. The nomination committee was not established in 2016

The members of the Audit Committee were Olli Heikkilä, Jarmo Simola and Jarkko Takanen. The Audit Committee was chaired by Jarkko Takanen. The Audit Committee met 5 times during the financial year 2016 and the participation rate of the members was 100%.

Päivi Marttila continued as the chairman and Marjo Miettinen and Jarmo Simola continued as members of the Remuneration Committee during the financial year 2016. The Remuneration Committee met once during the financial year 2016 and the participation rate of the members was 100%.

President and CEO and his tasks

The Board of Directors appoints the company's President and CEO and supervises his actions. The main terms and conditions governing the President and CEO's appointment are detailed in written contract approved by the Board of Directors. The President and CEO manages and supervises Group business operations within the guidelines and directives issued by the Board of Directors, and ensures that the company's accounting accords with the law and that the financial management system is reliable.

Heikki Viika served as the President and CEO of Efore Plc until April 28, 2016. Jorma Wiitakorpi was appointed on April 29, 2016 as the President and CEO of Efore Plc with a contract for a specific term. On December 1, 2016 it was agreed that his service contract will remain in force until further notice.

Other management

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

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

Members of the Executive Management Team and their responsibilities on December 31, 2016:

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

John Cahill, b. 1958
- Vice President, Productions
- Shareholding: 114,843 pcs Efore shares, no option rights

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

Martin Raznovich, b. 1971
- CFO
- No shareholding and option rights

Samuli Räisänen, s. 1968, DI
- Executive Vice President, Technology and R&D
- No shareholding and option rights

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

Auditors

The Annual General Meeting held on March 30, 2016 re-elected KPMG Oy Ab as the company's auditor. Authorized Accounting Firm KPMG Oy Ab had informed that Authorized Public Accountant Henrik Holmbom shall continue as the responsible.

The fees for auditing the financial statements of Efore Plc amounted to EUR 56,000 in 2016. The auditing company charged EUR 61,000 for other services in 2016.

THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Systems of internal control

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

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

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

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

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

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

Risk management

The aim of the risk management system of Efore is to recognize the strategic, operational and financing risks of the Group as well as any conventional risk of loss. The risks that the Group takes in its operations are risks that are encountered in pursuit of the strategy and goals. Risk management seeks to control these risks in a proactive and comprehensive manner. The measures taken can include risk avoidance, risk reduction or risk transfer by insurance or agreement.

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

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

The Audit Committee and Board of Directors address risks in connection with the addressing of other business operations. Risk management is taken into consideration in the Group's quality systems, which include also survival plans. There is a more detailed statement of the Group's different risks and their management which can be found at the Efore's website.

RELATED PARTY TRANSACTIONS

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

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

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

In addition to the absolute guarantee, Jussi Capital Oy granted the loan to Efore in 2016.

Both arrangements were conducted on market equivalent terms in the interests of the company from the company's business perspective.

INSIDER ADMINISTRATION

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

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

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

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

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

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

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

BOARD OF DIRECTORS JANUARY 31, 2017

After the Extraordinary General Meeting on January 31, 2017 there have been changes in the composition of the Board of Directors. Marjo Miettinen, Jarmo Simola, Antti Sivula were re-elected as members of the Board of Directors and Tuomo Lähdesmäki was elected as a new member. Päivi Marttila, Olli Heikkilä and Jarkko Takanen retired from the Board of Directors. In its first meeting held after the Extraordinary General Meeting, the Board of Directors elected Tuomo Lähdesmäki as Chairman of the Board of Directors.

Tuomo Lähdesmäki
b. 1957
M.Sc. (Eng.), MBA
Board member since 2017
Chairman of the Board

Main duty:
Boardman Oy, partner since 2002

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

Main present positions of trust:
- Chairman of the Board: Kitron ASA, Finland University Oy, Council of Finnish Foundations ry, Board of Turku University Foundation sr
- Member of the Board: Finnish Music Foudantion sr, Vaaka Partners Oy, Yliopiston Apteekki, Meconet Oy, Metsä Tissue Oyj

Independent of the company or the company's main shareholders
No shareholding in Efore *

Marjo Miettinen
b. 1957
M.Sc. (Educ.)
Board member since 2013
Vice Chairman of the Board

Main duty:
Board professional

Primary working experience:
EM Group Oy, CEO 2006–2014
Ensto Oy, Chairman of the Board of Directors 2002–2006 and different Director positions 1988–2001

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

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

Jarmo Simola
b. 1961
M.Sc.(Eng)
Board member since 2013

Main duty:
Tulisuoja Suomi Oy, Managing Director

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

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

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

Antti Sivula
b. 1961
M.Sc (Eng.)
Board member since 2016

Main duty:
Mekitec Group, CEO since 2015

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

Main present positions of trust:
Optofidelity Oy, Member of the Board since 2009, Chairman of the Board since 2013

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

* Shareholdings per December 31, 2016

EXECUTIVE MANAGEMENT TEAM JANUARY 1, 2017

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

President and CEO

Employed by Efore since April 29, 2016

Since 1984 he has occupied various management positions in the manufacturing industry. For the past several years Jorma Wiitakorpi has worked in interim director positions, management advisory and as a board professional. Previously he held the CEO position at Patria Oyj, Reka Kaapeli Oy, Asko Appliances Oy, Uporef Oy and Isora Oy. Wiitakorpi has been the Chairman or a Member of the Board of Directors in more than 20 companies.

No shareholding in Efore
No option rights*

Alessandro Leopardi
b. 1968

Executive Vice President, Sales and Marketing

Employed by Efore since 2013, member of EMT since 2013

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

No shareholding in Efore
No option rights*

Martin Raznovich
b. 1971

CFO

Employed by Efore since 2013, member of EMT since 2016

Martin Raznovich was Group CFO in ROAL Electronics when Efore acquired ROAL in July 2013, and since then he has covered the roles of Industrial BU controller and recently Group Controller for Sales. His previous roles include various international leadership roles at Sirti SpA in Spain, UK, Italy, Germany and in the USA (1997–2010).

No shareholding in Efore
No option rights*

Samuli Räisänen
b. 1968

Executive Vice President, Technology & Development

Employed by Efore since 2016, member of EMT since 2016

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

No shareholding in Efore
No option rights*

Ruben Tomassoni
b. 1974

Vice President, Operations, Sourcing and Procurement

Employed by Efore since 2013, member of EMT since 2015

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

No shareholding in Efore
No option rights*

Changes in Efore's Executive Management Team in 2016

Heikki Viika acted as the President and CEO until April 28, 2016.

Markku Kukkonen (VP, Quality and Environment) left the company on Feb. 12, 2016.

Alexander Luiga (EVP, Human Resources) left the company on March 18, 2016.

Riitta Järnstedt (CFO) left the company on August 21, 2016.

Mona Hokkanen (VP, Human Resources) was a member of the Executive Management Team until August 29, 2016.

John Cahill (VP, Manufacturing) was a member of the Executive Management Team until December 31, 2016

* Shareholdings per December 31, 2016

INFORMATION FOR SHAREHOLDERS

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

ANNUAL GENERAL MEETING

The Annual General Meeting of Efore Plc will be held on April 5, 2017 at 10.00 in Stella Business Park (Terra building), Lars Sonckin kaari 16, 02600 Espoo. Notice of Efore Plc Annual General meeting including registration instructions is available at www.efore.com

BOARD OF DIRECTORS' PROPOSAL FOR THE ANNUAL GENERAL MEETING

The Board of Directors will propose to the Annual General Meeting on April 5, 2017 that no dividend will be distributed.

CHANGES OF ADDRESS

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

FINANCIAL REPORTS IN 2017

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

Annual Report 2016

Week 11/2017

Half year report

(January 1–June 30, 2017)
August 11, 2017

KEY SHARE DATA

Exchange listing:

Nasdaq Helsinki,
The Nordic Exchange (Small Cap)
Corporate identifier EFO1V
Trading lot 1 share
Shares December 31, 2016:
55,772,891 shares
Share capital 15,000,000.00 eur

ANALYSTS MONITORING EFORE

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

INVESTOR RELATIONS

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

INVESTOR CONTACTS

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