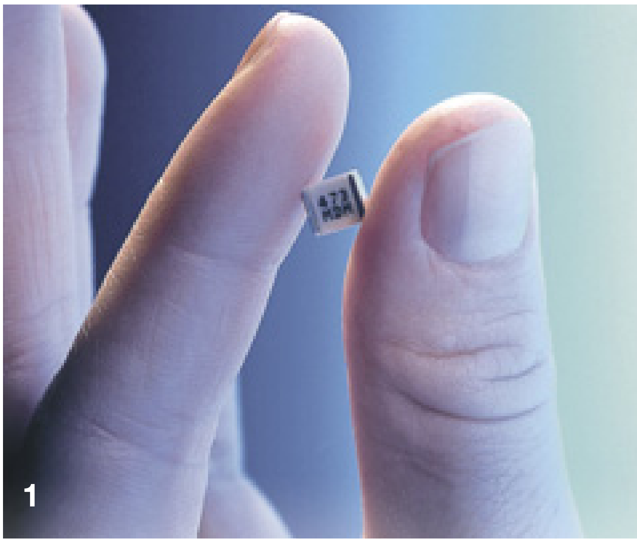
BUSINESS REVIEW 2005

Contents



Capacitor

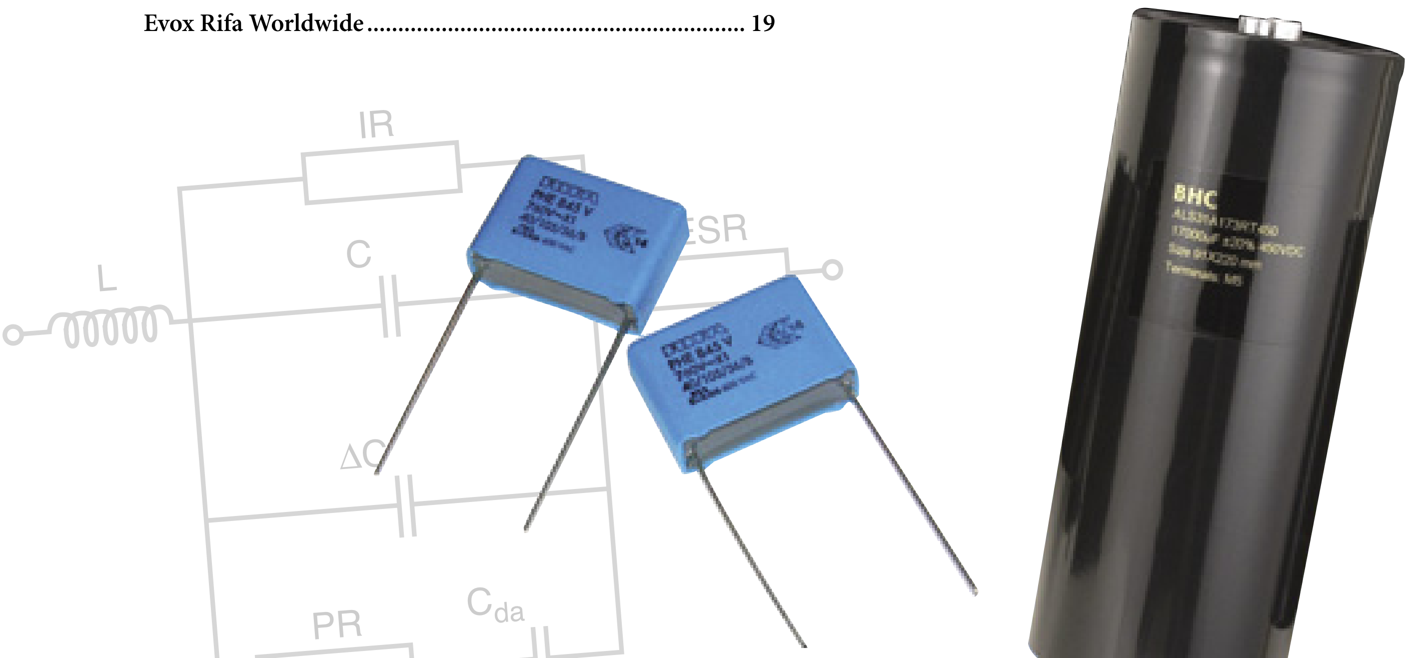
Capacitors are basic components of electronic equipment which cannot function without them. Capacitors are used in a wide range of electronic products from heart rate monitors to electric trains.

Three basic functions of capacitors:

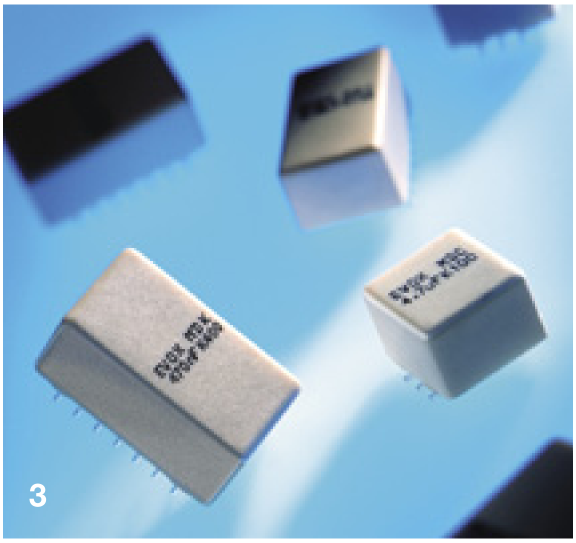
- storing electricity
- separating different levels of DC voltage from each other
- conducting AC voltage

Number of capacitors in different applications:

- a passenger car contains more than 2000 capacitors
- a digital television set contains 400–500 capacitors
- a personal computer contains 300–400 capacitors
- a long life lamp contains over 20 capacitors



The cover page: The new axial electrolytic capacitor designed especially for the needs of the automotive industry.



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1 Surface Mount film capacitors have found their place in many applications, where electrical parameters are required to be stable.

2 All electrolytic capacitors are individually aged during the production process. Ms.Tang Zhongmin performing this job at the Evox Rifa's plant in China.

3 Dual-in-Line (DIL) Film Capacitors give freedom in design and outstanding electrical performance in DC – DC converter applications.

Evox Rifa Group in Brief

Evox Rifa Group is a partner with global operations to the electronics industry. The Group supplies capacitors and capacitor-based solutions to meet the needs of demanding customers.

Evox Rifa specialises in film, paper and electrolytic capacitors. The major customer segments of Evox Rifa Group are industrial electronics, automotive electronics, telecommunications, and lighting and consumer electronics. The company has a global sales and distribution network and its production plants are located in Finland, Sweden, UK, Indonesia and China. It also has a unit in Sweden specialising in R & D and testing.

In 2005 Evox Rifa Group had net sales of EUR 79.9 million and employed about 1300 people. Evox Rifa is the largest manufacturer of capacitors in the Nordic Countries and the fifth largest in Europe.

Supplier of capacitor solutions requiring high technical competence and service

Evox Rifa's customers require high-performance, certified manufacturing and engineered solutions from capacitors. Especially in capacitor applications for industrial and automotive electronics, the need is for demanding, high quality solutions with substantial service content.

A growing number of Evox Rifa's products are designed to meet the individual requirements of customers. Product families applying new technologies can also be used to satisfy the evolving needs of customers.

Close contact with customers

Evox Rifa's customers appreciate and demand local presence and service. Production plants in Europe and Asia provide significant support for future growth and help optimise the logistical costs in serving the customer.

Evox Rifa has a customer-oriented business concept, in which geographical market areas are responsible for marketing, customising solutions and logistics in their area. The main principle is that each customer has a single contact person at Evox Rifa Group for all products, wherever they are supplied from or delivered to.

Market leader in selected product segments

In screw terminal capacitors Evox Rifa has about a quarter of the European market. The customer base consists of leading manufacturers of electric motor drives, UPS's and welding equipment.

Evox Rifa is one of the three leading suppliers of axial electrolytic capacitors in the world. Evox Rifa's product design has established a growing foothold in automotive power applications due to its excellent high temperature performance.

In interference suppression capacitors Evox Rifa has increased its market share steadily over the past few years. One driver for growth is having the widest product portfolio, offering a solution to almost all of industry's interference capacitor problems. The unique paper capacitor technology gives Evox Rifa an additional advantage in this demanding market segment.

CEO's Review

Tuula Ylhäinen
President & CEO
Evox Rifa Group Oyj

All set for future growth

During 2005 Evox Rifa Group carried out a major restructuring of its film and paper capacitor production and expanded electrolytics operations in China. Encouragingly, demand rose in all market areas towards the end of the year. However, one-time costs and the weak market early in 2005 burdened the financial result.

Although Evox Rifa's major customers continue to expand their business in China, the market in Europe has been stable. We were again able to increase our market share in Europe during the year. Evox Rifa is specializing in capacitors especially for demanding applications, most of which can be found in the areas of industrial and automotive electronics. Here we have the advantage of being able to offer high-end products and solutions in several technologies.

Financially the year was difficult. In addition to the weak market, the massive restructuring in Europe incurred more costs than expected.

Global foothold for Aluminium Electrolytic Capacitors

Evox Rifa's performance in aluminium electrolytic products was good, and the outlook in all market areas improved towards the end of the year. The major effort during the year was the start-up of screw terminal capacitor production at our Chinese plant. Thanks to the co-operation between our production plants in the UK and China, Evox Rifa's customers have a strong set up serving them worldwide.

Another demonstration of the capabilities of the product group was the launch of a new axial lead capacitor from the Gränna plant in Sweden. This product has had a very good initial response from our customers in the automotive market.

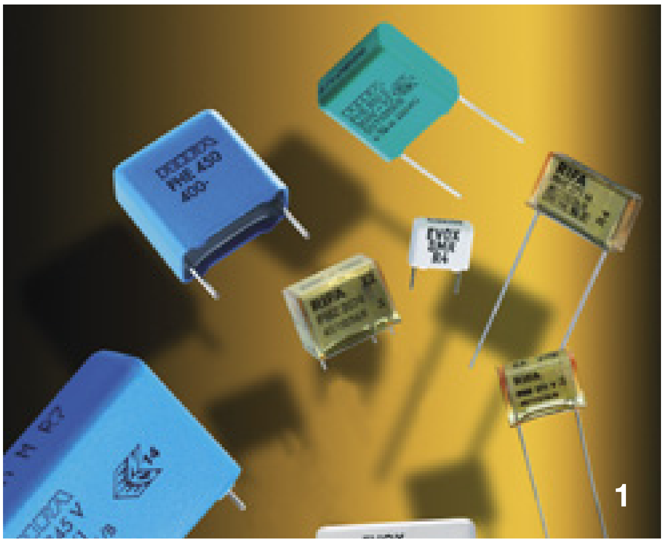
Film and Paper Capacitors ready for further development

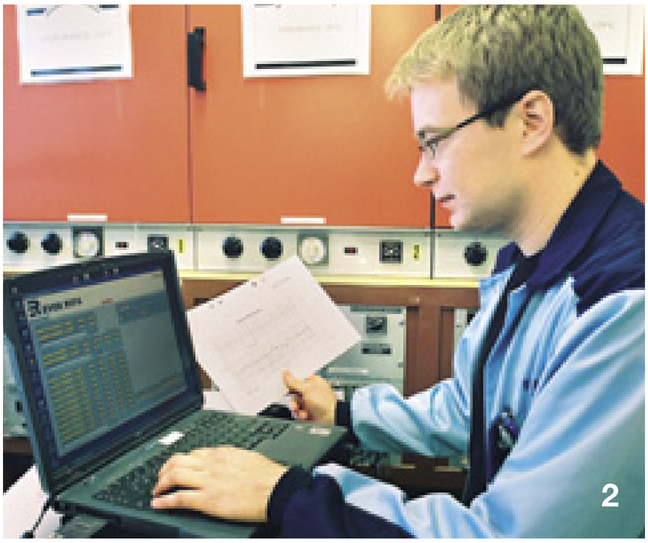
In 2005, Evox Rifa made major changes in its film and paper capacitor production units. These included the expansion of the Suomussalmi plant in Finland and of the Development and Test House Dectron in Sweden. The closure of the Kalmar plant in Sweden was completed by the end of the year, with production transfers to Indonesia and Finland.

Standard film capacitors are now being produced by the Indonesian plant, while the Suomussalmi plant focuses on paper capacitors and special film products. In addition to providing R&D and testing functions, Dectron utilises its outstanding competence in EMI suppression to successfully develop and sell customised products.

Capabilities to serve customers efficiently worldwide

During the first quarter of 2006 demand has been at a good level in all market areas. However, the upturn is not expected to continue through the whole year. Quick changes in the market are





1 Some examples of the film and paper capacitors produced at the Evox Rifa plant in Finland.

2 Production engineer Jani Pyykkönen working in the product testing laboratory of the Finnish plant.

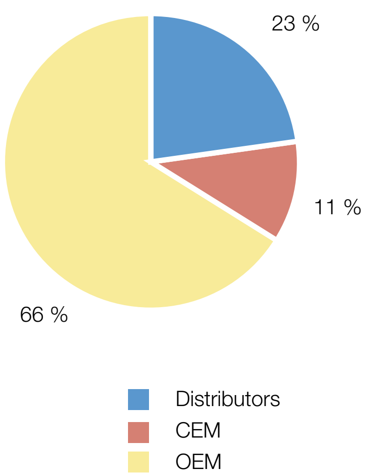
still possible. The price pressure still exists, even though rising personnel and energy costs in China will gradually stabilise this development.

The key customers of Evox Rifa continue to expand their business in China, but there is also a healthy development in demanding applications in Europe. We are well positioned to serve our partners globally, with advanced product development and engineering resources in Europe, and production facilities in Europe and Asia. After some difficult years of restructuring, we will now be paying special attention to improving efficiency in production, both in our own units and also with existing and future partnerships.

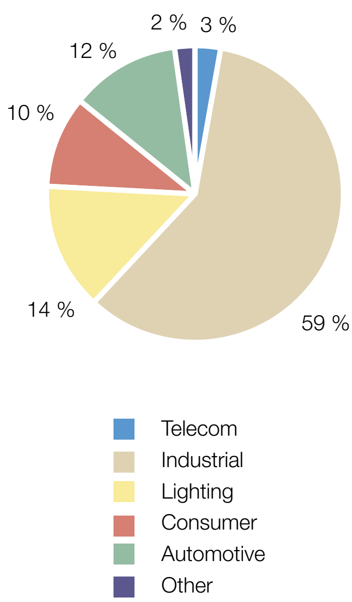
The restructuring activities have included major production transfers, which have also put additional pressure on our product development and engineering resources. After these efforts we now have strong engineering capability in Electrolytic Capacitors, and a new R&D setup in Film and Paper. Since we have revised the product portfolio to meet the RoHS directive, the focus will now be strongly on new applications, and on supporting our customers in their development.

The year 2005 was a challenging one. I would like to thank our customers, subcontractors, shareholders and other partners for their trust and co-operation. My special thanks to the personnel, who have throughout the year again shown strength and loyalty in a difficult situation. The hard work continues, now in building growth for the future.

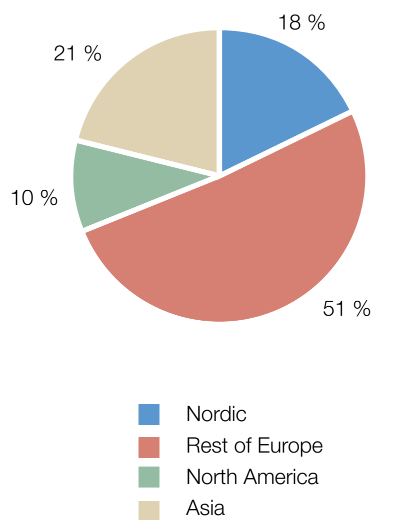
Net sales 2005
by sales channel



Net sales 2005
by type of industry



Net sales 2005
by geographical distribution



Major Customer Segments

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The focused segments within the customer base of Evox Rifa Group are industrial electronics, automotive electronics, telecommunications, lighting, and high-end consumer electronics. The major market areas are Europe, Asia and North America.

Industrial electronics

Within the customer segment for industrial electronics, Evox Rifa Group product solutions are used especially in electric motor drives, in various process control systems and in UPS devices. Other applications include welding equipment, sensor technology, measuring equipment and control systems for industrial robots. Independent power supply and EMI filter production are also included in industrial electronics, even if the end customer is for example in the telecommunications industry or is a manufacturer of household appliances.

Industrial electronics accounted for some 59 per cent of the net sales of Evox Rifa Group in 2005. The customers within this segment use widely all Evox Rifa Group products. Most electrolytic capacitors are supplied to this customer segment.

Rapid production transfers in the world market, and the genuine globalisation of competition will probably mean stabile growth in industrial electronics through new investments and investments to raise efficiency. The customer base, which traditionally has been European or American, is now rapidly growing in Asia.

Automotive electronics

The amount of electronics in cars is increasing strongly, and mechanical solutions are being replaced with electronic ones to improve performance and safety, and to give better steering capability and comfort. The number of passive components in a car is now more than twice as many as at the end of the 1990s, and the use of electrolytic capacitors in power solutions in particular is increasing rapidly. The share of automotive electronics of net sales in 2005 remained stable and was approx. 12 per cent .

Evox Rifa delivers capacitor solutions for automotive electronics companies especially for engine control, fuel injection systems, power steering, ABS braking systems, airbag-systems, lamps, and interference suppression for electric motors and cooling fan controls. Evox Rifa's customers are typically well-known subcontractors to vehicle manufacturers, as well as several independent engineering companies that make designs for several car manufacturers. You can find Evox Rifa products in most of the cars manufactured in Europe and the USA.

The major manufacturers of automotive electronics are European, US or Asian companies. Their design and manufacturing operations are still located mainly in their respective geographical areas. Manufacturing and design operations are, however, moving especially to China.

Telecommunications

The telecommunications industry, especially mobile phones and xDSL-broadband network/access devices, has been growing strongly since 2002. At the same time, demand for base stations for mobile phone networks has increased, partly along with the 3G mobile phone generation. Sending photo messages in mobile networks, Internet Protocol phone connections and strong growth in all kinds of broadband connections will make investments in network solutions a must. The coming years will most probably be years of healthy growth in telecommunications. Chinese manufacturers will also change the traditional customer base in this sector.

The telecommunications industry accounted for some 3 per cent of net sales in 2005. Evox Rifa has especially focused on capacitors for power supplies and EMI filters for mobile phone base stations. These are, however, reported under industrial electronics. In addition, Evox Rifa is focusing on various applications within the area of xDSL-broadband networks. Evox Rifa Group's capacitors can be found in the products of many leading network suppliers. A large part of the capacitors supplied are general film capacitors (both surface mounted and traditional leaded) and film/paper EMI suppression capacitors.

Consumer electronics and lighting

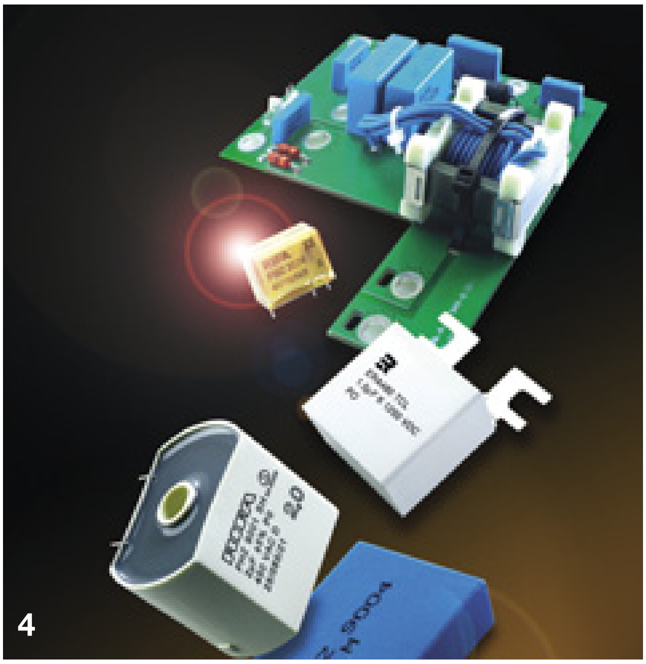
Capacitors are needed in all electronics. For example televisions and video and audio equipment contain a large amount of capacitors. The share of consumer electronics of net sales was approx. 10 percent in 2005. This consisted of general film capacitors, pulse capacitors, film/paper EMI suppression capacitors and snap-in electrolytic capacitors. The share of the lighting segment of net sales was the second biggest, 14 per cent. Electronic ballasts for fluorescent lamps and energy saving lamps are a major application area for all product groups of Evox Rifa Group. The EU directive regarding the energy efficiency of ballasts will cause continuous growth in the amount of electronics in applications in this segment.

1 Electric motor drives are a typical example of an industrial electronics application area that uses all kinds of Evox Rifa capacitors.

2 The automotive electronics industry is a growing customer segment.

3 For electrolytic capacitors, wind-powered electricity generation forms a growing application area.

4 The applications for special capacitor solutions are mainly in industrial electronics.



Components like capacitors are subject to intense price pressure due to their large volumes in consumer and lighting electronics, and production is more and more concentrating in Asia. Because of this, Evox Rifa Group is focusing on supplying capacitors only to selected leading manufacturers on the basis of long term co-operation. We can, however, expect that these customer segments will not grow substantially as Evox Rifa Group customers in the near future.

Aluminium Electrolytic Capacitors

1

Keith Hunter
Director,
Electrolytic Capacitors

Strong performance underlines prospects for continuing growth

Following the restructuring action in the previous year, the Electrolytic Capacitors delivered a robust performance in 2005. Despite the weak market, its operations achieved improved profitability and productivity. The product group continued to implement the strategy of responding to market developments, with the successful start-up of screw terminal capacitor production in China.

Evox Rifa's Electrolytic Capacitors product group designs and manufactures a broad range of high-end aluminium electrolytic capacitors for the power electronics, automotive and lighting industries. The business area has production facilities in the UK, Sweden and China. It is one of the world's leading suppliers of electrolytic capacitors in its chosen market segments.

The company has positioned its electrolytic capacitor business in the high end of the market, where customers typically require innovative state-of-the-art solutions allied to world-class customer service and outstanding product performance and quality.

The market in 2005 weakened after the first quarter, although by the end of the year it was showing signs of recovery. Despite the difficult conditions, Electrolytic Capacitors again increased its sales in all market areas: Europe, America and Asia-Pacific, towards the end of the year. The business area maintained competitiveness through a combination of investments and action to reduce costs, which improved its overall profitability.

Production facilities in line with market developments

The main operational activity in 2005 was setting up screw terminal capacitor production at the Nantong plant in China. Successfully completed in September, this has further strengthened the Nantong operation, now positioned for healthy growth in the coming year.

Axial capacitor production in Gränna, Sweden, continued to grow in step with the rising demand from the automotive market. The rate of growth is set to increase in the next few years following the launch of a newly developed 'market-leading' range of very high ripple current/super high temperature (150° C) capacitors, which have received extremely positive feedback from major customers in the automotive market.

The Weymouth, UK, facility kept performing strongly in 2005, consolidating its position in the market through excellent service and quality. While market growth in Europe has

been weaker than in America and Asia, the prospects for higher growth in 2006 remain good.

The overall market for electrolytic capacitors continues to grow, especially in China. With production plants in both Europe and China, Evox Rifa is now well placed to serve this growth.

Closer customer co-operation breeds successful projects

In accordance with the chosen business idea, R&D work in aluminium electrolytic capacitors has concentrated on the ongoing improvement of product performance, such as achieving higher ripple current in smaller size, lower inductance and higher service temperature.

The business area has also continued its policy of developing products in tandem with supporting materials – anode and cathode foils, separator papers and other materials in addition to electrolytes.

The R&D results have been used by Engineering to determine optimal designs for customers in terms of both performance and cost. The attention to closer customer co-operation in engineering development and R&D has been rewarded with a number of successful projects that will increase sales through value-added operations.

1 Building a strong electrolytic family: Ms. Baoqing (Lisa) Hou from BHC (left) and Ms.Tang Zhongming from Nantong Evox Rifa Electrolytics company during the training session for screw terminal capacitor production at the BHC plant in Weymouth, UK.

2 Ms. Amy Deruiter loads capacitors onto a section of the automated screw terminal production line in Weymouth.

3 Testing electrical parameters on the automated production line.

4 Various axial electrolytic capacitors for automotive applications

Film and Paper Capacitors


1


Wee Cheng Hoon
Director,
Film and Paper Capacitors

Difficult year of restructuring gives way to more positive outlook

Film and Paper Capacitors had a difficult year due to a weak market and the high one-time costs of the European restructuring. With the restructuring now completed, the product group is well equipped to raise its performance. The improvements to the production, development and testing facilities place Evox Rifa in an excellent position to serve manufacturers of demanding applications.

Evox Rifa designs and produces paper and plastic film capacitors in Finland and Indonesia, specialising in demanding applications. Performance and qualification testing and engineering are also carried out at Dectron AB, an Evox Rifa subsidiary in Sweden.

In the mature and extremely competitive market for film and paper capacitors, Evox Rifa's niche is in high-quality products that meet customer requirements in all respects, from technology and delivery to engineering support. The company concentrates on the industrial and automotive customer segments, which require high-performance capacitors and excellent customer service.

The market was weak in all market areas during the first three quarters of 2005. In commodity products, strong price erosion continued to affect profitability. The market situation was reflected in the run rates at the production plants and the decline in the value of sales from the previous year.

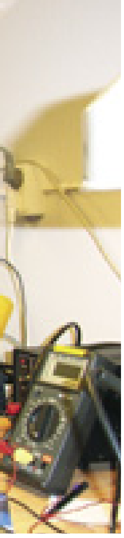
The difficult market situation manifested itself in exceptionally high bad-debt losses, the biggest of which was related to the bankruptcy of Eurodis, a major European distributor. As the one-time costs from the European restructuring also exceeded estimations, the total losses of the Business Area were higher than expected.

Europe remained the main market for the product group, and increased its market share there. The market situation improved towards the end of the year, and remained on a good level during the first quarter of 2006.

Full set of capabilities in place

In line with the reorganisation strategy for European operations, the personnel negotiations at the Kalmar plant in Sweden were concluded in January, resulting in personnel reductions of 198 persons. The production transfers were started in July and completed by December.

At the Batam plant in Indonesia, film capacitor production was strengthened with the transfer of two additional production



1 Research and development engineer Ulf Andersson working on an electronic design task at Dectron in Sweden. Dectron AB is an Evox Rifa subsidiary that specialises in electromagnetic compatibility (EMC) testing and consultation, electronics design and production, and special capacitor design.

2 Modernised production plant in Finland with its latest resources: production engineer Heidi-Maria Puolakka, and process & quality engineer Markus Holappa.

3 Metal spraying at the Evox Rifa plant in Indonesia, producing electrical contact electrodes for the ends of capacitor elements.

lines, which raised the yearly capacity from 350 million to 410 million items. The plant, with capabilities for the full range of 5 – 27.5 mm lead-spacing capacitors, will concentrate on high-volume products.

The expansion of the Suomussalmi site in Finland, completed in the autumn, produced a total of 8832 m^2 of new or renovated facilities. Personnel training began in February 2005, and the production transfers from the Kalmar plant were completed by the end of the year.

The paper capacitor process that was transferred from Sweden to Finland is now up and running at the Suomussalmi plant at full speed. The plant also has a full range of capabilities for the design and production of plastic film capacitors, especially for automotive and industrial applications. The plant also has further specialised skills and capabilities in SMD film capacitors, geared towards demanding markets.

The expansion of the R&D and Test House Dectron in Sweden was completed in December. The unit has full-scale testing services covering EMC, LVD and environmental testing as well as outstanding competence in EMI suppression, including an accredited EMC laboratory. In Dectron Evox Rifa has a unique combination of knowledge in professional electronics and components, and design skills allied to small scale production capabilities and subcontractor management.

Focus moves to development and production efficiency

In 2005, research and development activities were still partly concerned with the lead-free issues arising from the European RoHS directive. The biggest project in this field, lead-free paper capacitors, was completed during the spring. The new Class Y2 polypropylene capacitor was also launched, and the newly developed Class Y1 paper capacitor is already in high demand in the market.

The major development projects for the future will aim at improving the capabilities of capacitors to meet the special requirements of lead-free soldering and at developing components for electric motor drives in industrial and automotive applications. Evox Rifa has an outstanding opportunity here to serve the market with solutions that utilise both film and aluminium electrolytic capacitor technologies.

Having completed the massive European restructuring, the product group is now able to adapt to changes in the business environment with more flexibility. The next focus will be on raising efficiency at the production plants. With the new setup in place at Dectron, this will also be a year of product and technology development, targeting further growth in serving manufacturers of demanding applications.

Product applications

The electrical and electronic solutions in an average personal vehicle already account for over 30% of its total factory value. Requirements for environmentally friendly cars, personal safety, and driver and passenger comfort are driving continuous growth in these solutions, in which capacitors play an important role. Typical applications for Evox Rifa products include:

- Electronic and electro-hydraulic power steering
- Engine cooling fan motor control
- Active suspension electronics
- Diesel injection electronics
- Generator interference suppression
- Xenon light ballasts
- Electric water pump control
- Air bag electronics
- Electromagnetic interference suppression for various electric motors
- Emerging hybrid vehicle electric motor drives

Photo: Polar Electro

People are more and more concerned about their physical condition. Evox Rifa's novel low-loss capacitor helps extend the battery life of Polar Electro's versatile heart rate monitors by allowing radio frequency communication between transmitter and receiver at reduced power level.

Evox Rifa is a leading supplier of many types of capacitors for uninterrupted power supply (UPS). Powerware is a leading brand in this highly technical business area and has a global supply chain business model: Evox Rifa delivers capacitors from its Finnish, Indonesian and UK factories to Eaton Corporations's Powerware products in Asia for assembly on printed circuit boards or in Finland for final UPS assembly.


2

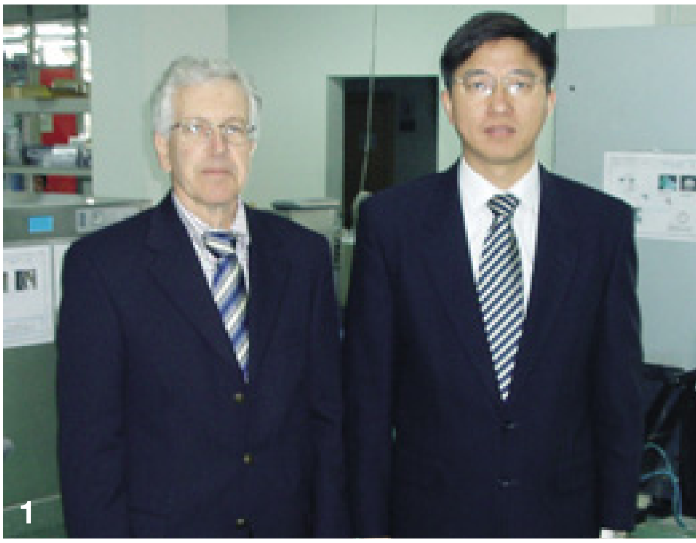
1 Elevator electric motor drives often rely on the quality of Evox Rifa capacitors. Electric motor drives are one of Evox Rifa's most important and most demanding application areas, especially for electrolytic capacitors

2 Highly reliable electronics form the key for the trouble-free operation of high speed trains in all possible conditions. This also places extremely tough requirements on Evox Rifa capacitors, which are used in various control circuits in this demanding application

Bang & Olufsen builds its worldwide high reputation on unique contemporary design, the quality of its HI-FI sound and picture, novel technical solutions, and on reliable and safe electronic components. Evox Rifa has for more than a quarter of a century been a key partner to B&O, supplying a wide range of capacitors for almost all their products

Photo: Bang & Olufsen

Main events in 2005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The main stock exchange releases in 2005

21.01.2005 Evox Rifa signed an agreement concerning the sales of its real estate in Kalmar, Sweden. The deal will come into force during the first quarter of 2006 after the closing down of the local Evox Rifa plant.

09.02.2005 The Board of Directors of Evox Rifa Group Oyj decided to propose to the Annual General Meeting (on February 28, 2005) to issue a convertible capital loan for a restructuring and investment program for securing the implementation of the program and the competitiveness of the Company, and to strengthen the capital structure of the Group. The Board approved a share swap and purchasing agreement according to which Evox Rifa Group Oyj purchases a minority share in its Singaporean subsidiary, Evox Rifa Pte.Ltd. The Board also decided to propose to the AGM, that the share capital of the Group be increased by EUR 192 500 through an issuance of 3 850 000 new shares.

09.02.2006 Evox Rifa Group's financial statement 2004. The operating loss of the Group decreased considerably compared with the previous year. The loss included EUR 1.6 million of restructuring costs. Especially during the second half of the year profitability was burdened by the strengthening of the euro in relation to the US dollar. Demand weakened in all market areas. The most important customer groups are estimated to develop steadily in Europe and the US.

28.02.2005 The Annual General Meeting decided, according to the proposal of the Board, to decrease the reserve fund in order to cover the accumulated losses incurred during the fiscal period ended on 31 December 2004 and previous fiscal periods and that dividend will not be distributed.

The AGM decided to increase the share capital of the Company by EUR 192 500 by offering for subscription of the owner of the minority holding in Evox Rifa Pte.Ltd. 3 850 000 new Company shares. All issued shares were subscribed for immediately after AGM. As a result of the subscription the share capital of the Company shall increase by EUR 192 500. The AGM decided to issue a convertible capital loan.

04.03.2005 The increase in Evox Rifa Group share capital was registered on March 4, 2005, after which the registered number of all Company shares is 177 221 018 and the share capital is EUR 8 861 050.90.

22.3.2005 The Evox Rifa Group Oyj convertible capital loan was subscribed for with the total of EUR 5 587 900 during the subscription period ended on 18 March 2005. According to the loan terms and conditions the Board of Directors decided to increase the amount of the loan up to EUR 5 587 900 and accepted the subscriptions of 55 879 loan notes.

29.03.2005 Evox Rifa Group Oyj's convertible capital loan 2005 will be listed on the official list as of 29 March 2005. The amount of the loan is EUR 5 587 900. The term of the loan is 21.3.2005 – 22.3.2010. Interest rate of the loan is 5.00% per annum.

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19.04.2005 Evox Rifa Group Oyj adopted the International Financial Reporting Standards (IFRS) in its reporting as of January 1, 2005. The release provides information on the effects of the adoption of IFRS on the earlier reported financial information of 2004.

20.04.2005 Interim report for the period of 1.1.–31.3.2005. Operating loss was EUR 1.4 million. One-time costs related to the production transfers were EUR 1.4 million. Price competition tightened in all market areas because of uncertain sales prospects, the strong euro and higher raw material costs. Demand in the US was weaker than expected and Evox Rifa sales in the US were also affected by the ongoing Chapter 11 proceedings of a major customer.

27.06.2006 Evox Rifa Group entered into an original equipment manufacturing (OEM) agreement with Europtronic Group Ltd. Europtronic is a manufacturer and distributor of active and passive electronic components listed on the main board of the Singapore Stock Exchange.

05.08.2005 Interim Report for the period of 1.1.– 30.6.2005. Operating loss was EUR 2.7 million, it included EUR 2.3 million of one-time costs. Market prospects continued to be uncertain in all market areas, especially in the United States. Price competition became harder – especially in Asia.

27.10.2005 Interim Report for the period of 1.1.– 30.9.2005. Operating loss was EUR 4.6 million, it included EUR 3.1 million of one-time costs which are related to production transfers from Sweden to Finland and Indonesia, and EUR 0.6 million of bad debts. Reorganising distribution channels in Europe after the bankruptcy of Eurodis, slowed down Evox Rifa's deliveries to customers. Signs of improvement in the market situation could be seen at the end of the third quarter.

01.03.2006 Evox Rifa Group's financial statement 2005. Net sales were EUR 79.9 million. The operating loss was EUR 7.5 million and included EUR 5.4 million of restructuring costs.

All published stock exchange releases in their complete form are available on Evox Rifa Group's web site: www.evoxrifa.com.

1 Mr. Hans Qian (right) took over from Mr. Björn Rundlöf as general manager at the Evox Rifa plant in China at the beginning of 2006.

2 Mr. Andrew Bellavia started as managing director of Evox Rifa Inc. in the USA on 1 January 2006.

3 Mr. Timo Säkkinen (right), municipality manager of Suomussalmi, with Evox Rifa's Mr. Seppo Kolo at the recently expanded plant in Finland. The municipality of Suomussalmi carried out the expansion.

Evox Rifa's Financial Reviews in 2006

March 1:	Financial Performance 2005
Week 15:	2005 Annual Report
April 27:	Interim Report for January – March, 2006
August 8:	Interim Report for January – June, 2006
October 26:	Interim Report for January – September, 2006

Evox Rifa will also publish its Annual Report on the Internet. Annual General Meeting of Evox Rifa Group Oyj will be held on April 20, 2006 in Espoo, Finland.

Board of Directors & Management Team

Board of Directors

Chairman
Henrik Ehrnrooth, born 1954, M.Sc. (Forest Econ.), B.Sc. (Econ.)
Jaakko Pöyry Group Oyj, Chairman of the Board;
Cargotec Oyj, Vice Chairman of the Board
Otava Books and Magazines Group Ltd., Member of the Board;
Oy Forcit Ab, Member of the Board;
Chairman of the Evox Rifa Group Board since 2003, Board Member since 2002.
Evox Rifa Group shares: 0
Options entitling to subscribe 90 000 shares
Henrik Ehrnrooth, together with his brothers Georg Ehrnrooth and Carl-Gustav Ehrnrooth, indirectly holds a controlling interest in Fennogens S.A. which owns 38,5 % of Evox Rifa Group's shares.

Vice Chairman
Jerker Molander, born 1955, LLM, MBA, MA.
Xenetic Oy, Chairman of the Board
Monilaite Thomeko Oy, Member of the Board
Member of the Evox Rifa Group Board since 2000
Evox Rifa Group shares: 90 000
Options entitling to subscribe 200 000 shares

Mikko J. Aro, born 1945, B.Sc. (Econ)
Okmetic Oyj, Chairman of the Board;
Helkama Auto Oy, Member of the Board ;
Oy Airam Electric Ab, Member of the Board;
Member of the Finnish Association of Professional Board Members
Member of the Evox Rifa Board since 2000
Evox Rifa Group shares: 4000
Options entitling to subscribe 100 000 shares

Pertti Laine, born 1941, B.Sc. (Econ.)
Veikko Laine Oy, Chairman of the Board;
Finnlines Oyj, Chairman of the Board;
United Bankers Oy, Chairman of the Board;
Rukanmaisema Oy, Member of the Board.
Member of the Evox Rifa Group Board since 2002
Evox Rifa Group shares: 19 908 972
Options entitling to subscribe 60 000 shares

Jarmo Niemi, born 1953, M.Sc. (Eng.)
Tecnomen Oyj, President & CEO.
Member of the Evox Rifa Group Board since 2000
Evox Rifa Group shares: 0
Options entitling to subscribe 100 000 shares

Group Management Team

President and CEO
Tuula Ylhäinen, born 1955, M.Sc. (Econ)
Employed by Evox Rifa since 2002
Evox Rifa Group shares: 0
Options entitling to subscribe 600 000 shares

Director, Film and Paper Capacitors,
Managing Director of Evox Rifa Pte.Ltd.
Wee Cheng Hoon, born 1946, B.Sc. (Mech. Eng.)
Employed by Evox Rifa since 1982
Evox Rifa Group shares: 3 850 000
Options entitling to subscribe 400 000 shares

Director, Electrolytic Capacitors,
Managing Director of BHC Components
Keith Hunter, born 1956
Employed by Evox Rifa since 2002 (by BHC since 1985)
Evox Rifa Group shares: 0
Options entitling to subscribe 190 000 shares

Director, Sales and Marketing
Olavi Lehtimäki, born 1953, B.Sc. (Econ)
Employed by Evox Rifa 1980-1987, and again since 1998
Evox Rifa Group shares: 14 962
Options entitling to subscribe 225 000 shares

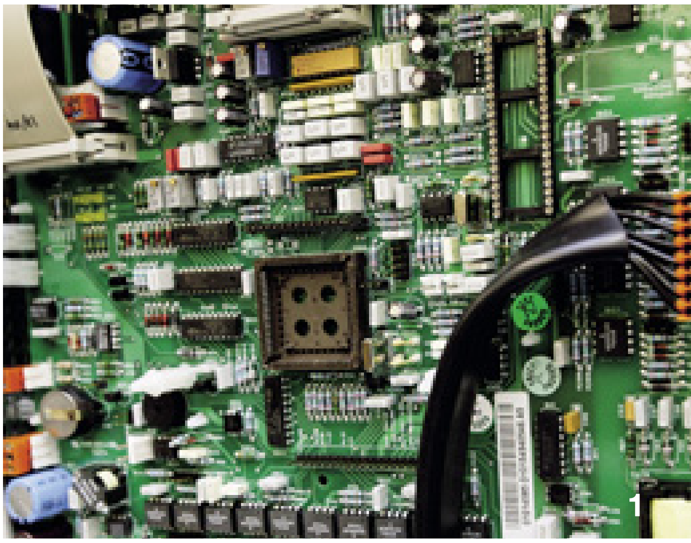
From left to right: Olavi Lehtimäki, Kimmo Saarinen, Wee Cheng Hoon, Olli Nermes, Tuula Ylhäinen and Keith Hunter.

Chief Financial Officer
Olli Nermes, born 1956, M.Sc. (Econ)
Employed by Evox Rifa since 2003
Evox Rifa Group shares: 32 000
Options entitling to subscribe 120 000 shares

Director, Business Development
Kimmo Saarinen, born 1950, M.Sc. (physics)
Employed by Evox Rifa since 1978
Evox Rifa Group shares: 69 920
Options entitling to subscribe 400 000 shares
Honorary: Chairman of both SESKO (Finnish Electrotechnical Standardisation Organisation) and SFS (Finnish Standardisation Association); Chairman of Technical Committee 40 (capacitors, resistors and filters) and Member of the Council Board in IEC (International Electronics Committee).

Ownership information about shares and options on this page is from December 31, 2005. Figures include direct and indirect ownership.

Corporate Governance Statement in Short



General

The statutory basis of the Corporate Governance of Evox Rifa Group is the Finnish Companies Act, the Securities Markets Act, and the Articles of Association of the parent company Evox Rifa Group Oyj, according to which the control and management of the company are divided between the shareholders represented at the General Meeting of Shareholders, the Board of Directors, and the President.

The Board of Directors, elected by the Annual General Meeting, is responsible for controlling and overseeing the management and operations of the company. The Board of Directors decides about matters which are significant for the company, such as its strategy, investments, organisational structure and financial matters. The Group President is in charge of the overall management of the Group.

Committees of the Board of Directors

The Strategy Committee assists the Board of Directors in developing the Group strategy and organisation. The Compensation and Audit Committee assists the Board of Directors in reviewing the management compensation and general compensation policies, and in the supervision of the Group's financial reporting process, including the monitoring and guidance of auditing processes. The Board of Directors appoints among its members a Chairman and a Vice Chairman.

President and the Management Team

The President is in charge of the day-to-day management of Evox Rifa Group in accordance with the guidelines and decisions of the Board of Directors. The President is in charge of the preparation of matters to be presented to the Board, and also in charge of their implementation.

The President also serves as Chairman of the Company's Management Team. The Management Team members are nominated by the Board of Directors, based on the President's proposal. The Management Team assists the President in preparing e.g. matters common to the whole Group, such as Group strategy and operational principles. Management Team members are in charge of organising the Group administration in practice.

Business Organisation Structure

The business operations of Evox Rifa Group are conducted through two product groups: paper and film capacitors, and electrolytic capacitors.

Both product groups have a Director appointed by the President. The appointments are approved by the Board of Directors. Both product groups have a management team chaired by the Director who reports to the President of Evox Rifa Group Oyj.

Auditor

The Annual General Meeting nominates the Auditors for one year at a time. In 2005 the Auditors of the company were KPMG Oy Ab, authorised public accountants.

This is a shortened text of the Corporate Governance principles of Evox Rifa Group Oyj. The whole text is published on the Company's internet pages: www.evoxrifa.com

1 The control board for Eaton Powerware UPS equipment is an excellent example of the use of Evox Rifa metallised polyester capacitors in industrial electronics (the grey rectangular components on the board in the picture).

2 Winding forms the heart of the process. Ms. Ming-hua Li at her work at the Evox Rifa plant in China.

The back cover illustrates the wide range of Evox Rifa surface mount film capacitors.

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Evox Rifa has five production units, several own sales offices in Europe, Asia and Americas, as well as a worldwide resale network. Contact information in full is available on Evox Rifa website: www.evoxrifa.com

EVOX RIFA

www.evoxrifa.com

Evox Rifa Group Oyj

FINANCIAL STATEMENTS 2005

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KEY FIGURES

	2001	2002	2003	IFRS 2004	IFRS 2005
Net sales, MEUR	69.0	69.8	78.9	89.5	79.9
EBIT, MEUR	-4.8	-8.9	-4.9	-0.3	-7.5
% of net sales	-6.9	-12.8	-6.2	-0.4	-9.4
Return on investment, %	-10.3	-19.1	-11.3	-0.8	-18.7
Earnings per share, EUR	-0.059	-0.068	-0.034	-0.012	-0.052
Equity ratio, %	47.5	36.5	31.1	28.6	13.9
Personnel, average	1 336	1 288	1 241	1 355	1 320
Order backlog 31.12., MEUR	10.5	13.6	16.6	17.4	17.7

THE BOARD OF DIRECTORS' REPORT 1.1. – 31.12.2005

General

Evox Rifa Group's business operations comprise the design, manufacture and sale of passive electronic components – film, paper and electrolytic capacitors. The company's goal is to become the market leader as a fast and flexible supplier of demanding capacitor-based solutions. Evox Rifa's customer sectors are especially in the fields of automotive, industrial, lighting and consumer electronics – in Europe, North America and Asia.

The Group's parent company is Evox Rifa Group Oyj in Finland. The other Group companies are: Evox Rifa Oy, Finland; Evox Rifa AB, Sweden; Dectron AB, Sweden; Evox Rifa Pte. Ltd, Singapore; Seoryong Singapore Pte. Ltd, Singapore; P.T. Evox S.R., Indonesia; Evox Rifa Sdn. Bhd., Malaysia; Nantong Evox Rifa Electrolytics Co. Ltd., People's Republic of China; BHC Components Ltd., United Kingdom; Evox Rifa GmbH, Germany; and Evox Rifa Inc., USA.

Market Survey

In the first half of 2005, demand was weak and price erosion exceptionally severe. At the beginning of the third quarter 2005, the order backlog picked up, and in the final quarter it increased significantly.

Although Evox Rifa's major customers are expanding their activities in China, demand within Evox Rifa's main customer segments in Europe remained stable. Evox Rifa continued to raise its market share in Europe.

Weak market demand resulted in exceptionally large bad debts. The bankruptcy of Evox Rifa's major European distributor Eurodis in particular resulted in bad debts and required a rapid reorganization of distribution channels in Europe.

Financial Performance

The Group's net sales in 2005 totalled EUR 79.9 million (EUR 89.5 million in 2004). The operating loss was EUR 7.5 million (loss of EUR 0.3 million). Loss before taxes was EUR 8.7 million (loss of EUR 1.5 million). This includes one-time restructuring costs of EUR 5.4 million relating to the transfer of production from the Kalmar plant in Sweden to Finland and Indonesia, and bad debts of EUR 0.7 million. One-time costs in 2004 amounted to EUR 1.6 million.

The transfer of production from Sweden to Finland was completed by the end of December.

The operating result also includes costs of EUR 0.5 million arising from the switch to lead-free production.

Financial expenses include issuance costs of EUR 0.15 million for a convertible capital loan.

Earnings per share were EUR –0.052 (EUR –0.012) and shareholders' equity per share was EUR 0.041 (EUR 0.084).

The Group had an order backlog of EUR 17.7 million at the end of 2005 (EUR 17.4 million at the end of 2004). The order backlog increased from the third quarter of 2005 and is expected to remain at a good level in the first quarter of 2006.

The Group's liquid assets totalled EUR 2.4 million (EUR 2.8 million) and the equity ratio stood at 13.9 % (28.6%) at the end of 2005. Including the convertible capital loan in shareholders' equity, the equity ratio was 23.3 %. The commitments arising from the restructuring of the Kalmar operations weakened the Group's liquidity towards the end of the year and the Group's financial position continued to be tight.

To improve the Group's liquidity, BHC Components Ltd. reached agreement in February 2006 on the main conditions for a sale and leaseback contract for the real estate owned by the company. The contract is expected to come into force during the first quarter of 2006.

The sale of the Kalmar production property in Sweden to Peab Sverige AB will take place during March 2006. The proceeds will be used to reduce the loans relating to the terminated production operations in Kalmar.

Evox Rifa Group Oyj issued a convertible capital loan in March 2005, which was subscribed for EUR 5.6 million. No interest can be paid on the convertible loan in 2006, due to the lack of distributable funds in the financial statement of 31 December 2005. The interest on the convertible capital loan, EUR 0.2 million, impairs the result for 2005.

Gross investments in fixed assets totalled EUR 4.0 million (EUR 1.2 million) and included new investments at the Group's Finnish, British, Chinese and Indonesian plants.

Evox Rifa Group Oyj purchased a minority shareholding of 15 percent in a Singapore subsidiary, Evox Rifa Pte. Ltd., for EUR 0.8 million in March. The Group structure was further clarified in June through an internal transaction in which Evox Rifa Group Oyj purchased the remaining 85% of shares of the Singapore subsidiary from Evox Rifa Oy. Evox Rifa Group Oyj now owns the company 100%. In December 2005 all the shares of Evox Rifa GmbH were transferred from Evox Rifa AB to the ownership of Evox Rifa Group Oyj through an internal purchase.

Net sales of the film capacitor product group were EUR 39.1 million (EUR 46.1 million in 2004). The uncertainty in the market and severe price pressures continued. High oil prices created pressure to raise the prices of raw materials for capacitors. Capacity utilization rates at the plants improved gradually during the second half of the year.

The restructuring of production in Europe was carried out during 2005. The production capacity of the Kalmar plant was transferred in total from Sweden to Indonesia and Finland. Production of certain key products continued in Sweden longer than was originally planned, due to increased demand and the disruptions caused by the changes in European distribution channels. The costs for the start up of new production in Finland proved to be higher than estimated.

It is estimated, however, that the full benefits from the closure of the Kalmar plant, annual savings of some EUR 3 million, will start to be obtained from the third quarter of 2006.

In June Evox Rifa Group and Europtronic Group signed an OEM agreement and Europtronic started to supply Evox Rifa with polyester film capacitors from its plant in China. Evox Rifa and Europtronic continue to look into further opportunities for collaboration.

Net sales of the electrolytic capacitors product group totalled EUR 40.8 million in 2005 (EUR 43.4 million in 2004). Demand improved after a weak summer period, and the order backlog stood at a good level at the end of the year. Price pressures continued to be hard.

The investments in screw terminal capacitor production in China were completed and deliveries to customers started in October. Modernization investments and development projects continued at the Weymouth plant in the U.K. The Gränna plant in Sweden launched a new axial lead capacitor for the automotive market.

Shares and share capital

The nominal value of the shares of Evox Rifa Group Oyj is EUR 0.05, the number of shares was 177 221 018 on 31 December 2005 and the share capital was EUR 8 861 051.90. The share capital was increased in March as the result of the share offering by 3 850 000 shares and EUR 192 500.

The Annual General Meeting of Shareholders held on 28 February 2005 decided in accordance with the Board's proposal to reduce the reserve fund by EUR 12 311 838.04, in order to cover the accumulated losses incurred during the fiscal period ended 31 December 2004 and during previous fiscal periods, and not to pay a dividend.

The AGM decided, in accordance with the Board's proposal, to increase the share capital of the Company by EUR 192 500 by offering 3 850 000 new Company shares for subscription by the owner of the 15% minority holding in Evox Rifa Pte. Ltd.(Singapore). The subscription price of the Evox Rifa Group Oyj share is EUR 0.10, which corresponds to the weighted average trading price of the Company share on the Helsinki Exchanges during the period 1 – 31 December 2004. Half of the shares were subscribed for and paid with a contribution in kind and half in cash. The assets to be transferred to the Company against the new shares consist of 150 000 shares in Evox Rifa Pte. Ltd. The value of these shares, EUR 775 515, is booked in the balance sheet of the Company. All issued shares were subscribed immediately after the AGM. The Board accepted subscriptions for 3 850 000 shares. As a result, the share capital of the Company rose by EUR 192 500.

The AGM decided to issue a convertible capital loan. The loan was subscribed with a total of EUR 5 587 900. Fixed annual interest is paid on the loan of five percent (5 %). Each EUR 100 loan note can be converted into 750 shares in Evox Rifa Group Oyj. The loan conversion period commences on 1 October 2005 and ends on 26 February 2010. The annual conversion period for the loan is from 2 January to 30 November. The shares have a nominal value of EUR 0.05, so the conversion rate is approximately EUR 0.1333. No loan notes had been converted into shares by 31 December 2005.

The AGM authorized the Board of Directors for a period of one year from the AGM to decide to increase the share capital by one or more issues of shares and/or convertible loans, so that pursuant to the issue of new shares and/or the conversion of the convertible loans the share capital may be increased by an aggregate maximum amount of EUR 1 733 710.

The AGM decided not to distribute the share options that were issued on 14 November 2000 and in the possession of the Company at the time of the invitation to the AGM and, in consequence, to cancel 220 000 class A share options, 1 090 000 class B share options and 1 435 000 class C share options.

Personnel

The average number of Evox Rifa Group personnel in 2005 was 1320 (1355 in 2004).

The personnel reductions relating to the closing of the production plant in Sweden totalled 198 persons. At the end of 2005 there were still 43 persons working at the Kalmar plant; the employment contracts for most of them will end during the first quarter of 2006.

As a result of the production transfers and investments, the number of personnel increased at the plants in Finland, Indonesia and China. The number of new permanent jobs at the Finnish plant is estimated to be at the planned level.

At the end of 2005, 54 % (46%) of Group personnel were employed in Asia. In the second half of 2006 it is estimated that 57 % of personnel will be working in Asia.

Risks and uncertainties facing business operations

The capacitor industry market has become increasingly global, which has eliminated geographical market differences. A visible impact of this has been the harmonization of prices and logistic requirements. Major customers also often concentrate their purchases with ever fewer suppliers, keeping just one or two suppliers instead of three or four. Half a dozen global suppliers dominate the market, although there is some local competition in certain product areas.

The Group's customers compete in areas in which the technology changes rapidly and products have a short life cycle. Product development is exceptionally fast in the telecommunications market, because new technologies weaken the competitiveness of the present technologies or render them obsolete. The Group is continuously evaluating the benefits and profitability of new production processes and technologies.

Research and development

In the Film and Paper Capacitors product group the main focus was on application specific projects especially for the automotive industry and industrial electronics. In connection with the closure of the Kalmar factory, investments were made in the premises of Dectron AB, and all testing and development work in Sweden was concentrated there. Operations in the new premises reached full speed from the beginning of 2006. A new area started was the development of DC-link film dielectric capacitors for electric motor controls in industrial electronics and hybrid vehicle applications. In connection with the closure of the

Kalmar factory, the Ricap-technology was discontinued. To replace it, a new Y1 capacitor was developed using a new box-type metallized paper technology. In surface mounting capacitors, resistance to high temperatures in the lead-free soldering process was developed in a project funded by TEKES (the Finnish Funding Agency for Technology and Innovation).

The properties of the existing screw terminal electrolytic capacitors were enhanced with new electrolytes and improved mechanical constructions. A new production line for these capacitors was constructed at the Nantong factory in China for local customers and the first new products were developed, maximising the use of local raw materials and component suppliers. At the British factory studies were made to find ways of combining capacitor production with the assembly of larger units. The first customized pilot programme started at the beginning of 2006.

A new construction was developed for axial electrolytic capacitors, which can handle roughly twice as high currents as competing products, even at the high temperatures, up to 150 ºC, required by the automotive industry. Customers have shown great interest in this product, and deliveries are starting gradually from the beginning of 2006.

Environment

The fulfilling of the requirements arising from the EU's RoHS directive, which restricts the use of certain hazardous substances, has required substantial development work and investments, especially in the production process for the paper capacitors. The directive bans, for example, the use of lead in most electronic equipment, and comes into force at the beginning of July 2006. Evox Rifa has made modifications to its products in good time to meet the requirements of the directive, but the actual implementation of the changes in mass production has proved to be more difficult than expected, and for some products the first deliveries have had to be postponed until the first part of 2006.

The production plants have plans and schedules for obtaining ISO 14001 certification for their environmental management systems, and during 2005 the system at the Indonesian factory received approval. The work continues at the other plants during 2006.

Management and auditors

The Board of Evox Rifa Group Oyj comprised the following persons:

Mikko J. Aro, Board Member
Henrik Ehrnrooth, Chairman of the Board
Pertti Laine, Board Member
Jerker Molander, Deputy Chairman
Jarmo Niemi, Board Member

The above persons also formed the Board of Directors of Evox Rifa Oy during the fiscal period.

The members of the Board's strategy committee were Henrik Ehrnrooth, Jerker Molander and Mikko J. Aro and of the compensation and audit committee Mikko J. Aro and Pertti Laine.

The President and CEO of Evox Rifa Group Oyj was Ms. Tuula Ylhäinen, MSc. (Econ).

The Group's auditors are KPMG Oy Ab, Certified Accountants, and the principal auditor is Mr. Lasse Holopainen, Authorised Accountant.

Incidents after the fiscal period

To further improve the Group structure, the ownership of the Chinese subsidiary, Nantong Evox Rifa Electrolytics Co. Ltd., will be transferred from Evox Rifa AB in Sweden to BHC Components Ltd. in the UK in March 2006.

BHC Components Ltd. reached agreement in February 2006 on the main conditions for a sale and leaseback contract for the real estate owned by the company. The contract is expected to come into force during the first quarter of 2006.

The sale of the production property in Sweden agreed with Peab Sverige AB will be implemented during March 2006.

Outlook for 2006

The first quarter of 2006 is a period of good demand, but the state of the market is expected to remain uncertain. The market in Europe is estimated to remain at the same level as in 2005, but rapid changes in the market are still possible.

Evox Rifa Group's most important customer groups - industrial and automotive electronics – are expected to continue to develop at a steady pace, and the business operations of the Group's major partners are expected to continue to grow in Asia.

Price erosion has reduced sales prices and the pressure on prices will remain strong. The expansion of Evox Rifa's production in China and the reorganization of film and paper capacitor production in Europe will improve the competitiveness of the Group.

CONSOLIDATED INCOME STATEMENT

NOTE		1 Jan –31 Dec 2005 EUR thousand	1 Jan – 31 Dec 2004 EUR thousand
	REVENUE	79 911	89 478
5	Other operating income	154	178
	Changes in inventories of finished products and work in progress	-1 013	762
	Raw material and consumables used	-36 071	-40 777
6	Employee benefits expense	-32 443	-31 513
7	Depreciation and amortisation expense	-3 313	-3 833
8	Other operating expenses	-14 744	-14 642
		-86 571	-90 765
	OPERATING LOSS	-7 519	-347
10	Financial income and expenses	-1 198	-1 163
	LOSS BEFORE TAX	-8 717	-1 510
11	Income tax expense	-539	-423
	LOSS FOR THE PERIOD	-9 256	-1 933
	Attributable to:		
	Shareholders of the parent	-9172	-2001
	Minority interest	-84	68
		-9256	-1933
12	Earnings per share for loss attributable to the shareholders of the parent (expressed in € per share)		
	basic	-0,052	-0,012
	diluted	-0,052	-0,012

CONSOLIDATED BALANCE SHEET

NOTE		31 Dec 2005 EUR thousand	31 Dec 2004 EUR thousand
	ASSETS		
	Non-current assets		
14	Property, plant and equipment	15 855	18 927
13	Goodwill	1 235	963
13	Other intangible assets	29	23
	Available-for-sale investments	3	4
16	Receivables	371	418
	Total non-current assets	17 493	20 335
	Current assets		
17	Inventories	15 012	15 094
18	Trade and other receivables	14 441	14 948
19	Cash and cash equivalents	2 435	2 792
	Total current assets	31 888	32 834
15	Non-current assets classified as held for sale	3 798	0
	TOTAL ASSETS	53 179	53 169

NOTE		31 Dec 2005 EUR thousand	31 Dec 2004 EUR thousand
	EQUITY AND LIABILITIES		
20	Equity attributable to shareholders of the parent		
	Share capital	8 861	8 669
	Share premium	1 926	1 734
	Reserve fund	677	12 989
	Translation differences	-1 481	-2 509
	Retained eaarnings	-2 739	-6 374
		7 244	14 509
	Minority interest	142	685
	Total equity	7 386	15 194
	Non-current liabilities		
20, 25	Convertible capital loan	5 004	0
22	Deferred tax liabilities	730	561
23	Pension obligations	2 321	2 568
25	Interest-bearing liabilities	9 623	11 090
	Total non-current liabilities	17 678	14 219
	Current liabilities		
26	Trade and other payables	14 790	12 534
	Current tax liabilities	554	227
24	Provisions	943	654
25	Interest-bearing liabilities	11 828	10 341
	Total current liabilities	28 115	23 756
	Total liabilities	45 793	37 975
	TOTAL EQUITY AND LIABILITIES	53 179	53 169

CONSOLIDATED CASH FLOW STATEMENT

NOTE		2005 EUR thousand	2004 EUR thousand
	Cash flows from operating activities		
	Loss for the period	-9 256	-1 933
	Adjustments:		
27	Non-cash transactions	4 378	4 413
	Interest and other financial expenses	1 668	1 083
	Interest income	-31	-35
	Income taxes	547	416
	Change in net working capital:		
	Increase (-) decrease (+) in inventories	44	-1 471
	Increase (-) decrease (+) in trade and other receivables	388	45
	Increase (+) decrease (-) in trade and other payables	2 496	-2 989
	Change in provisions	289	0
	Interest paid	-1 418	-1 089
	Interest received	30	35
	Income taxes paid	-649	-283
	Net cash from operating activities	-1 514	-1 808
	Cash flows from investing activities		
	Acquisition of property, plant and equipment	-3 679	-1 295
	Acquisition of intangible assets	-287	0
	Proceeds from sale of property, plant and equipment	99	19
	Net cash from investing activities	-3 867	-1 276
	Cash flows from financing activities		
	Proceeds from the issue of convertible capital loan	5 588	0
	Proceeds from borrowings	2 665	4 581
	Repayment of borrowings	-3 072	-2 659
	Payment of finance lease liabilities	-234	-453
	Net cash from financing activities	4 947	1 469
	Net change in cash and cash equivalents	-434	-1 615
	Cash and cash equivalents at January 1	-3 618	-1 990
	Effect of exchange rate fluctuations	-169	13
19	**Cash and cash equivalents at December 31**	-3 883	-3 618

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Attributable to shareholders of the parent							Minority interest	Total equity
	Share capital	Share premium	Revaluation reserve	Reserve fund	Translation differences	Retained earnings	Total		
Equity at 31 December, 2003	8 669	1 733	1 944	12 989	-2 254	-6 737	16 344	660	17 004
Effect of adopting IFRSs						-351	-351		-351
Restated equity at 1 January, 2004	8 669	1 733	1 944	12 989	-2 254	-7 088	15 993	660	16 653
Translation differences					-255		-255	-43	-298
Loss for the period						-2 001	-2 001	68	-1 933
Total recognised income and expense for the period	0	0	0	0	-255	-2 001	-2 256	25	-2 231
Transferred from revaluation reserve			-1 944			1 944	0		0
Transferred from deferred tax liabilities						771	771		771
	0	0	-1 944	0	0	2 715	771	0	771
Equity at 31 December, 2004	8 669	1 733	0	12 989	-2 509	-6 374	14 508	685	15 193
Equity at 1 January, 2005	8 669	1 733	0	12 989	-2 509	-6 374	14 508	685	15 193
Translation differences					1 028		1 028	45	1 073
Loss for the period						-9 172	-9 172	-84	-9 256
Total recognised income and expense for the period	0	0	0	0	1 028	-9 172	-8 144	-39	-8 183
Share issue	192	193					385		385
Transferred from reserve fund				-12 312		12 312	0		0
Redemption of minority interest							0	-504	-504
Equity component separated from the convertible capital loan						496	496		496
	192	193	0	-12 312	0	12 808	881	-504	377
Equity at 31 December, 2005	8 861	1 926	0	677	-1 481	-2 739	7 244	142	7 386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Company profile and principal activities

Evox Rifa Group Oyj (the "Company") is a Finnish public limited liability company organised under the laws of Finland. It is domiciled in Helsinki, Finland and its registered address is Lars Sonckin kaari 16, 02600 Espoo. The parent company of the Evox Rifa Group, Evox Rifa Group Oyj, has been listed on the Helsinki Stock Exchange since 2001. Evox Rifa is a specialised manufacturer of electrolytic, plastic film and paper capacitors with global operations: it has a worldwide sales and distribution network and its production plants are located in Indonesia, United Kingdom, China, Sweden and Finland. The company is headquartered in Espoo, Finland. In 2005 Evox Rifa Group had net sales of EUR 79.9 million and employed about 1320 people. Of these 54 percent were employed in Asia. Evox Rifa is the largest manufacturer of capacitors in the Nordic countries and the fifth largest in Europe.

A copy of the consolidated financial statements can be obtained either from Evox Rifa's website (www.evoxrifa.com) or from the parent company's head office, the address of which is mentioned above.

Basis of preparation

These are the first consolidated financial statements of the Evox Rifa Group prepared in accordance with International Financial Reporting Standards (IFRSs) in force as at 31 December, 2005. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also conform with the Finnish accounting and company legislation.

The Group adopted IFRSs during the year 2005. Prior to IFRSs Evox Rifa's financial statements were based on Finnish accounting standards (FAS) applicable to listed companies in Finland. Evox Rifa's date of transition to IFRSs was 1 January, 2004. IFRS 1 First-time Adoption of International Financial Reporting Standards was applied in the transition. The comparative information for the financial year 2005 and the opening balance sheet at 1 January, 2004 have been restated to comply with IFRSs. An explanation of the effects of the IFRS adjustments made to the consolidated income statement, balance sheet and cash flow statement is provided in the reconciliations included in note 32 to the consolidated financial statements.

The consolidated financial statements are presented in thousands of euro (TEUR) and have been prepared under the historical cost convention, unless otherwise stated in the accounting policies below.

Use of estimates

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses as well as contingent assets and liabilities, and make judgements in applying the entity's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances prevailing at the balance sheet date. The estimates and assumptions rely on management's current best knowledge. Actual results may differ from these estimates. The estimates mainly relate to the measurement of assets and the utilisation of deferred tax assets against the future taxable profits. The chapter "Accounting policies requiring management's judgement and key sources of estimation uncertainty" discusses judgements made by management and those financial statement items on which judgements have the most significant effect.

Consolidated financial statements

The consolidated financial statements incorporate the parent company Evox Rifa Group Oyj and all those subsidiaries in which it holds, directly or indirectly, over 50 per cent of the voting rights and in which it otherwise has control (together referred to as "Group" or "Evox Rifa"). Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The subsidiaries acquired or founded during a financial period are consolidated from the date of acquisition or foundation, when control commenced. The companies disposed of during a financial period are included in the consolidated financial statements until control ceases.

Associates included in the consolidated financial statements are those entities in which the Group's holding and its share of voting rights are between 20 -50 per cent or in which Evox Rifa otherwise has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. The unrealised profits between the Group and associates are eliminated in proportion to share ownership. The carrying amount of an investment in an associate includes the carrying amount of goodwill resulted from its acquisition. When Evox Rifa's share in an associate's losses exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate. The Group had no investments in associates at 31 December, 2005.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. As at 31 December, 2005 the Group had no interests in joint ventures.

Principles of consolidation

The mutual shareholdings of the Group companies is eliminated using the purchase method. All intercompany income and expenses, receivables, liabilities and unrealised profits arising from intercompany transactions, as well as distribution of profits within the Group are eliminated as part of the consolidation process. Unrealised losses are eliminated only to the extent that there is no evidence of impairment. The profit for the period is allocated to equity holders of the parent company and minority interest, and minority interest is disclosed as a separate item within equity in the balance sheet.

In accordance with the exemption under IFRS 1 business combinations occurred prior to the transition date have not been restated but previous values under FAS have been taken as a deemed cost under IFRSs. The difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities acquired, measured at the acquisition date is first allocated, where applicable, to the underlying assets. The rest of the excess is presented as goodwill.

As required under IFRS 3 Business Combinations goodwill is no longer amortised but is tested annually for impairment. The difference between the cost of the shares acquired in the companies over which the Group already has control and the minority interest is recognised as goodwill.

Financial statements of foreign subsidiaries

The functional currency of the parent company is euro and the consolidated financial statements are presented in euro. The functional currency is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. In preparing the consolidated financial statements income statements and cash flows of those foreign subsidiaries whose functional currency is not euro, are translated into euro at the average exchange rate during the financial period. Their balance sheets are translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments to assets and liabilities arisen on the acquisition of a foreign entity occurred prior to 1 January, 2004 are translated into euro using the rate that prevailed on the date of the acquisition. Goodwill and fair value adjustments that arise on the acquisition after 1 January, 2004 are translated at the closing rate, as these items are treated as part of the assets and liabilities of the acquired entity after that date. Translation differences arisen from the elimination of the cost of the foreign subsidiaries, from the translation of the equity items accumulated after the acquisition date as well as from the translation of the profit for the period using a different exchange rate in the income statement and in the balance sheet are recognised as a separate item to equity. The Group elected not to apply the exemption under IFRS 1 to reclassify those cumulative translation differences arisen until the transition date to retained earnings.

Foreign currency transactions

Financial statement items of each subsidiary are measured using the functional currency of that country. Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. At the balance sheet date, foreign currency monetary receivables and liabilities are translated at the closing rate. Non-monetary items stated at fair value in a foreign currency are translated at foreign exchange rates ruling at the dates the fair value was determined. Other non-monetary items are translated using the exchange rate at the date of the transaction. Exchange gains and losses resulting from transactions in foreign currencies and translation of monetary items are recognised in the income statement and are presented under financial income and expenses.

Revenue recognition and net sales

Revenue from the sale of goods is recognised in the income statement when all material risks and rewards of ownership have been transferred to the buyer, which normally takes place when a commodity is delivered. Revenue from services is recognised when the service has been performed. Net sales are adjusted for sales-related taxes and discounts granted.

Other operating income

Other operating income includes income not generated from primary activities, such as gains on sale of assets.

Operating profit

Operating profit is not defined under IAS 1 Presentation of Financial Statements. In Evox Rifa it is defined as a net amount that comprises the following items:

net sales
+ other operating income
– raw material and consumables used adjusted for changes in inventories of finished goods and work in progress
– employee benefits expense
– depreciation and amortisation expense and impairment losses (when applicable)
– other operating expenses
= operating profit / loss

All other income statement items not mentioned above are presented under the operating profit.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. However, significant incremental transaction costs directly related to acquiring a loan are included in the initial cost. They are amortised as an interest expense using the effective interest rate method.

Dividend and interest income

Dividend income is recognised when the right to the dividend has established. Interest income is recognised using the effective interest method.

Income taxes

Group companies' income tax is calculated on the taxable profit determined in accordance with local tax rules applicable to each subsidiary. The current tax expense comprises income taxes calculated based on the profit for the period as well as the tax adjustments related to previous years. The income taxes in the consolidated income statement also include the change in the deferred tax assets and liabilities. Deferred tax relating to items charged or credited directly to equity is itself charged or credited directly to equity.

Deferred tax assets and liabilities are provided using the balance sheet liability method in accordance with IAS 12 Income taxes, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The tax rates enacted by the balance sheet date are used as the tax rates. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available in the taxable entity against which the asset can be utilised. The main temporary differences arise from the differences on property, plant and equipment between the financial reporting and taxation purposes, provisions and defined benefit pension plans. Deferred tax is not provided for impairment of goodwill, which is not deductible for tax purposes, nor for undistributed profits of subsidiaries to the extent that is it probable that the temporary difference will not reverse in the foreseeable future.

Property, plant and equipment

Owned assets

Items of property, plant and equipment acquired by the Group companies are stated at historical cost less cumulative depreciation and impairment losses, if any. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Ordinary repairs and maintenance are expensed during the financial period in which they are incurred. In Evox Rifa there are no such significant inspection or maintenance costs that qualify for capitalisation. The Group recognises in the carrying amount of an item of property, plant and equipment the significant subsequent costs when that cost is incurred only if it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. Such renewals and repairs are depreciated on a systematic basis over their expected useful lives. Other expenditure not meeting these criteria is expensed as incurred. Gains and losses on disposals and sales are calculated as a difference between the net proceeds received and the carrying amount. They are included in other operating income and expenses.

Depreciation is based on both the historical cost and the estimated useful life of each part of an item of property, plant and equipment. Expected residual values and useful lives of property, plant and equipment are reassessed at each balance sheet date and where they significantly differ from previous estimates, depreciation periods are changed accordingly. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of an asset as follows:

Buildings	25–50 years
Machinery and equipment	4–10 years

Land is not depreciated.

Non-current assets classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are not depreciated (or amortised) after the classification as held for sale.

Leases

Group as lessee

Leases of property, plant and equipment where substantially all the risks and rewards incidental to ownership have been transferred to the Group are classified as finance leases. These assets acquired under finance leases are capitalised and are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease less cumulative depreciation and any impairment losses. The associated lease liabilities are included in long- and short-term interest-bearing liabilities. These assets are depreciated as comparable owned assets over the shorter of the useful lives disclosed above for property, plant and equipment or lease period and are adjusted for impairment charges, if any. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability. In respect of finance leases, the depreciation on the leased assets and the financial charge on the lease liability are shown in the income statement. The financial charge is allocated to the income statement so as to achieve a constant interest rate on the outstanding liability during the lease term.

An operating lease is a lease of property, plant and equipment where the lessor retains significant risks and rewards incidental to ownership. Payments made under an operating lease are charged to the income statement as rental expenses on a straight-line basis over the lease term.

Group as lessor

Those leases where the Group is a lessor are classified as operating leases. Leased assets are included in the lessor's balance sheet under property, plant and equipment. They are depreciated over their estimated useful lives in accordance with the depreciation policy used for comparable assets in own use. Lease income is recognised in the income statement on a straight-line basis over the lease term.

Goodwill and other intangible assets

An intangible asset is capitalised only when it meets the following criteria: the cost of the asset can be measured reliably and it is probable that future economic benefits that are attributable to the asset will flow to the company. All other expenditure is expensed as incurred.

After 1 January, 2004 goodwill represents the Group's share of difference between the cost of the acquisition and the fair value of the net identifiable assets acquired, measured at the acquisition date. The difference is first allocated, where applicable, to the underlying assets. The rest of the excess is presented as goodwill as a separate item in the consolidated balance sheet. Goodwill is allocated to the cash-generating units and in respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Goodwill is stated at cost less any cumulative impairment losses. Goodwill is not amortised but is tested annually for impairment.

The other intangible assets of the Group consist of patents and software licences, among others. They are carried at cost less cumulative amortisation. Other intangible assets (with finite useful lives) are amortised on a straight-line basis over their known or estimated useful lives as follows:

Intangible rights	3-5 years

Research and development costs are expensed in the period in which they are incurred, except for those development costs, which are capitalised when certain criteria are met. The criteria are as follows: the development project will be successful as well as the product is technically and commercially feasible. The capitalised development costs mainly comprise direct labour and related overheads, raw materials and external services. They are amortised on a systematic basis over their expected useful lives, which is two to five years. At 31 December, 2005 the Group had no capitalised development costs.

Impairment

The carrying amounts of Group assets are assessed for potential impairment at each balance sheet date and whenever there is any indication that an asset may be impaired. For the purposes of assessing impairment, the business operations of Evox Rifa are allocated at the factory level, which is the lowest level mainly independent of other units and for which there are separately identifiable cash inflows and outflows. If there is an indication of an impairment, the Group estimates the recoverable amount of the asset or cash-generating unit. Goodwill, unfinished intangible assets and intangible assets with indefinite useful lives, if any, are in all cases tested annually. When the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, the difference is immediately charged as an impairment loss in the income statement. If the impairment loss is to be allocated for a cash-generating unit, it is allocated first by recognising an impairment loss for any goodwill and then on pro rata basis to other assets of the unit.

The recoverable amount is determined as being the higher of an asset's or cash-generating unit's fair value less costs to sell and value in use. Evox Rifa has applied value in use in its calculations. Value in use is determined by discounting the estimated future net cash flows expected to be derived from the asset or cash-generating unit to their present value. The discount rate reflects the average cost of capital (pre-tax rate) of the asset in concern, adjusted for risks specific to the assets. In respect of property, plant and equipment and other intangible assets excluding goodwill, an impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount after the recognition of the latest impairment loss. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is never reversed.

Non-current assets held for sale and discontinued operations

A non-current asset (or disposal group) is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such an asset is measured at the lower of carrying amount and fair value less costs to sell. A non-current asset classified as held for sale and associated liabilities are presented separately in the balance sheet

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The result of discontinued operations is presented separately on the face of the consolidated income statement.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is assigned by using the first-in, first-out (FIFO) method or weighted average cost according to the nature of the inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all direct costs incurred in acquiring the inventories and bringing them to their existing location and condition, such as raw materials, direct labour, other direct costs and related allocable production overheads based on normal operating capacity. An allowance is recorded for expected obsolescence, when applicable.

Financial instruments

Since 1 January, 2004 the financial assets of Evox Rifa are classified as follows: financial assets at fair value through profit or loss and available-for-sale assets. Financial assets are classified when originally acquired based on their purpose of use.

In accordance with IAS 39 financial liabilities are classified either as financial liabilities at fair value through profit or loss or as other liabilities. Evox Rifa only has liabilities classified in the latter category.

In Evox Rifa all purchases and sales of financial assets are recognised or derecognised using trade date accounting. A financial asset is derecognised when the Group has lost its contractual rights to the cash flows from the financial asset or when it has transferred substantially all the significant risks and rewards of ownership of the financial asset to an external party.

Financial assets at fair value through profit or loss

Derivatives are included in financial assets at fair value through profit or loss. They are recognised on the balance sheet at cost, equivalent to the fair value, and are subsequently fair valued at each balance sheet date.

As the derivatives used by the Group do not qualify for hedge accounting as defined under IAS 39, changes in their fair values are recognised immediately in profit or loss although they are effective economic hedging instruments from the Group risk management's perspective. The Group uses foreign currency options to hedge balance sheet items denominated in foreign currencies against foreign currency fluctuations. The maturities of options vary from 1-3 months. The fair values of currency options are determined utilising public price quotations and rates at the balance sheet date as well as option pricing models.

Available-for-sale assets

In the Evox Rifa Group available-for-sale investments comprise holdings in listed and unlisted companies.

Investments in listed companies are measured at their fair values based on published price quotations in an active market, being the bid price at the balance sheet date. Such unlisted shares whose fair value cannot be reliably determined, are measured at the lower of cost and realisable value. Unrealised changes in value of available-for-sale investments, net of tax, are recognised in equity in fair value reserve. Cumulative fair value changes are released to the income statement when the investment is sold or disposed of. Such significant impairment losses for which there is objective evidence, are recognised in the income statement immediately.

Financial liabilities

Financial liabilities are stated at amortised cost. On initial recognition interest-bearing liabilities are measured at their fair value that is based on the consideration received. Interest expenses are recognised in the income statement over the term of the loan following the matching principle.

In accordance with IAS 32 the liability component of the convertible capital loan issued by the parent company Evox Rifa Group Oyj is presented under the long-term interest-bearing liabilities and the equity component in equity.

Trade receivables

Trade receivables are recognised at the original invoice amount to customers and are stated at their cost less doubtful receivables. The assessment of the amount of doubtful receivables recognised is based on risk of individual receivables and an impairment loss is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Doubtful receivables are measured at their realisable value at the highest. Bad debts charged to the income statement are included in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call deposits and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Bank overdrafts are included within current liabilities.

Dividends

Dividends are recognised as a liability only when approved by a general meeting of shareholders.

Employee benefits

Pension plans

The Group companies have several pension plans in different countries in accordance with the local practices and conditions. Pension plans are classified as either defined contribution plans or defined benefit plans. Most plans the Group has currently are classified as defined contribution plans, where contributions are expensed in the income statement in the year to which they relate. The expense incurred in respect of a defined benefit pension plan is determined separately for each plan in accordance with its terms based on actuarial calculations and recognised on the income statement over the expected working lives of the employees participating in the plan. The net present value of the obligation is calculated using the estimated pension plan expense method (so-called projected unit credit method). In calculating the present value of the obligation the discount rate is determined annually and it is based on the market rates of corporate and government bonds. The net present value of the obligation less the plan assets measured at fair value at the balance sheet date and the unrecognised actuarial gains and losses is the amount, a receivable or a liability, recognised in the balance sheet.

In accordance with the exemption under IFRS 1 all cumulative actuarial gains and losses arisen from the defined benefit plans were recognised in retained earnings of the opening balance sheet at the date of transition. Those actuarial gains and losses that arise subsequent to 1 January, 2004 are recognised using the so-called corridor method. Under this method, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan.

Share-based payments

Evox Rifa has not applied IFRS 2 Share-based payments to the option plan granted; this is because the options, most of which have been granted after 7 November 2002 have vested prior to the effective date of IFRS 2 that was 1 January, 2005. Therefore no expenses or an obligation have been recognised in respect of these options. The proceeds received, net of any transactions costs, are credited to share capital (nominal value) and the share premium reserve.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. Group's provisions relate to disputed product claims, restructurings and warranty expenses. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The warranty provision is based on historical warranty data.

A provision for restructuring is recognised when the Group has a detailed restructuring plan, and the restructuring has either commenced or has been announced. The plan identifies at least the following: the business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken and when the plan will be implemented.

If the effect of the time value of money on the amount of a provision is material, a provision is discounted. A reimbursement from a third party related to a provision is recognised as a receivable only when the reimbursement is virtually certain.

Government grants

Government grants, e.g. those received from the state, that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised by deducting the grant from the carrying amount of the asset.

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

The judgements, apart from those involving estimations, that management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements relate to impairment tests.

New standards and interpretations

In 2006 and 2007 Evox Rifa will adopt IFRIC 4, IFRS 7 and the amendment of IAS 1 Amendment to IAS 1: Capital disclosures.

Evox Rifa does not expect the adoption of the new pronouncements will have a material impact on the Group's financial statements.

2 FINANCIAL RISK MANAGEMENT

The Group is exposed to various financial risks within its normal business operations. The objective of the financial risk management is to minimise the adverse effects on the Group result caused by fluctuations in the financial markets. For hedging against foreign exchange risk the Group matches its currency positions and uses options. The general principles on risk management are approved by the Board of Directors.

Evox Rifa Group operates globally in Europe, Asia and North America. The net sales denominated in euro accounted for approximately 60 % of the total net sales in 2005. The non-euro dominated revenue mainly consists of Swedish krona, Singapore dollar, US dollar and UK pound sterling. Foreign exchange risk, even limited, has an impact principally on Group´s financial performance to the extent that net sales and costs are denominated in different currencies in the production plants. Furthermore, currency fluctuations have an effect on the parent company as its functional and presentation currency is euro. On the other hand, especially the weak US dollar against euro may reduce company´s competitiveness in export sales to the United States and Asia. The weak US dollar also has an impact on imports to Europe from the countries that have linked their currencies to the US dollar. To mitigate the foreign exchange risk, the income and expense items in each currency are matched, and open positions are hedged with currency options.

Group's loans are generally floating rates loans. The Group may use interest rate swaps where necessary. At the balance sheet date there were no outstanding interest rate swaps .

To mitigate the credit risk the Group monitors the credit limits granted to clients and controls that the receivables are paid duly. Furthermore the risk positions (receivables and customer inventories) of the key clients are monitored on a monthly basis.

The Group has credit lines in Sweden, Great Britain and Singapore to safeguard sufficient liquidity. Unused credit facilities totalled 3.7 million euro at the balance sheet date.

3 SEGMENT INFORMATION

Evox Rifa Group's primary reporting segments are business segments and secondary reporting segments are geographical segments.

Business segments

The Group has one business segment that is capacitors. This is based on the Group's internal organisation structure and internal reporting. The business activities are organised into sales, marketing and technical advice, product development and financial managment as well as into two product groups: Electrolytic Capacitors and Film and Paper Capacitors. The Group's manufacturing plants are specialised in different product groups and supply them globally. The development resources of the Group are mainly located in Europe. The major customer groups of capacitors are in industrial electronics and automobile industry.

The Group management monitores rates of return primarily at the Group level. The rates of return of product groups and manufacturing plants differ from each other as well as there are differences in the rates of return among the product groups which are due to the products' different technical properties, different customer distribution and different distribution channels. This is a very typical situation in the industry. Accordingly, the Group's risks and rates of return are independent of a product group and a geographical region.

Geographical segments

The secondary geographical segment is divided into three sales regions:

- Europe (Europe, Middle East and Africa)
- Asia
- America (North, Central and South Americas)

Capacitors are sold in every sales region. The major customers operate globally and require service locally.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. The segment assets and liabilities are based on the geographical location of the assets and liabilities.

Segment assets and liabilities

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets comprise property, plant and equipment, intangible assets (including goodwill), inventories and non-interest-bearing receivables (trade receivables, operative accrued income and prepayments as well as other receivables). Segment liabilities include current and non-current interest-bearing liabilities and non-interest-bearing liabilities; the latter comprise trade payables as well as other operative accruals and deferred income.

Unallocated items

Unallocated income statement items comprise corporate costs relating e.g. to development of business activities and Group management. Assets not allocated mainly represent items relating to the Group administration and financial items. Unallocated liabilities are items that relate to the Group functions, such as Group administration and convertible capital loan.

3.1 Business segments EUR thousand

2005	Capacitors	Unallocated items	Group
Net sales	79 911		79 911
Operating loss	-7 340	-179	-7 519
Financial income and expenses			-1 198
Income tax expense			-539
Loss for the period			-9 256
Segment assets	46 718	6 461	53 179
Segment liabilities	39 832	5 961	45 793
Capital expenditure	3 957	9	3 966
Depreciation and amortisation	3 042	271	3 313

2004	Capacitors	Unallocated items	Group
Net sales	89 478	0	89 478
Operating loss	-483	136	-347
Financial income and expenses			-1 163
Income tax expense			-423
Loss for the period			-1 933
Segment assets	50 106	3 063	53 169
Segment liabilities	37 341	634	37 975
Capital expenditure	1 289	6	1 295
Depreciation and amortisation	3 817	16	3 833

3.2 Geographical segments EUR thousand

2005	Europe	Asia	America	Group
Net sales by the location of customers	55 381	16 721	7 809	79 911
Segment assets	35 997	15 313	1 869	53 179
Capital expenditure	2 731	1 227	8	3 966

2004	Europe	Asia	America	Group
Net sales by the location of customers	61 737	17 891	9 850	89 478
Segment assets	39 114	12 087	1 968	53 169
Capital expenditure	850	434	11	1 295

4 BUSINESS COMBINATIONS

The Group owned 85 % of the share capital of Evox Rifa Pte.Ltd, when the Board of Directors of the parent company entered into an agreement with Mr. Wee Cheng Hoon to acquire his minority share of 15 % in Evox Rifa Pte. Ltd. The half of the purchase price, which totalled 775 thousand euro, was paid in cash and the other half was paid by a share issuance offered for subscription to Mr. Wee Cheng Hoon. Accordingly, Mr. Wee Cheng Hoon subscribed 3 850 000 shares of Evox Rifa Group Oyj at a price of 0.10 euro per share. The transaction was completed in February 2005.

A goodwill amounting to 272 thousand euro was recognised on the acquisition of the shares. This goodwill item has not been allocated to any separate asset.

EUR thousand	**2005**	2004

5 OTHER OPERATING INCOME

Gains on sale of property, plant and equipment and intangible assets	99	25
Rental income	23	54
Other income items	32	99
Total	154	178

6 EMPLOYEE BENEFITS EXPENSE

Wages and salaries	24 394	24 305
Pension expenses		
Defined contribution plans	1 709	1 896
Defined benefit plans	15	-85
Other social expenses	6 325	5 397
Total	32 443	31 513

Information on the remuneration of Group Management is presented in note 28 Related Party Transactions.

The average number of personnel in the Group during the financial year

White-collar	299	289
Blue-collar	1 021	1 066
Total	1 320	1 355

The number of personnel in the Group at year-end

White-collar	294	285
Blue-collar	994	1 013
Total	1 288	1 298

7 DEPRECIATION AND AMORTISATION EXPENSE

Depreciation and amortisation by asset type:

Intangible assets		
Other intangible assets	18	52
Total	18	52
Property, plant and equipment		
Buildings	326	292
Machinery and equipment	2 927	3 447
Other assets	42	42
Total	3 295	3 781
Depreciation and amortisation expense, total	3 313	3 833

8 OTHER OPERATING EXPENSES

Production and supply overheads	6 248	5 600
Distribution overheads	2 117	2 323
Sales, development and administration overheads	6 379	6 719
Total	14 744	14 642

EUR thousand	**2005**	2004

9 RESEARCH AND DEVELOPMENT COSTS

Research and development costs expensed as incurred in the income statement amounted to 2.9 million euro in 2005 (2004: 3.0 million euro).

10 FINANCIAL INCOME AND EXPENSES

Interest income	5	24
Exchange gains	2 198	2 563
Other financial income	45	13
Total financial income	2 248	2 600
Interest expenses	-1 396	-974
Exchange losses	-1 779	-2 678
Other financial expenses	-271	-111
Total financial expenses	-3 446	-3 763
Total	-1 198	-1 163

11 INCOME TAXES EXPENSE

Current tax expense	546	415
Taxes for prior years	1	3
Change in deferred taxes	-8	5
Total	539	423

A reconciliation between the income tax expense reported in the consolidated income statement, 0.5 million euro, and the income tax calculated at the domestic corporation tax rate 26 % (2004: 0.4 million euro at rate 29 %) is as follows:

Loss before tax	-8 718	1 510
Income tax calculated using the domestic corporation tax rate 26% (29 %)	-2 267	-438
Effect of tax rates in foreign jurisdictions	25	3
Tax exempt income	-41	0
Non-deductible expenses	77	0
Unrecognised deferred tax asset related to the loss for the period	2 752	850
Taxes for prior years	1	3
Change in deferred taxes	-8	5
Income tax expense reported in the consolidated income statement	539	423

In 2004 the corporation tax rate in Finland was decreased from 29 % to 26%. The new tax rate shall be applied for the first time to the taxation for the year 2005.

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders of the parent (diluted) by the weighted average number of ordinary shares outstanding during the financial year (diluted).

EUR thousand	**2005**	2004
Loss for the year attributable to shareholders of the parent	-9 172	-2 001
Weighted average number of ordinary shares outstanding during the financial year (1,000)	176 579	173 371
Basic earnings per share (€ per share)	-0,052	-0,012
Loss for the year attributable to shareholders of the parent	-9 172	-2 001
Post-tax effect of interest on convertible capital loan	285	0
Loss for the period for computing diluted earnings per share	-8 887	-2 001
In thousands of shares		
Weighted average number of ordinary shares outstanding during the financial year	176 579	173 371
Effect of share options on issue	626	2 000
Conversion of convertible capital loan	41 909	0
Weighted average number of ordinary shares outstanding for computing diluted earnings per share	219 114	175 371
Diluted earnings per share (€ per share)	-0,041	-0,011

Evox Rifa Group has two kinds of instruments that have a dilutive effect (i.e. they increase the number of ordinary shares): a convertible capital loan and share options. In calculating diluted earnings per share the convertible capital loan has been converted into shares and the loss for the period has been adjusted with the post-tax effect of the interest on the convertible capital loan. Share options have a dilutive effect if their subscription price is lower than the fair value of the share that is computed based on the weighted average price of the share during the financial year. The dilutive effect of share options will be the number of shares that will be issued gratuitously since it would not be possible for the Group to issue a corresponding number of shares at fair value with the funds obtained from exercising the options.

As the Group's result is negative, diluted earnings per share is higher than basic earnings per share so the ratios (basic and diluted) are disclosed as being equal.

EUR thousand	13 INTANGIBLE ASSETS Goodwill	Other intangible assets	Total	14 PROPERTY, PLANT AND EQUIPMENT Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments	Total	Total	14.1 FINANCIAL LEASES Machinery and equipment include assets leased under financial leases as follows:
Cost at 1 January, 2005	1 833	685	2 518	3 072	7 256	57 059	376	564	68 327	70 845	2 368
Additions	272	15	287	0	255	2 062	4	1 188	3 509	3 796	0
Disposals	0	0	0	0	-108	-3 493	-3	0	-3 604	-3 604	-1 302
Transfers between classes	0	0	0	0	0	1 046	0	-1 046	0	0	0
Transfer to non-current assets held for sale	0	0	0	-2 856	-794	-567	-23	0	-4 240	-4 240	0
Exchange difference	0	-2	-1	0	353	366	52	3	774	773	-94
Cost at 31 December, 2005	2 105	698	2 804	216	6 962	56 473	406	709	64 766	67 570	972
Accumulated depreciation, amortisation and impairment losses at 1 January, 2005	-870	-663	-1 533	0	-3 001	-46 125	-272	0	-49 398	-50 931	-1 546
Depreciation and amortisation charges for the period	0	-18	-18	0	-326	-2 927	-42	0	-3 295	-3 313	-348
Accumulated depreciation and amortisation from disposals	0	0	0	0	108	3 419	0	0	3 527	3 527	1 247
Transfers between classes	0	0	0	0	-270	270	0	0	0	0	0
Transfer to non-current assets held for sale	0	0	0	0	215	223	4	0	442	442	0
Exchange difference	0	11	11	0	-125	-23	-39	0	-187	-176	68
Accumulated depreciation, amortisation and impairment losses at 31 December, 2005	-870	-670	-1 540	0	-3 399	-45 163	-349	0	-48 911	-50 451	-579
Carrying amounts at 1 January, 2005	963	22	985	3 072	4 255	10 934	104	564	18 929	19 914	822
Carrying amounts at 31 December, 2005	1 235	28	1 264	216	3 563	11 310	57	709	15 855	17 119	393
Cost at 1 January, 2004	1827	687	2 514	3 013	7 369	56 692	396	385	67 855	70 369	2 544
Additions	0	0	0	0	0	983	1	514	1 498	1 498	0
Disposals	0	0	0	0	0	-782	0	-45	-827	-827	-193
Transfers between classes	0	0	0	0	-31	322	0	-291	0	0	0
Exchange difference	6	-2	4	59	-82	-156	-21	1	-199	-195	17
Cost at 31 December, 2004	1 833	685	2 518	3 072	7 256	57 059	376	564	68 327	70 845	2 368
Accumulated depreciation, amortisation and impairment losses at 1 January, 2004	-870	-611	-1 481	0	-2 763	-43 463	-245	0	-46 471	-47 952	-1 159
Depreciation and amortisation charges for the period	0	-52	-52	0	-292	-3 447	-42	0	-3 781	-3 833	-499
Accumulated depreciation and amortisation from disposals	0	0	0	0	0	715	0	0	715	715	126
Transfers between classes	0		0	0	2	-2	0	0	0	0	0
Exchange difference	0	1	1	0	52	72	15	0	139	140	-14
Accumulated depreciation, amortisation and impairment losses at 31 December, 2004	-870	-662	-1 532	0	-3 001	-46 125	-272	0	-49 398	-50 930	-1 546
Carrying amounts at 1 January, 2004	957	76	1 033	3 013	4 606	13 229	151	385	21 384	22 417	1 385
Carrying amounts at 31 December, 2004	963	23	986	3 072	4 255	10 934	104	564	18 929	19 915	822

Carrying amount of production machinery and equipment at 31 December, 2005	10 491
Carrying amount of production machinery and equipment at 31 December, 2004	9 219

The Group has received an investment grant in Finland amounting to 0.4 million euro. The grant received has been deducted from the additions to machinery and equipment in 2005.

Goodwill and other fixed assets allocated to the Group's cash-generating units (production plants) were tested for impairment for the first time at the transition to IFRSs at 1 January, 2004. Based on the impairment test an impairment loss of 0.4 million euro was recognised. The impairment loss was allocated to the property, plant and equipment of the Kalmar plant. The impairment loss was mainly due to the profitability problem of the Kalmar plant.

The recoverable amount of a cash-generating unit is based on value in use calculations. In respect of determining cash flows, the major variables are profitability of the company, discount rate, residual value and the length of the forecast period the future cash flow estimates are based on. The management estimates the future development of these variables relying on both internal and external views about the past and future of the industry. The forecast period covers five years and a pre-tax discount rate of 8 % has been used in discounting the estimated future cash flows at their present value.

Based on impairment tests performed, no impairment losses have been recognised in 2004 or 2005 for goodwill nor for property, plant and equipment.

15 NON-CURRENT ASSETS HELD FOR SALE

EUR thousand	Land areas	Buildings	Machinery and equipment	Other tangible assets	Total
Carrying amount of the non-current assets held for sale at 31 December, 2005	2 856	579	344	19	3 798

In January 2005 Evox Rifa Group entered into an agreement with Peab Sverige AB relating to the sale of the Kalmar factory real estate in Sweden. The agreement will be completed in March 2006 after the production of the plant has ceased. The consideration, 41.5 million Swedish crowns, will be used for repayment of the related loans. At the balance sheet date 31 December, 2005, the factory real estate in Kalmar was classified as an asset held for sale in accordance with IFRS 5.

EUR thousand	**2005**	2004

16 NON-CURRENT RECEIVABLES

Prepaid rental expense	232	294
Insurance claim	139	124
Total	371	418

17 INVENTORIES

Raw material and supplies	6 606	5 985
Work in progress	1 871	2 241
Finished goods	6 535	6 868
Total	15 012	15 094

The amount of the impairment loss recognised on inventories to net realisable value totalled 0.6 million euro during the financial year (2004: 0.6 million euro).

EUR thousand	**2005**	2004

18 TRADE AND OTHER CURRENT RECEIVABLES

Trade receivables	12 579	13 543
Accrued income and prepayments	1 168	1 068
Other receivables	694	337
Total	14 441	14 948

The fair values of trade receivables and other current receivables are assumed to equal their carrying amounts because of the short maturity.

During the financial year the Group has recognised impairment losses on trade receivables amounting to 0.7 million euro (2004: 0.03 million euro).

18.1 Accrued income and prepayments

Income taxes	0	129
Investment grant	362	0
Other items	806	939
Total	1 168	1 068

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows:		
Cash at bank and in hand	2 435	2 792
Bank overdrafts	-6 318	-6 410
Total	-3 883	-3 618

20 CAPITAL AND RESERVES

EUR thousand	Number of shares (1,000)	Share capital	Share premium	Reserve fund	Revaluation reserve	Total
1 Jan, 2004	173 371	8 669	1 733	12 989	1 944	25 335
Transfer from revaluation reserve					-1 944	-1 944
31 Dec, 2004	173 371	8 669	1 733	12 989	0	23 391
Transfer from reserve fund				-12 312		-12 312
Share issue	3 850	192	193			385
31.12.2005	177 221	8 861	1 926	677	0	11 464

The number of shares of Evox Rifa Group Oyj totalled 177 221 018 at 31 December, 2005 (31 Dec. 2004: 173 371 018). The nominal value of a share is 0.05 euro. All shares issued have been fully paid.

On 28 February, 2005 the Annual General Meeting of Evox Rifa Group Oyj approved the proposal of the Board of Directors to authorise the Board to decide to issue new shares and / or convertible loans, deviating from the shareholders' pre-emptive rights, so that the share capital may rise by a maximum of 1 733 710 euro. Concurrently the Annual General Meeting decided to revoke its authorisation of 31 March, 2004. The Board of Directors did not use this authorisation.

On 14 November 2000, the Shareholders' Meeting of Evox Rifa Group Oyj resolved to issue 7 500 000 share options that entitle the holders to subscribe for 7 500 000 Evox Rifa Group Oyj shares. By 31 December, 2005 no share options have been used for share subscription. On 28 February, 2005 the Annual General Meeting resolved that the share options in the possession of the Group, in total 2 745 000, will not be offered and that they will be cancelled.

In February 2005 the Board of Directors of Evox Rifa Group Oyj entered into an agreement with Mr. Wee Cheng Hoon to redeem his minority share of 15% in Evox Rifa Pte. Ltd. The half of the purchase price that amounted to 775 thousand euro, was paid in cash. For the payment of the remaining purchase price, the Board proposed to the Annual General Meeting held on 28 February, 2005, an issuance of 3 850 000 new shares. The shares were offered for subscription to Mr. Wee Cheng Hoon at a price of 0.10 euro per share.

In March 2005 Evox Rifa Group Oyj issued 55 879 convertible capital loan notes with a total nominal value of 5.6 million euro. The loan matures in five years from the date of issue unless the holders of the notes use their right to convert the notes into shares of the parent company. A loan note with a nominal value of 100 euro can be converted into 750 shares. The conversion price of a share is approximately 0.1333 euro. The conversion can be made during the period of 1 October, 2005 and 26 February, 2010. By 31 December, 2005 no convertible loan notes have been converted into shares.

The share premium fund comprises the portion of the subscription price paid exceeding the nominal value of a share. The reserve fund can be used to cover losses of the parent company. At 31 December, 2005 no revaluation reserve exists.

21 SHARE-BASED PAYMENTS

The Group has had option arrangements since 2000 when the Shareholder's Meeting of Evox Rifa Group Oyj resolved to issue 7 500 000 share options that entitle the holders to subscribe for 7 500 000 Evox Rifa Group Oyj shares (14 November, 2000).

The Group has not applied IFRS 2 Share-based payment to these arrangements as the share options were granted prior to 7 November, 2002 and they vested before the effective date of the standard that was 1 January , 2005. Due to this no expenses nor an obligation have been recognised in respect for these options.

Share options were offered for subscription to key personnel, the management of Evox Rifa Group Oyj, and of Evox Rifa Oy which is a subsidiary of Evox Rifa Group Oyj. On 28 February, 2005 the Annual General Meeting of Evox Rifa Group Oyj resolved that the key personnel and the Group management will not be offered more share options, and the Annual General Meeting approved that the share options in the possession of the Group, in total 2 745 000 options, will be cancelled.

The subscription period for all options will expire at 31 December, 2006.
The exercise prices are as follows:
A options 0.29 euro
B options 0.11 euro
C options 0.06 euro

By 31 December, 2005 no share options have been used for share subscription.

EUR thousand
Changes in share options for the period were as follows:

	A Options	**B Options**	**C Options**
1 January, 2004			
Outstanding	1 780 000	1 410 000	1 290 000
Company-owned	220 000	1 090 000	1 710 000
Total	2 000 000	2 500 000	3 000 000
Changes in 2004			
Granted options			350 000
Returned options			75 000
31 December, 2004			
Outstanding	1 780 000	1 410 000	1 565 000
Company-owned	220 000	1 090 000	1 435 000
Total	2 000 000	2 500 000	3 000 000
Changes in 2005			
Annulled options	220 000	1 090 000	1 435 000
31 December, 2005			
Outstanding	1 780 000	1 410 000	1 565 000
Company-owned	0	0	0
Total	1 780 000	1 410 000	1 565 000

22 DEFERRED TAX ASSETS AND LIABILITIES

EUR thousand	Balance at 1 Jan, 2005	Recognised in income	Recognised in equity	Exchange differences	**Balance at 31 Dec, 2005**
Movements in deferred taxes during 2005					
Deferred tax liabilities					
Accumulated depreciation difference	495	0	0	5	500
Convertible capital loan	0	-22	174	0	152
Pension obligations	66	14	0	-2	78
Total	561	-8	174	3	730

	Balance at 1 Jan, 2004	Recognised in income	Recognised in equity	Exchange differences	Balance at 31 Dec, 2004
Movements in deferred taxes during 2004					
Deferred tax liabilities					
Accumulated depreciation difference	485	0	0	10	495
Revaluation of property, plant and equipment	771	0	-771	0	0
Pension obligations	61	5	0	0	66
Total	1 317	5	-771	10	561

At 31 December, 2004 the Group had unused tax losses carried forward amounting to 17.9 million euro. No deferred tax assets have been recognised in respect of these items due to the uncertainty of utilisation of these losses carried forward. The losses in question mainly result from Finnish and Swedish Group companies.

23 PENSION OBLIGATIONS

The Group has defined benefit pension plans in Germany and Sweden. These plans have been arranged through insurance companies. Retirement benefits are determined based on certain factors, such as salary and period of employment.

In the opening IFRS balance sheet at 1 January, 2004 the disability pension component of the Finnish TEL system was accounted for as a defined benefit plan (TEL = the Finnish statutory employment pension scheme). Due to the change in the accounting basis of the TEL system's disability pension at the end of 2004, the disability pension is classified as a defined contribution plan since 1 January, 2006.

In the financial statements for 2004, the change in the accounting basis has been accounted for as a curtailment of the disability pension component. Due to this, 102 thousand euro of the disability pension obligation was credited in the income statement at the end of 2004 as the portion regarding the year 2005 was not significant.

EUR thousand	**2005**	2004
The defined benefit obligation in the balance sheet comprises the following items:		
Present value of unfunded obligations	2 568	2 574
Unrecognised actuarial gains (+) and losses (-)	-247	-6
Net obligation	2 321	2 568

Amounts recognised in the income statement in respect of the defined benefit plans are determined as follows:

Current service costs	15	17
Interest on obligation	107	123
Gains on curtailment	0	-102
	122	38

Movements in the balance sheet obligations		
At 1 January	2 568	2 980
Exchange differences	-192	18
Change in the accounting basis	0	-326
Contributions	-24	-25
Expense recognised in the income statement	122	38
Redeemed obligations	-153	-117
At 31 December	2 321	2 568

Principal actuarial assumptions at 31 December		
Discount rate	5 %	5 %
Future salary increase	2-3%	2-3%

24 PROVISIONS

EUR thousand	Warranties	Restructuring	Total
Balance at 1 January, 2005	654	0	654
Exchange differences	-4	0	-4
Provisions made during the year	73	220	293
Balance at 31 December, 2005	723	220	943

	2005	2004
Current provisions	943	654
Total	943	654

The Group grants a warranty for its products. The warranty provision comprises the estimated expenses for product claims. The restructuring provision includes the expected expenses for closing down the production and cleaning of the Kalmar plant. The provisions are considered current as the Group intends to settle the obligations within 12 months after the balance sheet date.

EUR thousand **2005** 2004

25 INTEREST-BEARING LIABILITIES

Non-current		
Bank loans	9 364	10 580
Convertible capital loan	5 004	0
Finance lease liabilities	259	509
Total	14 627	11 089
Current		
Bank overdrafts		
(Note 19 Cash and cash equivalents)	6 318	6 410
Current portion of finance lease liabilities	167	378
Current portion of non-current liabilities	5 343	3 553
Total	11 828	10 341

Fair values of the Group's all financial assets and liabilities are assumed to materially equal their initial carrying amounts.

Non-current liabilities mature as follows:

2005	2006	2007	2008	2009	2010	2011 -
Floating rate bank loans	5 343	4 229	2 700	1 552	883	
Convertible capital loan					5 588 *)	
Finance lease liabilities	167	136	123			
Total	5 510	4 365	2 823	1 552	6 471	0

*) Includes the component recognised in equity

2004	2 005	2 006	2 007	2 008	2 009	2010 -
Fixed rate bank loans	549					
Floating rate bank loans	3 005	4 516	2 922	1 560	1 230	352
Finance lease liabilities	378	230	142	137		
Total	3 932	4 746	3 064	1 697	1 230	352

Currency mix of the Group's non-current interest-bearing liabilities:

EUR thousand	**2005**	2004
EUR	10 882	5 272
USD	1 980	2 144
SGD	229	207
GBP	925	1 142
SEK	611	2 324
	14 627	11 089

The Group's liabilities mainly consist of floating rate loans.

EUR thousand	**2005**	2004
Weighted averages of the effective interest rates of the non-current interest-bearing liabilities at 31 December		
Bank loans	4,1 %	4,0 %
Convertible capital loan	8,0 %*)	
Finance lease liabilities	5,0 %	5,0 %

*) The nominal interest rate of the loan is 5.0 %

Currency mix of the Group's current interest-bearing liabilities

EUR	4 410	4 015
USD	1 388	1 203
SGD	691	89
GBP	2 435	2 553
SEK	2 904	2 481
	11 828	10 341

Weighted averages of the effective interest rates of the current interest-bearing liabilities at 31 December

Bank overdrafts	3,4 %	3,9 %
Bank loans	4,3 %	4,0 %
Finance lease liabilities	5,0 %	5,0 %

25.1 Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

Minimum lease payments	461	957
Less than one year	186	412
Between one and five years	275	545
Total minimum lease payments	461	957
Present value of the minimum lease payments		
Less than one year	167	378
Between one and five years	259	509
Total present value of the minimum lease payments	426	887
Future finance charges	35	70
Total finance lease liabilities	461	957

25.2 Convertible capital loan

The loan is a capital loan as defined under the Companies Act, its terms related to repayment and priority ranking differ from the terms of loans generally issued. The principal of the loan may be repaid only if the Company and the consolidated Group are left with full cover on restricted equity and other non-distributable items according to the balance sheet approved for the preceding financial year. Interest on the loan can be paid annually only if the amount payable can be used for the distribution of profits according to the balance sheet of the Company and the consolidated Group as approved for the preceding financial year. The principal, interest and any other yield shall be payable on the dissolution or bankruptcy solely at a priority ranking inferior to that of all other debt. The interest left unpaid shall remain a liability and shall earn annual interest of 2 percentage points in excess of the interest rate payable on the loan. If the loan cannot be repaid at maturity, the principal of the loan shall accrue interest that is 2 percentage points in excess of annual interest determined on the loan. The capital loan is not secured by a guarantee or collateral.

In March 2005 the Company issued 55 879 convertible capital loan notes with a total nominal value of 5.6 million euro. The loan matures in five years from the date of issue unless the holders of the notes use their right to convert the notes into shares. A loan note with a nominal value of 100 euro can be converted into 750 shares. The conversion price of a share is approximately 0.1333 euro. The conversion can be made during the period of 1 October, 2005 and 26 February, 2010. The nominal interest rate of the loan is 5 %.

In the financial statements for 2005 the convertible capital loan has been classified into the equity component and the liability component. The liability component was initially measured at its fair value that was determined by using the market rate for similar loans (8 %) at the time the loan was issued. The equity component, amounting to 0.5 million euro, net of deferred tax, equals the difference between the proceeds on the loan issued and the fair value of the liability and it was recognised into retained earnings.

EUR thousand 2005 2004

26 TRADE PAYABLES AND OTHER NON-INTEREST-BEARING LIABILITIES

26.1 Current liabilities

EUR thousand	**2005**	2004
Trade payables	7 206	6 097
Accrued expenses and deferred income	4 902	5 292
Other liabilities	2 682	1 145
Total	14 790	12 534

26.2 Accrued expenses and deferred income

EUR thousand	**2005**	2004
Accrued wages and salaries	2 082	2 589
Accrued social security and pension expenses	1 153	1 557
Interest expenses	350	89
Income taxes for prior years	29	342
Other items	1 288	715
Total	4 902	5 292

27 ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

EUR thousand	**2005**	2004
Non-cash transactions:		
Depreciation and amortisation	3 313	3 833
Impairment loss on inventories	573	588
Impairment losses on trade receivables	677	27
Change in provisions	289	0
Other items	-474	-35
Total	4 378	4 413

28 RELATED PARTY TRANSACTIONS

Evox Rifa Group has related party relationship with its Board members, CEO and Management Team.

Group companies are as follows:	Domicile	Group holding (%)	Group voting (%)
Emoyritys Evox Rifa Group Oyj	Finland		
Evox Rifa Oy	Finland	100	100
Evox Rifa AB	Sweden	100	100
Evox Rifa Pte. Ltd.	Singapore	100	100
Seoryong Singapore Pte. Ltd.	Singapore	100	100
P.T. Evox S.R.	Indonesia	100	100
Evox Rifa Sdn.Bhd.	Malaysia	100	100
Evox Rifa GmbH	Germany	100	100
Evox Rifa, Inc.	USA	100	100
Dectron AB	Sweden	100	100
Nantong Evox Rifa Electrolytics Co. Ltd.	China	80	80
BHC Components Ltd.	United Kingdom	100	100

Transactions between related parties:

28.1 Employee benefits

EUR thousand	**2005**	2004
Salaries and other short-term benefits	993	965
Post-employment benefits	13	8
Total	1006	973

No cash loans have been granted to nor commitments assumed or collaterals given regarding CEO or the members of the Board of Directors.

28.2 Shares, options and convertible capital loan

31 December, 2005	Shares	Options	Convertible capital loan notes
Board members and CEO	20 002 972	1 150 000	9 040
Management Team	3 966 882	1 545 000	10
Total	23 969 854	2 695 000	

31 December, 2004	Shares	Options	Convertible capital loan notes
Board members and CEO	20 002 972	1 150 000	
Management Team	116 882	1 545 000	
Total	20 119 854	2 695 000	

Henrik Ehrnrooth, Chairman of the Board, together with his brothers, Georg Ehrnrooth and Carl Gustav Ehrnrooth, have indirectly control in Fennogens Investments S.A. and Geveles Ab. Geveles Ab holds 30 960 convertible capital loan notes.

The Group owned 85 % of the shares in Evox Rifa Pte. Ltd when the Board of the parent company entered into an agreement with a member of the Group´s Management Team, Mr. Wee Cheng Hoon, to redeem the minority share (15 %) in Evox Rifa Pte. Ltd. The half of the purchase price that amounted to 775 thousand euro, was paid in cash and the other half through a private offering to Mr. Wee Cheng Hoon who subscribed 3 850 000 shares of Evox Rifa Group Oyj at 0.10 euro per share. The acquisition was completed in February, 2005.

Key management personnel compensation:	**2005**	2004
Chairman of the Board		
Henrik Ehrnrooth	24	20
Members of the Board		
Jerker Molander	32	15
Pertti Laine	12	11
Mikko J. Aro	14	16
Jarmo Niemi	12	11
CEO		
Tuula Ylhäinen	159	140
Total	253	213

The contractual age of retirement of CEO of the parent company, Tuula Ylhäinen, is 60.

29 COMMITMENTS AND CONTINGENCIES

29.1 Pledges, mortgages and contingent liabilities

EUR thousand	2005	2004
Loans secured with mortgages and pledges		
Loans from credit institutions	21 025	20 545
Pension obligations	2 356	2 576
	23 381	23 121
Collateral given for own commitments		
Real estate mortgages	6 135	6 575
Mortgages on company assets	16 340	16 795
Securities and receivables pledged	7 233	7 047
	29 708	30 417
Other collateral given for own commitments		
Other collaterals	62	64
Securities pledged	35	35
	97	99

In 2002 a product claim was presented to BHC Components Ltd. The company has made a provision amounting to 0.6 million euro, which the company considers appropriate.

29.2 Derivative financial instruments

Values of the derivatives designated for hedging foreign exchange exposure at the balance sheet date:

	2005	2004
Currency options		
Bought options		
Nominal value	2079	1589
Fair value	0	16
The options generally mature in three months.		

Evox Rifa uses currency options for hedging the transaction risk of its balance sheet items. Since the Group does not apply the hedge accounting as defined under IAS 39, the changes in the fair values of financial instruments used for hedging purposes are recognised fully in the income statement. In 2005 the changes in the fair values of the currency options totalled 15 thousand euro (2004: 38 thousand euro) and the changes are recognised in financial expenses.

30 OPERATING LEASES

Group as lessee

Minimum lease payments on non-cancellable operating leases are payable as follows:

EUR thousand	2005	2004
Less than one year	1344	1109
Between one and five years	3323	1564
More than five years	837	0
Total	5504	2673

31 SUBSEQUENT EVENTS

Any events occured after the balance sheet date that the Group management is aware of are disclosed in the directors' report.

32 TRANSITION TO IFRSs

Evox Rifa Group Oyj issued a stock exchange release on the transition to IFRSs on 19 April, 2005. After this, changes have been made to the comparative information that is presented in the corrected form in this note. The changes concern the classification of liabilities to non-current and current liabilities and pension obligations.

Evox Rifa Group Oyj adopted the International Financial Reporting Standards (IFRS) as at 1 January, 2005. Prior to the adoption of IFRSs, Evox Rifa Group's financial statements were prepared in accordance with the Finnish Accounting Standards (FAS). Evox Rifa Group has prepared its Interim Reports and the Financial Statements for 2005 in compliance with IFRSs. The comparative quarterly information in accordance with IFRSs for 2004 has been published in connection with each Interim Report in 2005.

An explanation on the material effects of the adoption of IFRSs on the earlier reported financial information for 2004 is provided below. The presented reconciliations have been prepared in accordance with the standards and their interpretations valid at 31 December, 2005.

The effects of the transition to IFRSs on the Evox Rifa Group's opening balance sheet and equity at 1 January, 2004 are presented in the following. The notes in the table refer to the explanations given below for the reasons of adjustments.

RECONCILIATION OF EVOX RIFA GROUP'S OPENING IFRS BALANCE SHEET

EUR thousand	FAS 1 Jan 2004	IFRSs effect of transition	IFRSs 1 Jan 2004	NOTE
NON-CURRENT ASSETS				
Intangible assets	1 104	-71	1 033	1
Property, plant and equipment	20 744	640	21 384	2
Other receivables	109	323	432	2
CURRENT ASSETS				
Inventories	14 577		14 577	
Receivables	15 016		15 016	
Cash and cash equivalents	3 101		3 101	
TOTAL ASSETS	54 651	892	55 543	
EQUITY AND LIABILITIES				
Share capital	8 669		8 669	
Other reserves	16 666		16 666	
Retained earnings	-8 993	-351	-9 344	3
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	16 342	-351	15 991	
MINORITY INTEREST	660		660	
LIABILITIES				
Deferred tax liabilities	1 256	61	1 317	4
Non-current liabilities	17 188	745	17 933	5
Current liabilities	19 205	437	19 642	5
TOTAL EQUITY AND LIABILITIES	54 651	892	55 543	

Notes:

1. Intangible assets
Formation expenses cannot be capitalised according to IAS 38, so they have been adjusted to retained earnings.
2. Property, plant and equipment / Other long-term receivables
The recognition of property, plant and equipment leased under finance leases as assets and liabilities in the balance sheet in accordance with IAS 17, increased the assets by 1.4 million euro.

Based on the impairment tests (IAS 36) performed, a write-down of 0,4 million euro has been recognised for property, plant and equipment in the opening IFRS balance sheet. This relates to the machinery and equipment at the Kalmar plant in Sweden.

In the Group reporting under FAS the long-term lease of a land area of the subsidiary in Indonesia was classified as an item of property, plant and equipment. The lease does not meet the criteria of a financial lease set out in IAS 17. Therefore this item, amounting to 0.3 million euro has been reclassified from property, plant and equipment to other receivables, and the accumulated rental expenses have been adjusted to retained earnings, respectively.
3. Retained earnings
The change in retained earnings, -351 thousand euro, comprises the following items (in thousands of euro):

Retained earnings (FAS) 1 January, 2004		-8 993
IAS 17	Finance leases	5
IAS 19	Employee benefits	137
IAS 36	Impairment test	-371
IAS 38	Intangible assets	-71
	Accumulated rental expensess related to the land area	-51
Retained earnings (IFRS) 1 January, 2004		-9 344

The change in the pension obligations (IAS 19), net of deferred tax liability, is 137 thousand euro.
4. Deferred tax liabilities
Owing to the changes in the Group's obligations arisen from employee benefits (IAS 19) a deferred tax liability has been recognised in accordance with IAS 19.
5. Liabilities
The reduction of the long-term obligation, 0.1 million euro, relates to the adjustments to the pension obligations arisen from defined benefit plans under IAS 19.

The recognition of property, plant and equipment leased under finance leases as assets and liabilities in the balance sheet in accordance with IAS 17 increased the liabilities by 1.4 million euro, of which short-term liabilities' share is 0.4 million euro.

The transition to IFRSs decreased the equity ratio from 31,1% to 30,0% in the opening balance sheet at 1 January, 2004.

The effects of the transition to IFRSs on the Evox Rifa Group's consolidated income statement for the year ended 31 December 2004 and on the balance sheet at 31 December, 2004 are presented in the following. The notes refer to the explanations given further below.

RECONCILIATION OF THE EVOX RIFA GROUP'S 2004 INCOME STATEMENT

EUR thousand	FAS 1 Jan – 31 Dec 2004	IFRS effect of transition	IFRS 1 Jan – 31 Dec 2004	NOTE
NET SALES	89 478		89 478	
Operating expenses	-86 416	424	-85 992	1
Depreciation, amortisation and impairment losses	-3 772	-61	-3 833	2
OPERATING PROFIT (-LOSS)	-710	363	-347	
Financial income and expenses	-1 108	-55	- 1 163	3
PROFIT BEFORE TAXES	-1 818	308	-1 510	
Income taxes	-418	-5	-423	4
Minority share	-68		-68	
PROFIT(-LOSS)FOR THE FINANCIAL YEAR	-2 304	303	-2 001	
Earnings per share, basic (EUR)	-0,013		-0,012	
Earning per share, diluted (EUR)	-0,013		-0,012	

RECONCILIATION OF EVOX RIFA GROUP'S BALANCE SHEET AT 31 DECEMBER, 2004

	FAS 31 Dec 2004	IFRS effect of transition	IFRS 31 Dec 2004	NOTE
NON-CURRENT ASSETS				
Intangible assets	664	321	985	5
Property, plant and equipment	18 836	92	18 928	6
Other receivables	128	294	422	7
CURRENT ASSETS				
Inventories	15 094		15 094	
Receivables	14 948		14 948	
Cash and cash equivalents	2 792		2 792	
TOTAL ASSETS	52 462	707	53 169	
EQUITY AND LIABILITIES				
Share capital	8 669		8 669	
Other reserves	14 723		14 723	
Retained earnings*	-8 847	-37	-8 884	8
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14 545		14 508	
MINORITY INTEREST	685		685	
LIABILITIES				
Deferred tax liability	495	66	561	9
Pension liabilities	0	2 568	2 568	10
Non-current liabilities	19 193	-8 103	11 090	10
Current liabilities	17 544	6 213	23 757	10
TOTAL EQUITY AND LIABILITIES	52 462	707	53 169	

* Retained earnings include accumulated translation differences amounting to -2 509 thousand euro.

Notes:

1. Lease payments have been apportioned between the reduction of the related lease liability and the interest charge in total 414 thousand euros and a decrease in the pension obligations: 10 thousand euro.
2. Reversal of goodwill amortisation 364 thousand euro, depreciation of property, plant and equipment leased under finance leases –447 thousand euro and reversal of amortisation of formation expenses: 22 thousand euro.
3. Interest charge of the finance leases.
4. Change in deferred tax liabilities due to the changes in the pension obligations.
5. Reversal of goodwill amortisation 367 thousand euro and the adjustment to formation expenses -46 thousand euro.
6. Property, plant and equipment leased under finance leases 822 thousand euro; impairment test -371 thousand euro; adjustment of accumulated rentals expenses for the land area -65 thousand euro and re-classification of the lease of the land area to other receivables -294 thousand euro.
7. Reclassification of the lease of the land area.
   The change in retained earnings, -37 thousand euro, comprises the following items (in thousands of euro):
8. Retained earnings under (FAS) 31 December, 2004: -8 847

IAS 17	Financial leases	-66
IAS 19	Employee benefits	144
IAS 36	Impairment test	-371
IAS 38	Intangible assets	-46
IFRS 3	Reversal of goodwill amortisation	367
	Accumulated rental expensess of the land area	-65

   Retained earnings under (IFRSs) 31 December, 2004: - 8 884
9. Deferred tax liability related to the pension obligations.
10. Pension obligations: reclassification 2 778 thousand euro and the IFRS adjustment –210 thousand euro, totalling 2 568 thousand euro.
    Non-current liabilities: financial lease liabilities 510 thousand euro, bank overdrafts –6 410 thousand euro, and pension obligations –2 203 thousand euro reclassification.
    Current liabilities: financial lease liabilities 378 thousand euro, bank overdrafts 6 410 thousand euro and pension obligations –575 thousand euro reclassification.

Other information:

Evox Rifa Group utilises currency options to hedge receivables denominated in foreign currencies from exchange rate fluctuations. IAS 39 has been applied since 1 January, 2004.

The Group has applied the exemption included in IFRS 1 relating to business combinations. Goodwill has not been amortised since 1 January, 2004. The effect of this on the 2004 result was 0.4 million euro. No need for recognition of an impairment loss was identified in the impairment tests of goodwill carried out in the connection with the transition to IFRSs.

The development costs of Evox Rifa Group do not meet the criteria for capitalisation under IAS 38, so they have been recognised as an expense in the financial period in which they were incurred.

Some Group companies have unused tax losses carried forward for which no deferred tax assets have been recognised because of the uncertainty regarding the use of the losses.

INCOME STATEMENT OF PARENT COMPANY

NOTE		1.1. - 31.12.2005 EUR thousand	1.1. - 31.12.2004 EUR thousand
	NET SALES		
	Other operating income	2 125	1 900
1	Personnel expenses	-1 240	-966
	Depreciation and write-downs	-269	-209
	Other operating expenses	-1 353	-1 320
		-2 862	-2 495
	OPERATING PROFIT (- LOSS)	-737	-595
2	Financial income and expenses	1 038	-133
3	Write-downs of non-current investments	-1 667	-14 400
		-629	-14 533
	PROFIT (- LOSS) BEFORE APPROPRIATIONS AND TAXES	-1 366	-15 128
	PROFIT (- LOSS) FOR THE PERIOD	-1 366	-15 128

BALANCE SHEET OF PARENT COMPANY

NOTE		31.12.2005 EUR thousand	31.12.2004 EUR thousand
	ASSETS		
	NON-CURRENT ASSETS		
1	Intangible assets		
	Other capitalised expenditure	8	5
1	Tangible assets		
	Land areas	3 838	3 838
	Buildings and structures	912	1035
	Machinery and equipment	357	495
	Other tangible assets	19	21
		5 126	5 389
	Investments, non-current		
2	Shares in the subsidiary companies	12 185	6 601
	Other shares	1	1
		12 186	6 602
	CURRENT ASSETS		
3	Non-current receivables		
	Loan receivables	0	881
	CURRENT RECEIVABLES		
4	Current receivables		
	Loan receivables	2 475	2 651
	Other receivables	2 162	1 541
	Prepaid expenses and accrued income	10	15
		4 647	4 207
	Cash in hand and in banks	633	334
	TOTAL ASSETS	22 600	17 418

NOTE		31.12.2005 EUR thousand	31.12.2004 EUR thousand
	LIABILITIES AND SHAREHOLDERS' EQUITY		
5	SHAREHOLDERS' EQUITY		
	Share capital	8 861	8 669
	Premium fund	1 926	1 734
	Reserve fund	677	12 989
	Retained earnings	0	2 815
	Profit (loss) for the financial year	-1 366	-15 128
	Convertible capital loan	5 588	0
		15 686	11 079
	LIABILITIES		
6	Non-current liabilities		
	Loans from credit institutions	5 326	5 543
		5 326	5 543
7	Current liabilities		
	Loans from credit institutions	260	254
	Other current liabilities	887	324
	Accrued expenses and deferred income	441	218
		1 588	796
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22 600	17 418

CASH FLOW STATEMENT OF PARENT COMPANY

	2005 EUR thousand	2004 EUR thousand
Operational cash flow		
Operating profit (loss)	-737	-595
Adjustments to operating profit (loss)		
Depreciation and write-downs	269	209
Change in working capital		
Trade receivables, increase (-) decrease (+)	-1 149	1 636
Non-interest bearing loans, increase (+) decrease (-)	786	-133
Financial income and expense	1 038	9
Operational cash flow	207	1 126
Investments		
Investments in other fixed assets	-5 208	-6 154
Investments cash flow	-5 208	-6 154
Cash flow before financing	-5 001	-5 028
Financing		
Share issue	5 588	0
Non-current loan receivable increase (-) decrease (+)	-253	4 911
Current loan receivable increase (-) decrease (+)	176	-137
Non-current loans increase (+) decrease (-)	-217	0
Current loans increase (+) decrease (-)	6	-429
Financing cash flow	5 300	4 345
Increase / Decrease in liquid funds	299	-683
Liquid funds 1.1.	334	1 017
Liquid funds 31.12.	633	334

Liquid funds include cash in hand and in banks.

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

NOTES TO THE INCOME STATEMENT OF PARENT COMPANY

1 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

EUR thousand	**2005**	2004
Salaries and fees	859	672
Pension costs	204	140
Other personnel costs	177	154
Total	1 240	966

Other personnel costs include both compulsory and voluntary personnel expenses.

EUR thousand	**2005**	2004
The management salaries and fees		
Managing Directors	159	140
Board of Directors	94	72
Total	253	212

The retirement age of the parent company Managing Director has been agreed to 60 years.

EUR thousand	**2005**	2004
Personnel during the fiscal year (average)		
Office personnel	8	7
Personnel at the end of the fiscal year		
Office personnel	8	8

2 FINANCIAL INCOME AND EXPENSES

EUR thousand	**2005**	2004
Interest and other financial income		
Interest income from non-current investments		
Evox Rifa Group internal	132	204
Interest income from current investments		
External	23	8
Other financial income		
External	19	0
Dividend income		
Evox Rifa Group Internal	1172	0
Interest expenses for the external liabilities		
Evox Rifa Group internal	222	144
External	197	27
Total	419	171
Other interest expenses		
External	176	16
Foreign exchange gain / loss, net	287	-158
Total financial income and expenses	1 038	-133

3 WRITE-DOWNS OF NON-CURRENT INVESTMENTS

EUR thousand	**2005**	2004
Write-downs		
Write-down of shares of Evox Rifa Oy	0	10 000
Write-down of loan receivables of the subsidiaries	1 134	4 400
Write-down of other receivables of the subsidiaries	533	0
Total	1 667	14 400

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

NOTES TO THE BALANCE SHEET OF PARENT COMPANY

EUR thousand	**2005**	2004
1 INTANGIBLE AND TANGIBLE ASSETS		
Intangible Assets		
Other capitalized expenditure		
Acquisition cost 1.1.	77	77
Increase 1.1. - 31.12.	9	0
Acquisition cost 31.12.	86	77
Accumulated depreciation and write-downs 1.1.	-72	-63
Depreciation for the fiscal year	-6	-9
Accumulated depreciation and write-downs 31.12.	-78	-72
Book value 31.12.	8	5
Tangible Assets		
Land areas		
Acquisition cost 1.1.	3 838	0
Increase 1.1. - 31.12.	0	3 838
Acquisition cost 31.12.	3 838	3 838
Book value 31.12.	3 838	3 838
Buildings and structures		
Acquisition cost 1.1.	1 127	0
Increase 1.1.-31.12.	0	1 127
Acquisition cost 31.12.	1 127	1 127
Accumulated depreciation and write-downs 1.1.	-92	0
Depreciation for the fiscal year	-123	-92
Acquisition cost 31.12.	-215	-92
Book value 31.12.	912	1 035
Machinery and equipment		
Acquisition cost 1.1.	630	51
Increase 1.1.-31.12	0	579
Decrease 1.1.-31.12.	0	0
Acquisition cost 31.12.	630	630
Accumulated depreciation and write-downs 1.1.	-135	-29
Depreciation for the fiscal year	-138	-106
Accumulated depreciation and write-downs 31.12.	-273	-135
Book value 31.12.	357	495
Other Intangible Assets		
Acquisition cost 1.1.	23	0
Increase 1.1.-31.12.	0	23
Acquisition cost 31.12.	23	23
Accumulated depreciation and write-downs 1.1.	-2	0
Depreciation for the fiscal year	-2	-2
Acquisition cost 31.12.	-4	-2
Book value 31.12.	19	21

EUR thousand	**2005**	2004
2 SHARES		
Shares in subsidiaries		
Acquisition cost 1.1.	6 601	10 451
Increase 1.1. - 31.12.	5 584	6 150
Decrease 1.1. - 31.12.	0	-10 000
Accumulated acquisitions 31.12.	12 185	6 601

STOCK OWNERSHIP

		Parent company's ownership of the stock/voting power, %	Parent company's ownership of the stock/voting power, %
Evox Rifa Oy	Finland	100	100
BHC Components Ltd.	Great Britain	100	100
Evox Rifa GmbH	Germany	100	0
Evox Rifa PTE Ltd.	Singapore	100	0

EUR thousand	**2005**	2004
3 NON-CURRENT RECEIVABLES FROM THE GROUP COMPANIES		
Loan receivables	0	881
4 CURRENT RECEIVABLES FROM THE GROUP COMPANIES		
Loan receivables	2 475	2 651
Other receivables	2 122	1 503
Receivables from the Group companies total	4 597	4 154
CURRENT EXTERNAL RECEIVABLES		
Other receivables	40	38
Prepaid expenses and accrued income	10	15
Receivables total	50	53
5 SHAREHOLDERS' EQUITY		
Share capital 1.1.	8 669	8 669
Increase	192	0
Share capital 31.12.	8 861	8 669
Premium fund 1.1.	1 734	1 734
Increase	192	0
Premium fund 31.12.	1 926	1 734
Reserve fund 1.1.	12 989	12 989
Transfers between items	-12 312	0
Reserve fund 31.12.	677	12 989
Retained earnings 1.1.	-12 312	2 815
Transfers between items	12 312	0
Retained earnings 31.12.	0	2 815
Net profit (loss) for the fiscal year	-1 366	-15 128
Convertible capital loan 1.1.		
Increase	5 588	0
Convertible capital loan 31.12.	5 588	0
Shareholders' equity 31.12.	15 686	11 079

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

Convertible capital loan

The loan is a capital loan as defined under the Companies Act, its terms related to repayment and priority ranking differ from the terms of loans generally issued. The principal of the loan may be repaid only if the Company and the consolidated Group are left with full cover on restricted equity and other non-distributable items according to the balance sheet approved for the preceding financial year. Interest on the loan can be paid annually only if the amount payable can be used for the distribution of profits according to the balance sheet of the Company and the consolidated Group as approved for the preceding financial year. The principal, interest and any other yield shall be payable on the dissolution or bankruptcy solely at a priority ranking inferior to that of all other debt. The interest left unpaid shall remain a liability and shall earn annual interest of 2 percentage points in excess of the interest rate payable on the loan. If the loan cannot be repaid at maturity, the principal of the loan shall accrue interest that is 2 percentage points in excess of annual interest determined on the loan. The capital loan is not secured by a guarantee or collateral.

In March 2005 the Company issued 55 879 convertible capital loan notes with a total nominal value of 5.6 million euro. The loan matures in five years from the date of issue unless the holders of the notes use their right to convert the notes into shares. A loan note with a nominal value of 100 euro can be converted into 750 shares. The conversion price of a share is approximately 0.1333 euro. The conversion can be made during the period of 1 October, 2005 and 26 February, 2010. The nominal interest rate of the loan is 5 %.

Calculation of the distributable earnings 31.12.2005

The parent company has no distributable earnings on December 31.12.2005

EUR thousand	**2005**	2004
Retained earnings	-12 312	2 816
Transfer from reserve fund	12 312	0
Net loss for the period	-1 366	-15 128
Distributable earnings 31.12.	-1 366	-12 312

6 NON-CURRENT LIABILITIES FROM GROUP COMPANIES

Loan	5 326	5 543
Group companies total	5 326	5 543

7 CURRENT LIABILITIES FROM GROUP COMPANY

Loans	260	254
Other short term liabilities	203	81
Group companies total	463	335

Accrued expenses and deferred income include periodised expenses of business operations. The interest accrual of the convertible capital loan, 222 thousand euro, is included in accrued expenses and deferred income 31.12.2005.

OTHER NOTES OF PARENT COMPANY

1 PLEDGES, MORTGAGES, CONTINGENT AND OTHER LIABILITIES	**2005**	2004
Debts secured with mortgages and pledges.		
Real estate mortgages	5 006	5 210
Mortgage on company assets	6 168	6 168
Other pledges	21 328	18 415
Total	32 502	29 793

2 RENTAL AND LEASING LIABILITIES

Due dates for financial leases with maturity exceeding one year or rental agreements irrevocable within one year are as follows:

In 2006	71	79
Later	20	63
Total	91	142

3 DERIVATIVE FINANCIAL INSTRUMENTS

The value of derivative contracts made to hedge exposure against foreign currency fluctuations:

Foreign currency options		
Bought options		
Value at the contract date	2079	1589
Asset value 31.12.	0	16

Foreign currency options are used to hedge foreign currency denominated assets and liabilities against currency fluctuations. The maturity of options vary from 1-3 months. Options at 31.12. are valued at the year end currency exchange rates.

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidation has been prepared in accordance with the Finnish Accounting Standards in euros.

Non-current assets

Valuation of the fixed assets

Fixed assets are valued to acquisition cost and deducted with accumulated depreciation.

Depreciation principles

The depreciation according to plan of fixed assets is based on the original acquisition costs and estimated useful life applying straight line basis. Other capitalized expenditure is depreciated in 3-10 years. Depreciation time for buildings is 25 years. Machinery and equipment are depreciated in 4-10 years.

Transactions in foreign currency

Accounts receivable and payable are converted into euros using the European Central Bank´s average rate at the fiscal year end. Foreign currency balance sheet items covered with binding contracts are converted to euros with the contract rate. The result of the realised forward contracts has been included in the accounts according to their realisation. Open forward contracts are converted at the year end rates. Foreign exchange rate gains and losses are booked to the income statement. The Group uses derivative instruments only to hedge foreign currency denominated items in the balance sheet.

Pension liability coverage

In the Finnish companies the legal pension liabilities are covered by using an insurance company. Voluntary pensions are covered with voluntary insurances.

Research and development expenses

Research and development expenses are recorded as costs in the fiscal year during which they have arisen.

Income Taxes

The income taxes include taxes calculated according to the accrual basis and adjustment to taxes from the previous years. The company has confirmed tax loss carry forwards. Due to the uncertainty associated with usage of them, no computed tax losses are recorded.

CONSOLIDATED KEY FIGURES

EUR thousand	**2005** IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Net Sales	79 911	89 478	78 935	69 839	68 968
Operating Loss	-7 519	-347	-4 900	-8 942	-4 774
% of net sales	-9.4%	-0.4%	-6.2%	-12.8%	-6.9%
Loss before direct taxes	-8 717	-1 510	-5 791	-9 739	-6 302
% of net sales	-10.9%	-1.7%	-7.3%	-13.9%	-9.1%
Loss for the period	-9 256	-1 933	-5 882	-8 735	-4 996
% of net sales	-11.6%	-2.2%	-7.5%	-12.5%	-7.2%
Return on equity (ROE), %	-82.0%	-12.1%	-29.9%	-36.3%	-17.5%
Return on Investment (ROI), %	-18.7%	-0.8%	-11.3%	-19.1%	-10.3%
Equity ratio, %	13.9%	28.6%	31.1%	36.5%	47.5%
Gross investments in fixed assets	3 966	1 295	1 019	7 147	5 893
% of net sales	5.0 %	1.4 %	1.3 %	10.2 %	8.5 %
Research and development costs	2 900	2 978	3 026	2 724	2 828
% of net sales	3.6 %	3.3 %	3.8 %	3.9 %	4.1 %
Earnings / share, EUR	-0.052	-0.012	-0.034	-0.068	-0.059
Equity of parent shareholders / share, EUR	0.04	0.08	0.09	0.13	0.30
Price / earnings ratio (P/E)	-1.3	-8.3	-3.5	-0.9	-2.1
Share prices					
low, EUR	0.07	0.10	0.04	0.04	0.11
high, EUR	0.12	0.16	0.15	0.14	0.25
average, EUR	0.10	0.13	0.09	0.09	0.16
Closing rate of the last trading day	0.07	0.10	0.12	0.06	0.12
Market value of total shares outstanding 31.12.	12 405	17337	20804	10 402	10 402
Share turnover, 1 000 pcs	27 772	44 016	63 908	52 568	30 950
Share turnover %	15.7 %	25.4 %	36.9 %	41.0%	35.7%
Total share turnover, TEUR	2 737	5 608	6 013	3 930	5 972
Number of shares, 1 000	177 221	173 371	173 371	173 371	86 686
Issue-adjusted number of shares, weighted average, 1 000	176 578			128 247	
Order stock, MEUR	17.7	17.4	16.6	13.6	10.5
Average number of personnel	1 320	1 355	1 241	1 288	1 336

CALCULATION PRINCIPLES OF KEY FIGURES

RETURN ON EQUITY %, ROE

$$100 \times \frac{\text{Profit before tax - taxes}}{\text{Shareholders´ equity + minority share (average)}}$$

RETURN ON INVESTMENT %, ROI

$$100 \times \frac{\text{Profit before tax + interest and other financial costs}}{\text{Balance sheet total - non-interest bearing liabilities (average)}}$$

EQUITY RATIO, %

$$100 \times \frac{\text{Shareholders´ equity + minority interest}}{\text{Balance sheet total - advances received}}$$

EARNINGS / SHARE (EPS)

$$\frac{\text{Profit before extraordinary items – direct taxes – minority interest}}{\text{Adjusted average number of shares outstanding during the year}}$$

Parent shareholders´ equity / share, EUR

$$\frac{\text{Parent shareholders´ equity}}{\text{Adjusted average number of shares outstanding at the year end}}$$

PRICE / EARNINGS RATIO, P/E

$$\frac{\text{Year end share price}}{\text{Earnings per share}}$$

EQUITY MARKET VALUE

Total number of shares outstanding x closing rate at the last day of fiscal year

SHARE TURNOVER, %

$$\frac{\text{Total turnover of shares during the fiscal year}}{\text{Average number of shares during the fiscal year}}$$

SHAREHOLDERS AND SHARES

Major Shareholders 31.12.2005

Shareholders	Number of shares	Holdings and votes %
Fennogens Investments SA	68 191 976	38,48 %
Veikko Laine Oy	19 908 972	11,23 %
Etra-Invest Oy	11 256 000	6,35 %
Wee Cheng Hoon	3 850 000	2,17 %
Gripenberg Gustaf	1 200 000	0,68 %
Terkki Risto	1 100 000	0,62 %
Oksanen Markku	750 000	0,42 %
Nevalainen Vesa	700 000	0,39 %
Mikkola Santeri	550 000	0,31 %
Tarkkio Jori	500 000	0,28 %
Nominee registered shares	1 039 539	0,59 %

Number of nominee registered shares and shares in foreign ownership as of December 31, 2005 was total 69 333 061, i.e. 39,1 % of the holdings and votes.

Management Share Ownership

Evox Rifa Group Oyj´s Board Members and President held 31.12.2005 a total of 20 002 972 shares, i.e. 11,3 % of the shares outstanding and voting power. Regarding the issuance of stock options and convertible capital loan the Board Members´and President´s ownership could rise by 7 930 000 shares, after that the Board Members´ and President´s ownership would be 27 932 972 shares, i.e. 15,1 % of the holdings and votes.

Henrik Ehrnrooth, Chairman of the Board, together with his brothers, Georg Ehrnrooth and Carl Gustaf Ehrnrooth, indirectly holds a controlling interest in Fennogens S.A.and Geveles Ab. Geveles Ab has the right to subscribe the convertible capital loan for 23 220 000 shares.

Distribution of Share Ownership 31.12.2005

By numbers of shares

1 000 pcs shareholders	Number of shareholders	% of shares	Number of shares	% of total shares
1 – 1000	1 434	26.04 %	610 891	0.34 %
1 001 – 10000	2 712	49.26 %	12 519 877	7.06 %
10 001 – 50 000	1 089	19.78 %	25 696 559	14.50 %
50 001 – 100 000	179	3.25 %	13 511 608	7.62 %
100 001 –	92	1.67 %	124 882 083	70.47 %
Total	5 506	100.00 %	177 221 018	100.00 %

By owner groups

	Number of shareholders	Total holding %	Number of shares	Total shares %
Foreign	18	0.33 %	68 293 522	38.54 %
Households	5 195	94.35 %	70 033 042	39.52 %
Companies	269	4.89 %	37 572 943	21.20 %
Financial and insurance institutions	6	0.11 %	1 106 539	0.62 %
Public sector organisations	1	0.02 %	370	0.00 %
Non-profit organisations	17	0.31 %	214 602	0.12 %
Total	5 506	100.00 %	177 221 018	100.00 %

PROPOSAL OF THE BOARD FOR THE DISTRIBUTION OF EARNINGS

According to the Group balance sheet on December 31, 2005 there are no distributable earnings.
The parent company´s distributable retained earnings are:

Not distributable previously	0.00 euros
Loss for the period	-1,365,541.04 euros
Total	-1,365,541.04 euros

The Board proposes that no dividends be distributed.

Espoo, March 1, 2006

Henrik Ehrnrooth
Chairman of the Board

Jerker Molander
Vice Chairman of the Board

Mikko J. Aro
Member of the Board

Pertti Laine
Member of the Board

Jarmo Niemi
Member of the Board

Tuula Ylhäinen
President & CEO

AUDITORS' REPORT

To the shareholders of Evox Rifa Group Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Evox Rifa Group Oyj for the period 1 January – 31 December 2005. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and administration.

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

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors on how to deal with the result for the financial period is in compliance with the Companies Act.

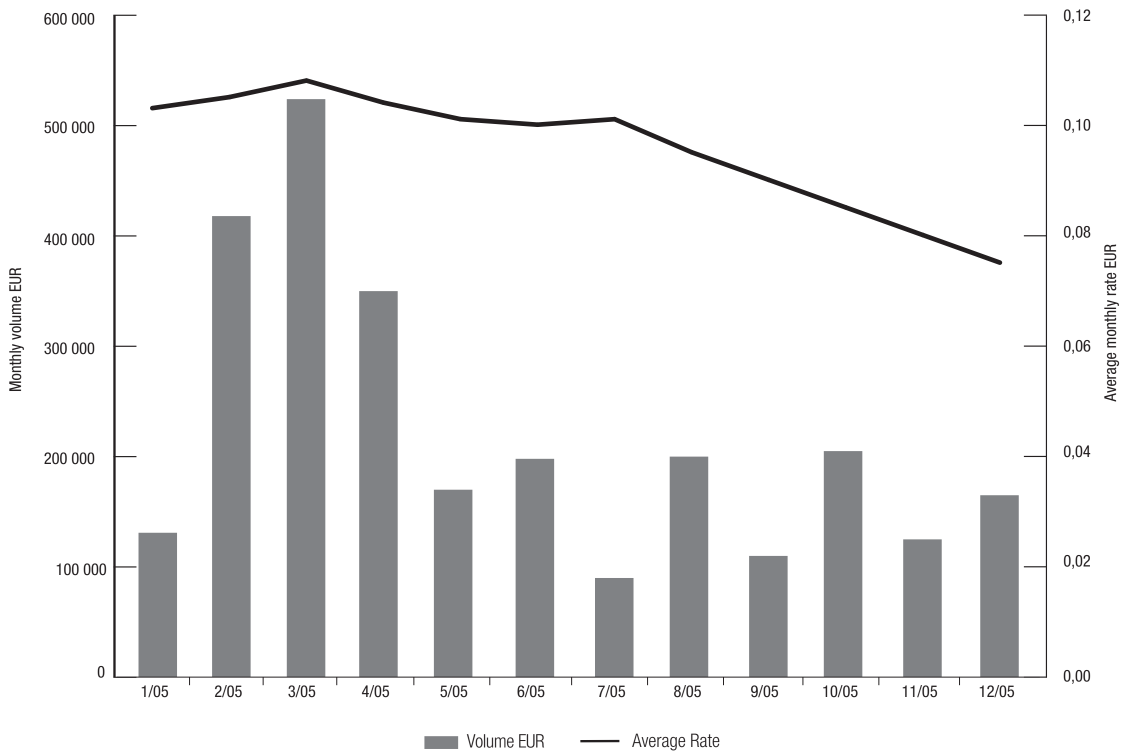
Helsinki, 7 March 2006

KPMG OY AB

LASSE HOLOPAINEN
Authorised Public Accountant

SHARE TRADING

Share Trading Volume and Average Price Development 1.1.2005 – 31.12.2005



INFORMATION FOR SHAREHOLDERS

The Annual General Shareholders' Meeting of Evox Rifa Group Oyj will be held on April 20, 2006 beginning at 14:00 p.m. in Espoo, Finland.

Evox Rifa Group Oyj will publish its financial information in 2006 as follows:

March 1, 2006:	Financial performance in 2005
April 27, 2006:	Interim Report for January – March, 2006
August 8, 2006:	Interim Report for January – June, 2006
October 26, 2006:	Interim Report for January – September, 2006

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