2005

ANNUAL REPORT

LAROX®

Contents

Larox Group

Larox Corporation, the parent company of the Larox Group, is headquartered in Lappeenranta, Finland. Larox Corporation's B share is listed on the Helsinki Stock Exchange I-list.

The Larox Group also consists of eleven operative subsidiaries in Australia, Brazil, Chile, Germany, Great Britain, Mexico, The Netherlands, Poland, South Africa, The United States and Zambia and own sales and service personnel in Canada, China, France, Peru and Russia. The average number of employees in the Group in 2005 was 438.

The World of Larox

Larox develops, designs and manufactures industrial filters and is a leading technology company in its field. Larox is a full service solution provider in filtration for separating solids from liquids. Comprehensive aftermarket services throughout the lifespan of the Larox solution form an essential part of our operations. Companies in mining and metallurgy, chemical processing and related industries benefit from our high-performance, high-efficiency process solutions, technologies and products.

We provide our clients with an unrivalled combination of process expertise and service. We deliver complete solutions, which exceed the goals for product quality, yield, value and consistency. We help our clients to simplify their production processes, improve the profitability of the processes and help to save energy in an environmentally friendly way. All solutions are designed for application-specific needs to meet all process performance requirements of clients and their customers.

All Larox technologies are based either on over-pressure including automatic vertical pressure filters, horizontal filter presses and polishing filters or on under-pressure including horizontal vacuum belt filters, ceramic disc filters and conventional vacuum disc and drum filters. In addition to Larox our major product names are Ceramec, Hoesch, Pannevis and Scheibler. Most of the product names have served the markets for several decades, and all of them are supported by Larox aftermarket services.

We are where our customers are. Larox serves its global clients through its extensive network of sales and service offices and representatives world-wide. Production facilities are located in Lappeenranta, Finland and in Utrecht, The Netherlands. Other main locations are Espoo in Finland and Alsdorf in Germany. ■

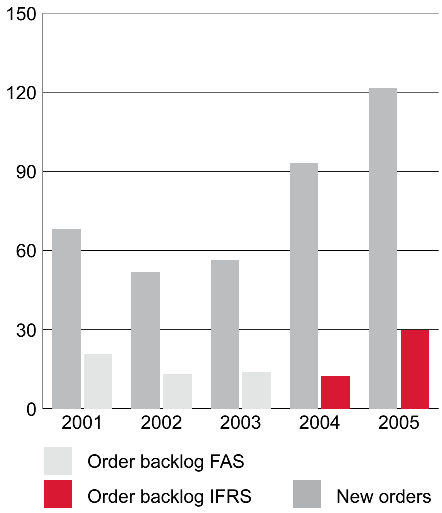
Larox in Brief

KEY FIGURES OF LAROX GROUP

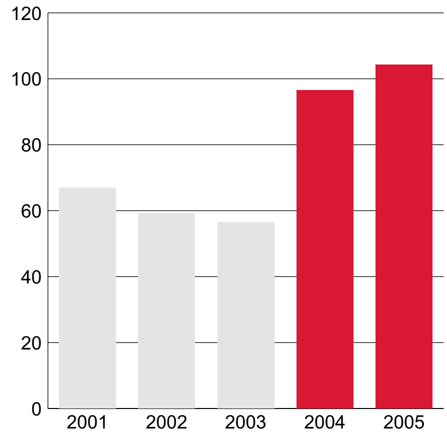
1000 EUR	1-12/2005	1-12/2004
New orders	121 470	93 204
Group order backlog at end of period	29 845	12 425
Net sales	104 324	96 470
Operating profit	6 670	3 894
% of net sales	6.4	4.0
Net financial costs	879	2 069
% of net sales	0.8	2.1
Result before taxes	5 790	1 825
Result for the period	4 502	1 508
Investments	1 832	32 580
Shareholders' equity per share at end of period, EUR	2.68	2.25
Equity Ratio %	29.9	28.9
Return on equity %	19.7	8.6
Return on investment %	12.6	8.0
Liabilities and shareholders' equity	84 269	72 523
% of net sales	80.8	75.2
Contingent liabilities	26.7	30.0
Earnings per share, EUR	0.49	0.17
Dividend per share, EUR	0.24*)	0.17
Trading price at end of period, EUR	6.10	4.66
Market capitalization at end of period, EUR million **)	56.6	43.2
Average number of personnel	438	436
Net sales/Person	238	221

**) Board of directors' proposal to the annual general meeting of Larox Corporation shareholders.*
***) A-share data is based on the B share's last trading date of the financial year.*

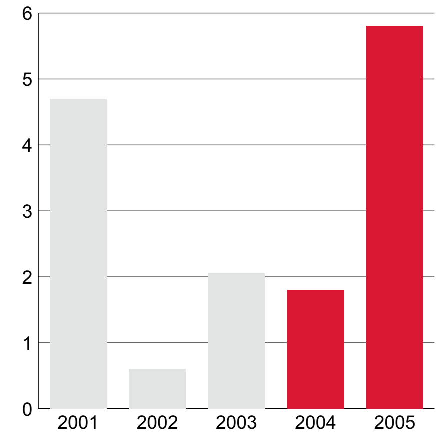
New orders and order backlog, million EUR



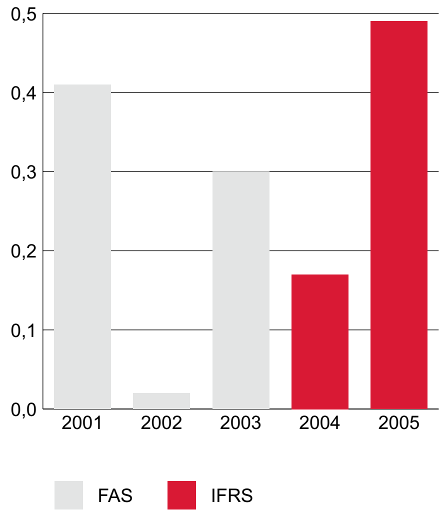
Net sales, EUR million



Result before taxes, EUR million



Earnings per share, EUR



Shareholder Information

Annual general meeting of shareholders

The annual general meeting of Larox Corporation shareholders will be held at 1 p.m. on Thursday 30 March 2006 at Larox Corporation headquarters, Tukkikatu 1, Lappeenranta, Finland.

The shareholder, who at the latest on 20 March 2006 is registered as a shareholder in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. has the right to participate in the annual general meeting of shareholders unless otherwise specified by the law.

The shareholder who wishes to participate in the annual general meeting of shareholders has to give notification of participation to the company by 23 March 2006 at 2 p.m. at the latest. Notification can also be made in writing to the address Larox Corporation, P.O. Box 29, 53101 Lappeenranta, by phone +358 5 668 8211, fax +358 5 668 8277 or email to address tuula.poutanen@larox.com. Possible powers of attorney or other authorizations are requested be given with the notification of participation.

The copies of the financial statements, and the proposals for the resolutions are available to the shareholders one week before the meeting at Larox Corporation headquarters. Copies of the documents are sent to the shareholders on request.

Distribution of dividends

The Board of Directors proposes that the dividend for the past fiscal year, which ended on 31 December 2005, is 0.24 euros per share. The shareholder who on the matching day of paying of dividends on 4 April 2006, is registered in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. is entitled to the dividend. The dividends will be paid on 11 April 2006.

Financial reports in 2006

In addition to the Annual Report, Larox will publish three Interim Reports in 2006:

January – March	27 April 2006
January – June	10 August 2006
January – September	27 October 2006

The financial reports will be published in Finnish and English. The Annual Report, the Interim Reports, Stock Exchange Releases and other information on Larox Corporation are available in Finnish and English at www.larox.com.

A copy of the printed Annual Report will be sent to each shareholder. The Interim Reports will be available in photocopies. All financial reports can be ordered from Larox Corporation, P.O. Box 29, FIN-53101 Lappeenranta, Finland, tel. +358 5 668 811, fax +358 5 6688 277 or info@larox.com.

Investor relations

The investor communications policy of Larox has been designed to provide correct and real-time information to all market participants on a regular and equal basis.

Any questions about the business activities of Larox can be addressed to:

Mr Mikko Häkämies,
Chief Communications Officer
Tel. +358 5 6688 232
Fax. +358 5 6688 277
mikko.hakamies@larox.com

Mr Jori Halkola,
CFO & Vice President, Corporate Service
Tel. +358 5 6688 228
Fax. +358 5 6688 277
jori.halkola@larox.com

Mr Toivo Matti Karppanen, President & CEO
Tel. +358 5 6688 210
Fax. +358 5 6688 277
topi.karppanen@larox.com

Larox Values

People to people – Sisu – Progress

Together… we make it happen… one step ahead for the benefit of our customers.

People to people

Listening to the customer, co-operation and mutual understanding is the foundation of how we do business.

We build strong, positive relationships with our customers and with each other.

In all of our interactions, we emphasize openness, honesty, equality, teamwork and good business spirit.

Sisu

We work in a pioneering way with courage, commitment, determination and perseverance at all levels, and we develop ourselves professionally with the same resolve.

We do what we promise.

Progress

We develop and improve our know-how, expertise and functional capabilities to develop creative and state-of-the-art solutions for the benefit of our customers.

We share and learn from our experiences and grow together as a team.

We advance and succeed through learning, training, open discussion and the free exchange of ideas.

Larox Strategy and Financial Targets

Target-oriented focusing on narrow field of expertise
We are in the business of providing value adding process solutions to industrial and other companies utilizing wet processing. Larox Separates the best from the rest – our goal is to be the best in Solid/Liquid Separation.

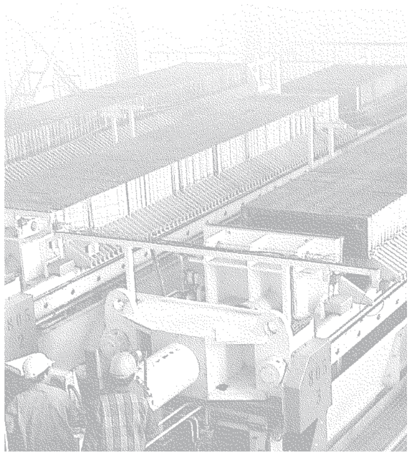
Profitable growth is the key
Our growth strategy is supported by target–oriented focusing on narrow field of expertise in solid/liquid separation, filtration, niche-technologies and customer segments in global markets.

We emphasize and develop our unique differentiation-driven concept of customer service comprising of the Larox way of operating, strong customer relationships and wide sales and after sales service network focusing 100 % on solid/liquid separation.

Growth is based on continuous product and application development, motivated expert personnel with knowledge and skills, increasing the share of After Sales Service of the total business and competitive product and service portfolio enabling to increase customer share by satisfying wider range of customer's filtration needs.

Financial targets for the year 2006
• Net sales of EUR 120 million
• Good profitability, target operating profit (EBIT) of > 8 %
• Return on investment (ROI) = 20 %
• Equity ratio of 40 %
• Dividend pay-out of 30 to 50% of earnings per share

Goals for 2006-2008
Larox will continue in the chosen line of global, customer-oriented, innovative, competent and high quality operation. The goal is profitable growth. ■



Business Environment

Larox is a full-service solution provider
Larox designs and manufacturers industrial filters, which are used in separation processes in industries that utilize wet processing. Larox is a leading innovator for the separation of solid and liquid substances, which is often a business-critical process step in particular for companies in mining and metallurgical industries and in chemical process industries.

Larox is a full-service solution provider within this field and the only truly global player 100% focused on filtration. The cyclical investment demand typical of Larox's business is levelled out by comprehensive Performance for Life – aftermarket services throughout the life of the Larox solution, which is typically between 15 and 25 years and more.

Our business consists of selling new process solutions (equipment) and after sales services to installed and operating filter base. Equipment selling requires without exception the procedures that a customer's investment decision making process includes, which based on our experience takes often even two years from the first contact to a contract. Selling after sales services includes consumables and spare parts, modernizations, upgrades and technical as well as maintenance services. Typically purchase decisions are made normally and without delays.

In our wide product range we have unique products such as automatic vertical pressure filters, capillary action disc filters as well as pressure and gas tight horizontal vacuum belt filters. Our products are heavy investment goods having a weight typically from 4 up to 97 tons, height from 2.3 up to 7.2 meters and throughputs from 0.1 up to 150 tons/hour dry solids. Filter unit prices range typically from 0.2 up to EUR 2.0 million. Typical contract sizes are from EUR 1.0 to 3.0 million in mining and metallurgical industry and from EUR 0.3 to 1.5 million in the chemical process industry. Biggest contracts can be EUR 5.0 million in mining and EUR 3.0 million in chemicals.

Key market drivers

Demand for all Larox products is driven by general business cycles. In the up-cycle, clients can choose our solutions when expanding capacity or removing production bottlenecks. In the down-cycle our solutions can help our clients to reduce production costs and environmental costs. Throughout the cycle, clients need maintenance, consumables and spare parts services.

Investment decisions in Mining and Metallurgical Industry are transparent and fairly easy to follow. Metal prices and metal demand mainly in car and vehicle manufacturing and construction industries trigger investments.

Investment decisions in Chemical Process Industry are less transparent and triggers for investments are unique for each client segment. Typically investment decisions are guided by the demand for paper, plastics, foodstuffs, pharmaceuticals and partly environmental legislation.

Market size and main solid/ liquid separation methods

Total filter market size is approximately EUR 2 100 million offering an approximately EUR 850 million market for Larox. Average annual demand growth rate in Mining and Metallurgy is approximately 3 % and between 3 to 10 % in Chemical Process Industry depending on the market segment.

In addition to thermal drying all solid/liquid separation equipment in the markets are based on one of the four main solid/liquid separation methods: gravity, centrifugal force, vacuum or pressure. All Larox filtration technologies are based on vacuum or pressure (market size of approximately EUR 850 million).

Sensitivity of Larox's business to market changes

A rise in metal prices can effect positively on demand for Larox products. Effect on the internal costs of Larox however is negative as the main raw materials for our products are different grades of mild and stainless steel.

A rise in other commodity prices can effect positively on demand for Larox products. Effect on internal costs can be regarded as negative because e.g. plastic components are quite commonly used in our products.

If US dollar strengthens against euro the effect on demand for Larox products can be positive especially in US dollar dependant market areas (e.g. in South and North America and Russia). Effect on internal costs is neutral since the majority of our costs are euro based.

A rise in energy prices generally makes processing plants put efforts on finding ways to decrease e.g. thermal drying costs. Larox equipment can reduce or even eliminate the duties of other equipment (dryers, ultra-filtration, wash systems, plant effluent systems). Effect on internal costs is neutral.

If safety, health and environmental legislation tightens it can have a positive effect on demand for Larox products. Effect on Larox's internal costs is neutral.

Competitor analysis

Competition in the solid/liquid separation business is fairly fragmented. Consolidation is in early stages. The most remarkable acquisitions during the last years have been:

- GL &V acquired Dorr-Oliver (1999) and Eimco Process Equipment Co. (2002)
- Larox acquired Scheibler Filters Ltd. (2002) and Outokumpu Technology's filter business (2004)
- Andritz acquired Bird Machine and Netzsch (2004)

There are only a handful of global full-service players: Larox, GL &V, Metso Minerals and Andritz. These control roughly 25 - 30 % of the 850-million-euro market. Out of these only Larox focuses solely on solid/liquid separation and publishes its annual figures for this business.

Larox is the global market leader in the following industry segments:

- In Mining and Metallurgy: pressure filtration of metal concentrates and copper electrolyte purification in electrorefining process
- In Chemical Process Industry: pressure filtration of starch and precipitated calcium carbonate (PCC) and filtration of zeolites

Larox is unique in the above mentioned group of companies because:

- It is 100 % focused on solid/liquid separation, filtration, technologies
- It has an innovative and highly proven R & D success in this field
- It has unique offerings in its broad product range and service concept

Additionally there are many small companies operating locally or regionally and typically focusing to offer single products to narrow market segments. ■

Our Customer-relationship Concept Aims at Partnership

Larox will continue to focus on solid/liquid separation, but with a wider range of solutions and deeper level of expertise. The cornerstones of our operations are the unique Larox customer service approach, continuous product and process development, and the expertise and skills of Larox people.

Our customers are leading producers in their fields, either nationally or internationally. We want our customers to see us as a reliable partner. Our expertise is at their disposal before an order, during and after delivery, and until the end of a product's life.

In our tightly defined field of expertise, Larox can help customers simplify their production processes, improve profitability and save energy in an environmentally friendly way. Larox equipment can reduce or even eliminate the duties of other equipment, such as dryers, ultra-filtration, wash systems and plant effluent systems. They can improve product quality, yield, value and consistency. And they can eliminate e.g. thermal drying with fossile fuel.

To achieve our strategic targets we have a high focus on Research and Development. Larox invests 5-6 per cent of its annual net sales in R & D. It includes Larox's spending on research, equipment and process development, automation products as well as testing operations. The number of persons in Larox's Research and Product Development related functions is close to 50.

All Larox Group companies have ISO 9001:2000 quality certification audited annually. Larox Corporation was the first Finnish company to receive certificate for fusion welding of metallic materials.

We believe that our expert and motivated personnel continuing to concentrate on managing customer relationships, keeping our products and technologies competitive and maintaining efficient operations, we can fulfil the expectations of all our interest groups and maintain long-term customer relationships with the leading companies in different fields of business. The fact that a large number of the orders we receive are repeat orders from our existing customers is a clear proof that continuous product development and high-quality customer service bring results.

Mining and metallurgical industries

The industry is heavily consolidating and is typically dominated by global players. Metal prices and demand is healthy, driven mainly by China and other Asian countries. Mining & metallurgical companies are expanding production and de-bottlenecking plants to improve efficiency and to lower operating costs. There is a growing trend to reduce the number of suppliers and a preference for a wider scope of services expected from the suppliers. A "new" customer segment, junior mining companies, is emerging often with limited financial resources, which result in projects with small budgets. Larox can offer solutions also for this customer segment.

Mines and concentrator plants are typically built close to the ore-body. The company running the mine and concentrator plant operations has often many international owners (e.g. from Japan or China), which emphasizes the need for global customer relationship management. Larox has a global customer relationship management system to meet this demand.

Metal production is localized closer to the markets with high demand. There is also a trend for direct leaching of metals from ore or movement into production processes replacing the traditional flotation process. Larox has solutions also for these processes.

Larox has over 2000 filter installations to more than 500 clients. Larox is the global market leader in pressure filtration of metal concentrates and in supplying polishing filters to copper electro-refining process for electrolyte purification.

Chemical process industries

The Chemical Process Industry faces ever-increasing demands – saving energy, conserving valuable resources, and improving productivity and environmental performance, to name a few. At the same time industries are consolidating and the markets dominated by global players. Demand is good in China and other Asian countries and picking up elsewhere. In Asia and also in China private and privatised companies are emerging.

Today's industrial minerals, food and pharmaceutical and chemical products require increasingly cost-efficient and environmentally friendly processing. Larox addresses this need through product development, ongoing consultation, global customer relationship management and by optimising the performance of existing installations.

Larox has over 1500 filter installations to more than 540 clients. Larox is the global market leader in pressure filtration of starches and precipitated calcium carbonate (PCC) and in filtration of zeolites.

After sales services - Performance for Life

Larox products are in continuous day and night operation in our customers' production processes throughout the year. This sets high requirements on reliability and availability – both the equipment and associated services must perform. Larox can offer the most comprehensive After Sales Service portfolio in the branch.

We help clients stay competitive. We do this by ensuring that our solutions operate efficiently and economically with optimum process results. Larox offers full-service cooperation agreements including preventive maintenance and spare part logistics planning, the actual service procedures, optimized spare parts services, and emergency services.

Larox's technical service optimizes and improves the performance of the Larox process solution. To achieve the best possible result, we build close relationships with clients to understand their specific needs and deliver an increasing amount of value. Our actions are driven by customer satisfaction.

Larox's spare parts service secures the availability and performance of the Larox process solution. To achieve this, we ensure optimal, on-time availability of spare parts. Ensuring continuous system and process availability is the driving force behind our spare part delivery chain.

Larox's modernization service provides tailored modifications for all types of existing Larox installations. These modifications help improve the capacity, performance and availability of the equipment. Modernizations range from improved components and optional devices to expansions and even full-scale upgrades.

Every Larox client is provided a designated Larox support engineer, providing an efficient single point of contact. Each client's support engineer is based in the nearest Larox office. Installed equipment base of 3500 filters in approx. 1040 clients' plants with typical life-cycle between 15 to 25 years and more keeps our service personnel busy.

Important Events

February

■ ***Release concerning the Financial Statements for 2004:*** The result for the fiscal year 2004 was a satisfactory one for the Larox Group. Net sales increased by 71.9 % from the previous year as a result of a business acquisition and totalled EUR 97.1 million. Operating profit totalled EUR 4.9 million. The Group's result before extraordinary items, provisions and taxes totalled EUR 2.4 million. The return on investment was 9.8%. The equity ratio was 30.8%. Earnings per share totalled EUR 0.21.*)
(Stock Exchange Release 18 February 2005)
**) The figures concerning financial year 2004 presented in this stock exchange release are according to FAS.*

■ ***Release concerning mandatory employer-employee co-operation negotiations***: For production and financial reasons resulting from the low order backlog and slow accumulation of orders in the coming months Larox Corporation assembled the staff for negotiations on possible part-timing of jobs, laying off or dismissal of workers and employees and training and re-organization of personnel linked to the above. Possible actions will be targeted based on the workload.
(Stock Exchange Release 18 February 2005)

April

■ ***Release concerning mandatory employer-employee co-operation negotiations:*** The negotiations at Larox have been finished. Based on the agreement made during the negotiations the laying-offs of the Larox staff can at this stage be avoided through summer vacation and other working-hour arrangements. Based on the matters handled in the negotiations and the agreement resulted from the negotiations the employer will not start dismissals of staff or part timing of jobs.
(*Stock Exchange Release 11 April 2005)*

■ ***Larox Wins Contracts in Australia:*** Larox has received orders worth of approx. 5 million euros from mining and metallurgical companies in Australia. Orders received consist of different types of solid/liquid separation, filtration, equipment with ancillaries to three separate plants: Ravensthorpe nickel project in Western Australia, Queensland Nickel's Yabulu expansion project and through First Quantum Minerals, Australia, to Guelb Moghrein mine in Mauritania.
(Press Release 19 April 2005)

■ ***Interim Financial Report January - March:*** The result of the Larox Group for the three months showed a loss as expected. Profit before tax totalled EUR -3.5 million. Net sales totalled EUR 15.3 million. Order backlog at the end of the review period totalled EUR 23.1 million. The amount of new orders received during the review period totalled EUR 23.6 million.

The Annual General Meeting of the shareholders of Larox Corporation on 17 March 2005 confirmed the annual financial statements of the company and the Group. A dividend of 0.17 euro per share, in total EUR 1.6 million, was distributed in accordance with the proposal of the Board of Directors.
(Stock Exchange Release 29 April 2005)

May

■ ***Larox to Supply Filters to Peru:*** Larox will deliver filters to three separate concentrator plants in Peru. Total value of the recently received orders is approx. 5 million euros.
(Press Release 20 May 2005)

July

■ ***Larox Wins Contracts for Filters in Chemical Industries:*** Larox has received orders worth over 5 million euros from chemical companies in Asia, Africa and the USA. The orders received involve deliveries to five different locations in China, Vietnam, Indonesia, the USA and South Africa (Highveld Steel and Vanadium Corporation Limited for a full turnkey project at its Vanchem division).
(Press Release 28 July 2005)

August

■ ***Interim Financial Report January- June:*** The result of the Larox Group for the six months showed a loss as expected. Profit before tax totalled EUR -4.3 million. Net sales totalled EUR 34.2 million. The low order backlog at the turn of the year weakened the net sales and result at the beginning of the year. Order backlog at the end of the review period totalled EUR 33.8 million. The amount of new orders received during the review period totalled EUR 55.1 million.

For the second quarter of the year net sales totalled EUR 18.8 million. Profit before tax totalled EUR –0.8 million. The amount of new orders received during the second quarter of the year totalled EUR 31.5 million.
(*Stock Exchange Release 12 August 2005)*

September

■ ***Larox improves its competitiveness in Brazil:*** Larox has founded a subsidiary in Brazil. The aim is to start the subsidiary operations at the beginning of the year 2006.

"By founding the subsidiary we aim at improving our ability to serve current and new customers in the growing Brazilian market. We believe that our competitiveness will improve and our position will become stronger especially in the chemical process industry, says Topi Karppanen, President of Larox Corporation.
(Stock Exchange Release 7 September 2005)

■ ***Larox Received Major Orders from India and Mexico:*** Larox has recently received a number of significant orders from India and Mexico. Total value of the orders is approx. 6 million euros.

The delivery to India to Tata Chemicals Limited Mithapur plant in Gujarat State consists of two units of large size vertical pressure filters. Mithapur plant is the largest and most integrated inorganic chemicals complex in India. It has four main product groups: soda ash, chloro-caustic group, marine chemicals and salt, and cement. Larox has supplied several filters earlier to Tata's Mithapur plant. The deliveries to Mexico are for mining and metallurgical applications.
(Press Release 28 September 2005)

October

■ ***Interim Financial Report January- September:*** Larox Group's result before tax for the nine months totalled EUR -0.7 million. Net sales totalled EUR 64.8 million. The low order backlog at the turn of the year (EUR 12.4 million) weakened the net sales and result at the beginning of the year. Order backlog at the end of the review period totalled EUR 30.1 million. The amount of new orders received during the review period totalled EUR 82.0 million.

For the third quarter of the year net sales totalled EUR 30.6 million. Profit before tax totalled EUR 3.7 million. The amount of new orders received during the third quarter of the year totalled EUR 26.9 million.
(Stock Exchange Release 27 October 2005)

December

■ ***Larox to Supply Filters to Southern Africa***: Larox has been awarded several contracts to supply filters to mining and metallurgical companies in South Africa, Zimbabwe and Zambia. Total value of the orders for different types of solid/liquid separation, filtration equipment and ancillaries is approximately 5 million euros.
Outokumpu Technology, Finland, has ordered two Ceramec Capillary Action Disc Filters for their International Ferro Metals' (IFM) new chrome ore pelletizing and sintering plant project in South Africa. The plant will produce 400 000 tonnes of sintered- chromite pellets per year.
(Press Release 7 December 2005)

■ ***Larox Wins Filter Contracts Worth Over €10 Million:*** Larox has secured three new significant contracts worth more than a combined €10 million to supply filters to mining and chemical companies in India (a repeat order from Tata Chemicals Limited Mithapur plant), South Africa (through Outokumpu Technology, Finland to Xstrata's Wonderkop ferrochrome plant extension project) and Chile (Compania Minera del Pacifico S.A.). Orders were booked for the fourth quarter end of 2005. Deliveries from Finland will take place during 2006.
(Press Release 20 December 2005)

■ ***Mining Rights Sold in Peru:*** The Peruvian subsidiary of Larox Corporation, CIA. MINERA TRINIDAD S.A.C and its Peruvian subsidiary EXPLOTACIONES MINERAS METALICAS S.A.C sold the mining rights and related fixed assets and land areas the companies own in Peru to a Peruvian private person based on a purchase contract signed on 21 December 2005.

The total value of the contract is USD 900,000.
(Stock Exchange Release 22 December 2005)
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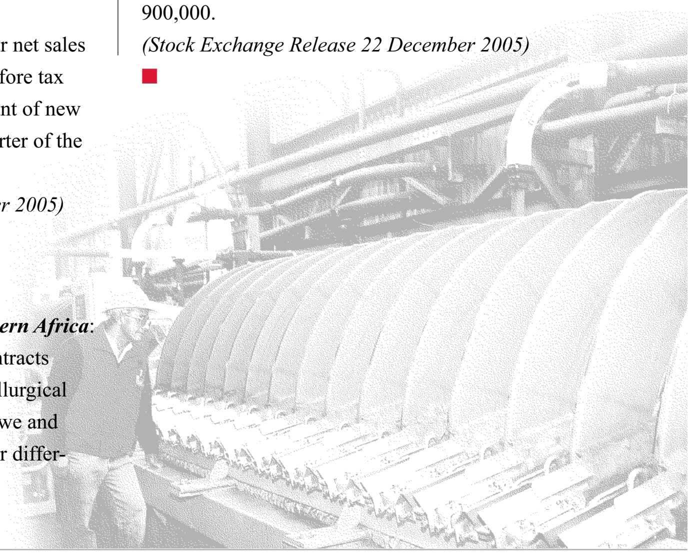


President's Review

The year 2005 could be described as surprising and dynamic. Net sales and profits increased even better than we had initially predicted. In the early part of the year we suffered from a weak order backlog. Our confidence that the situation would improve was bolstered in particular by strong demand for aftermarket products and new orders. Towards the end of the year we performed excellent work and succeeded in confirming major new equipment orders and exceeding our normal delivery performance. In the last two quarters of the year we made a healthy profit, as a result of which profit for the fiscal year was satisfactory.

We entered 2005 with a weak order backlog due to the declining trend in new orders in the last half of 2004. We were forced to react to the situation, for example by initiating personnel negotiations for production and financial reasons. Ultimately it was not necessary to either temporarily or permanently layoff staff, as sales recovered by March to their normal and predicted levels, allowing us to continue forwards as motivated as ever. From spring onwards we received major filter orders, and there was excellent growth in the order backlog.

Our profit for the 2005 fiscal year tripled compared to the previous year to EUR 5.8 million. Net sales increased to EUR 104.3 million. The order backlog at the end of the fiscal year totalled EUR 29.8 million, which provides a solid basis for 2006.

Business operations reflect high metal prices and cyclical chemical industry demand

The mining and metallurgical industry has experienced healthy growth for the past few years. The prices of many metals are at a historical high. The metal markets are influenced primarily by economic growth in China, which continues to be an important and growing market for our customers.

I expect the good situation to continue in the metal producing industry for another 2 to 3 years. This will reflect positively on demand for Larox products, as well as in terms of filter equipment and aftermarket products. Nevertheless, we still did not quite achieve the targets we had set ourselves for equipment sales to the mining and metallurgical industry in 2005.

The chemical industry is harder to predict than the metal producing industry, as Larox's market consists of a great number of applications. Chemical industry demand is largely connected to private consumption. During positive economic cycles, demand for the products of our chemical industry customers increases due to a similarly healthy demand for paper, plastics, foodstuffs and pharmaceuticals. This should also reflect positively on demand for Larox products.

We fell far short of the targets we had set ourselves for equipment sales to the chemical industry. A considerable portion of the orders within this sector came from existing clients, which shows that we have succeeded in serving our customers well. In order to meet our targets for net sales to the chemical industry, we must improve the competitiveness of our sales operations and products.

In terms of aftermarket products, we exceeded our targets clearly. The year was excellent in terms of sales in this market.

Larox is a major supplier to the mining and metallurgical industry, and we maintained this position in 2005. Our market share in the chemical industry is smaller, so there are also more growth opportunities in this market.

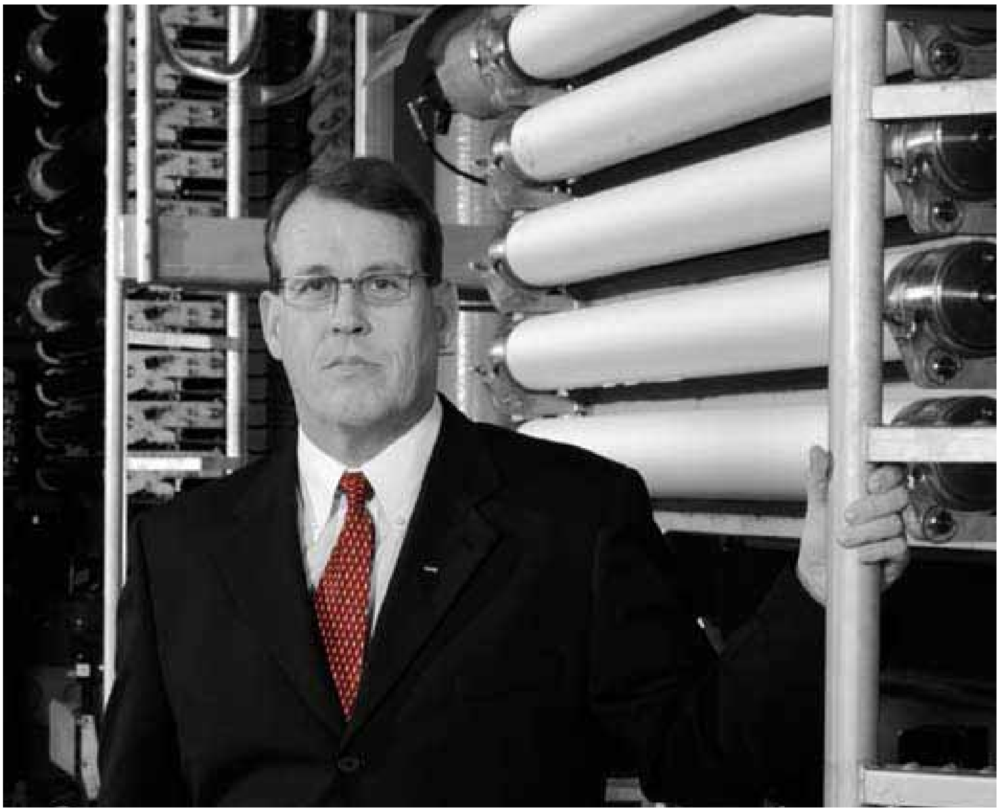
Subsidiary in Brazil, adoption of IFRS

In September 2005 we established a subsidiary in Brazil. Operations began in the beginning of 2006 as planned. The new subsidiary improves Larox's competitiveness particularly within the chemical industry and strengthens our ability to serve current and new customers throughout South America.

Over 95% of net sales in 2005 came from outside of Finland. The global distribution of net sales was as follows: 34.3% from North, Central and South America; 26.4% from Asia and Australasia; and 39.3% from Europe, CIS, Middle East and Africa. Within our international operations, expectations concerning Russia have been considerable, and the indications are that the investments needed within Russia to stimulate demand for us are being rapidly implemented.

We have adopted International Financial Reporting Standards (IFRS), as is now required for listed companies. This has represented a major change and caused a lot of additional work within our organization alongside our regular duties. As is intended, I believe that our new IFRS reporting will provide investors with better information about Larox. In line with IFRS regulations, we have also begun recognizing revenues of long-term projects in progress according to a percentage of completion.

Our sales organization was restructured in 2005 in order to support better our targets for net sales and profitability.



Demand for new products

Our product development work has focused strongly on large Ceramec capillary action disc filters and large Hoesch membrane filter presses. A significant breakthrough in 2005 was the successful development after several years of work of a ceramic filter material with significantly improved filtration properties. The new material will be used in Ceramec filter applications with a high capacity demand, such as iron concentrate filtration. The competitiveness of membrane filter presses has been further improved, and in spring 2006 we will introduce new products. We have also focused on harmonising automation for all product families.

There has been demand for our new products. The first order for the new, large Ceramec capillary action disc filters has been received from the mining industry. We are currently seeking our first reference customer for large Hoesch membrane filter presses. In addition, we succeeded in receiving an order for our first Pannevis horizontal vacuum belt filters from the mining industry in Australia.

Good order backlog going into 2006

Larox entered 2006 with a healthy order backlog, approximately 2.4 times bigger compared to the situation going into 2005.

This provides a good basis for achieving the targets we have set for 2006. The ability of our products, services and organization to respond to the demands of our customers is now good, and the market situation is favourable for achieving our goals.

It is always difficult to predict the future, yet I believe that metal prices will remain healthy. This is good news for equipment sales to the mining industry, and we shall achieve our target in this area. Sales of aftermarket products will also continue to be strong.

The biggest uncertainties concern the chemical industry, as in previous years. Despite the actions that we have taken to improve the situation, gaining orders profitably remains a challenge due to intense competition.

Thank you

I thank our entire staff for your motivation and dedication, especially those employees who work in sales, orders and delivery processes. At the end of the year we were very reliable in making deliveries despite the large order backlog. We were able to deliver everything that we had promised.

I thank also Larox's shareholders, customers and partners for your trust. Let us continue our productive co-operation!

Toivo Matti Karppanen

Board of Directors' Report

Larox Corporation financial statements 1 January – 31 December 2005

Overview

The Larox Group profit for the fiscal year 1 January – 31 December 2005 totalled EUR 5.8 million (EUR 1.8 million 1.1. - 31.12.2004). The operating profit totalled EUR 6.7 million (EUR 3.9 million). Net sales totalled EUR 104.3 million (EUR 96.5 million). Order backlog at the end of the fiscal year totalled EUR 29.8 million (EUR 12.4 million). New quantity of orders received during the fiscal year totalled EUR 121.5 million (EUR 93.2 million). The return on shareholders' equity was 19.7 % (8.6 %). The return on invested capital was 12.6 % (8.0 %). Equity ratio was 29.9 % (28.9 %). Earnings per share totalled EUR 0.49 (EUR 0.17). The board of directors proposes a dividend of EUR 0.24 (EUR 0.17) per share be paid.

Net sales of the fourth quarter totalled EUR 39.5 million (EUR 28.2 million). The result before taxes of the fourth quarter of the year totalled EUR 6.5 million (EUR 0.7 million). During the fourth quarter of the year the quantity of new orders was EUR 39.4 million (EUR 20.3 million).

The adoption of International Financial Reporting Standards (IFRS)

On 1 January 2005 Larox Group adopted accounting and financial statement principles in accordance with IFRS standards (International Financial Reporting Standards). Information on the adoption of IFRS and material comparative IFRS information relating to the 2004 annual financial statements and interim financial reports were presented in the stock exchange releases of 8 April 2005 and 3 June 2005. The comparative figures agree to the stock exchange release of 3 June 2005.

Interim reports for the year 2005 have been prepared based on the recognition and measurement principles of the IFRS standards. The standards of financial instruments (IAS 32 and IAS 39) are applied since 1 January 2005. These are the first Larox Group's financial statements based on IFRS and in which the IAS and IRFS standards, valid in the European Union on 31 December 2005, have been applied.

Changes in published IFRS information

Resulting from the revised IAS-1 standard, starting from these financial statements, the income and expenses from non-hedge accounted derivative fair value changes are included in other operating income and expenses instead of financial items. These items are included in financial items only if derivative instrument is allocated to financial assets or debts. The quarterly figures of the interim reports published in 2005 are adjusted correspondingly. The re-grouping has no effect on the Group's results by quarters.

The division of the secondary segment reporting, published in the transition release, has been changed and the following three geographical areas form the segments:

• North, Central and South America
• Asia and Australasia
• Europe, CIS, Middle East and Africa

Business operations

Demand for the Larox products improved during the second half of the year. The number of orders developed positively especially during the last quarter and the order backlog at the end of the fiscal year was higher than in the previous year.

More than 95 % of Larox net sales were generated from outside Finland. The geographical division of net sales was as follows:

	1-12/2005	1-12/2004
North, Central and South America	34.3 %	36.9 %
Asia and Australasia	26.4 %	26.4 %
Europe, CIS, Middle East, Africa	39.3 %	36.7 %

Group structure

During the review period, a subsidiary was established in Brazil.

Profits and profitability

The Larox Group operating profit for the year totalled EUR 6.7 million (EUR 3.9 million), i.e. 6.4 % (4.0 %) of net sales. Depreciation totalled EUR 3.9 million (EUR 4.4 million) and the share taken by net sales was 3.8 % (4.6 %).

The Group's result before taxes was EUR 5.8 million (EUR 1.8 million). Taxes totalled EUR 1.3 million (EUR 0.3 million). The result for the fiscal year was EUR 4.5 million (EUR 1.5 million). The operating profit for the last quarter was EUR 6.8 million (EUR 1.4 million) and the result before taxes was EUR 6.5 million (EUR 0.7 million).

The return on shareholders' equity was 19.7 % (8.6 %). Return on invested capital was 12.6 % (8.0 %). Earnings per share totalled EUR 0.49 (EUR 0.17).

Financing

The interest-bearing debts totalled EUR 40.0 million (EUR 37.2 million). Group's net financing costs totalled EUR 0.9 million (EUR 2.1 million) and the share taken by net sales was 0.8 % (2.1 %). The equity ratio was 29.9 % (28.9 %) and the debt-equity ratio was 1.6 (1.8).

Investments and realization

Larox Group investments totalled EUR 1.8 million (EUR 32.6 million). The investments were mainly made in development costs, IT applications and replacement investments.

During the latter part of the year the Peruvian subsidiaries of Larox Corporation sold the mining rights and related fixed assets and land areas they owned to a Peruvian private person. The total value of the contract was USD 0.9 million and the effect on result EUR 0.7 million.

Research and product development

Expenditure by the Larox Group on research, equipment and process development, automation products and test filtration in the fiscal year totalled EUR 6.9 million (EUR 6.6 million), i.e. approx. 6.6 % (6.8 %) of net sales.

The most remarkable completed projects were related to expanding Larox's automation concept to cover also Ceramec and Hoesch product families. The modulation and standardization projects of entire product families, which were started in 2004, continued throughout the year 2005 and produced individual filter models to realized delivery projects. Research has been concentrated on the development of Ceramec filter technology and utilization of elastomers. One of the significant results in 2005, reached after several years, was the ceramic filter material, which offers essentially improved filtration properties. The new material will be used in Ceramec filters in the applications with very high capacity requirement, such as filtration of iron concentrates.

Personnel

The average number of personnel employed by the Group in the review period was 438 (436). At the end of the year the number of personnel was 445 (435), 215 (212) of whom worked for the parent company.

The Board of Directors and auditors

In Larox Corporation annual general meeting of shareholders on 17 March 2005 Mr Timo Vartiainen, Mrs Katariina Aaltonen and Mr Teppo Taberman were re-elected to the Board and Mr Thomas Franck and Mr Matti Ruotsala were elected as new members to the Board. Mr Timo Vartiainen was elected Chairman of the Board in the organizational meeting of the Board of Directors held immediately after the annual general meeting of shareholders.

Larox Corporation annual general meeting of shareholders elected the following main auditors: APA Kim Karhu and auditing society PricewaterhouseCoopers Oy with primary responsibility APA Kaija Leppinen. APA Henrik Sormunen and APA Jarmo Alén were elected deputy auditors.

Administration

In 2005 the principles of corporate governance, recommended by the Helsinki Stock Exchange (OMX), the Central Chamber of Commerce and the Confederation of Finnish Industries (EK) were adopted in the Larox

Corporation. The company's Board of Directors has confirmed the principles, and these can be found on the Larox Corporation website: www.larox.com.

Environmental matters

The company takes care of the proper sorting and further handling of its wastes, including hazardous wastes.

Issue of equity instruments, subscription of B-series shares based on the management incentive system.

Larox Corporation annual general meeting of the shareholders on 17 March 2004 decided to increase the company's share capital through a rights issue of a minimum of EUR 60 and a maximum of EUR 126 000 by offering a minimum of 100 and a maximum of 210 000 new B shares, the counter value being EUR 0.60, for subscription to the company's top management. The subscription time for the shares started on 1 May 2004 and ended on 16 December 2005.

Related to this, the subscription of a total of 2400 Larox Corporation B shares the Larox Corporation Board of Directors approved on 17 February 2005, was registered at the trade register on 9 March 2005. On the day of closing of the accounts the registered share capital of Larox Corporation totals EUR 5 565 420 and the number of shares 9 275 700.

In addition and related to the above the subscription of a total of 105 900 Larox Corporation B-series shares which the Larox Corporation Board of Directors approved on 21 December 2005, was registered at the trade register on 13 January 2006. The subscription price, EUR 2.86, of the approved B share subscriptions was according to the share issue terms and the accounting counter value is EUR 0.60 per share. The subscribed shares were totally paid to the company in 2005. After the increase of the share capital the registered share capital of Larox Corporation totals EUR 5 628 960 and the number of shares 9 381 600.

The Group has applied the standard IRFS 2 Share based payment in this share issue.

The shares that were not subscribed will not be free for subscription to anybody else. The shares will be available for purchase after the limit period regarding the shares ends.

Share and shareholders

The trading with Larox shares 1 January-31 December 2005 totalled 1 124 924, which is 12.1 % of the total number of shares. The value of the trading totalled EUR 6.1 million. The lowest price of the Larox share was EUR 4.50 and the highest EUR 6.24 per share. The closing trading price of the share was EUR 6.10 per share and the market value of the capital stock EUR 56.6 million. At the end of 2005 the number of shareholders was 570 of whom 499 owned at least one stock lot.

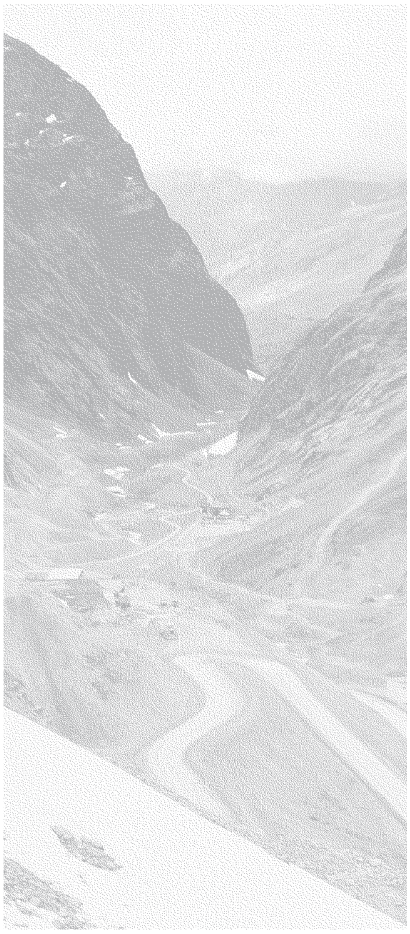
The aim of Larox is to enter the Helsinki Stock Exchange main list.

Future prospects

The market situation is expected to continue favourable and there are prerequisites for the improvement of the Group profitability and net sales. The good order backlog of EUR 29.8 million (EUR 12.4 million) at the beginning of the year supports this.

Distribution of profits

Group dividends available for the distribution total EUR 11.5 million and parent company dividends available for distribution total EUR 9.3 million, of which the profit for the fiscal year is EUR 3.0 million. The Board proposes to the annual general meeting of shareholders that a dividend of EUR 0.24 per share, i.e. a total of EUR 2.2 million be distributed. ■



Consolidated Financial Statements, IFRS

Consolidated Income Statement, IFRS

1000 EUR	Note	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Net sales	**5)**	**104 324**	**96 469**
Other operating income	6)	1 019	1 002
Change in inventories of finished goods and work in progress		-329	1 012
Materials and services	7)	-46 157	-44 745
Employee benefits expense	8)	-26 369	-24 902
Depreciation and amortization	9)	-3 931	-4 395
Other operating expenses	10)	-21 888	-20 548
OPERATING PROFIT		**6 670**	**3 894**
Financial income	12)	897	112
Financial expenses	13)	-1 988	-2 360
Share of profit in associates	18)	212	179
PROFIT BEFORE TAX		**5 790**	**1 825**
Income tax expense	14)	-1 288	-317
PROFIT FOR THE PERIOD		**4 502**	**1 507**
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS basic (EUR)		0.49	0.17
EPS diluted (EUR)		0.49	0.17
Average number of shares:			
-basic		9 275 325	8 747 092
-diluted		9 275 325	8 747 092

The notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet, IFRS

1000 EUR	Note	31 Dec, 2005	31 Dec, 2004
Assets			
NON-CURRENT ASSETS			
Intangible assets	15)	19 336	20 574
Goodwill	16)	3 179	2 925
Property, plant and equipment	17)	10 622	11 919
Investments in associates	18)	1 006	787
Available-for-sale investments	19)	273	86
Deferred tax asset	20)	2 097	958
NON-CURRENT ASSETS		**36 512**	**37 250**
CURRENT ASSETS			
Inventories	21)	15 964	14 201
Trade receivables and other receivables	22)	29 575	20 110
Income tax receivable		481	
Cash and bank	23)	1 737	962
CURRENT ASSETS		**47 756**	**35 273**
TOTAL ASSETS		**84 269**	**72 523**
Equity and Liabilities			
SHAREHOLDERS' EQUITY	24)		
Share capital		5 565	5 564
Share issue		64	
Share premium account		5 777	5 532
Other reserves		124	134
Translation differences		-145	-100
Retained earnings		13 516	9 760
SHAREHOLDERS' EQUITY		**24 901**	**20 890**
NON-CURRENT LIABILITIES			
Deferred tax liability	20)	1 333	203
Long-term liabilities, interest-bearing	25)	24 829	29 204
Employee benefit obligations	26)	500	487
Non-current provisions	27)	1 254	833
NON-CURRENT LIABILITIES		**27 916**	**30 727**
CURRENT LIABILITIES			
Short-term liabilities, interest-bearing	25)	15 187	7 994
Trade payables and other payables	28)	16 265	12 297
Income tax liability			615
CURRENT LIABILITIES		**31 452**	**20 906**
TOTAL EQUITY AND LIABILITIES		**84 269**	**72 523**

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows, IFRS

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Cash flow from operating activities		
Profit for the period	4 502	1 507
Adjustments to the profit for the period:		
Depreciation and amortization	3 931	4 395
Gains on disposals of fixed assets	-4	-17
Share of profit of associated companies	-212	-178
Unrealized exchange gains and losses	-542	192
Financial income and expenses	1 633	2 056
Income taxes	1 288	317
Change of the working capital:		
Change in inventories	-1 208	1 179
Change in trade and other receivables	-7 243	-4 461
Change in trade and other payables	2 524	2 596
Change in provisions	303	-59
Interests paid in operating activities	-1 794	-2 125
Interests received in operating activities	30	64
Other financial items in operating activities	403	48
Income taxes paid in operating activities	-2 020	-1 391
Net cash generated from operating activities	**1 592**	**4 123**
Cash flow from investing activities		
Investments in property, plant and equipment and intagible assets	-1 832	-858
Income from disposal of property, plant and equipment and intangible assets	5	
Business acquisitions	4	-31 722
Income from disposals of other investments		39
Dividends received from investments	23	122
Net cash used in investing activities	**-1 805**	**-32 419**
Cash flow from financing activities		
Share issue	310	6 747
Short-term loans made	12 647	5 400
Repayments of short-term loans	-6 177	-2 541
Long-term loans made		11 500
Repayments of long-term loans	-3 643	-9 831
Repayments of finance leases	-634	-8
Dividends paid	-1 576	-1 321
Net cash generated from financing activities	**925**	**9 947**
Net change in cash and cash equivalents		
Cash and cash equivalents	962	19 329
Effect of the foreign exchange rates	62	-18
Cash and cash equivalents	1 737	962

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity, IFRS

Parent company's shareholders' equity 1000 EUR	Share capital	Share issue premium	Revaluation reserve	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 31 DECEMBER 2003 (FAS)	**4 442**	**11**	**75**	**139**	**256**	**10 092**	**15 015**
Impact of implementation of IFRS			-75		-256	-451	-782
SHAREHOLDERS' EQUITY 1 JANUARY 2004	**4 442**	**11**	**0**	**139**	**0**	**9 641**	**14 233**
Change in translation difference				-5	-100	166	61
Taxes related to items recognized in equity		142					142
Recognized directly in retained earnings						67	67
Net profits and losses recognized directly in shareholders equity		**142**		**-5**	**-100**	**233**	**270**
Profit for the period						1 507	1 507
Total profits and losses		**142**		**-5**	**-100**	**1 740**	**1 777**
Dividend distribution						-1 321	-1 321
Rights issue	810	5 936					6 746
Bonus issue	312	-11				-301	0
Transaction costs for equity*)		-547					-547
SHAREHOLDERS' EQUITY 31 DECEMBER 2004	**5 564**	**5 532**	**0**	**134**	**-100**	**9 760**	**20 890**

*) Costs related to share issue, see note 2, point 8.

Parent company's shareholders' equity 1000 EUR	Share capital	Share issue premium	Fair value reserve	Hedging reserve	Other reserves	Translation differences	Retained earnings	Total
SHAREHOLDERS' EQUITY 1 JANUARY 2005	**5 564**	**5 532**	**0**	**0**	**134**	**-100**	**9 760**	**20 890**
Impact of implementation of new standards*)							175	175
ADJUSTED SHAREHOLDERS' EQUITY 1 JANUARY 2005	**5 564**	**5 532**	**0**	**0**	**134**	**-100**	**9 935**	**21 065**
Cash flow hedging								
Increase in hedging reserve				-15				-15
Profit of fair value revaluation			138					138
Change in translation difference					11	-44	771	738
Other changes					-145			-145
Recognized directly in retained earnings**)							-216	-216
Net profits and losses recognized directly in shareholders equity			**138**	**-15**	**-134**	**-44**	**555**	**515**
Profit for the period							4 502	4 502
Total profits and losses			**138**	**-15**	**-134**	**-44**	**5 057**	**5 017**
Dividend distribution							-1 576	-1 576
Rights issue	1	5						6
Non-registered share issue	64	240						304
Share-based payments							100	100
SHAREHOLDERS' EQUITY 31 DECEMBER 2005	**5 629**	**5 777**	**138**	**-15**	**0**	**-144**	**13 516**	**24 901**

**) Impact of IAS 32 and IAS 39 adoption.*

***) Adjustment to deferred taxes from previous periods.*

The notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Accounting principles

Principal activities
Parent company of the Group, Larox Corporation, is a Finnish public limited company domiciled in Lappeenranta in registered address Tukkikatu 1, 53900 Lappeenranta. The company's B-series shares are listed on the Helsinki Stock Exchange since 1988. Larox is a full-service solution provider in filtration for separating solids from liquids. Larox's filtration technologies are utilized mainly in mining and metallurgy and chemical processing. Comprehensive aftermarket services throughout the lifespan of the Larox solution form an essential part of our operations. Larox has own sales and service personnel in 16 countries and wide network of representatives. In 2005 the Larox Group net sales were EUR 104.3 million, of which over 95 % were generated outside Finland.

Basis for preparation of the financial statements
These are the first consolidated financial statements of Larox in accordance with International Financial Reporting Standards (IFRS) accepted in use by EU. All the valid IAS and IFRS standards and SIC and IFRIC interpretations at 31 December 2005 have been applied in the preparation. Prior to IFRS, Larox's financial reporting was based on Finnish Accounting Standards (FAS). The consolidated financial statements are presented in thousands of euros and they have been prepared under the historical cost conventions excluding available-for-sale investments (partly) and derivative contracts.

From the beginning of 2005, the Group adopted IFRS standards as the date of transition to IFRS was 1 January 2004. The adoption was done according to the IFRS 1 (First-time Adoption of IFRS). However, for the adoption of IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation), the date of transition was 1 January 2005. For financial instruments, Larox utilized the exemption for a first-time adopter of IFRS not to restate comparative information for 2004. The effects of the adoption of IFRS are summarized in consolidated financial staments' note 2. Transition to IFRS reporting. Comparative figures for 2004 presented in these financial statements have been restated to comply with IFRS. Of the financing items in the balance sheet the comparison figures have been presented on the transition date at 1 January 2005.

Use of estimates
The preparation of the financial statements in accordance with IFRS requires the use of estimates

and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. The most important of these estimates and assumptions are related to valuation of assets, percentage of completion method and defining income taxes. More about these estimates is told under impairments, revenue recognition and income taxes. The estimates are based on management's best knowledge of current events and actions but actual results may differ from those estimates.

The appliance of new IFRS standards or standard amendments

At the end of 2005 the Group took in use the following amendment to standard IAS 1: Amendment to IAS 1 -Capital Disclosures, published by IASB in June 2005. The changes in fair values of derivatives which are not used in hedge accounting are recognized in other operating income and expenses. Previously those were recognized in financial items.

In 2006 the Group will start to apply the amendment to standard IAS 19 Employee benefits published in 2004 by IASB. The change concerns the recognition of actuarial gains and losses wholly to equity and extends the disclosure requirements. The Group will in 2006 also start to apply IFRIC 4 Determining Whether an Arrangement Contains a Lease. The Group believes that the changes mentioned above will not have any material effect on the future financial statements.

In 2007 the Group will start to apply a new standard IFRS 7 Financial instruments: Disclosures, published by IASB in 2005. The Group's opinion is that the new standard will mainly affect the notes of the Group financial statements.

The Group believes that other standard amendments or interpretations published by 31 December 2005 will not have an effect on financial reporting of the Group. These are:

- IFRIC 8 Scope of IFRS 2*)
- Amendment to IAS 21 Net investment in a foreign operation*)
- IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies*)
- IFRIC 6 Liabilities arising from participating in a specific market – Waste electrical and electronic equipment*)
- Amendment to IAS 39 and IFRS 4 Financial guarantee contracts*)
- Amendment to IFRS 1 First-time Adoption of IFRS and amendment to IFRS 6 Exploration for and Evaluation of Mineral Resources*)
- Amendment to IAS 39 The fair value option
- Amendment to IAS 39 Cash flow hedge accounting of forecast intragroup transactions
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

**)EU has not yet approved standard/interpretation in use.*

Principles of consolidation

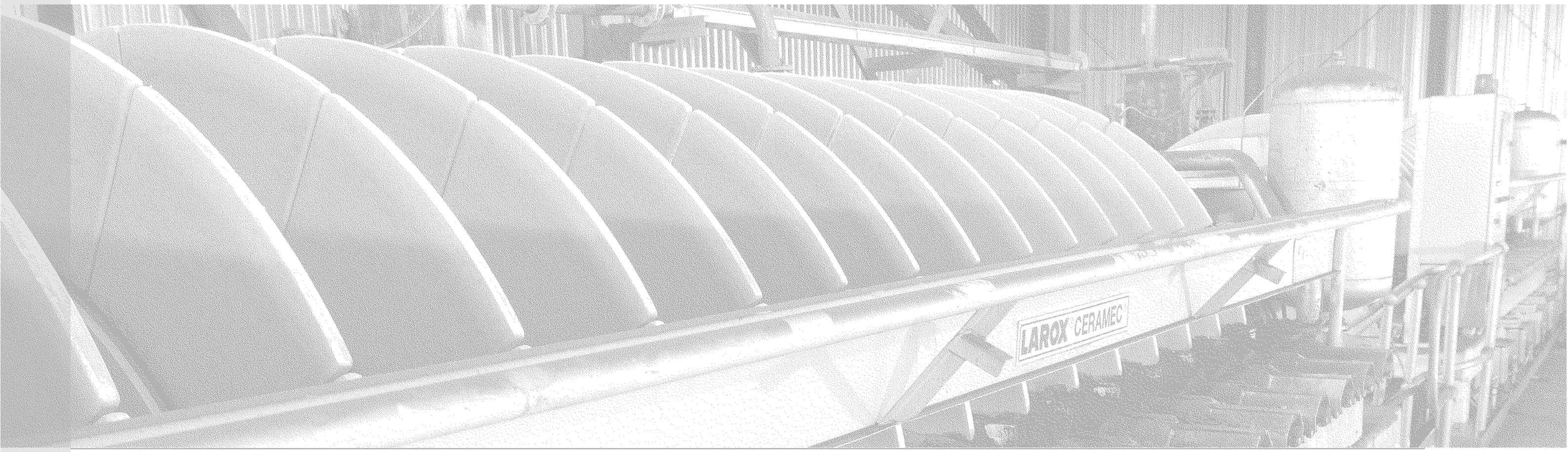
The consolidated financial statements include the parent company Larox Oyj and all subsidiaries where over 50 % of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company. Acquired companies are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at fair value at the date of acquisition. The cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. In accordance with the exemption under IFRS 1, acquisitions prior to the IFRS transition date have not been restated but the previous values are taken as the deemed cost.

Associated company, Larox Flowsys Oy, where Larox Oyj holds voting rights of 49% and in which it has significant influence, but not control, over the financial and operating policies, is included in the consolidated financial statements using the equity method. Group's share of the profit or loss of an associated company is shown in the consolidated income statement. Investment in the associated company upon the date of acquisition adjusted for changes in the associated companies' equity after the date of acquisition are shown in the balance sheet under "Investments in associates".

All intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within the Group, are eliminated.

Foreign currency transactions

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities in foreign currencies are translated into euros at the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales or costs. Exchange gains and losses related to financial items are included in financial income or expenses. Income statements of subsidiaries, whose functional and reporting currency is not euro, are translated into euros at the average exchange rates during the financial period. Their balance sheets are translated at the exchange rates prevailing at the balance sheet date and the translation differences are entered in equity. According to the exemption stated in IFRS 1 the translation differences cumulated by the transition date have been recognized to retained earnings. If a subsidiary is sold, cumulative translation differences are recognized in the income statement as part of the gain or loss on the sale.



Revenue recognition

Sales of goods are recognized after the significant risks and rewards that are connected with ownership have been transferred to the buyer, as well as the effective control of those goods. Revenue from long-term construction contracts is recognized based on the stage of completion, when the outcome of a project can be reliably estimated. The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. Possible estimated losses are recognized in the income statement immediately. Sales are shown net of indirect sales taxes and discounts.

Research and development costs

Research and development costs are expensed as they are incurred, except for certain development costs, which are capitalized when it is probable that a development project will generate future economic benefits and certain commercial and technological criteria have been met. Capitalized development expenses, comprising mainly materials, supplies, direct labor and related overhead costs are amortized on a systematic basis over their expected useful lives.

Income taxes

The Group's income tax expense includes taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in equity are similarly recognized. Deferred taxes are measured with enacted tax rates and stated using the liability method for temporary differences arising between the book values in financial reporting and tax bases of assets and liabilities. Temporary differences arise from the depreciation difference on property, intra-group inventory profits, defined benefit plans, provisions, accelerated depreciation and tax losses and credits carried forward. Deferred tax assets are recognized to the extent in which it is probable that future taxable profits will be available, against which it can be utilized.

Goodwill and other intangible assets

Goodwill arising on acquisition after 1 January 2004 represents the excess of the cost of the acquisition over the fair value of the net assets acquired. Goodwill of previous acquisitions is stated at carrying amount under previous accounting standards, which have been used as the deemed cost. Goodwill and brands with indefinite useful lives are not amortized, but tested annually for impairment.

Other intangible assets include capitalized development expenses, patents, licenses, customer relations, technology, supplier relationships and process development. The valuation of intangible assets acquired in a business combination is based on fair value and amortized on a straight-line basis over expected useful lives. Other intangible assets are stated at cost and amortized on a straight-line basis. An intangible asset is recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred. Depreciation periods of intangible assets:

Development costs	10 years
Intangible rights	4–18 years
Customer relations	17 years
Technology	8–18 years
Supplier relations	15 years
Process development	20 years

Property, plant and equipment

Property, plant and equipment acquired by Group companies are stated at historical cost, depreciations and impairments included. The assets of acquired companies are stated at their fair values at the date of acquisition. The carrying value of the property, plant and equipment in the balance sheet represents the cost less accumulated straight-line depreciation and any impairment charges. Depreciation is based on the following expected useful lives:

Buildings	5–40 years
Machinery	4–10 years

Depreciation methods are reviewed at the end of each financial year. Land is not depreciated. Exceptionally remarkable repairs and maintenance costs are recognized to the income statement during the financial year in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits of the existing asset.

Borrowing costs

Borrowing costs are expensed in the period they are incurred. Transaction costs that clearly relate to a specific loan, are included in the initially recognized amount and periodized using the effective interest rate method.

Government grants

Government or other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs. Investment grants are deducted from the value of the asset they relate to.

Impairments

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill, intangible assets not yet available for use and brands with indefinite useful lives are in all cases tested annually. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined by reference to discounted future net cash flows expected to be generated by the asset. A previously recognized impairment loss is reversed if there has been a change in the circumstances and the recoverable amount has changed since the recognition of impairment. However, the reversal must not cause a higher adjusted value than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed.

Leases

Leases of property, plant and equipment where the Group has substantially all the rewards and risks of ownership are classified as finance leases. Finance leases are capitalized at the fair value of the leased property or at a lower estimated present value of the minimum lease payments. Each lease payment is allocated between the capital liability and finance charges. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or lease period. Leases of assets, where the lessor retains substantially all the risks and benefits of ownership, are classified as operating leases. Payments made of operating leases are expensed on a straight-line basis over the lease periods.

Financial assets and liabilities

IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation) have been adopted as of 1 January 2005. Larox has utilized the exemption for a first-time adopter of IFRS not to restate comparative information for 2004.

Financial assets are classified as loans and receivables, held-to-maturity assets, and available-for-sale financial assets. Classification is made at the original acquisition by the purpose of the financial assets. Financial assets are removed from profit or loss when the Group has forfeited its right to the cash flows based on the agreement or when it has transfered the significant risks and rewards outside the Group.

Loans and receivables are recognized at the settlement date and measured at amortized cost using the effective interest rate method. Transaction costs are included in the initially recognized amount.

Deposits at banks are classified as financial assets held-to-maturity.

Available-for-sale assets are measured at fair value and the evaluation is based on quoted rates and market prices or appropriate valuation models. Equity investments are designated as available-for-sale financial assets. Unlisted equity investments for which fair value cannot be reliably measured are recognized at cost less impairment. Fair value changes of available-for-sale investments are recognized directly in equity. In the event such an asset is disposed of, the accumulated fair value changes are released from equity to financial income and expenses in the income statement. Purchases and sales of available-for-sale financial assets are recognized at the trade date.

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

Financial liabilities are recognized at the settlement date and measured at amortized cost using the effective interest rate method. Transaction costs are included in the initially recognized amount.

Derivatives and hedge accounting

All derivatives are initially recognized at fair value on the date Larox has entered into the derivative contract, and are subsequently remeasured at fair value. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models.

Fair values of currency forwards and swaps are determined by discounting the future nominal cash flows with relevant interest rates and then converting the discounted cash flows to the base currency using spot rates. Fair values are checked by comparing them to the values confirmed by the counter parties.

Part of derivatives and other financial instruments may be designated as hedging instruments, in which case hedge accounting under IAS 39 is applied. If hedge accounting is applied to external sales or purchases, fair value changes in derivatives are recognized directly as adjustments to sales and purchases in the income statement. If hedge accounting is not applied, fair value changes in derivatives are recognized directly as other operating income and expenses in the income statement.

When starting to apply hedge accounting, Group documents the hedged object and hedging instrument according to the requirements of IAS 39. Hedging instruments are subject to prospective and retrospective testing of effectiveness at each balance sheet date. Fair value changes in derivatives, which are assigned to hedge forecasted transactions (cash flow hedging), are recognized in equity to the extent that the hedge is effective. Such accumulated fair value changes are released into income as adjustments to sales or purchases in the period when the hedged cash flow affects income. The ineffective portion of the gain or loss of the hedging instrument is recognized in income.

The Group applies hedge accounting also to the translation risk related to the net investments in foreign operations. Accumulated gains and losses from hedges are recognized as income only if the hedged subsidiary is sold or liquidated. All recognized fair value changes to equity are net of tax.

Inventories

Inventories are stated at the purchase cost or at the lower net realizable value. Cost is determined by the first-in, first-out (FIFO) method and it comprises raw materials, direct labor, other direct costs and related production overheads, but excludes borrowing costs. Net realizable 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.

Trade receivables

Trade receivables are carried at their original invoice amount. Credit losses are recognized when there is objective evidence that the Group will not be able to collect all amounts according to the original terms of the receivables.

Provisions

Provisions are recognized in the balance sheet when Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Warranty provisions include the costs arising from the product repairment or replacement, if the warranty period is valid at the end of the financial period. Warranty provisions are based on specific project estimates and historical experience. Provisions can arise also from onerous contracts.

Employee benefits

The Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the income statement in the year to which they relate.

The liability of defined benefit pension plan is the present value of the defined benefit obligation less the fair value of plan assets together with adjustments for unrecognized actuarial gains or losses. The costs of providing pensions are charged to the income statement so as to spread the regular costs over the working lives of employees.

Share-based payments

The Group has applied IFRS 2 Share-based Payments standard to the share issue directed to top management in years 2004 and 2005. The part of the share issue is valued at fair value at the grant date of benefit and it is recognized in the income statement and to the retained earnings as an share-based benefit to the period of employment obligation related to the ownership of the shares. The fair value of the benefit is the trading rate of the share at the grant date less subscription price which is the weighted average of the trading rates in February 2004 less 50 percent. The amount recognised as an expense is based on Group's estimate how much shares will be held by the benefit receivers when the obligation of employment related to the shares expires. The estimate will be updated at each balance sheet date.

2. Transition to IFRS reporting

As it is mentioned on the accounting principles, these are the first financial statements of Larox Group according to IFRS. Before IFRS the Group financial statements were prepared according to FAS. The transition date was 1 January 2004. However, for the adoption of IAS 39 ja IAS 32 for the financial instruments the transition date was 1 January 2005.

IFRS 1 has been adopted in the transition to IFRS reporting. The following exemptions, permitted by the standard, have been applied: Business combinations, employee benefits and cumulative translation differences. For property, plant and equipment revaluations net of depreciation have been used as deemed cost.

The following section presents the major changes in accounting principles and effects of transition to IFRS on the financial statements of

Larox for 2004. The report of the IFRS transition and the relevant comparison figures according to IFRS were published in stock exchange releases of 8 April 2005 and 3 June 2005. After publishing these stock exchange releases revaluation reserve has been moved to retained earnings as an IFRS adjustment.

The following are the most significant effects of adopting IFRS on equity and profit or loss. The numbering of this list refers to the below income statements and balance sheets.

1. Revenue recognition
Under FAS, revenue from the sale of goods and the rendering of services is recognized when the goods are delivered or services rendered. Under IFRS, revenue from the new filter projects is recognized by reference to the stage of completion,in accordance with IAS 11. Revenue from the largest modernization projects is recognized according to the stage of completion from the beginning of 2005.

2. Business combinations
The accounting for the acquisition of a subsidiary (Larox UK), acquired before the date of transition to IFRS, has not been adjusted retrospectively to comply with IFRS 3. The filter business acquired by Larox on 8 January 2004 has been adjusted in accordance with IFRS 3 by measuring the acquired balance sheet items at their fair value.

3. Employee benefits
Under FAS, pension liabilities have been reported in accordance with local regulations. The Finnish pension scheme (TEL) is accounted for as a defined contribution plan in the IFRS opening balance sheet, except for the disability element, which is accounted for as a defined benefit plan. The disability obligation has been calculated and recognized as a liability in the opening IFRS balance sheet. Due to a change in Finnish legislation this obligation has been substantially done away during 2004 and will be reduced to nil by the end of 2005.

4. Lease agreements
Under FAS, lease payments specified in the lease agreements are recognized as expenses evenly over the lease period. Under IFRS, lease agreements are classified as finance leases or operating leases. Finance leases are recognized in the balance sheet as assets and liabilities.

5. Inventories
Under FAS, inventories are measured at direct cost or purchase cost if lower or net realisable value if lower. In accordance with IFRS, the cost of inventories comprises all costs incurred in bringing the inventories to their present location and condition. Inventories have, however, been measured at net realisable value when this is lower than cost.

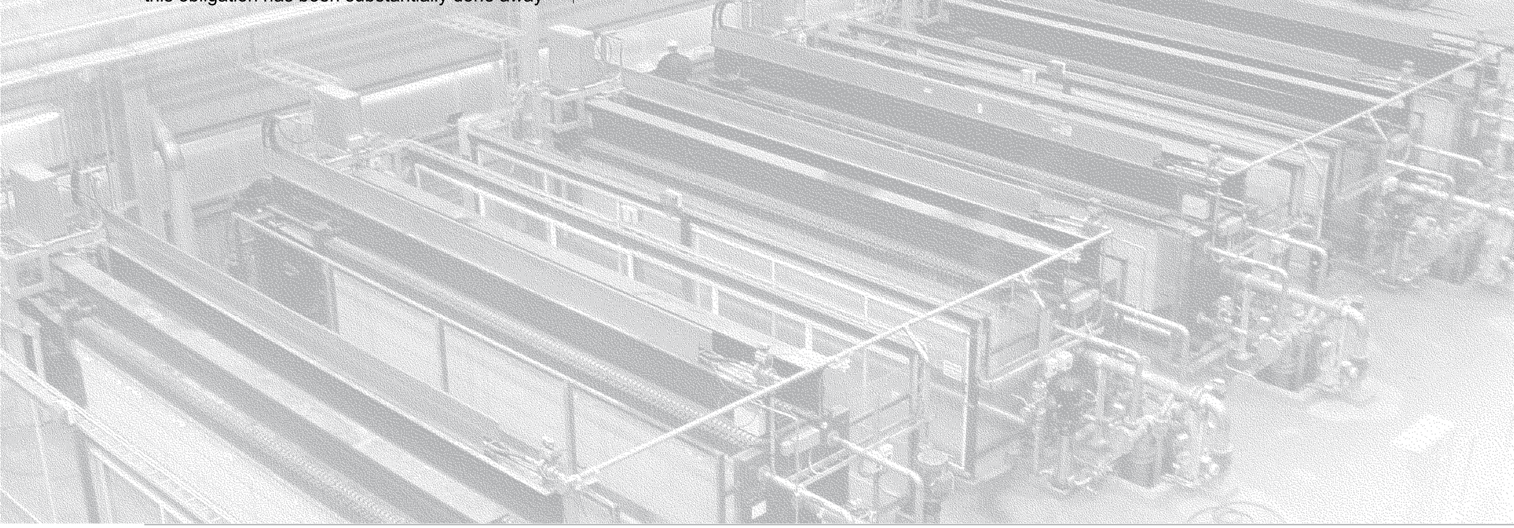
6. Property, plant and equipment
Under FAS, the carrying amounts of property, plant and equipment are based on historical cost, except for the revaluations of the property and buildings of the parent. Under IFRS, the revaluations of buildings have been depreciated retrospectively.

7. Intangible assets
Under FAS, research and development costs have been expensed in the year in which they are incurred. An intangible asset arising from development has been recognized when it is probable that future economic benefits will be generated. Assets arising from development are amortized over their estimated useful lives. Under IFRS, research expenditure is recognized as an expense. Intangible assets arising from development are recognized when the criteria laid down by IAS 38 are met.

8. Share issue costs
Under FAS, share issue costs have been included in finance costs in the income statement. Under IFRS the costs of equity transactions and their tax effects are treated as a decrease in equity.

9. Deferred tax liabilities and assets
Under FAS, taxes calculated on the Group companies' profit at the local tax rates prevailing at the balance sheet date are included in the consolidated financial statements. A deferred tax liability or asset has been calculated on all temporary differences between the carrying amount of an asset or liability and its tax base at the known tax rate prevailing at the balance sheet date. Deferred tax assets are included in current assets and deferred tax liabilities are included in non-current liabilities.

Under IFRS, a deferred tax liability or asset is recognized, as a rule, for all taxable temporary differences. A deferred tax liability arising from revaluations has been recognized in the opening IFRS balance sheet. The deferred tax impact of the adjustments resulting from the transition to IFRS has been recognized. Deferred tax assets are included in non-current assets and deferred tax liabilities are included in non-current liabilities.



Reconciliation of equity 1 January 2004

BALANCE SHEET 1000 EUR	Ref.*)	1 Jan, 2004 FAS	IFRS Adjustments	1 Jan, 2004 IFRS
ASSETS				
Intangible assets	7)	3 394	22	3 416
Property, plant and equipment	6)4)	10 704	-286	10 418
Investments in associates		739		739
Available-for-sale investments		90		90
Deferred tax asset	9)	710	-373	336
TOTAL NON-CURRENT ASSETS		**15 636**	**-637**	**14 999**
Inventories	5)1)	9 047	-170	8 878
Trade and other receivables	1)	12 750	1 491	14 241
Cash and cash equivalents		19 329		19 329
TOTAL CURRENT ASSETS		**41 125**	**1 321**	**42 447**
TOTAL ASSETS		**56 761**	**684**	**57 446**
EQUITY AND LIABILITIES				
Share capital		4 442		4 442
Reserves		225	-75	150
Translation differences		256	-256	
Retained earnings		10 092	-451	9 641
SHAREHOLDERS' EQUITY		**15 016**	**-783**	**14 233**
Deferred tax liability	9)		575	575
Long-term liabilities, interest-bearing	4)	26 945	589	27 533
Long-term liabilities, non interest-bearing				
Non-current provisions	3)	623	398	1 021
TOTAL NON-CURRENT LIABILITIES		**27 568**	**1 562**	**29 130**
Short-term liabilities, interest-bearing	4)	4 809	330	5 139
Short-term liabilities, non interest-bearing	1)	9 368	-424	8 944
TOTAL CURRENT LIABILITIES		**14 177**	**-94**	**14 083**
TOTAL EQUITY AND LIABILITIES		**56 761**	**684**	**57 446**

Reconciliation of profit or loss 1 January-31 December 2004

INCOME STATEMENT EUR 1000	Ref.*)	1 Jan-31 Dec FAS	IFRS Adjustments	1 Jan-31 Dec IFRS
Sales	1)	97 140	-671	96 469
Change in inventories	5)2)1)	1 933	-921	1 012
Other operating income		1 042	-40	1 002
Materials and services	5)	-44 885	140	-44 745
Employee benefits expense	3)	-25 160	258	-24 902
Depreciation, amortization & impairment losses	7)6)4)2)	-4 119	-276	-4 395
Other operating expenses	4)	-21 089	541	-20 548
OPERATING PROFIT		**4 862**	**-968**	**3 894**
Financial income and expenses	8)4)	-2 660	412	-2 248
Share of profit in associates		179		179
PROFIT BEFORE TAX		**2 381**	**-556**	**1 825**
Tax on income from operations	9)	-542	224	-317
PROFIT FOR THE PERIOD		**1 839**	**-332**	**1 507**
Earnings per share, basic, EUR		0,21		0,17
Earnings per share, diluted, EUR		0,21		0,17

Reconciliation of equity 31 December 2004

BALANCE SHEET EUR 1000	Ref.*)	31 Dec, 2004 FAS	IFRS Adjustments	31 Dec, 2004 IFRS
ASSETS				
Intangible assets	7)2)	23 686	-187	23 499
Property, plant and equipment	6)4)	12 185	-266	11 919
Investments in associates		787		787
Available-for-sale investments		86		86
Deferred tax asset	9)	1 337	-379	958
TOTAL NON-CURRENT ASSETS		**38 082**	**-832**	**37 250**
Inventories	5)2)1)	14 764	-563	14 201
Trade and other receivables	1)	18 916	1 194	20 110
Cash and cash equivalents		962		962
TOTAL CURRENT ASSETS		**34 642**	**631**	**35 273**
TOTAL ASSETS		**72 724**	**-201**	**72 523**
EQUITY AND LIABILITIES				
Share capital		5 564		5 564
Reserves	8)	6 146	-480	5 666
Translation differences		104	-204	-100
Retained earnings		8 704	-451	8 253
Profit/loss for the period		1 839	-332	1 507
TOTAL SHAREHOLDERS' EQUITY		**22 358**	**-1 467**	**20 890**
Deferred tax liability	9)		203	203
Long-term liabilities, interest-bearing	4)	28 617	587	29 204
Long-term liabilities, non interest-bearing	3)			
Non-current provisions		832	488	1 320
TOTAL NON-CURRENT LIABILITIES		**29 450**	**1 278**	**30 727**
Short-term liabilities, interest-bearing	4)	7 668	326	7 994
Short-term liabilities, non interest-bearing	1)	13 249	-337	12 912
TOTAL CURRENT LIABILITIES		**20 917**	**-11**	**20 906**
TOTAL EQUITY AND LIABILITIES		**72 724**	**-201**	**72 523**

*) References can be found on page 27.

Material adjustments to the statement of cash flows
There are no material differences between the statement of cash flows according to IFRS or according to FAS.

Standards (IAS 32 and IAS 39) on financial instruments are applied from 1 January 2005 onwards. The impact of the adoption of the standards on balance sheet items and shareholders' equity at the beginning of the reporting period is as follows:

1000 EUR	Balance sheet 31 Dec, 2004	IAS 32 and 39 implementation	Balance sheet 1 Jan, 2005
a) Derivative assets, short-term		183	183
c) Deferred tax assets	0		
Total assets	**0**	**183**	**183**
a) Derivative liabilities, short-term		-14	-14
b) Long-term loans, interest-bearing	-28 617	-400	-29 017
b) Short-term loans, interest-bearing	-7 668	-19	-7 687
b) Short-term accruals, non-interest bearing	-484	484	
c) Deferred tax liabilities	0	-59	-59
Total liabilities	**-36 769**	**-8**	**-36 777**
Total impact on assets		**183**	
Total impact on liabilities		**-8**	
Impact on shareholders' equity		**175**	

a) Derivatives are measured at fair value in the balance sheet and changes in fair values are booked to the income statement unless the derivative qualifies as a hedge instrument in accordance with the requirements of IAS 39 hedge accounting. In the 2005 opening balance sheet Larox's forward rate contracts are measured at their fair values by calculating the counter value with the forward rate prevailing on valuation date and comparing the result to the counter value with the original forward rate prevailing at the time of concluding the contract. The change in fair value is recorded in retained earnings. In the opening balance 2005 there were no forward rate contracts qualifying for IAS 39 hedge accounting.

b) Larox's loans are classified as core business liabilities and are recognized as liabilities net of transaction costs. Interest on the loans is recognized as an expense over the loan period using the effective interest rate method.

c) Deferred taxes have been calculated on temporary differences using the tax rate of the estimated payment date.

If IAS 32 and IAS 39 had been applied already in 2004, the most significant change in the accounting policies in 2004 would have been measuring currency derivatives at their fair value. This adjustment would not have had a material impact on the income statement or balance sheet of the Larox Group.

3. Segment reporting

The organizational operations of Larox are Project Business and After Sales Services. These operations have been combined to a single reportable business segment. The operations of Larox have substantially similar financial features, technology, production processes, customers, distribution and marketing strategies, regulatory environment and shared resources.

The secondary segment reporting format of Larox is based on geographical segments. The segments have been redefined at the end of the current financial period based on the changes carried out in sales organization. Geographical segments are now the main market areas:

1. North, Central and South America
2. Asia and Australasia
3. Europe, CIS, Middle East and Africa

In the interim reports 2005 net sales were reported according to the previous geographical segments:

1. North, Central and South America
2. Central Europe
3. Northern and Eastern Europe and Africa
4. Asia and Australasia

The sales of the geographical segments is presented according to the location of customers and assets and investments according to the their location.

Geographical segments

Net sales 1000 EUR	**2005**	**2004**
North, Central and South America	35 682	35 505
Asia and Australasia	27 654	26 593
Europe, CIS, Middle East and Africa	40 989	35 371
Total net sales	**104 324**	**96 469**
Assets 1000 EUR	**2005**	**2004**
North, Central and South America	11 227	5 795
Asia and Australasia	6 664	4 508
Europe, CIS, Middle East and Africa	91 154	81 981
Internal items	-24 776	-19 761
Total assets	**84 269**	**72 523**
Investments 1000 EUR	**2005**	**2004**
North, Central and South America	169	1 723
Asia and Australasia	136	1 842
Europe, CIS, Middle East and Africa	1 527	29 015
Total investments	**1 832**	**32 580**

4. Business acquisitions

Business acquisitions 2004

The provisions related to the acquisition between Larox Corporation and Outokumpu Oyj were satisfied on 8 January 2004. Larox acquired Outokumpu Technology's filter business, which recorded net sales of approximately EUR 40 million in 2003 and had some 170 employees in seven countries. In connection with the acquisition, a new subsidiary with the name Larox Pannevis B.V. was established in the Netherlands. The total price of the business acquisition was EUR 31.7 million.

Following assets and liabilities were recognized:

		Fair value 1000 EUR	Seller's carrying amount 1000 EUR
Assets	Property, plant and equipment	3 520	2 813
	Patents	3 958	3 500
	Technology	5 463	
	Customer relationships	3 662	
	Order backlog	90	
	Brands	1 792	
	Suppliers	3 782	
	Process development	1 893	
	Inventories	6 952	6 565
	Trade receivables and other receivables	1 625	1 625
		32 737	14 503
Liabilities	Pension liabilities	360	360
	Advances received	530	530
	Account payables	537	537
	Short term defined contribution plans	711	711
		2 138	2 138
	Fair value of net assets	30 599	12 365
	Acquired goodwill	1 123	
		31 722	
	Consideration paid in cash	30 814	
	Direct costs related to the acquisition	908	
	Cash outflow on the acquisition	31 722	

5. Long-term projects

Net sales include EUR 55 million revenue recognized of long-term projects in 2005 (EUR 49 million in 2004).

Revenue recognized from long-term projects in progress on 31 December 2005 amounted EUR 6.4 million (EUR -0.7 million on 31 December 2004). Advances recognized from long-term projects in progress on 31 December 2005 amounted EUR 0.8 million (EUR 0.2 million on 31 December 2004).

6. Other operating income

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Rental income	6	18
Grants	211	244
Gain on disposal of non-current assets	530	17
Provisions	40	114
Administrative services		495
Derivative income	161	
Other operating income	72	114
Total other operating income	**1 019**	**1 002**

7. Materials and supplies

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Purchases during the period	-45 034	-46 064
Change in inventories	1 666	4 030
External services	-2 789	-2 712
Total materials and supplies	**-46 157**	**-44 745**

8. Employee benefits expense

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Salaries and fees	-21 407	-20 575
Pension expenses, defined contribution plans	-2 273	-2 102
Pension expenses, defined benefit plans	-4	258
Share-based payments	-100	
Other employee benefits	-2 584	-2 483
Total employee benefits expense	**-26 369**	**-24 902**

The average number of personnel employed by the Group	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Office personnel	337	337
Workers	101	99
Total	**438**	**436**

9. Depreciation and amortization

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Intangible assets		
Activated development costs	-149	-97
Intangible rights	-729	-878
Other intangible assets	-1 070	-1 267
Total	**-1 948**	**-2 242**
Property, plant and equipment		
Land areas	-3	-2
Buildings	-256	-255
Machinery	-1 518	-1 696
Other tangible assets	-206	-199
Total	**-1 983**	**-2 152**
Total depreciation and amortization	**-3 931**	**-4 395**

10. Other operating expenses

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Adjustment items to sales	-5 200	-4 804
Consumables and supplies	-974	-876
Real estate maintenance	-859	-945
Rents	-1 279	-1 628
Staff expenses	-698	-708
Private car expenses	-354	-337
Travelling expenses	-3 949	-4 029
Advertising and marketing costs	-1 704	-1 465
External services	-2 940	-3 569
IT	-861	-826
Derivative expenses	-1 349	
Other operating expenses	-1 722	-1 361
Total other operating expenses	**-21 888**	**-20 548**

11. Research and product development costs

The income statement includes R&D costs EUR 6.3 million (EUR 6.4 million 2004). To the balance sheet development costs have been activated EUR 0.6 million (EUR 0.2 million 2004).

12. Financial income

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Dividends received	23	
Interest income	30	64
Exchange gains	827	6
Other financial income	17	42
Total financial income	**897**	**112**

13. Financial expenses

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Interest expenses	-1 794	-1 988
Exchange losses	-158	-345
Other financial expenses	-37	-28
Total financial expenses	**-1 988**	**-2 360**

14. Income tax expense

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Current year tax expense	-1 488	-1 385
Tax expense for previous years	-51	-5
Change in deferred tax assets and liabilities	251	1 073
Other direct tax	-1	
Income taxes	**-1 288**	**-317**

Reconciliation of income before taxes (2005: 26%, 2004: 29%) with total income taxes:

1000 EUR	2005	2004
Profit before taxes	5 790	1 825
Tax calculated at the domestic corporation tax rate	-1 505	-529
Effect of different tax rates in foreign subsidiaries	35	143
Non-deductible expenses/tax-free income	-18	-35
Tax expense for previous years	-51	-5
Unrecognized tax of the losses		-31
Effect of tax base change		107
Deferred taxes	251	32
Income taxes in the income statement	**-1 288**	**-317**

15. Intangible assets (excluding goodwill)

1 Jan-31 Dec, 2005 1000 EUR	Development costs	Intangible rights	Technology	Customer relations
Acquisition cost 1 Jan	713	8 039	5 463	3 752
Translation differences		25		
Additions	566	246		
Acquisition cost 31 Dec	1 279	8 310	5 463	3 752
Cumulative depreciations 1 Jan	-97	-3 569	-509	-305
Cumulative depreciations of transfers	-13			
Translation differences		-120		
Depreciation for the period	-149	-729	-509	-215
Cumulative depreciations 31 Dec	-259	-4 419	-1 018	-520
Carrying value 31 Dec, 2005	**1 020**	**3 891**	**4 446**	**3 231**

1 Jan-31 Dec, 2005 1000 EUR	Brands	Supplier relations	Process development	Total
Acquisition cost 1 Jan	1 792	3 782	1 893	25 434
Translation differences				25
Additions			40	852
Acquisition cost 31 Dec	1 792	3 782	1 933	26 311
Cumulative depreciations 1 Jan		-252	-128	-4 860
Cumulative depreciations of transfers				-13
Translation differences				-120
Depreciation for the period		-252	-128	-1 982
Cumulative depreciations 31 Dec		-504	-256	-6 975
Carrying value 31 Dec, 2005	**1 792**	**3 278**	**1 677**	**19 336**

1 Jan-31 Dec, 2004 1000 EUR	Development costs	Intangible rights	Technology	Customer relations
Acquisition cost 1 Jan	511	3 090		
Translation differences		-20		
Additions	202	1 011		
Business acquisition		3 958	5 463	3 752
Acquisition cost 31 Dec	713	8 039	5 463	3 752
Cumulative depreciations 1 Jan		-2 727		
Translation differences		35		
Depreciation for the period	-97	-878	-509	-305
Cumulative depreciations 31 Dec	-97	-3 569	-509	-305
Carrying value 31 Dec, 2004	**616**	**4 470**	**4 954**	**3 447**

1 Jan-31 Dec, 2004 1000 EUR	Brands	Supplier relations	Process development	Total
Acquisition cost 1 Jan				3 601
Translation differences				-20
Additions				1 213
Business acquisition	1 792	3 782	1 893	20 640
Acquisition cost 31 Dec	1 792	3 782	1 893	25 434
Cumulative depreciations 1 Jan				-2 727
Translation differences				35
Depreciation for the period		-252	-128	-2 169
Cumulative depreciations 31 Dec		-252	-128	-4 860
Carrying value 31 Dec, 2004	**1 792**	**3 530**	**1 765**	**20 574**

16. Goodwill and impairment testing

1 Jan-31 Dec, 2005 1000 EUR	Goodwill
Acquisition cost 1 Jan	3 047
Acquisition cost 31 Dec	3 047
Translation differences	132
Translation differences 31 Dec	132
Carrying value 31 Dec, 2005	**3 179**

1 Jan-31 Dec, 2004 1000 EUR	Goodwill
Acquisition cost 1 Jan	1 923
Business acquisition	1 124
Acquisition cost 31 Dec	3 047
Translation differences	-122
Translation differences 31 Dec	-122
Carrying value 31 Dec, 2004	**2 925**

Goodwill EUR 1.1 million is that part of an acquisition cost, which exceeds the Group's share of after 1 January 2004 acquired business' fair value of net assets at the date of acquisition. The acquisitions made earlier are held at the carrying amount under previous accounting standards, which have been used as a default cost of an acquisition. Goodwill is allocated to Larox's business as a whole and it cannot be allocated to separate cash generating units.

Goodwill and brands with an indefinite useful life (EUR 1.8 million on 31 December 2005 and EUR 1.8 million on 31 December 2004) are tested yearly in case of an impairment. Also brands are allocated to whole business. The recoverable amount is based on the value in use. The future cash flow estimates used in the calculations are based on the financial plans approved by the management covering a four-year period. The most important assumptions used in the plans are the stable growth of sales, operating profit over 8% and ROI 20%. Discount rate is the weighted average pre-tax cost of capital (WACC) as defined for Larox. The discount rate was 8.1% in 2005 (8.0% in 2004). As a result of the performed impairment tests, no impairment losses have been recognized. Management believes that reasonable changes in the key assumptions on which the value in use is based on, will not cause any carrying amount to exceed its recoverable amount.

17. Property, plant and equipment

1 Jan-31 Dec, 2005 1000 EUR	Land areas	Buildings	Machinery and equipment	Machinery and equipment, finance lease	Other intangible assets	Total
Acquisition cost 1 Jan	1 137	8 914	15 518	1 388	786	27 743
Translation differences		22	274		14	310
Additions	10	62	508	257	144	981
Disposals			-105	-861	6	-960
Transfers between items			134		14	148
Acquisition cost 31 Dec	1 147	8 998	16 330	784	964	28 222
Cumulative depreciations 1 Jan	-7	-3 974	-10 703	-628	-512	-15 824
Cumulative depreciations				496		496
Translation differences			-276		-13	-289
Depreciation for the period	-3	-256	-1 130	-388	-206	-1 983
Cumulative depreciations 31 Dec	-10	-4 230	-12 109	-519	-731	-17 559
Carrying value 31 Dec, 2005	**1 136**	**4 767**	**4 220**	**265**	**234**	**10 622**

1 Jan-31 Dec, 2004 1000 EUR	Land areas	Buildings	Machinery and equipment	Machinery and equipment, finance lease	Other intangible assets	Total
Acquisition cost 1 Jan	1 132	8 663	13 069	835	385	24 084
Translation differences		-4	39		-5	29
Additions	5	56		553		614
Disposals		-95	-40		-17	-152
Business acquisition		294	2 451		424	3 169
Acquisition cost 31 Dec	1 137	8 914	15 518	1 388	786	27 743
Cumulative depreciations 1 Jan	-5	-3 719	-9 627	-79	-315	-13 745
Translation differences			71	0	2	73
Depreciation for the period	-2	-255	-1 148	-549	-199	-2 153
Cumulative depreciations 31 Dec	-7	-3 974	-10 703	-627	-512	-15 824
Carrying value 31 Dec, 2004	**1 129**	**4 940**	**4 815**	**761**	**274**	**11 919**

18. Investments in associates

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Acquisition cost 1 Jan	787	731
Share of the profit	212	178
Dividends received		-122
Recognized directly to equity	7	
Carrying value 31 Dec, 2005	**1 006**	**787**

Associated companies, 1000 EUR	2005	2004
Larox Flowsys Oy, Lappeenranta		
Share (%)	49	49
Assets	4 448	3 889
Liabilities	2 395	2 278
Net sales	10 899	9 441
Profit/loss for the period	**432**	**364**

19. Available-for-sale investments

Available-for-sale investments consist in their entirety of unlisted shares and they are carried at fair value or cost, if reliable fair values cannot be established or they do not differ materially from their initial cost.

The Group does not practise active investment activities. The investments are mainly directed to the shares of the two companies: Go Awaste Management Services (PTY) LTD and Larox Flowsys Oy. The operations of these two companies are related to Larox's business operations. Furthermore, the Group holds a few non-profit making shares.

20. Deferred tax assets and liabilities

Deferred tax assets 2005

1000 EUR	1 Jan, 2005	Translation difference	Recognized in income statement	Recognized in equity	31 Dec, 2005
Losses	1 267	15	831		2 113
Other timing differences	1 097	4	-43		1 058
IFRS adjustments	329	-19	-687		-377
Netting of deferred tax assets and liabilities	-1 734		1 037		-697
Total	**958**	**0**	**1 138**		**2 097**

Deferred tax liabilities 2005

1000 EUR	1 Jan, 2005	Translation difference	Recognized in income statement	Recognized in equity	31 Dec, 2005
Other timing differences	1 026	-1	-26		999
IFRS adjustments	911		61	59	1 031
Netting of deferred tax assets and liabilities	-1 734		1 037		-697
Total	**203**	**-1**	**1 071**	**59**	**1 333**

Deferred tax assets 2004

1000 EUR	1 Jan, 2004	Translation difference	Recognized in income statement	Recognized in equity	31 Dec, 2004
Losses	290	-10	987		1 267
Other timing differences	906		191		1 097
IFRS adjustments	195	-1	-7	142	329
Netting of deferred tax assets and liabilities	-1 054		-680		-1 734
Total	**336**	**-11**	**491**	**142**	**958**
Losses for which a deferred tax asset has not been recognized					103

Deferred tax liabilities 2004

1000 EUR	1 Jan, 2004	Translation difference	Recognized in income statement	Recognized in equity	31 Dec, 2004
Other timing differences	486		540		1 026
IFRS adjustments	1 143		-232		911
Netting of deferred tax assets and liabilities	-1 054		-680		-1 734
Total	**575**		**-372**	**0**	**203**

According to the strategic opinion of the Group the deferred tax receivables, EUR 2.1 million in 2005 (EUR 1.3 million in 2004) recognized of the losses will be reduced of the future taxable income. On 31 December 2005, the Group had no such losses which probably could not be utilized in future (on 31 December 2004 EUR 0.1 million).

21. Inventories

1000 EUR	31 Dec, 2005	31 Dec, 2004
Materials and supplies	9 076	8 854
Work in progress	522	541
Finished products	5 831	4 718
Advance payments for inventories	534	88
Total inventories	**15 964**	**14 201**

In the period the carrying amount of inventories was reduced by EUR 533 000 to correspond for its net realization value (EUR 248 000 in 2004).

22. Trade receivables and other receivables

1000 EUR	31 Dec, 2005	31 Dec, 2004
Trade receivables	24 163	17 472
Receivables from associated companies	4	21
Receivables of unfinished projects	2 926	496
Accrual receivables	982	884
Derivative receivables	17	
Other receivables	1 482	1 237
Total trade receivables and other receivables	**29 575**	**20 110**

There is no material credit risk related to receivables. Group recognized during the financial year credit losses of trade receivables EUR 131 000 (EUR 40 000 in 2004).

23. Cash and bank

1000 EUR	31 Dec, 2005	31 Dec, 2004
Cash and bank	1 737	962
Total cash and bank	**1 737**	**962**

24. Shareholders’ equity

Share capital 1000 EUR	Shares (1000 pcs) A series	Shares (1000 pcs) B series	Share capital	Share premium issue	Total
Equity 1 Jan 2004	2 124	5 799	4 442	11	4 453
Rights issue		1 350	810	5 937	6 747
Bonus issue			312	-11	301
Transaction costs for equity				-405	-405
Equity 31 Dec, 2004	**2 124**	**7 149**	**5 564**	**5 532**	**11 096**
Rights issue		2	1	5	6
Non-registered share issue		106	64	240	304
Equity 31 Dec, 2005	**2 124**	**7 257**	**5 629**	**5 777**	**11 406**

The shares are divided into A-series and B-series shares. The company may have a maximum of four million (4 000 000) shares in the A series and a maximum of sixteen million (16 000 000) shares in the B series. The shares of the company have no nominal value. The accounting counter value is EUR 0.60. Each share in the A series entitles the holder to twenty (20) votes and each share in the B series to one vote.

Translation differences

Translation differences include the translation differences of translating financial statements of foreign entities. Also gains and losses of hedging net investments made to foreign entities are included in translation differences when requirements of hedging are met.

Hedging reserve

Hedging reserve includes the fair value changes in derivative instruments used to cash flow hedging.

Fair value reserve

Fair value reserve includes the fair value changes in available-for-sale investments.

Dividends

After the balance sheet date the board of directors has proposed a dividend of EUR 0.24 to be paid per share.

Shareholders’ equity attributable to shareholders

Group 1000 EUR	31 Dec 2005	31 Dec 2004
Retained earnings	13 516	9 760
Cumulative depreciation difference and discretionary provisions in equity	-2 032	-1 585
Total shareholders’ equity attributable to shareholders	**11 484**	**8 176**

Share issue directed to the top management

The annual general meeting of shareholders on 17 March 2004 decided to increase the company’s share capital through a new share issue by a minimum of EUR 60 and a maximum of EUR 126 000, by offering a minimum of hundred 100 and a maximum of 210 000 new B shares of the company, which have an accounting counter value EUR 0.60, to be subscribed for by the company’s top management. The new B shares have an equal value with the other B shares of the company and entitle to full dividend from the accounting period during which the increase of the share capital is registered at the trade register.

The subscription price of the shares is the weighted average of the trading rates of the company’s B share on the Helsinki Stock Exchange in February 2004, divided by three, (taking into account the effect of splitting the share), less 50 percent. The share subscription period in the issue began on 1 May 2004 and ended on 16 December 2005. Each participant had to subscribe for at least 100 shares by 28 December 2004 to have a subscription right. By 28 December 2004 a total 2 400 B shares were subscribed and the increase in share capital and number of shares were registered at the trade register on 9 March 2005. Furthermore 105 900 shares were subscribed in the share issue directed to the company’s top management by 16 December 2005. These shares were registered at the trade register on 13 January 2006.

Issue prices:

	2005		2004	
	Issue price per share, EUR	Shares 1000 pcs	Issue price per share, EUR	Shares 1000 pcs
On 1 January	2.86	207.6		
Granted			2.86	210.0
Exercised	2.86	-105.9	2.86	-2.4
Lapsed	2.86	-101.7		
On 31 December			2.86	207.6

Should a person who has subscribed for shares resign or be dismissed from the company based on the individual terminating clause of the employment contract as set out in the contracts of employment act, regardless of whether the contracts of employment act is suited to the subscriber's service relation before the end of any restriction period, he or she must return, to the company without consideration one share for such two shares he or she has subscribed for and for which restriction period has not yet ended at that time, in accordance with an agreement concluded with the arranger and the company, if the board of directors does not decide otherwise. The agreement is a condition to the granting of the afore-mentioned 50 % discount to the subscription price. During the restriction period a key person is not entitled to transfer the shares he or she has subscribed for, nor may he or she enter into derivative or other corresponding agreements relating to the shares without a separate permission from the board of directors of the company. A person who has subscribed for shares is however entitled to dividends relating to the shares possibly paid during the restriction period. After the end of the restriction period I, on 1 December 2006, 25 % of the shares allocated to key personnel will be released. After the end of the restriction period II, on 1 December 2007, 35 % of the shares allocated to key personnel will be released. After the end of the restriction period III, on 1 December 2008, 40 % of the shares allocated to key personnel will be released.

25. Interest-bearing liabilities

1000 EUR	Carrying amount 31 Dec, 2005	Carrying amount 31 Dec, 2004
Long-term		
Bank loans	18 372	22 392
Finance lease liabilities	180	587
Other loans	6 277	6 225
Total	**24 829**	**29 204**
Short-term		
Bank loans	15 089	7 668
Finance lease liabilities	98	326
Total	**15 187**	**7 994**

The fair values of interest-bearing liabilities do not materially differ from carrying amounts.

Repayment schedule of long-term liabilities:

2005, 1000 EUR	2006	2007	2008	2009	2010	Later
Loans with fixed interest	3 250	4 135	2 961	1 803	1 475	532
Loans with floating interest	975	1 813	1 725	1 725	1 475	512
Finance lease liabilities	98	75	54	45	4	2
Other loans	72	67	62	58	54	5 912
Total long-term liabilities	**4 395**	**6 090**	**4 802**	**3 631**	**3 008**	**6 958**

2004, 1000 EUR	2005	2006	2007	2008	2009	Later
Loans with fixed interest	2 541	3 158	4 033	2 961	1 803	1 988
Loans with floating interest	1 025	975	1 813	1 725	1 725	1 987
Finance lease liabilities	295	55	33	22	30	49
Other loans	77	72	67	62	58	5 966
Total long-term liabilities	**3 938**	**4 260**	**5 946**	**4 770**	**3 616**	**9 990**

Long-term interest-bearing liabilities in different currencies:

1000 EUR	31 Dec, 2005	31 Dec, 2004
EUR	26 998	30 641
USD	1 611	1 395

Effective interest rates (weighted averages) of long-term interest-bearing loans on 31 Dec, 2005:

Loans	4.70
Finance lease liabilities	13.98
Other loans	5.73

Short-term interest-bearing liabilities in different currencies:

1000 EUR	31 Dec, 2005	31 Dec, 2004
EUR	7 600	4 250
USD	1 907	
AUD	620	

Effective interest rates (weighted averages) of short-term interest-bearing loans on 31 Dec, 2005:

Loans	3.74
Finance lease liabilities	13.98

Finance lease liabilities:

1000 EUR	31 Dec, 2005	31 Dec, 2004
Long-term finance lease liabilities	180	587
Short-term finance lease liabilities	98	326
Total finance lease liabilities	**278**	**912**
Finance lease liabilities – minimum lease payments		
Not later than 1 year	137	391
1-5 years	222	661
Total minimum lease payments	359	1 053
Future finance charges	-81	-140
Present value of finance lease liabilities	**278**	**912**
Present value of minimum lease payments		
Not later than 1 year	127	372
1-5 years	151	540
Present value of minimum lease payments	**278**	**912**

26. Employee benefit obligations

The Group has established several pension plans in various countries. In Finland pension plan is the Finnish Statutory Employment Pension Scheme (TEL), which is mainly a defined contribution plan. When transition to IFRS was made 1 January 2004 TEL's disability pension component was accounted for as a defined benefit plan. At the end of 2004 it was decided that TEL's disability pension component will be accounted for as a defined contribution plan from 1 January 2006. Due to this change the Group released EUR 258 000 in 2004 in the income statement by decreasing the defined pension liability. In 2005 the rest EUR 21 000 of this obligation was recognized in the income statement as an effect of curtailment.

Pension liabilities

1000 EUR	31 Dec, 2005	31 Dec, 2004
Present value of unfunded obligations	473	346
Present value of partly or wholly funded obligations		21
Underfunding/Overfunding		367
Unrecognized actuarial losses	-108	-5
Pension liability	**365**	**361**

Pension expenses

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Pension costs based on current period's service	-7	-47
Benefit related interest expense	-18	-37
Pension costs based on prior periods' service		21
Gains on plan curtailment	21	322
Pension expenses	**-4**	**258**

Benefit plan reconciliation

1000 EUR	31 Dec, 2005	31 Dec, 2004
Pension liabilities from defined benefit plan in the beginning of period	361	279
Defined benefit pension expense recognised	4	-258
Business acquisition		340
Liabilities at the end of period	**365**	**361**

Defined benefit plans:
Assumptions used in calculating benefit obligations 31 Dec, 2005

	Germany
Discount rate (%)	4.25
Future salary increase (%)	2.00
Expected return on plan assets (%)	2.50

Defined benefit plans:
Assumptions used in calculating benefit obligations 31 Dec, 2004

	Finland	Germany
Discount rate (%)	5.25	5.25
Future salary increase (%)	3.50	2.00
Expected return on plan assets (%)	2.00	2.50

Other pension and employee benefit liabilities

1000 EUR	31 Dec, 2005	31 Dec, 2004
Pension provision	98	65
Other long-term employee benefit	66	61
Total	**164**	**126**

Pension provision covers the expenses of the pensions granted to Larox employees spouses. Other long-term employee benefit covers expenses of extra days off granted to certain group of employees based on their service years.

Total pension liabilities

1000 EUR	31 Dec, 2005	31 Dec, 2004
Defined benefit plan	365	361
Other pension and employee benefit liabilities	135	126
Total pension liabilities	**500**	**487**

27. Provisions

1000 EUR	1 Jan, 2005	Additions	Used provisions	31 Dec, 2005
Warranty provisions	833	727	-306	1 254
Total provisions	**833**	**727**	**-306**	**1 254**

Larox gives most of its products a one year warranty of the start-up or 18 months of the delivery. Warranty provision is based on project specific estimates and historical experience. Warranty provision covers the expenses related to warranty claims for goods sold with valid warranty in the earlier accounting period. Warranty provisions are expected to be used during the warranty period or in cases which require research or development within 12 months after the warranty period.

28. Trade payables and other payables

1000 EUR	31 Dec, 2005	31 Dec, 2004
Payables for associated companies	354	156
Advances received	851	219
Trade payables	6 366	4 750
Accrual payables	1 329	583
Accrual employee-related liabilities	2 362	1 925
Derivative liabilities	399	
Other accruals	3 389	4 147
Other payables	1 214	1 132
Total trade payables and other payables	**16 265**	**12 912**

29. Fair values of financial assets and liabilities

1000 EUR	Note	Carrying amount 2005	Fair value 2005	Carrying amount 2004	Fair value 2004
Financial assets:					
Available-for-sale-investments	19	273	273	86	86
Trade receivables and other receivables	22	29 575	29 575	20 110	20 110
Cash and bank	23	1 737	1 737	962	962
Financial liabilities:					
Finance lease liabilities	25	278	278	912	912
Trade payables and other paybles	28	16 265	16 265	12 297	12 297

The fair values of derivatives are presented on note 31.

30. Commitments and contingencies

Loans secured by real estate and corporate mortgages 1000 EUR	31 Dec, 2005	31 Dec, 2004
Pension loans	1 004	1 102
Loans from financial institutions	33 390	29 984
Other loans	5 344	5 200
Total	**39 738**	**36 286**
Real estate mortgages	6 729	6 729
Corporate mortgages, general pledging	3 936	3 936
Corporate mortgages, specific pledging	9 062	9 062
Total	**19 727**	**19 727**
Securities for others	**31 Dec, 2005**	**31 Dec, 2004**
Corporate mortgages		4 965
Guarantees for Group companies	5 888	3 841
Guarantees for others		73
Others	190	188
Total	**6 078**	**9 067**

Other liabilities

Operating lease liabilities 1000 EUR	31 Dec, 2005	31 Dec, 2004
Less than one year	563	205
1-5 years	485	193
Total	**1 048**	**398**

Non-cancellable lease liabilities 1000 EUR	31 Dec, 2005	31 Dec, 2004
Less than one year	174	168
1-5 years	10	151
Total	**184**	**319**

The Group has leased office and plant buildings with various cancellable lease agreements.
The most important liabilities of these agreements are EUR 0.6 million on 31 December 2005.

Rent expenses in the income statement were EUR 1.3 million in 2005 (EUR 1.6 million in 2004).

31. Financial risk management

The objective of the Group is to minimize the impacts of fluctuations in financial markets on the Group's cash reserves, profits and shareholders' equity. The main risks consist of currency risks and interest rate risks. The Group treasury function manages financial risks centrally according to the risk management policy approved by the board of directors.

Currency risk
In accordance with the approved foreign currency policy, the task of the Group's treasury function is to hedge against all major currency risks. The Group's foreign currency exposure consists primarily of accounts receivables, order backlog, liabilities in foreign currencies and some of the outstanding offers.

Exchange rate profits and losses from financial operations are booked under financial income and expenses. The most important invoicing currencies for Larox are EUR, USD, AUD and ZAR. The Group's main purchasing currency is EUR. To hedge currency positions, the company uses forward contracts, currency options and currency loans. The Group also protects the shareholders' capital of foreign subsidiaries with external currency loans.

Interest rate risk
Changes in interest rates on interest-bearing debts create interest rate risks. To control interest rate risks, the Group disperses its loans and short-term investments in fixed and floating rate instruments. At the end of the fiscal year the Group had no open forward rate agreements or interest rate swaps.

Credit risk
Group's customer base consists of a large number of customers in all market areas. Credit risk is reduced mainly with the selection of payment terms and method of payment. In general, Larox does not finance customers, but co-operates with banks and export credit institutions to support the financing of customers' investments.

Liquidity risk
The business of Larox includes regular and irregular cash flows. Larox aims at sufficient liquidity with efficient cash management. Company has limit arrangements with banks for current equity and daily cash. At the end of year 2005 unused limits and account credits totalled EUR 8.1 million.
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Fair values of derivative instruments 1000 EUR	Positive Fair value 31 Dec, 2005	Negative Fair value 31 Dec, 2005	Net Fair value 31 Dec, 2005	Net Fair value 31 Dec, 2004
Currency derivatives:				
Forward contracts	17	-414	-397	143
Options				26
Total currency derivatives	**17**	**-414**	**-397**	**169**

Nominal values of derivative instruments 1000 EUR	31 Dec, 2005	31 Dec, 2004
Currency derivatives:		
Forward contracts	15 410	6 413
Options		587
Total currency derivatives	**15 410**	**7 000**

32. Related party transactions

Parent Company and Subsidiaries

Shares and shareholdings on 31 Dec, 2005	Country	No. of shares	Share of ownership (%)	Share of voting rights (%)
Parent Company Larox Corporation	Finland			
Larox Company Oy	Finland	50	100,0	100,0
Larox Inc.	USA	50	100,0	100,0
Larox Hoesch GmbH	Germany	500	100,0	100,0
Larox Pannevis B.V.	Netherlands	180	100,0	100,0
Larox Pty Ltd	Australia	400	100,0	100,0
Larox Chile SA	Chile	1 500	100,0	100,0
Larox Poland Ltd	Poland	335	100,0	100,0
Larox SA (Proprietary) Limited	South Africa	10 000	100,0	100,0
Filtros Larox Mexico SA de CV	Mexico	5	100,0	100,0
Larox Central Africa Limited	Zambia	25	100,0	100,0
Larox UK Limited	Great Britain	500	100,0	100,0
Larox Tecnologia de separacao de líquidos e sólidos LTDA	Brazil	600 000	100,0	100,0
Cia. Minera Trinidad S.A.C	Peru	57 398	99,7	99,7
Explotaciones Mineras Metalicas S.A.C	Peru	197	99,0	99,0

Transactions with associated companies

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Sales of goods and services	1	264
Purchases of goods and services	2 213	2 028

Other transactions with related parties

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Purchases of services	22	22

Balances with associated companies

1000 EUR	31 Dec, 2005	31 Dec, 2004
Trade receivables	4	21
Trade payables	354	156

Employee benefits for key management

Key management of Larox consists of the board of directors, president and the Group management team.

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Short-term employee benefits	1 213	1 200
Post-employment benefits	61	54
Other long-term employee benefits		
Benefits related to termination of employment		
Share-based payments	100	
Total employee benefits	**1 374**	**1 254**

Retirement age of parent company's president and chairman of the board in employment relationship has been agreed to be 60 years.

Parent Company Financial Statements, FAS

Parent Company: Income Statement, FAS

1000 EUR	Note	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Net sales	**2)**	**63 521**	**65 717**
Change in inventories of finished goods and work in progress		2 565	-746
Other operating income	3)	591	353
Materials and services	4)	-32 255	-29 568
Personnel expenses	5)	-12 251	-11 331
Depreciation and amortization	6)	-2 028	-2 166
Other operating expenses	7)	-16 101	-15 316
OPERATING PROFIT		**4 044**	**6 942**
Financial income and expenses	8)	67	-1 606
PROFIT BEFORE EXTRAORDINARY ITEMS		**4 110**	**5 337**
Extraordinary items	9)	525	
PROFIT AFTER EXTRAORDINARY ITEMS		**4 635**	**5 337**
Appropriations	10)	-605	-487
Income tax	11)	-1 064	-1 420
PROFIT FOR THE PERIOD		**2 967**	**3 429**

Parent Company: Balance sheet, FAS

1000 EUR	Note	31 Dec, 2005	31 Dec, 2004
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12)	13 733	14 677
Tangible assets	13)	9 229	9 632
Investments	14)		
Holdings in Group companies		10 456	6 429
Other investments		357	352
TOTAL NON-CURRENT ASSETS		**33 775**	**31 091**
CURRENT ASSETS			
Inventories	15)	10 447	7 163
Long-term receivables	16)	6 779	7 816
Deferred tax asset		264	417
Short-term receivables	16)	26 776	20 146
Cash and bank		30	32
TOTAL CURRENT ASSETS		**44 296**	**35 574**
TOTAL ASSETS		**78 071**	**66 664**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	17)		
Share capital		5 565	5 564
Share issue		64	
Share premium account		6 182	5 937
Revaluation reserve		75	75
Retained earnings		6 348	4 495
Profit for the period		2 967	3 429
TOTAL SHAREHOLDERS' EQUITY		**21 200**	**19 501**
Accelerated depreciation	18)	2 746	2 141
Total statutory provisions	19)	897	713
LIABILITIES			
Long-term liabilities, interest-bearing	20)	24 311	28 617
Short-term liabilities, interest-bearing	20)	15 032	7 668
Short-term liabilities, interest-bearing		13 884	8 024
TOTAL LIABILITIES		**53 227**	**44 310**
TOTAL EQUITY AND LIABILITIES		**78 071**	**66 664**

Parent Company: Statement of Cash Flows, FAS

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Cash flow from operating activities		
Profit for the period	2 967	3 429
Adjustments to the profit for the period	3 105	5 995
Change of the working capital	-1 620	-8 029
Cash flow from operations before financial items and taxes	4 451	1 395
Interests paid in operating activities	-1 801	-2 168
Interests received in operating activities	1 051	866
Other financial items in operating activities	427	
Income taxes paid in operating activities	-1 370	-755
Net cash generated from operating activities	**2 758**	**-662**
Cash flow from investing activities		
Investments in tangible and intagible assets	-685	-19 629
Income from disposals of tangible and intagible assets		39
Group companies founded	-26	
Loans granted	-6 396	-11 274
Repayments of loan receivables	2 536	4 410
Dividends received from investments	252	122
Net cash used in investing activities	**-4 320**	**-26 332**
Cash flow from financing actities		
Share issue	310	6 747
Short-term loans made	12 647	5 400
Repayments of short-term loans	-6 177	-2 823
Long-term loans made		11 500
Repayments of long-term loans	-3 643	-9 545
Dividends paid	-1 576	-1 321
Net cash generated from financing activities	**1 560**	**9 958**
Net change in cash and cash equivalents		
Cash and Cash Equivalents on January 1	32	17 068
Cash and Cash Equivalents on December 31	30	32

Notes to the Parent Company Financial Statements

1. Accounting principles

Foreign currency transactions
Foreign currency transactions of the parent company are entered in the accounts as euros using the exchange rate in effect on the transaction date. Assets and liabilities denominated in foreign currency are translated into euros in the financial statements using the European Central Bank's average exchange rate on the balance sheet date. All realized and unrealized exchange rate differences from sales receivables and accounts payable, current and non-current liabilities, and receivables are charged against the result. The exchange difference of the corresponding item to be hedged has been adjusted by the exchange difference of derivative instrument used for hedging purposes.

Net sales
Sales of products and services are recognised at the time of delivery. Sales are presented net of indirect taxes and adjustments to sales. Adjustments to sales include granted discounts and exchange differences resulting from sales.

Research and product development costs
Research and product development costs have been entered as annual costs in the year they were originated. Development costs are activated to the Balance Sheet, if there are expected probable future economic benefits. Activated development costs will be booked as costs during their estimated economical time of usage.

Taxes
Taxes have been recognized according to Finnish tax regulations.

Inventories
Inventories are stated at the purchase cost or at the lower net realizable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads, but excludes borrowing costs. Net realizable 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.

Fixed assets and depreciation
The book values of fixed assets are based on the original acquisition cost, with the exception of parent company's land areas and buildings that have been revalued. Revaluations, land areas EUR 563 000 were made and buildings EUR 2 787 000, are made in year 1990 and earlier based on external evaluation. The revaluations include EUR 871 000 tax liability, which is not booked because the realization of tax liability is not likely in near future.

Depreciation according to plan is made on a straight-line basis on depreciable fixed assets, based on the estimated useful economic life. The periods of depreciation are based on the useful economic life as follows: buildings and constructions 5-40 years, machinery and equipment 4-10 years, other capitalized expenditure 3-10 years, other tangible assets 10 years, intangible rights 4-10 years; goodwill 20 years.

2. Net sales by geographical division

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
North, Central and South America	25 632	28 335
Asia and Australasia	19 121	19 875
Europe, CIS, Middle East and Africa	18 768	17 507
Total	**63 521**	**65 717**

3. Other operating income

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Grants	211	178
Provisions	40	82
Other	341	93
Total other operating income	**591**	**353**

4. Materials and services

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Raw materials and consumables		
Purchases during the financial year	-31 648	-30 097
Change in inventories	609	1 704
External services	-1 216	-1 175
Total materials and services	**-32 255**	**-29 568**

5. Personnel expenses

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Salaries and fees	-9 547	-8 915
of which president's and board members' salaries	-476	-397
Pension expenses	-1 649	-1 487
Other employee benefits	-1 055	-929
Total personnel expenses	**-12 251**	**-11 331**

Salaries and fees	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
President	311	188
Members of the board of directors		
Mr Timo Vartiainen	88	84
Mrs Katariina Aaltonen	42	80
Mr Teppo Taberman	11	14
Mr Thomas Franck	11	
Mr Matti Ruotsala	11	
Former members of the board of directors		
Mr Nuutti Vartiainen	4	14
Mr Jouko Jaakkola		18

Retirement age of parent company's president and chairman of the board in employment relationship has been agreed to be 60 years.

The average number of personnel	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Office personnel	138	136
Workers	74	74
Total	**212**	**210**

6. Planned depreciation and amortization

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Development costs	-39	
Intangible rights	-606	-681
Goodwill	-542	-542
Other capitalized expenditure	-161	-201
Land (asphalting)	-3	-2
Buildings	-150	-151
Machinery and equipment	-524	-587
Other tangible assets	-3	-3
Total depreciation and amortization	**-2 028**	**-2 166**

7. Other operating expenses

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Sales expenses	-4 923	-4 508
Consumables	-617	-662
Maintenance of premises	-484	-628
Rents	-315	-288
Personnel expenses	-611	-739
Travelling expenses	-2 016	-1 906
Marketing and public relations	-1 087	-866
External services	-5 077	-4 766
Other operating expenses	-969	-954
Total other operating expenses	**-16 101**	**-15 316**

8. Financial income and expenses

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Dividends received from Group companies	252	
Share of profit of associated companies		173
Interest and other financial income		
From Group companies	1 050	806
From others	794	60
Total financial income	**2 096**	**1 038**
Reversal of the impairment made to subsidiary shares	112	
Interest and other financial expenses		
To others	-2 141	-2 644
Total financial expenses	**-2 029**	**- 2 644**
Total financial income and expenses	**67**	**-1 606**
Exchange gains (+) and losses (-) included in financial income and expenses	485	-192

9. Extraordinary items

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Extraordinary income	525	
Total extraordinary income	**525**	

Reversal of the impairment made to receivables from group company.

10. Appropriations

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Difference between booked depreciation and depreciation according to plan		
Buildings	-70	98
Machinery	7	-44
Goodwill	-542	-542
Total appropriations	**-605**	**-487**

11. Income tax

1000 EUR	1 Jan-31 Dec, 2005	1 Jan-31 Dec, 2004
Current taxes	-911	-1 420
Change in deferred tax receivable	-152	
Total income taxes	**-1 064**	**-1 420**

12. Intangible assets

1 Jan-31 Dec, 2005 1000 EUR	Development costs	Intangible rights	Goodwill	Other long-term expenditure
Acquisition cost 1 Jan	202	7 322	10 843	4 674
Additions	208	196		
Acquisition cost 31 Dec	410	7 518	10 843	4 674
Cumulative depreciations 1 Jan		-3 437	-542	-4 385
Depreciation for the period 1 Jan-31 Dec	-39	-606	-542	-160
Cumulative depreciations 31 Dec	-39	-4 043	-1 084	-4 545
Carrying value 31 Dec	**371**	**3 475**	**9 759**	**129**

13. Tangible assets

1 Jan-31 Dec, 2005 1000 EUR	Land areas	Buildings	Machinery	Other intangible assets
Acquisition cost 1 Jan	1 137	8 580	11 405	104
Additions	10	55	217	
Disposals			-4	
Acquisition cost 31 Dec	1 147	8 634	11 617	104
Cumulative depreciations 1 Jan	-8	-2 745	-8 743	-98
Depreciation for the period 1 Jan-31 Dec	-3	-150	-524	-3
Cumulative depreciations 31 Dec	-11	-2 895	-9 266	-101
Carrying value 31 Dec	**1 136**	**5 739**	**2 351**	**3**
Includes revaluations *)	563	2 787		

**) The revaluations include EUR 0.9 million deferred tax liability, which is not recognized because the realization of tax liability is not likely in near future.*

14. Investments

Shares and shareholdings on 31 Dec, 2005	Country	No. of shares	Share %	Book value, EUR
Larox Company Oy	Finland	50	100.0	8 000
Larox Inc.	USA	50	100.0	686 964
Larox Hoesch GmbH	Germany	500	100.0	2 621 037
Larox Pannevis B.V.	Netherlands	180	100.0	6 175 700
Larox Pty Ltd	Australia	400	100.0	770 071
Larox Chile SA	Chile	1 500	100.0	34 122
Larox Poland Ltd	Poland	335	100.0	103 661
Larox SA (Proprietary) Limited	South Africa	10 000	100.0	1 421
Filtros Larox Mexico SA de CV	Mexico	5	100.0	5 195
Larox Central Africa Limited	Zambia	25	100.0	25 115
Larox UK Limited	Great Britain	500	100.0	786
Larox Tecnologia de separacao de líquidos e sólidos LTDA *)	Brazil	60 000	10.0	23 500
Cia Minera Trinidad S.A.C	Peru	57 398	99.7	
Total subsidiary shares				**10 455 571**

**) Larox Company Oy holds the rest 90% of the shares.*

1000 EUR	31 Dec, 2005
Total subsidiary shares	10 456
Associated company shares, Larox Flowsys Oy	247
Receivables from Group companies	
Larox Poland Ltd	87
Other shares	23
Total investments	**10 813**

15. Inventories

1000 EUR	31 Dec, 2005	31 Dec, 2004
Materials and supplies	7 385	6 947
Work in progress	2 681	121
Finished products	94	89
Other inventories	171	0
Advance payments for inventories	115	5
Total inventories	**10 447**	**7 163**

16. Receivables

1000 EUR	31 Dec, 2005	31 Dec, 2004
LONG-TERM RECEIVABLES		
Receivables from Group companies	6 779	7 816
Total long-term receivables	**6 779**	**7 816**
SHORT-TERM RECEIVABLES		
Trade receivables	9 236	9 810
Other receivables	940	548
Accrual receivables	679	225
Receivables from Group companies	7 542	2 757
Loans to Group companies	8 377	6 804
Receivables from associated companies	1	1
Total short-term receivables	**26 775**	**20 146**

The most important items included in accrual receivables are tax receivables.

17. Shareholders' equity

Changes in shareholders' equity 2005 1000 EUR	Share capital	Share pre- mium account	Revaluation reserve*)	Retained earnings	Total
SHAREHOLDERS' EQUITY 1 Jan	5 564	5 937	75	7 924	19 501
Rights issue	1	5			7
Dividend distribution				-1 576	-1 576
Non-registered share issue	64	239			303
Profit for the period				2 967	2 967
TOTAL SHAREHOLDERS' EQUITY 31 Dec, 2005	**5 629**	**6 182**	**75**	**9 314**	**21 200**

Changes in shareholders' equity 2004 1000 EUR	Share capital	Share pre- mium account	Revaluation reserve*)	Retained earnings	Total
SHAREHOLDERS' EQUITY 1 Jan	4 442	11	75	6 117	10 645
Rights issue	810	5 937			6 747
Share issue	312	-11		-301	
Dividends paid				-1 321	-1 321
Profit for the period				3 429	3 429
TOTAL SHAREHOLDERS' EQUITY 31 Dec, 2004	**5 564**	**5 937**	**75**	**7 924**	**19 501**

**) A total of EUR 3.2 million of the revaluation reserve has been used for capital issues in 1987, 1990 and 1994.*

Shareholders equity attributable to shareholders

1000 EUR	31 Dec, 2005
Retained earnings	6 348
Profit for the period	2 967
Total shareholders equity attributable to shareholders	**9 314**

18. Accelerated depreciation

1000 EUR	31 Dec, 2005	31 Dec, 2004
Difference between booked depreciation and depreciation according to plan		
Other long-term expenditure	17	17
Buildings	939	869
Machinery	706	713
Goodwill	1 084	542
Total accelerated depreciation	**2 746**	**2 141**

19. Provisions

1000 EUR	31 Dec, 2005	31 Dec,2004
Warranty provision on 1 Jan	713	623
Change	115	90
Warranty provision on 31 Dec	**828**	**713**
Pension provision on 1 Jan		
Change	69	
Pension provision on 31 Dec	**69**	
Total provisions	**897**	**713**

20. Liabilities

1000 EUR	31 Dec, 2005	31 Dec, 2004
Long-term liabilities		
Loans from financial institutions	18 158	22 393
Pension loans	953	1 025
Other loans	5 200	5 200
Total long-term liabilities	**24 311**	**28 617**
Short-term liabilities		
Loans from financial institutions	14 960	7 591
Pension loans	72	77
Total interest-bearing short-term liabilities	**15 032**	**7 668**
Trade payables	4 697	2 856
Accrual payables	4 215	4 262
Other payables	293	267
Advances received	2 901	27
Loans to Group companies	1 560	539
Loans to associated companies	218	72
Total interest-free short-term liabilities	**13 884**	**8 023**

The most important items included in accrual payables are employee-related expenses.

21. Commitments and contingencies

1000 EUR	31 Dec, 2005	31 Dec, 2004
Pension loans	1 025	1 102
Loans from financial institutions	33 118	29 984
Other loans	5 200	5 200
Total	**39 343**	**36 286**
Real estate mortgages	6 729	6 729
Corporate mortgages, general pledging	3 936	8 901
Corporate mortgages, specific pledging	9 062	9 062
Total	**19 727**	**24 692**
Guarantees for others	**31 Dec, 2005**	**31 Dec, 2004**
Guarantees for Group companies	5 888	3 841
Guarantees for others		73
Others	190	188
Total	**6 078**	**4 102**

Leasing liabilities 1000 EUR	31 Dec, 2005	31 Dec, 2004
One year after the balance sheet date	364	247
Later than one year after the balance sheet date	314	373
Total	**678**	**620**
Other liabilities		
Pension liabilities		65

Group Key Figures 2001-2005

1000 EUR	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Scope of activity					
New orders	121 470	93 204	56 539	51 721	67 930
Order backlog	29 845	12 425	13 818	13 236	20 736
Net sales	104 324	96 469	56 519	59 221	66 959
Change in net sales %	8.1	70.7	-4.6	-11.6	20.9
Share of exports and foreign operations %	97	97	92	93	92
Number of personnel	438	436	280	314	294
Net sales per person	238	221	202	189	228
Total liabilities	59 368	51 733	41 745	30 349	26 516
Current liabilities	31 452	20 906	14 177	19 558	17 335
Shareholoders' equity	24 901	20 890	15 016	13 647	15 198
Balance sheet, total	84 269	72 523	56 761	43 996	41 714
Investments	1 832	33 133	1 456	3 916	2 135
Investments %	1.8	34.3	2.6	6.6	3.2
Profit and profitability					
Depreciation	3 931	4 395	2 121	1 737	1 435
Operating profit	6 670	3 894	4 160	2 258	5 481
Financial income and expenses	-1 091	-2 248	-1 097	-1 627	-788
Profit before taxes	5 790	1 825	2 047	631	4 693
Profit for the period	4 502	1 507	1 646	127	3 233
Operating profit %	6.4	4.0	7.4	3.8	8.2
Net financial expenses %	0.8	2.3	1.9	2.7	1.2
Profit before taxes %	5.6	1.9	5.4	1.1	7.0
Profit %	4.3	1.6	2.9	0.2	4.8
Return on shareholders' equity %	19.7	8.6	16.5	0.9	21.8
Return on invested capital %	12.6	7.9	10.4	7.0	19.2
Financial					
Quick ratio	0.9	1.0	3.1	1.0	1.1
Current ratio	1.5	1.7	3.0	1.4	1.6
Equity ratio %	29.9	28.9	28.3	32.7	38.5
Relative indebtedness %	56.1	53.3	67.2	47.3	36.2

Key Figures by Quarters

1000 EUR	2005 IV quarter	2005 III quarter	2005 II quarter	2005 I quarter	2004 IV quarter
New orders	39 444	26 918	31 499	23 609	20 266
Group order backlog at the end of the period	29 845	30 075	33 772	23 128	12 425
Net sales	39 518	30 638	18 832	15 336	28 217
Operating profit	6 794	3 702	-782	-3 044	1 359
% of net sales	17.2	12.1	-4.2	-19.8	4.8
Net financial costs	338	53	52	436	624
% of net sales	0.9	0.2	0.3	2.8	2.2
Result before taxes	6 455	3 649	-834	-3 481	735
Result for the quarter	4 846	2 625	-669	-2 300	358

Shares and Shareholders

Share related data

	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Earnings per share, Group, EUR	0.49	0.17	0.30	0.02	0.41
Shareholder equity per share, EUR	2.68	2.25	1.90	1.72	1.92
Dividend per share, EUR	0.24**)	0.17	0.17	0.07	0.17
Dividend per earnings ratio, %	49.0	100.0	55.8	415.9	41.0
Dividend yield, %	3.9	3.6	4.2	2.2	7.6
Price per earnings ratio (P/E)	12.57	27.4	13.2	187.2	5.4
Development of share price					
Average trading price, EUR	5.40	5.24	3.21	3.01	2.02
Lowest trading price, EUR	4.50	3.85	2.00	2.17	1.67
Highest trading price, EUR	6.24	9.10	4.00	3.67	2.28
Trading price at end of period, EUR	6.10	4.66	3.93	3.00	2.20
Change in trading price, %	30.9	18.6	31.0	36.4	28.7
Shareholders' earnings, %	34.5	22.9	33.3	44.1	37.4
Market capitalization at end of period					
A shares, EUR million*)	13.0	9.9	8.4	6.8	4.7
B shares, EUR million	43.6	33.3	22.8	18.7	12.8
Total	56.6	43.2	31.2	25.5	17.4
Trading volume					
B shares, 1000 pcs	865.3	417.9	117.6	2 373.6	337.5
In relation to average number of B shares, %	12.1	6.3	2.0	40.9	5.8
Average number of shares at end of period, 1000 pcs	7 151.2	6 624.1	5 799.3	5 799.3	5 799.3
Number of shares at end of period					
A shares, 1000 pcs	2 124.0	2 124.0	2 124.0	2 124.0	2 124.0
B shares, 1000 pcs	7 151.7	7 149.3	5 799.3	5 799.3	5 799.3
Total, 1000 pcs	9 275.7	9 273.3	7 923.3	7 923.3	7 923.3

**) A-share data is based on the B share´s last trading rate of the financial year.*

***) Board's proposal to the annual general meeting of shareholders.*

Distribution of share capital sectors on 30 December 2005

	Number of shareholders	% of shareholders	Total shares, pcs	% of share capital
Private enterprises	54	9.5	1 177 202	12.7
Financial institutions and insurance companies	8	1.4	466 200	5.0
Public corporations	2	0.3	402 900	4.3
Non-profit institutions	6	1.1	75 530	0.8
Households	487	85.4	7 001 026	75.5
Foreign owners	13	2.3	135 559	1.5
Total	570	100.0	9 258 417	99.8
On joint account			17 283	0.2
Total issued			**9 275 700**	**100.0**

Distribution of share capital in order of magnitude on 30 December 2005

	Number of shareholders	% of shareholders	Total shares, pcs	% of share capital
1-100	45	7.9	1 799	
101-500	196	34.4	49 838	0.5
501-1000	132	23.2	103 175	1.1
1001-10000	145	25.4	442 327	4.8
10001-100000	33	5.8	1 433 754	15.5
100001-500000	15	2.6	3 014 580	32.5
Over 500000	4	0.7	4 212 944	45.4
On joint account			17 283	0.2
Total issued	**570**	**100.0**	**9 275 700**	**100.0**
Of which administratively registered	3		172 400	1.9

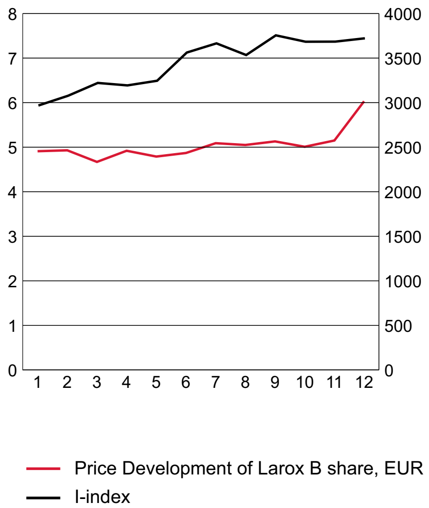
Principal shareholders on 30 December 2005

	% of share capital 30 Dec, 2005	% of voting rights 30 Dec, 2005
Aaltonen Katariina	12.0	22.9
Kupias Karoliina	12.0	22.9
Vartiainen Timo	11.9	22.9
Laakkonen Mikko	9.5	1.8
Outokumpu Oyj	4.4	0.8
Vartiainen Nuutti	4.0	14.9
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	3.6	0.7
Capillary Oy	3.2	0.6
Hietala Pekka	2.5	0.5
Merivirta Jyri	1.9	0.4

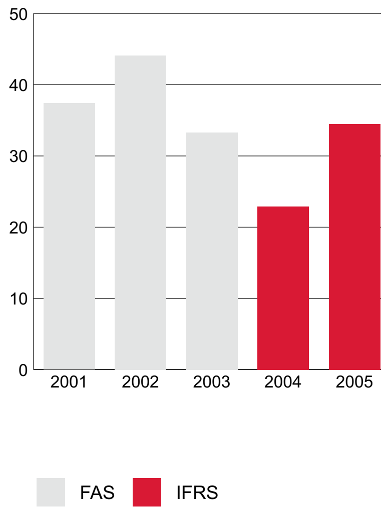
Board of directors and president hold a total of 2 217 225 of the Larox Corporation shares, which is 45.8 % of the voting rights.

Larox Corporation is not aware of any valid partner contracts.

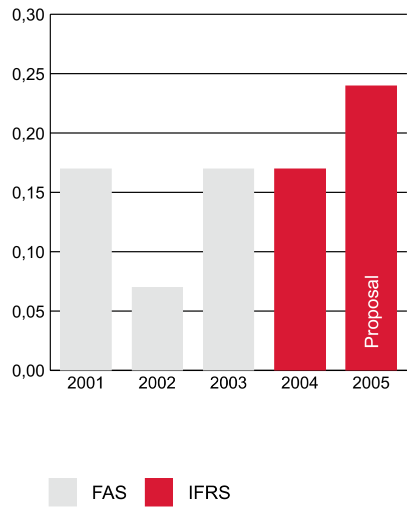
Price Development of Larox B share, 2005, EUR



Shareholder's earnings, % 2001-2005



Dividend/Share 2001-2005, EUR



Calculation of Key Figures

Return on shareholders' equity, %

Profit/loss for the period	x 100
Invested capital - average interest-bearing liabilities in the period	

Invested capital

Shareholders' equity + Interest-bearing liabilities

Return on invested capital, %

Profit before tax + financial costs	x 100
Average invested capital in the period	

Equity ratio, %

Shareholders' equity	x 100
Total assets – advances received	

Relative indebtedness, %

Total liabilities + obligatory provisions – advances received	x 100
Net sales	

Quick ratio

Cash and bank - receivables from long-term projects
Current liabilities - advances received

Current ratio

Inventories + cash and bank
Current liabilities

Earnings per share

Profit before taxes
Adjusted average number of shares during the period

Shareholders' equity per share

Shareholders' equity
Adjusted average number of shares at the end of the period

Dividend per share

Dividend distributed for the financial period
Adjusted average number of shares at the end of the period

Dividend per earnings ratio, %

Dividend per share	x 100
Earnings per share	

Dividend yield, %

Dividend per share
Adjusted trading price at the end of the period

Price per earnings ratio (P/E)

Adjusted trading price at the end of the period
Earnings per share

Average trading price

EUR amount traded during the period
Number of shares traded during the period

Market capitalization at the end of the period

Number of shares at the end of period x trading price at the end of period weighted by the number of the shares traded

Trading volume

Number of shares traded during the period in relation to the weighted average number of the shares during the period

Shareholders' earnings, %

(Trading price at the end of the period - trading price in the beginning of the period) + dividends paid in the period	x 100
Trading price in the beginning of the period	

Debt-equity ratio

Interest-bearing liabilities
Shareholders' equity


LAROX

Signatures to Board of Directors' Report and Financial Statements

Lappeenranta 15 February 2006

Timo Vartiainen
Chairman of the Board

Katariina Aaltonen

Teppo Taberman

Thomas Franck

Matti Ruotsala

Toivo Matti Karppanen
President

Auditor's Report

To the shareholders of Larox Corporation

We have audited the accounting records, the financial statements and the administration of Larox Corporation for the period 1.1. – 31.12.2005. The Board of Directors and the President have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include the parent company's income statement, balance sheet, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

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

Consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

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

Lappeenranta, 15 February 2006

PricewaterhouseCoopers Oy
KHT-yhteisö

Kaija Leppinen
Kaija Leppinen
Authorised Public Accountant

Kim Karhu
Authorised Public Accountant

Corporate Governance

Applicable regulations

Larox Corporation is a Finnish public limited company which follows the Finnish Companies' Act in decision-making and administration, other compulsory legislation and regulations that are applicable to publicly-quoted companies and the articles of association of Larox Corporation.

In addition, Larox Corporation follows the corporate governance recommendations given to listed companies in December 2003.

Annual general meeting of shareholders

The highest decision-making power in Larox Corporation belongs to shareholders at the annual general meeting of shareholders as convened by the board of directors.

In general, the annual general meeting of shareholders handles matters that the board has proposed to the meeting. The Finnish Companies' Act allows shareholders to present the board with written requests to handle particular matters at the next annual general meeting of shareholders.

An invitation to the annual general meeting of shareholders is published in Finnish national newspapers. The invitation provides shareholders with sufficient information about matters to be handled at the meeting.

The most important matters that can be decided on by the annual general meeting of shareholders are:

- amendments to the company's articles of association
- an increase or decrease in share capital
- decisions on discharging the liability of board members and the company president
- decisions on the number of board members, their election, and fees payable
- approval of the closing of the accounts
- distribution of profits
- the election and remuneration of auditors

Minutes of the annual general meeting are made available to shareholders two weeks after the meeting. Resolutions passed by the annual general meeting of shareholders are published in a stock exchange release on the day that the meeting takes place.

A majority of the board members and the company president shall participate in the meeting. Individuals who are candidates for board membership for the first time shall also participate in the annual general meeting of shareholders.

Board of directors

The Larox Corporation board of directors is responsible for supervising the company's administration, operations, bookkeeping and financing. The board always handles and makes decisions on the most important matters related to Group financing and business operations.

The board of directors has an annual schedule of meetings, the agenda for each meeting varies in accordance with need.

Matters handled by the board of directors include:

- decisions on Group strategy and confirmation of the strategies for each business
- decisions on Group structure and organization
- the handling and approval of interim reports, closing of accounts and the annual report
- approval of the Group's operational plan, budget plan, and investment plan
- decisions on strategically - or financially - important individual investments, acquisitions or sales of companies or similar arrangements and their contingent liabilities
- approval of the Group's risk-management and reporting system
- approval of the Group's insurance policy
- approval of the Group's financial policy
- decisions on compensation and incentive systems for Group management
- defining dividend policy and responsibility for shareholder value
- appointment of the company president and decision on the compensation he receives
- appointment of a deputy to the company president
- confirmation of the Larox values
- responsibility for other duties assigned to the board of directors in the Finnish Companies' Act or elsewhere

Board meetings and members

The chairman of the board of directors is responsible for convening and handling each board meeting. Meeting dates are agreed in advance and the meeting charter consists of at least the following: closing of the accounts, 3-month interim reports, company strategy and annual budgets. One of the board members act as meeting secretary.

Minutes are prepared, commented and then approved at the next meeting of the board of directors.

In a voting situation, the decision of the board of directors is the proposal favoured by a majority of board members, or, if the vote on a proposal results in a tie, the proposal favoured by the chairman. When electing individuals, tied votes are decided by the casting of lots.

The board of directors carries out an internal audit of its operations once a year.

The Larox Corporation articles of association specify that the board of directors must have between three and six members. The term of office served by each board member is one year, with the period of service starting following the meeting of shareholders at which their election took place, and terminating after the subsequent annual general meeting of shareholders. The annual general meeting of shareholders elects all members of the board of directors. The articles of association set no upper age limit for board members, and do not limit either the number of terms of office that may be served or the decision power of the annual general meeting of shareholders in connection with the election of board members. The board elects a Chairman from among the board members.

The names of candidates for membership of the board are published in the invitation to the annual meeting of shareholders or, if they become candidates after the invitation has been sent, by other means prior to the annual general meeting of shareholders, provided that the candidate has given his/her written consent and that shareholders who own a minimum of ten per cent (10%) of the total number of votes entitled by the company's shares are in favour of his/her election. Board members shall have the required qualifications and the ability to devote adequate time to their duties.

The annual general meeting of shareholders held on 17 March 2005 elected five (5) members to the board. These members' term of office began on 17 March 2005 and will terminate after the 2006 annual general meeting of shareholders. The following were elected to the board: Mr Timo Vartiainen, Mrs Katariina Aaltonen, Mr Teppo Taberman, Mr Thomas Franck and Mr Matti Ruotsala. Mr Timo Vartiainen was elected to the position of Chairman of the board at the organizational meeting.

In 2005, the board of directors held nine (9) meetings. At two meetings four members were present, in all the other meetings all board members were present. The company president participated in all board meetings.

The right of board members to receive information and their obligation to provide information

The company president, or someone from Group management or other Larox function so authorized by the company president, presents matters to the board of directors. According to the board's directives, the company president is responsible for providing the board with information sufficient to allow them to evaluate Group operations and the Group's financial situation, implements the board's decisions and reports to the board any defects or shortcomings in such implementation.

Group management monitors the realization of financial targets through a reporting system that covers the entire Larox Group. Reports include results achieved, plans and current forecasts for the year in question. These reports are also at the board's disposal. The board has not assigned any key business areas to board members for specific follow-up. Board members are obliged to provide the board with adequate information on their individual qualifications and their independence.

Independence of board members and information to be published concerning board members

The board's duty is to promote the interests of the company and its shareholders. Board members do not represent the parties who proposed their election. To avoid conflicts of interest, board members cannot participate in the handling of matters that concern a board member and the company.

Board members Mrs Katariina Aaltonen and Mr Timo Vartiainen are the Larox Group's main shareholders. Mr Teppo Taberman, Mr Matti Ruotsala and Mr Thomas Franck have no interdependency with the company. More information on the board and their Larox holdings can be found in the Annual Report, page 72, and Larox Group website www.larox.com/investors.

The board has no specific committees.

Board fees and other benefits

The annual general meeting of shareholders decides on compensation payable to the board and other basic rules as regards compensation for costs incurred. Board members have not received options or shares in the Larox Group as a form of compensation. The annual general meeting of shareholders has not approved an incentive system with share-related rights for board members.

Compensation paid to the members of the Larox board of directors totalled EUR 132 750 in 2005.

The annual general meeting of shareholders on 17 March 2005 decided on the following monthly and meeting fees for the board members for 2005: Chairman: EUR 7 000 per month, Board members: EUR 1 250 per month. No separate meeting fees are paid.

Board members are also entitled to daily allowances and compensation for incurred travel costs in accordance with the Larox Group travel policy. The company president is not paid monthly or meeting fees for his work as a board member in Larox Group subsidiaries.

Company president

Larox Corporation has a company president. His duties are to manage the company's operations in accordance with the board's instructions and advice; and to inform the board about development of the company's business and its financial situation. He is also responsible for arranging the everyday administration of the company's affairs and for monitoring to ensure that financing for the company has been arranged in a reliable manner.

In the majority of cases the company president presents matters to the board. In some situations, a member of the Group management team, with the company president's authorization, may present a particular or draft resolution to the board.

The board appoints the company president and his deputy. The terms of the company president's employment contract have been specified in writing and have been approved by the board. Terms of employment for the of deputy to the company president have also been approved in writing. The terms of office of the company president and his deputy are not fixed, they are appointed to the positions until further notice. The company president is not a member of the Larox board.

Group management team, management

The Larox Corporation management team is also the Larox Group management team. The company president is the chairman of this team and members of the team are vice presidents responsible for global functions e.g. Group finances and administration, Human Resources and IT, Sales, Project business areas, After Sales Service business area, Production, Product design, Procurement, Materials Management and Logistics.

The Group management team does not have operational power based on law or on the company's articles of association. The Group management team is a support function whose purpose is to assist the company president in management of the Larox business. The Group management team participates in preparation of matters to be handled at Board meetings. The Group management team meets as and when necessary, but at least once a month (excluding the month of July). The Group management team has an annual schedule and agenda, which is modified as required. The company president's primary assistant at Group management meetings is the meeting secretary. The minutes of each monthly meeting are prepared, commented and approved at the subsequent meeting.

Board members of the Larox Group's most important subsidiary companies are elected from among Larox Group executives. In most cases, the company president is chairman of the most-important Larox subsidiaries.

The Group management team and their Larox holdings can be found on the Larox Group website www.larox.com/investors.

Compensation paid to the company president and other members of the company management team

In 2005, Mr Toivo Matti Karppanen, company president, received a total of EUR 206 749 in wages, bonuses and benefits in kind and EUR 114 400 from share issue directed to top management.

The retirement age and retirement pension age for the company president is 60 years and full pension amounts to 60% of salary. (Finnish pension is defined on the basis of a so-called retirement salary, which is affected by an employee's salary, bonuses, and benefits in kind during the entire period of employment, excluding income realised from options enjoyed by virtue of employment). The term of notice for the company president is 12 months. In addition to the salary paid during the period of notice, compensation amounting to six months salary is also paid.

The company president and chairman of the Larox board decide on the salary benefits paid to members of the Larox Group management team. The board approves all incentive systems for Larox Group personnel, key persons and top management. The retirement age for management team members is between 60 and 65 years.

Larox has two incentive systems. The annual level incentive system is for the years 2003-2005. The board confirms the targets and validity periods separately for each year. The annual level incentive system covers the whole personnel and the maximum annual incentive is 0-18 % from the person's annual salary.

The long-term commitment incentive system is for top management and key persons for the years 2004-2006. Approximately 20 Larox Group managers or key persons fall within the scope of this system. The maximum amounts payable under this incentive system, to be paid after closing of the Larox Group accounts for 2006, vary on the basis of results achieved and duties performed and may amount to 24 months salary. The criterion applied is cumulative operational profit and return on invested capital compared to corresponding companies.

Directed share issue to Larox Group top management. The annual general meeting of shareholders on 17 March 2004 made a decision concerning a directed share issue for the company's top management. In connection with the transfer of shares, the directed share issue, which involves 210,000 Larox B shares, includes limit periods that vary between 1 December 2006 and 1 December 2008. More detailed information on the directed share issue can be found in a stock exchange release dated 17 March 2004 and on the subscribed shares in stock exchange releases dated 18 Febuary 2005 and 21 December 2005.

Controlling of risks

The Group's risks can be classified as risks related to business operations and finances. The business operational risks related to sales, quotations activities, testing, deliveries, production as well as after sales operations are controlled by internal instructions and the quality system valid in the entire Group.

The Group has insured its operations sufficiently e.g. liability insurance covers the whole Group. Furthermore, the Group has property and consequential loss insurances.

The controlling of risks has been made more efficient by improving the internal control. The company outsourced internal auditing at the beginning of 2005.

The risks related to financing are mainly those resulting from foreign currency cash flows. The Group covers these risks through forward contracts and other foreign currency protection mechanisms, carried out following the foreign currency policy confirmed by the board of directors.

Internal audit

Internal audit is responsible for controlling the company's operation and producing additional value to the board and management. Internal audit is an independent function and concentrates on the following areas:

- Guaranteeing the company's efficiency and result making capability as well as the reliability and sufficiency of reporting.
- Controlling the observance of the Group's operational instructions. Guaranteeing the functionality of the risk management.
- Internal audit reports to Larox Corporation board. The company president and chief financial officer coordinate the implementation of the internal audit. The company outsourced internal auditing in 2005.

Internal audit reports to Larox Corporation board. The company president and chief financial officer coordinate the implementation of the internal audit. The company outsourced internal auditing in 2005.

Insider administration and insiders

Based on the Finnish Companies' Act, insiders subject to the disclosure requirement are members of the Board of Directors of Larox, President of Larox and his deputy as well as Larox's auditors, deputy auditors and employee of an audit organization, who has main responsibility for auditing Larox; as well as a person included in the other senior management of Larox who obtains inside information regularly and who has a right to make decisions concerning Larox's future development and business arrangements.

A permanent company-specific insider is a person employed by Larox or a person working for Larox based on a contract who, by virtue of his/her position or duties, obtains inside information regularly and whom Larox has defined separately to be a permanent company-specific insider.

A project-specific insider is a person who, by virtue of an employment contract or other contract, works for Larox and obtains inside information, or a person whom the company has temporarily registered in a project-specific register.

An insider subject to the disclosure requirement and a company-specific insider are both permanent insiders.

The latest updated information on insiders subject to the disclosure requirement and their holdings can be found in the The Finnish Central Securities Depository (street address Urho Kekkosen katu 5 C, 00101 HELSINKI). The same information can be found in The Finnish Central Securities Depository's NeTSire system, which has a link to the Larox website www.larox.com.

All insiders have received an insider's guide and have been requested to study the regulations regarding insiders published on the Helsinki Stock Exchange website (www.omhex.com). Once a year, the assistant to the company president sends permanent insiders a letter to remind them of their duty to notify possible changes in insider information. A list of insiders' holdings and a form with instructions from the Finnish Securities Register is attached. Company permanent insiders are not permitted to trade in Larox Group shares for 21 days prior to the publication of either the Larox Group's end-of-year result or interim reports. Insider holdings can be found on the Larox website www.larox.com/investors.

Audit

The Larox Corporation's auditors have an important role as a controlling body appointed by shareholders. The main duty of the audit, based on law, is to verify that the consolidated financial statements are correct and provide sufficient information on result and financial position for the past fiscal year. (The Larox Corporation fiscal year is a calendar year.)

The auditor's duty is to make sure that the company's accounting and financial statements for the fiscal year have been prepared correctly, and to provide an auditors' report to the annual general meeting of shareholders. In addition, based on Finnish law, the auditor also verifies that administration of the company complies with the law and applicable regulations. The auditor reports to the company's board at least once in each 12-month period.

Based on the Larox Corporation articles of association, the company employs the services of a minimum of two auditors and their deputies. The annual meeting of shareholders elects these officers until further notice and until a new auditor or deputy has been elected to replace them. Auditors must be persons or an audit society approved by Finland's Central Chamber of Commerce.

Invitations to the annual general meeting of shareholders in Larox Corporation include information on auditor candidates.

The Larox Corporation annual general meeting of shareholders on 17 March 2005 elected the following main auditors: APA Kim Karhu and auditing society PricewaterhouseCoopers Oy with primary responsibility APA Kaija Leppinen. APA Henrik Sormunen and Jarmo Alén were elected deputy auditors.

Fees paid to auditors:

Authorized public accountants Pricewaterhouse-Coopers:	**2005**	**2004**
Auditing fees	149 226	127 057
Other consulting fees	44 456	181 504
	193 682	308 561
Other authorized public accountants:		
Auditing fees	24 393	49 598
Other consulting fees	31 249	14 773
	55 642	64 371

Partner contracts

The company has no information on any valid partner contract.

Communications and disclosure

The board of Larox Corporation is responsible for updating the terms of corporate governance. Details of corporate governance can be found at www.larox.com/investors. The purpose of Larox stakeholder communications is to provide the market with correct and up-to-date information as a basis for share price formation.

In its stakeholder communications policy, Larox Corporation follows the principle of impartiality and publishes all stakeholder information in Finnish and English on the Larox Corporation website www.larox.com/investors. Larox also publishes a printed annual report in Finnish and English.

Stock exchange releases concerning closing of the Larox Corporation's accounts and three interim reports are published each year. The company also maintains a mailing list for the sending of annual reports to persons or organisations who are not shareholders.

Larox arranges press conferences for analysts and the media in connection with important events at which financial results and other news items are made public. Requests submitted by analysts or investors are answered either by phone or email, or by arranging investor road shows.

Contact information of the persons responsible for investor relations at Larox Corporation can be found on the website www.larox.com/investors. ■

Board of Directors and Group Management Team 31 Dec, 2005

From left:

Mr Teppo Taberman (born 1944)

- Independent Member of the Larox Corporation Board of Directors since 1995
- M.Sc. (Econ)
- Member of the Larox Corporation Board of Directors and Economical Adviser since 1995-
- Work history: 20 years in banking business, including Deputy Chief Executive Officer in two different Banks.
- Also member of the board in the following companies: Oy Ingman Group Ab, Lemminkäinen Oy, Paloheimo Oy, Perlos Oyj, Oy Rettig Ab and SKS-Tekniikka Oy.

Mr Timo Vartiainen (born 1955)

- Not independent Member of the Larox Corporation Board of Directors since 1977
- B.Sc. (Mech)
- Chairman of the Board since 2000
- Work history: Employed by Larox since 1983, President of Larox Corporation from 1990 to 2000
- Board member: Larox Flowsys Oy, Capillary Oy

Mr Matti Ruotsala (born 1956)

- Independent member of the Larox Corporation Board of Directors.
- M.Sc. (Eng.)
- Vice President AGCO Corporation and Managing Director Valtra Oy Ab.
- Work history: 2001-2004 Chief Operating Officer and Deputy to CEO, before that Technical Director and Commercial Director, KCI Konecranes Plc. From 1991 to 1994 Area Director Asia Pacific of Kone OY's Crane Business.
- Experience in international business for over 20 years.
- Board member: no other board memberships

Mrs Katariina Aaltonen (born 1959)

- Not independent Member of the Larox Corporation Board of Directors since 1988
- M.Sc. (Econ), CEFA
- Member of the Larox Corporation Board of Directors, Managing Director of Capillary Oy
- Work history: Employed by Larox since 1984 with various areas of responsibility, Chief Financial Officer at Larox 1990-1998
- Board member: Larox Flowsys Oy, Capillary Oy

Mr Thomas Franck (born 1950)

- Independent member of the Larox Corporation Board of Directors
- M.Sc. (Eng.)
- Vice President, Group Business Development Oy Rettig Ab, and Deputy Chief Executive Officer, Rettig ICC bv
- Work history: International experience in production and marketing through Neste-Borealis-Fortum-Rettig
- Special know-how: acquisitions of companies, integration processes, realization of synergy benefits
- Board member: Novalux Oy

From left:

■ **Mr Jukka Koskela (born 1962)**
- M.Sc. (Mech)
- Vice President, Engineering & Production
- Member of the Management Team since 2004
- Employed by Larox since 1987

■ **Mr Matti Julku (born 1957)**
- M.Sc. (Econ)
- Vice President, Deputy of President
- Member of the Management Team since 1998
- Employed by Larox since 1998

■ **Mr Pentti Köylijärvi (born 1957)**
- M.Sc. (Engineering)
- Vice President, Solid/Liquid Separation Business and Products
- Member of the Management Team since 2000
- Employed by Larox since 1994

■ **Mr Toivo Matti Karppanen (born 1956)**
- M.Sc. (Tech)
- President of Larox Corporation since 2000
- Member of the Board from 1995 to 1997
- Employed by Larox since 1991

■ **Mr Louis Manie (born 1958)**
- M.Sc. (Chem. Eng.)
- Vice President, Sales
- Member of the Management Team since 2005
- Employed by Larox since 2004

■ **Mrs Minna-Riitta Peippo (born 1966)**
- M.Sc. (Tech.)
- Vice President, HR, Quality and ICT
- Member of the Management Team since 2003
- Employed by Larox since 1997

■ **Mr Jori Halkola (born 1965)**
- M.Sc. (Econ.)
- Chief Financial Officer
- Member of the Management Team since 2002
- Employed by Larox since 1998

■ **Mr Kari Suninen (born 1963)**
- M.Sc. (Industrial Engineering & Management)
- Vice President, Supply Chain Management
- Member of the Management Team since 1999
- Employed by Larox since 1996

Missing from the picture:

■ **Mr Juhana Ylikojola (1961)**
- M.Sc. (Engineering)
- Vice President, Service
- Member of the Management Team since 1999
- Employed by Larox since 1997

Larox Network

PARENT COMPANY

Larox Corporation, Main Office
P.O. Box 29
53101 Lappeenranta
Street address: Tukkikatu 1
53900 Lappeenranta
Finland
Tel +358 (5) 668 811
Fax +358 (5) 668 8277
info@larox.com
or firstname.lastname@larox.com
Internet www.larox.com

Larox Corporation, Espoo Office
Sinikalliontie 18 B
02630 Espoo
Finland
Tel +358 (5) 668 811
Fax +358 (9) 348 72770
info@larox.com

LAROX SUBSIDIARIES AND SALES OFFICES

Australia
Larox Pty. Ltd.
Unit 1/28 Smith Street
2067 Chatswood NSW
Tel +61 (2) 9910 6400
Fax +61 (2) 9910 6411
jaska.helsto@larox.com.au

Larox Pty. Ltd. W.A. Office
Unit 1, 181 Main Street
6017 Osborne Park WA
Tel +61 (8) 9207 1966
Fax +61 (8) 9207 1988
geoff.foster@larox.com.au

Larox Pty Ltd., Northern Territories and Queensland
4 Michelm Drive,
Currumbin
4223 QLD
Tel +61 (7) 5559 5339

Larox Pty Ltd., South Australia, Tasmania and Victoria
P.O.Box 1077
Upwey
3158 Victoria
Tel +61 (3) 9758 4417
Fax +61 (3) 9758 5643
Cell +61 (418) 351 653
john.durie@larox.com.au

Brazil
Larox – Tecnologia de Separacao de Liquidos e Sólidos Ltda
Av. Luiz Paulo Franco no 457, conj. 1003 salas 1003 …1008
Bairro Belvedere - Belo Horizonte
CEP 30320-570 Minas Gerais
Cell +56 (9) 499 1881
jorma.nuutinen@larox.com

Canada
Larox Inc.
8280 Stayton Drive
Suite M
Jessup, MD 20794
Tel +1 (905) 949 1892
Fax +1 (905) 949 1893
paul.deladurantaye@larox.com

Chile
Larox Chile S.A.
Ricardo Lyon 222,
Office No 1702
17th FL. "Edificio Paris"
Providencia - Santiago
Tel +56 (2) 434 0760
Fax +56 (2) 434 0704
chile@larox.cl

Larox Chile S.A., Antofagasta
Julio Pistelli 738
Antofagasta
Tel +56 (55) 247 531
Fax +56 (55) 247 531
sixto.monje@larox.cl

France
Larox Corporation
112, rue de la Gare
62161 Maroeuil
Tel +33 (3) 2150 2030
Fax +33 (3) 2150 2450
daniel.damart@larox.com

Germany
Larox Hoesch GmbH
Eschweilerstr. 101-109
52477 Alsdorf
Tel +49 (2404) 670 80
Fax +49 (2404) 670 8200
infoDE@larox.com

Great Britain
33 McConnell Road
PA12 4EB Lochwinnoch
Renfrewshire
Tel +31 (30) 2482 450
Fax +31 (30) 2482 451
paul.cooper@larox.com

Mexico
Filtros Larox Mexico S.A. de C.V.
Av. Contreras 246-102
Col. San Jeronimo Lidice
C.P. 10200 Mexico D.F.
Tel +52 (55) 568 14686
Fax +52 (55) 568 15895
alberto.liceaga@larox.com

The Netherlands
Larox Pannevis B.V.
Elektronweg 24
3542 AC Utrecht
Tel +31 (30) 248 2411
Fax +31 (30) 248 2402
info@larox.com

Peru
Larox Sucursal Peru
Calle Pablo Usandizaga 243
Urb. Las Magnolias-San Borja
Lima 41
Tel +51 (1) 224 7055
Fax +51 (1) 224 7054
fernando.henriquez@larox.com.pe

Poland
Larox Poland Ltd.
ul. Graniczna 29
40-956 Katowice
Tel +48 (32) 256 2305
Fax +48 (32) 256 5871
boguslaw.lubieniecki@larox.com

South Africa
Larox S A (Proprietary) Limited
Unit 12, Alphen Square North
Corner 16th & George Streets,
Midrand, 1685 Halfway House
Tel +27 (11) 314 1746
Fax +27 (11) 314 3173/3141
patrick.jay@larox.com

United States
Larox Inc.
8280 Stayton Drive
Suite M
Jessup, MD 20794
Tel +1 (301) 543 1200
Fax +1 (301) 543 0002
kevin.schraden@larox.com

Zambia
Larox Central Africa Limited
775 Lukasu Drive
Parklands, Kitwe
Tel +260 (2) 230 982
Fax +260 (2) 232 237
laroxcentralafrica@microlink.zm

ASSOCIATED COMPANY

(Larox Valves and Pumps)
Larox Flowsys Oy
Marssitie 1
53600 Lappeenranta
Finland
Tel +358 201 113 311
Fax +358 201 113 300
info@larox.fi
Internet www.larox.fi

United States
Larox Flowsys Inc.
808 Barkwood Court
Suite N
Linthicum, MD 21090
Tel +1 (410) 636 2250
todd.loudin@larox.us
(Owner Larox Flowsys Oy)

LAROX REPRESENTATIVES

Argentina
Alberto Hosking
Tel +54 (11) 4735 7679
Fax +54 (11) 4735 7679
albertohosking@ciudad.com.ar

Belgium
Contact Larox Pannevis B.V.,
the Netherlands

Bulgaria
Finninvest Ltd.
Tel +359 (88) 306 053
Fax +359 (56) 842 165
fininv@bs.spnet.net

People´s Republic of China
Shanghai Filterox Industrial
Equipment Co., Ltd.
Tel +86 21 6290 8791
Fax +86 21 6290 9923
sunlin@filterox.com

Colombia
Representaciones
Arbelaez Jaramillo S.A.
Tel +57 (4) 3510 611
Fax +57 (4) 3510 174
arjar@arjar.com.co

Denmark
Aage Christensen A/S
Tel +45 3644 2444
Fax +45 3644 2024
JR@aagechristensen.dk

Egypt
IS PIZA
Tel +202 (39) 20 527
Fax +202 (39) 19 425
piza@piza-is.com

France
Feucht S.A.
Tel +33 (1) 3962 3587
Fax +33 (1) 3912 0558
feucht@wanadoo.fr

India
Veera Engineers Pvt. Ltd.
Tel +91 (22) 2422 2548
Fax +91 (22) 2422 3313
veeraengineers@vsnl.net

Blue Star Limited
Tel +91 (22) 5666 4000
Fax +91 (22) 5666 4001
shriniwasdighe@bluestarindia.com

Iran
Qeshm Alloy Distribution
Tel +98 (21) 831 0600
Fax +98 (21) 831 0602
iroffice@amidt.com

Israel
M.B.L. (Ltd.)
Tel +972 (3) 546 4578
Fax +972 (3) 546 4569
mblsalt@ibm.net

Italy
Faucitano s.r.l.
Tel +39 (02) 4819 4732
Fax +39 (02) 4819 4767
faucitano@tiscalinet.it

Fluidtech s.a.s.
Tel +39 0 331 516 450
Fax +39 0 331 744 649
Fluidtech@fluidtechsas.it

Ravizza & Co. Srl
Tel +39 0266 986 777
Fax +39 0266 900 35
m.ravizza@ravizza.it

Japan
Correns Corporation
Tel +81 (3) 3580 3727
Fax +81 (3) 3501 5309
sales@correns.co.jp

Kimura Chemical Plants Co.Ltd.
Tel +81 (6) 6488 2551
Fax +81 (6) 6488 8233
hiro-akt@kcpc.co.jp

Kazakstan
Akylzhan Kenzhebaev
Tel +7 (3272) 716 311
Fax +7 (3272) 716 311
ask@academset.kz

Macedonia
Vektor d.o.o.
Tel +389 (2) 307 2338
Fax +389 (2) 307 6981
vektor@halkyon.com

Norway
J.L. Bruvik A/S
Tel +47 (55) 535 150
Fax +47 (55) 193 143
terje.hovland@bruvik.no

Philippines
PETI Trading Incorporated
Tel +63 (2) 810 2543/2544
Fax +63 (2) 729 7913
ascruz@peti.com.ph

Portugal
Cirtec Ltda
Tel +351 (21) 383 3434
Fax +351 (21) 385 9602
cirtec@mail.telepac.pt

Romania
Hollar Impex S.R.L.
Tel +40 (262) 219 526
Fax +40 (262) 219 526
hollar.office@rdslink.ro

Russian Federation
Sergey N. Rogov
Tel +7 (495) 916 3909
Fax +7 (495) 795 3040
larox.rogov@mtu-net.ru

Slovenia
Neoplanta
Tel +368 3 4921 450
Fax +368 3 4921 451
zelenovic.v@siol.net

South Korea
J-Chem Corporation
Tel +82 (2) 749-0715
Fax +82 (2) 792-0540
jchemco@kornet.net

Joung Won Enterprise Inc.
Tel +82 (2) 431 6322
Fax +82 (2) 431 4966
jwechung@kornet.net

Seyoung Co.
Tel +82 (2) 2648 6740
Fax +82 (2) 2648 6742
swseoul@nuri.net

Spain
Adecor Consulting SL
Tel +34 (91) 662 2923
Fax +34 (91) 662 2931
hvainio@adecorcons.com

Sweden
Minrox AB
Tel +46 (8) 795 5945
Fax +46 (8) 795 6610
aw@minrox.se

Taiwan
Taiwan Benefit Company
Tel + 886 (2) 2391 3212
Fax + 886 (2) 2322 4470

Thailand
Cannew International Trading Co.
Ltd.
Tel +66 (2) 750 4579
Fax +66 (2) 750 7568
sales@cannew.com

Turkey
Fesa Filtre Ltd. Sti
Tel +90 (312) 481 8202
Fax +90 (312) 481 8232
Fevzi Durunesil
Cell +90 (533) 654 5927
fesafiltre@ttnet.net.tr

Ukraine
Trade House Jugo-Vostok ZAO
Tel +380 (56) 233 3335
Fax +380 (56) 370 9325
nasosdp@ua.fm

United Arab Emirates
Alloy Trading L.L.C.
Tel +971 (4) 295 4525
Fax +971 (4) 295 4515
alloytdg@emirates.net.ae

United States
Davidson Sales & Engineering
Tel +1 801 977 9200
Fax +1 801 977 9300
brad_walton@dseslc.com

Venezuela
Asimeca s.a.
Tel +58 (251) 2612 684
Fax +58 (251) 2612 141
asimeca@cantv.net

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