PERLOS
SOLUTIONS TO CHALLENGES

ANNUAL REPORT | 2005

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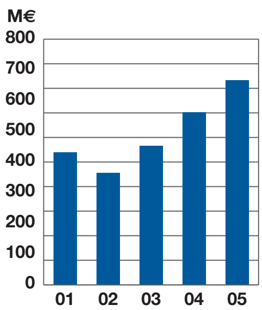
Year 2005 in Brief

NET SALES



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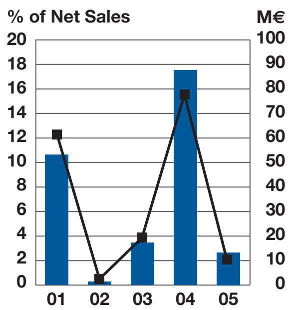

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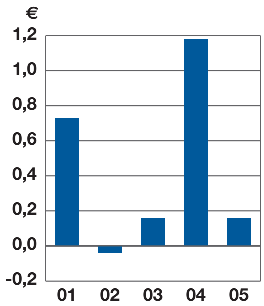

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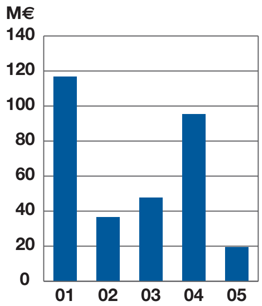
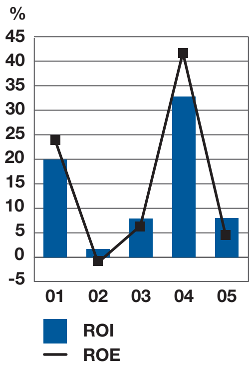
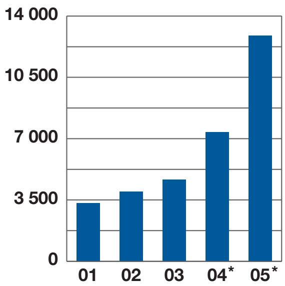


RETURN ON INVESTMENT AND RETURN ON EQUITY



PERSONNEL AT THE END OF THE PERIOD



* incl. temporary workers

2005 was a two-folded year for Perlos. Very early in the year, it became evident that the first half would be sedate, with both net sales and earnings focusing on the latter half.

In the first part of the year, Perlos prepared for the manufacture of new products by investing in new capacity and bolstering personnel strength. Many new phone models went into production in the summer and net sales swung to buoyant growth in late summer. Profitability improved in the latter part of the year thanks to better capacity utilisation ratio and higher operational efficiency.

For numerous years now, we have aimed to increase our net sales in step with the unit growth of the mobile phone market, and this objective was achieved also in 2005. The company posted full-year net sales of EUR 666.8 million.

In the case of profitability, we have set return on investment (ROI) of 20% as our long-term goal. We did not reach this goal in 2005, due low capacity utilisation ratio in the first part of the year, severe price competition, non-recurring write-downs, and the losses of the Fort Worth plant. The return on investment (ROI) for 2005 was 8%.

LONG-TERM FINANCIAL GOALS

- the objective is to increase net sales at least in line with the unit growth of the mobile phone market
- the target for return on investment (ROI) is 20%
- the goal is to post positive cash flow after investments

Perlos Basics

SERVICES

- Mechanical product design
- Design and manufacture of injection moulds and metal stamping tools
- Design and manufacture of assembly lines
- Manufacture of mechanical and electro-mechanical components
- Mechanical and electro-mechanical assembly of products
- Logistics

CUSTOMERS

The world's leading telecommunications, electronics and healthcare companies, such as Nokia, SonyEricsson, BenQ Mobile, NEC, Huawei, Polar Electro, Sanofi-Aventis and AstraZeneca.

MISSION

We support our customers by providing flexible, top-notch product design, manufacturing and logistics services worldwide.

VISION

We intend to be the world's leading integrator of mechanics and electronics.

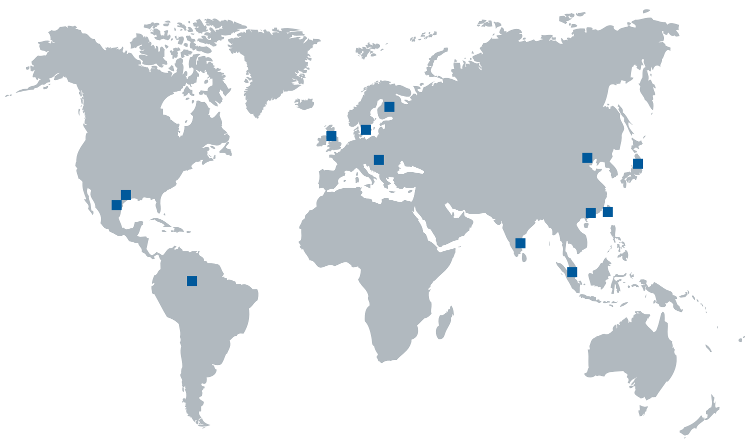
STRATEGY

Perlos aims to achieve its vision by securing its competitiveness in six strategic focus areas:

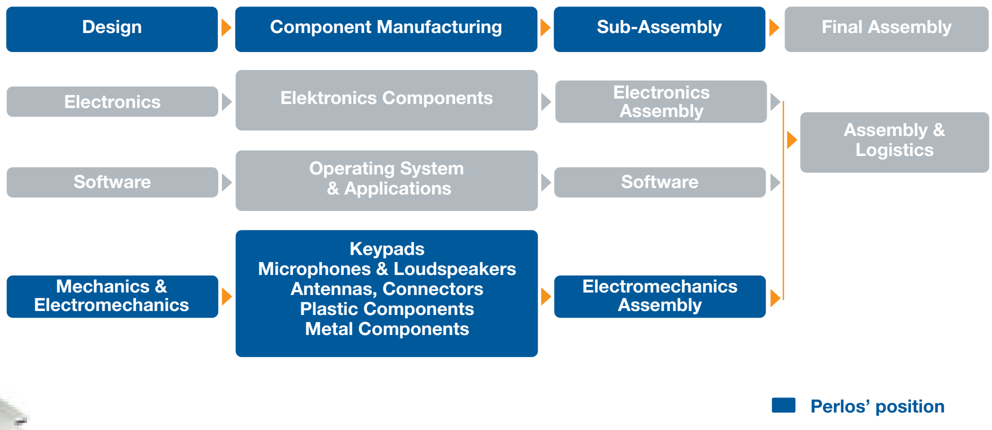
- Industry and Customer Coverage
- Technology Differentiation
- Service Offering Coverage
- Global Footprint and Size
- Operational Efficiency
- Flexibility and Agility

MARKET POSITION

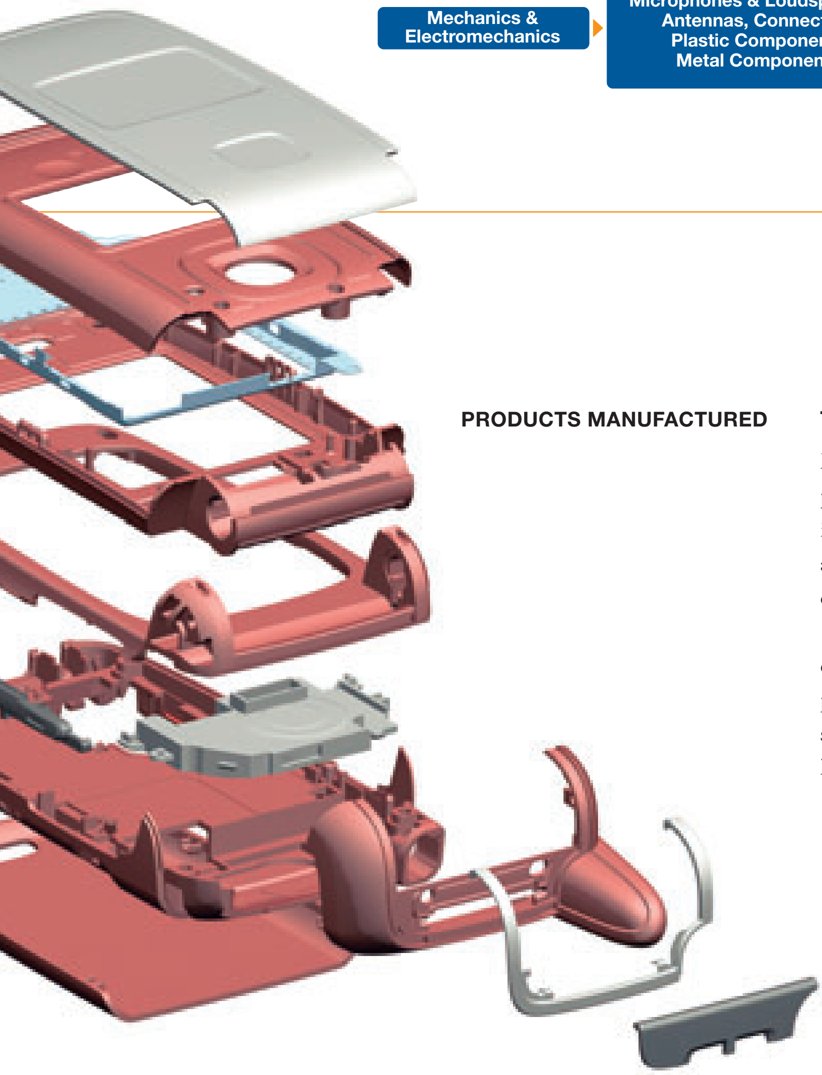
Perlos is the world's largest supplier of mechanics for the telecommunications industry. Within the healthcare industry, Perlos is one of the global leaders in the manufacture of dry powder inhalers.



PERLOS' POSITION IN HANDSET MANUFACTURING VALUE CHAIN



>><< **Perlos also designs and manufactures the injection moulds, metal stamping tools and assembly lines utilised in production for all customer groups.**



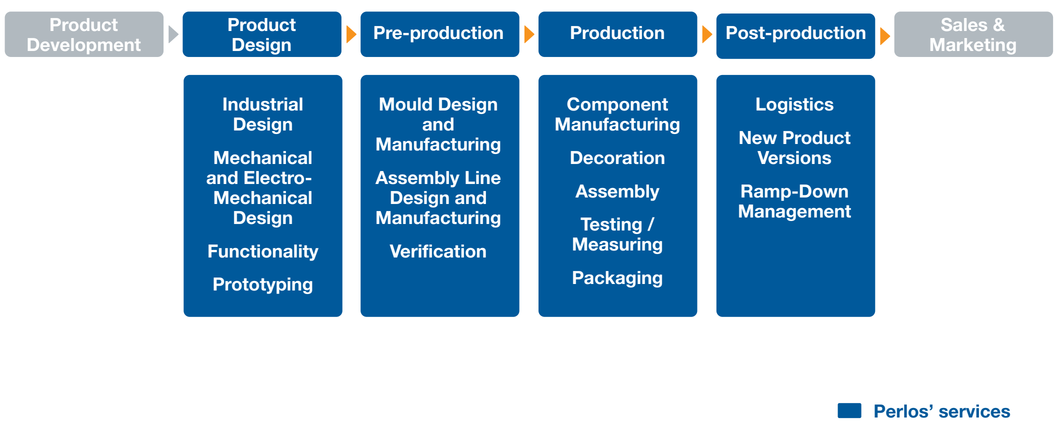
PRODUCTS MANUFACTURED

Telecommunications and Electronics Customers

Mechanical and electro-mechanical modules for mobile phones, their decoration and assembly. Product examples include mobile phone covers made from plastic and metal as well as the internal structures, connectors and antennas of phones.

Perlos supplies device subassemblies incorporating components manufactured by the company itself and components sourced from other suppliers. Examples of outsourced components include microphones, speakers and keypads.

PERLOS' SERVICES



>><< Perlos' service offering covers the whole product life cycle from industrial design to manufacturing, logistics and new product versions. We also participate in our customers' product development processes.

Healthcare Customers

The main products are drug delivery devices, small equipment used in healthcare and personal care as well as drug packaging.

Other Customers

For other customers, Perlos manufactures components used in e.g. accelerometers and heart rate monitors.

A Two-Folded Year

2005 was a two-folded year for Perlos. Very early in the year, it became evident that the first half would be sedate, with both net sales and earnings focusing on the latter half.

In the first part of the year, we prepared for the manufacture of new products by investing in new capacity and bolstering our personnel strength. Many new phone models went into production in the summer and net sales swung to buoyant growth in late summer. Profitability improved in the latter part of the year thanks to better capacity utilisation ratio and higher operational efficiency.

SWEEPING STRUCTURAL CHANGES IN THE TELECOMMUNICATIONS INDUSTRY

In the spring, it became clear that the structural changes in our main field of business, the telecommunications industry, had got under way faster than anticipated. Demand for our services declined in Finland, whereas greater capacity was required fast in the growing markets of Asia.

Perlos has responded to this by investing in the growing markets of China and Central America and by downscaling production in Finland. Looking back, we made these tough choices and investments at the right time. A major shift in the distribution of net sales took place in the third quarter. For the first time, less than half of net sales were generated in Europe, even though the European figure was on a par with 2004. Growth was achieved in Asia and both North and South America.

NET SALES TARGET ACHIEVED

The company posted full-year net sales of EUR 666.8 million. Net sales were up 19% on the previous year. For numerous years now, we have aimed to increase our net sales in line with the volume growth of the mobile phone market, and this target was achieved also in 2005.

In the case of profitability, we have set a 20% return on investment (ROI) as our long-term goal. We did not reach this goal in 2005, mainly due to weak profitability in the first part of the year, severe price competition, non-recurring write-downs and the loss-making operations of the Texas plant during the last quarter of the year. Return on investment (ROI) for 2005 was 8%.

PERLOS CONTINUES TO RATIONALISE ITS OPERATIONS IN 2006

It has become evident in the beginning of this year that the demand for our services has permanently shifted to lower cost countries and near the fastest growing markets in Asia, Central Europe and Central America. There is a permanent over capacity in high-cost countries, the USA and Finland, and operations in these countries are in the red.

Perlos must continue to adapt its operations to match demand. In Finland, a rationalisation programme was kicked off in February with a view to achieving annual savings of about EUR 25 million as from the beginning of 2007. In the USA, we started preparations to wind down operations in Texas and transfer production to the Reynosa plant in Mexico.

In line with the demand, Perlos will increase its capacity in growing markets. A decision was made in February to establish a new plant in Chennai, India.

STRONG MARKET POSITION

Perlos has a good market position. At present, the company is the world's largest supplier of mechanics to the telecommunications industry and, in its own area, one of the leading subcontractors to the healthcare industry. Our key customers are market leaders who demand cost-competitiveness, flexibility, reliable deliveries and quality from their partners.

What most sets Perlos apart from its competitors is the company's customer-oriented approach. Perlos is a truly global company that can carry out the mechanical design and manufacture of its customers' products on three continents simultaneously. Another source of strength is that our company was not created through acquisitions – rather, Perlos has grown organically to its current scale, a company that employs nearly 13,000 people. We have the same operating procedures, processes, production equipment and information systems at all of our locations.

Perlos aims to hold on to its leading position as a manufacturer of mechanics for mobile phones and as a major subcontractor to the healthcare industry, while growing into an authentic technology company that has its own industrial property rights. We will keep working hard in pursuit of this goal in the years ahead.

OUTLOOK FOR 2006

In 2006, the volume growth in the global mobile phone market is expected to amount to approximately 10%. Annual growth in the healthcare markets that are significant to Perlos is anticipated to continue at a rate of 5–6%.

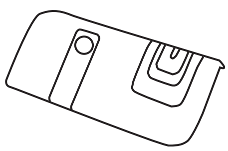
Thanks to market growth, the greater diversity of the mechanical structures of mobile phones, and the company's good market position, Perlos believes that it will achieve its long-term targets for net sales growth in 2006. Net sales in 2006 is expected to grow at least in line with the volume growth of the mobile phone market.

The comparable result exclusive of non-recurring items is expected to grow compared with the previous year. However, return on investment is forecast to fall short of the long-term target.

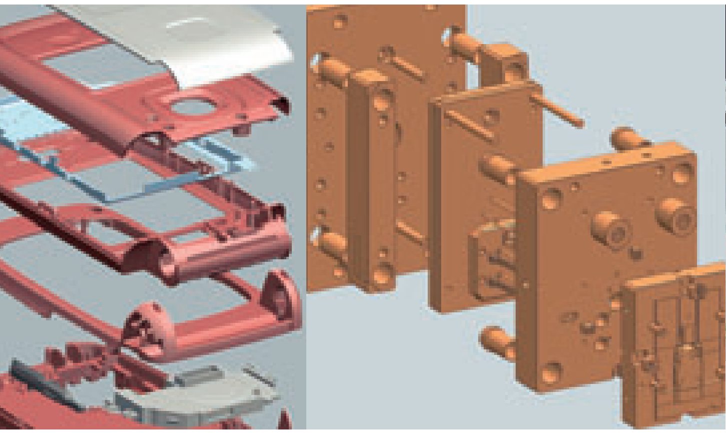
Vantaa, 7 February 2006

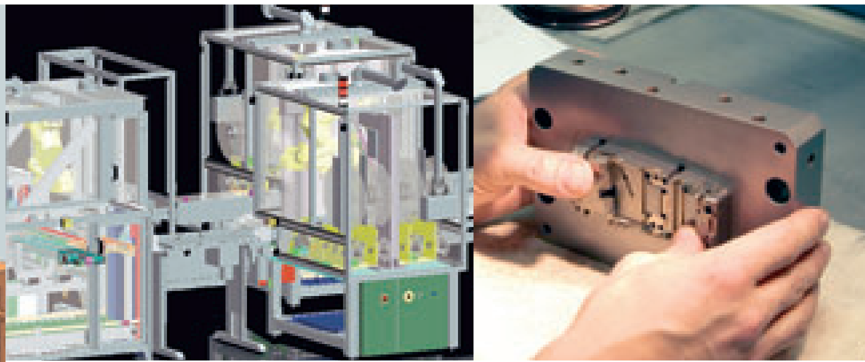
Isto Hantila
President and CEO


NOKIA



PERLOS' PAINTING EXPERTISE COVERS EXTREMELY DEMANDING, HIGHLY GLOSSY SURFACES. IN THIS PRODUCT, THE GLOSSY FINISH IS COMBINED WITH MIRRORED METAL.





>><< **Our customer projects begin with the mechanical design of the products, which is followed by the design of injection moulds and assembly lines. Careful planning optimises product manufacturability and eliminates unnecessary costs and delays.**

Structural Change in Telecommunications Business

In 2005, the net sales of the Telecommunications and Electronics customer group amounted to EUR 615.3 million, up 19% on the previous year. During 2005, increasing and reorganising production capacity and developing technology were in focus.

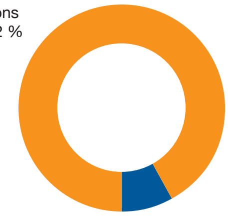
EVER MORE DIVERSE BUSINESS ENVIRONMENT

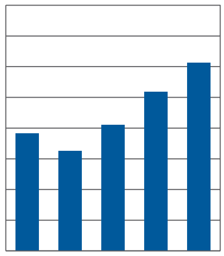
Growth in the world's mobile phone market continued vigourously in 2005 and the sales volume of handsets increased by approximately a fifth on the previous year. About 800 million phones were sold worldwide.

The life cycles of mobile phones have shortened and several manufacturers have expanded their product ranges. In devices geared towards mature markets, a key trend is the integration of devices, that is, the combination of many functions in one device. Cameras, e-mail, Internet browsers, music, and soon television, are all starting to be basic features in the more advanced models. Often, the mechanical features of the devices are also more complex than before.

Shorter life cycles, the expansion of the product spectrum and the integration of devices have all led to changes in the manufacturing chain. In the outsourcing business

>>< Injection moulds are measured and tested thoroughly before use and maintained regularly during production.





of the mobile phone industry, the emphasis is more clearly than ever on flexibility, reliable delivery, cost competitiveness and offering end-to-end services.

Perlos holds a firm position in the outsourcing value chain. We have worked with the world's leading mobile phone manufacturers for years and have developed our service portfolio to answer our customers' needs. Perlos is currently the world's largest supplier of mechanics to the mobile phone industry.

NET SALES SWING TO GROWTH DURING THE SUMMER

2005 was a two-folded year for the Telecommunications and Electronics customer group. The beginning of the year was noticeably more sedate than its end, because production of new mobile phone models only began in full earnest during the summer. The beginning of the year was a time to prepare for the manufacture of new products. This was evident in the trend in net sales. During the first half of the year, net sales rose by only 1% on the previous year, but then increased by over a third in the July-September period and by 39% in the last quarter.

NEW PRODUCTION CAPACITY FOR GROWING MARKETS

The production focus of the world's mobile phone market has quickly shifted to Asia, and above all China. This change has taken place very quickly and Perlos has risen to meet it with a substantial investment programme during 2005.

We will almost double the floor space of our plants in Asia that supply mechanical modules to the telecommunications industry by autumn 2006, as new plants will open in Beijing and Guangzhou in the third and fourth quarters. At the same time, Perlos is building a new plant in Mexico to serve the North American market.

The majority of Perlos' R&D operations are located in the Nordic countries and Asia. Strong competence in product design, which is an essential part of the end-to-end services provided by Perlos, has been built up not only in Finland, but also in Asia.

FULL-SERVICE MOULD CENTRE IN CHINA

Perlos has been looking at the possibility of starting production of its own injection moulds in China for some time. This goal was reached in spring 2005, when Perlos acquired a majority holding in the CIM Group, a mould manufacturer operating in China. During the summer, the company's operations were centralised in Shenzhen and the 7,700 square metre mould plant was inaugurated in December.

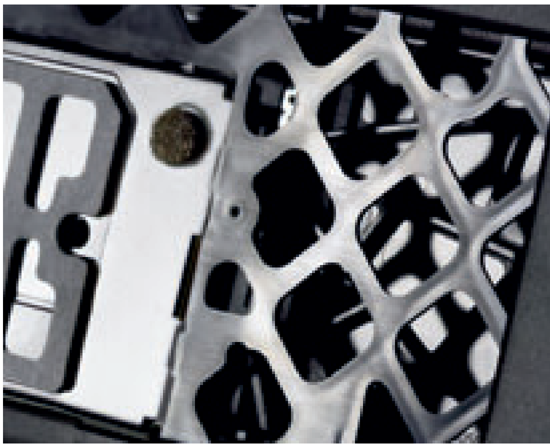
Shenzhen now has a full-service mould centre similar to that Perlos already has in Europe. With the transaction, Perlos acquired an annual capacity of approximately 250 moulds and the services of 250 mould professionals in China.

TECHNOLOGY HAS A CENTRAL ROLE IN PERLOS' STRATEGY

R&D plays a key role in Perlos' strategy. In line with the industry's requirements and Perlos' own capabilities, the company's technological development efforts are focused on three areas: new product concepts, production technology and materials technology.

Perlos focuses on the development of product concepts that will help make more efficient use of the space inside devices and reduce power draw. Perlos' expertise areas are the integration of components into mechanical elements, audio and radio technology and optoelectronics. The greatest inroads in the development of new product concepts have been made in audio module and radio frequency module projects. Both modules are in the testing phase.

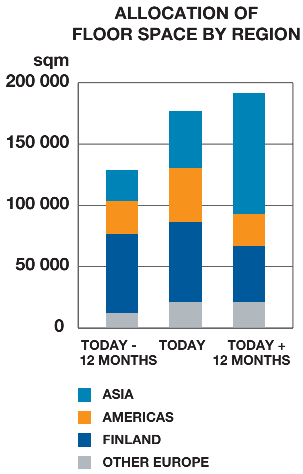
>><< The mechanical structure of the product is manufactured during the injection moulding process. The raw material is ground plastic, which is typically compressed into its exact shape at a temperature of 200-300 degrees for a few seconds. Components can be cut from metal as well. Coatings are sometimes also integrated into the product at this stage.



Due to the ever-shorter life cycles of mobile phones, the greater range of phone models available and severe price competition, ever more flexible and cost-effective production is required. In the development of production technology, Perlos focuses on boosting the efficiency of the production process and shortening lead times. At present, the development work is focusing especially on assembly and decoration technologies, such as laser technology.

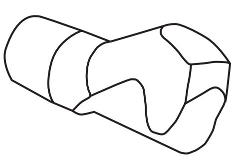
The mechanical structures of mobile phones have changed significantly and become much more diverse. New structures set fresh demands on, for example, the durability and lightness of materials. Perlos' materials technology R&D focuses on new plastic materials, production technology for metal parts and the use of nanostructures to alter the properties of materials.

Our R&D organisation was bolstered in the autumn when Perlos and Aspocomp Group Oyj split and dissolved their joint R&D company Asperation Oy, as planned. Perlos gained innovations in audio, optical and radio frequency technologies and the integration of mechanical elements.

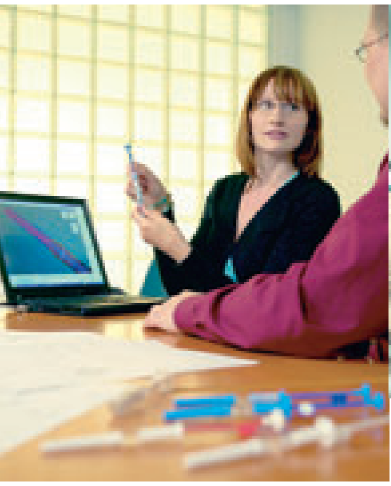


>><< Product assembly may be either automated or manual. The finished products are inspected in accordance with stringent quality criteria either by machine vision or manually before delivery to customers.

>><< After injection moulding, the products are transferred to the painting line. Painting is one of the most demanding stages of the production process and is always carried out in a clean environment. Advanced painting technologies are used to give products a very wide range of demanding coatings and effects.



PERLOS WAS RESPONSIBLE FOR THE INDUSTRIALISATION OF THE K HALER FOR CLINICAL DESIGNS LTD. THE DESIGN UTILISES TECHNICAL SOLUTIONS THAT KEEP THE PRODUCT'S PRICE AS LOW AS POSSIBLE.



>><< Accurate product design ensures the manufacturability of the product through the entire production process. The plastic raw materials are laboratory-tested and only those that pass are used in production.

>><< Injection moulding and assembly of healthcare products take place in pressurised clean rooms. Each product batch undergoes a stringent inspection process before being delivered to the customer.

Record Breaking Net Sales for Healthcare Business

Perlos' Healthcare Customer Group comprises healthcare companies to which Perlos offers product design and manufacturing services. In 2005, the net sales of this customer group rose to an all time high, up 17% to EUR 52.6 million

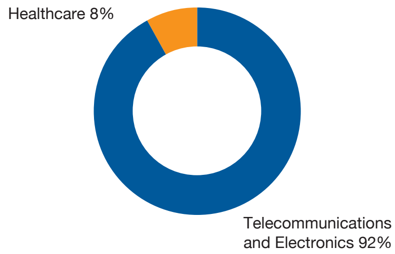
The target market of Perlos' customers is the pharmaceutical market, which is valued at about EUR 500 billion. Of this market, EUR 25 billion represents drug delivery devices and EUR 170 billion the market for healthcare equipment and supplies.

According to various estimates, the pharmaceutical market and the market for healthcare equipment and supplies grew by 6-8% in 2005. Growth has slackened since 2004 due to tighter cost competition following factors such as the increase of the market share of generic drugs and country-specific price regulation. Over the longer term, growth is affected particularly by lifestyle changes and the ageing of the population.

Healthcare companies are continuing to focus on their core expertise, R&D and marketing, while they are outsourcing ever-larger sections of their product design and manufacture to selected partners that can provide them with the most comprehensive end-to-end services.

Cost competitiveness, flexibility and global production capacity are increasingly important requirements for healthcare subcontractors. Perlos can meet these demands well thanks to its two European plants that specialise solely in healthcare, and its other plants in China and Central America. In addition, Perlos has globally consistent management and quality systems and processes, which guarantee that the customer receives the same calibre of service regardless of location.

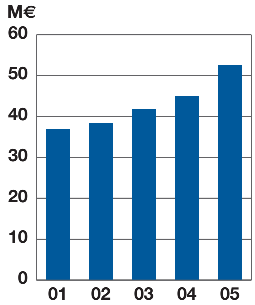
SHARE OF CORPORATION'S NET SALES IN 2005



NET SALES UP 17%

The net sales of the Healthcare Customer Group were up 17% on the previous year, amounting to EUR 52.6 million. Net sales grew on the previous year in each quarter. The bulk of net sales were generated by key customers in the pharmaceutical industry: AstraZeneca, Sanofi-Aventis and Schering Oy. The products Perlos makes for these customers include dry powder inhalers used in the treatment of asthma, carry cases for insulin pens used in the treatment of diabetes, IUD inserters and syringes for the treatment of cancer.

NET SALES 2001-2005



STRATEGY IMPLEMENTATION PROCEEDING ACCORDING TO PLAN

In accordance with the strategy released in 2004, Perlos seeks a stronger position in its Healthcare Customer Group. Perlos is now a leading designer and manufacturer of dry powder inhalers and the company intends to grow into a significantly larger partner for healthcare manufacturing and marketing companies in a few years.

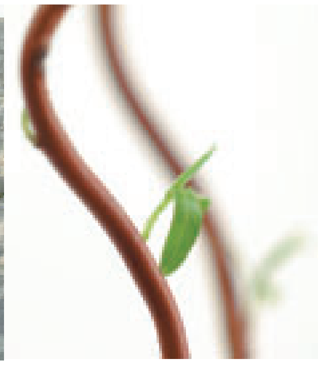
2005 was a year of strategy implementation. Perlos is seeking substantial growth in its business operations with both its present and new customers. During 2005, the company's co-operation with Sanofi-Aventis expanded to new products when Perlos started up the manufacture of carry cases for insulin pens and MDI inhalers that are used in the treatment of asthma.

In addition, operations expanded into new product areas in diagnostics, medical equipment, dental care and personal care. New customers landed during the report year include GE Healthcare, Idmos Plc, Aircraft Medical, ProCare, Bausch & Lomb and Laboratoires Takeda.

In order to bolster its position, Perlos has paid particular attention to industrial product design. During the report year, Perlos played a role in the industrialisation of many products, such as by taking on responsibility for the industrialisation of the new generation inhaler K Haler for Clinical Designs Ltd.

A project geared towards achieving cohesive operating processes was seen to completion in 2005. Thanks to the project, Perlos now has consistent internal processes and information systems at both its healthcare product plants. The certification of the overhauled processes has been started up at the beginning of 2006. The ISO 13485 certificate now being sought is intended especially for healthcare product manufacturers, and in addition to manufacture it also encompasses product industrialisation.

>><< Perlos works systematically for sustainable development in each country and location.



Global Approach Also in Sustainable Development

Perlos is committed to sustainable development in its operations. The impacts of our operations on the environment, people and society are both ecologically and ethically acceptable.

GLOBAL METRICS AND OPERATIONAL MODELS

The environmental systems of Perlos' production plants are ISO 14001 certified. In 2005, Perlos focused on implementing global operational models in environmental compliance and occupational health and safety issues at all of its locations.

With the introduction of the new operational models, global metrics was also defined. The metrics are presented in more detail on the facing page.

OPERATIONS IN LINE WITH NEW DIRECTIVES

The WEEE Directive (Waste Electrical and Electronic Equipment), which governs the handling and sorting of electrical and electronic waste, and the RoHS Directive (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment) will come into force in the beginning of July 2006. The purpose of these directives is to reuse as much waste, and as many of the materials it contains, as possible, as well as to reduce the environmental hazards caused by waste.

At Perlos, the directives mainly affect the choice of materials. Preparations for the changes caused by the new directives were begun in good time at Perlos, in 2004, and compliance with the RoHS Directive in handset manufacture was achieved in the beginning of 2005. With regard to the manufacture of connectors, production at Perlos will be completely in line with the RoHS Directive in early 2006.

TOWARDS ZERO WORK ACCIDENTS

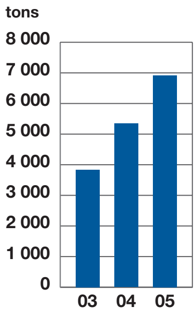
At Perlos, occupational safety issues are based on ”zero accidents” thinking, and the company's aim is to rank amongst the safest companies in the world. To this end, the company engages in regular activities promoting occupational safety. This effort is also supported by the use of a consistent metrics for occupational safety at all locations.

SUSTAINABLE DEVELOPMENT METRICS

ENVIRONMENT METRICS

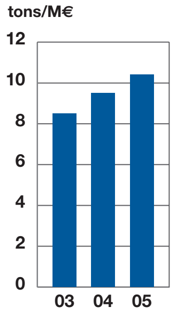
In terms of environmental policy, we aim at an economical use of materials and energy and at minimising emissions and waste.

TOTAL AMOUNT OF WASTE



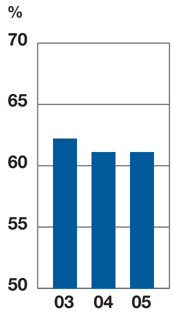
Year 2005 saw vigorous expansion in Perlos' operations, and therefore the amount of waste generated also increased to some extent.

TOTAL WASTE INDEX



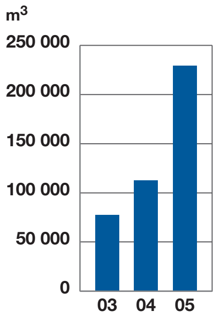
The total amount of waste index measures the total amount of waste generated in relation to net sales. In 2005 the increase in waste remained moderate.

RECYCLING RATE



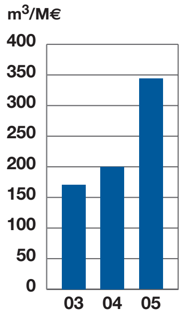
The recycling rate measures the proportion of all waste that is recyclable. In 2005, an average of 61% of the waste at all of Perlos' production facilities was recycled. Perlos' recycling rate is high, and the company has managed to keep it stable in spite of the expansion of operations. Production processes produce a lot of clean plastic waste fractions, which can be recycled.

WATER CONSUMPTION



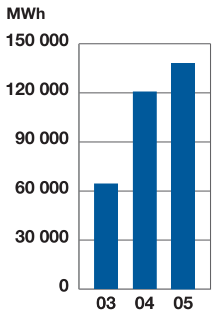
In 2005, water consumption more than doubled at Perlos due to the expansion of operations.

WATER CONSUMPTION INDEX



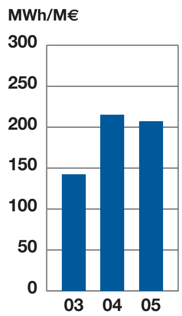
The water consumption index measures water consumption in relation to net sales. The expansion of operations is evident also in this index.

ELECTRICITY CONSUMPTION



The expansion of Perlos' operations is reflected in the electricity consumption.

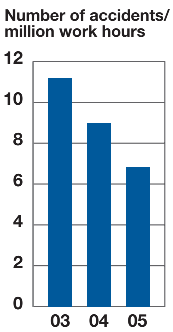
ELECTRICITY CONSUMPTION INDEX



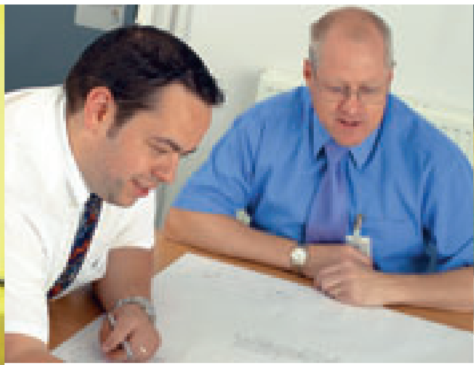
The electricity consumption index measures electricity consumption in relation to net sales. Electricity consumption at Perlos is efficient, as in 2005 greater net sales was achieved with the same amount of electricity.

OCCUPATIONAL SAFETY METRICS

ACCIDENT FREQUENCY

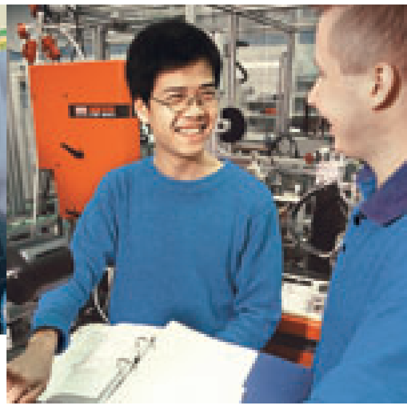


Occupational safety is measured in terms of accident frequency, which shows the number of absences resulting from accidents in relation to working hours. In terms of accident frequency, Perlos represents the solid Finnish standard.



>><< Varying situations are part of daily life at Perlos. We believe in people's initiative, innovativeness and ability to perform in a challenging work environment.

>><< A wide range of skills and the desire to continually improve oneself are considered key points at Perlos. Perlos people have the opportunity to constantly develop their own field of work and to develop professionally in an international environment.



Vigorous Growth in Number of Personnel

Year 2005 was marked by vigorous growth in the number of Perlos employees in Europe, Asia and also North and South America. Perlos staff now have a more international background than ever before, posing both challenges and opportunities to the organisation.

At the end of December 2005, Perlos had a total of 12,889 employees including temporary workers. Of them, 5,295 worked in Europe, 5,500 in Asia and 2,094 in North and South America. The number of personnel has increased by approximately 75% during 2005. The majority have been recruited for production tasks at new plants and as part of the global capacity expansion.

Such a large increase in the number of personnel sets its own challenges in terms of both management and the development of professional skills and competence.

During the year, the personnel strategy has focused on consistent, global operating models and following through with key projects. For example, we have started to chart and develop competence and have begun the introduction of a shared Human Resources database.

At the beginning of the year, Perlos launched development programmes for its key personnel. They focus on improving business expertise and managerial capabilities. By the end of 2005, approximately 50 persons from all Perlos countries had participated in the programmes.

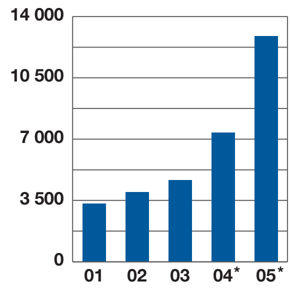
One of Perlos' core competencies is project management, and Perlos has conducted a global training programme for project managers. During 2005, about 70 Perlos employees from around the world par ticipated in the programme. Training for production employees in turn centred on vocational training within functions. In 2005, an average of 0.3% of net sales was used for personnel training and development.

Foreign assignments play a significant role in the transfer of competence and at the same time offer excellent opportunities for international job rotation. In 2005, Perlos had aproximately 30 employees on foreign assignments in various countries.

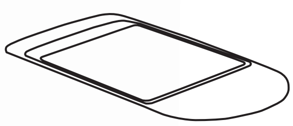
Production operations in Perlos' main business area, the telecommunications industry, are currently becoming centralised in Asia. In the spring, this led to a significant change in the demand for Perlos' services in Finland. Therefore, as a result of co-determination negotiations, Perlos was forced to make the difficult decision to shut down the Ylöjärvi plant during the first quarter of 2006. The financial position of the employees made redundant was safeguarded with a redundancy package that also includes a severance pay. In addition, Perlos sought to support job stamina in as many ways as possible. Among other things, Perlos was in the first wave of Finnish companies to adopt the new change security introduced in the latest incomes policy settlement, which supports employees' opportunities to find new employment. Employees have also been offered new jobs within Perlos.

Wherever Perlos operates in the world, it adheres to ethical policies, in which the treatment of personnel is also separately regulated. In China for example, Perlos is one of the leading Western companies for ethical conduct. There is tough competition for skilled labour, especially in growth areas in Asia and South America, and in these countries Perlos is a desired employer.

PERSONNEL AT THE END OF THE PERIOD



* incl. temporary workers

AS HIGH-RESOLUTION DISPLAYS BECOME MORE COMMON, GREATER OPTICAL REQUIREMENTS ARE SET ON PHONE SCREENS. PERLOS CAN MANUFACTURE LENSES BOASTING EXTREMELY HIGH OPTICAL QUALITY BY BOTH INJECTION MOULDING AND MACHINING.

The Board's Report

BUSINESS ENVIRONMENT

Growth in the world's mobile phone market continued vigorously in 2005 and the unit sales of phones increased by approximately a fifth on the previous year. About 800 million phones were sold worldwide.

The life cycles of mobile phones have shortened and several manufacturers have expanded their product ranges. In devices geared towards mature markets, a key trend is the integration of devices. Often, the mechanical features of the devices are also more complex than before.

Shorter life cycles, the expansion of the product spectrum and the integration of devices have all led to changes in the production chain. In the outsourcing chain of the mobile phone industry, the emphasis is more clearly than ever on flexibility, reliable delivery, competitive prices and offering still larger end-to-end services.

In the healthcare industry, the target market of Perlos' customers is the pharmaceutical market, which is valued at about EUR 500 billion – of this amount, EUR 25 billion represents drug delivery devices and about EUR 170 billion the market for healthcare equipment and supplies.

According to various estimates, the growth of the pharmaceutical market and the market for healthcare equipment and supplies grew by 6–8% in 2005. Growth has slackened since 2004 due to tighter cost competition following factors such as the increase of the market share of generic drugs and country-specific price regulation. Over the longer term, growth is affected particularly by lifestyle changes and the ageing of the population.

NET SALES AND PROFITABILITY

Perlos achieved its net sales target for 2005. Net sales amounted to EUR 666.8 million (EUR 561.6 million), up 19% on 2004. Of the Group's net sales, 54% (68%) came from Europe and 25% (17%) from North and South America. Asia accounted for 21% (15%) of net sales.

However, the company fell short of its long-term target for profitability. Return on investment in 2005 was 8.0% (32.8%) and operating profit came in at EUR 13.3 million (EUR 87.6 million), or 2.0% (15.6%) of net sales. Operating profit exclusive of non-recurring write-downs due to the winding down of the Ylöjärvi plant amounted to EUR 25.6 million, or 3.8% of net sales.

Profit for the period amounted to EUR 8.3 million (EUR 63.0 million), i.e. 1.2 % of net sales (11.2 %), and earnings per share (diluted) were EUR 0.16 (EUR 1.18). Return on equity in 2005 was 4.6% (42.0%). Taxes in the review period were EUR 2.1 million positive due to the recognition of tax assets. The balance sheet included a total of EUR 6.5 million in tax assets at the end of the review period. It is estimated that they will be used in about three years.

Compared with the previous year, profitability was burdened by the low capacity utilisation ratio in the first part of the year, severe price competition, non-recurring write-downs due to the closure of the Ylöjärvi plant, and the loss-making operations of the plant in Texas during the last quarter of the year.

In addition, the long-term target for cash flow was not achieved in 2005. Cash flow from operations before investments was EUR 19.4 million (EUR 95.3 million). Cash flow after investments was EUR -84.0 million (EUR 37.0 million).

Perlos Group's four largest customer accounts in 2005 were Nokia, BenQ Mobile, Research in Motion (RIM) and AstraZeneca, which generated 90% of net sales.

TELECOMMUNICATIONS AND ELECTRONICS

The net sales of the Telecommunications and Electronics Customer Group amounted to EUR 615.3 million in 2005 (EUR 518.2 million), representing 92% (92%) of consolidated net sales.

2005 was a year of two-folded year for the telecommunications business. The beginning of the year was noticeably more sedate than its end, because production of new mobile phone models only began in full earnest during the summer. The beginning of the year was a time to prepare for the manufacture of new products. This was evident in the trend in net sales. During the first half of the year, net sales rose by only 1% on the previous year, but then increased by almost a third compared with 2004 in the July-September period and by 39% in the last quarter.

HEALTHCARE

In 2005, the Healthcare Customer Group's net sales amounted to EUR 52.6 million (EUR 44.9 million), representing 8% (8%) of consolidated net sales. Net sales grew on the previous year in each quarter. The bulk of net sales were generated by key the customers in the pharmaceutical industry: AstraZeneca, Sanofi-Aventis and Schering Oy.

INVESTMENTS

The Group's gross investments in 2005 amounted to EUR 101.8 million (EUR 59.6 million), representing 15.3% (10.6%) of net sales. The major investments in the report year comprised the costs of establishing the plant in Mexico, the extensions of the plants in Hungary and Beijing, the acquisition of the business functions of the CIM Group and investments in new production technologies.

The Group's investments in research and product development amounted to about 1% of net sales in 2005.

FINANCING

The Group's liquid assets at the end of the review period amounted to EUR 26.4 million (EUR 52.1 million) and unused committed credit limits to EUR 148.1 million (EUR 173.6 million). The Group's net gearing ratio was 0.87 (0.39) and its equity ratio was 34.7% (43.6%). At the end of the report period interest-bearing liabilities amounted to EUR 189.2 million (EUR 120.3 million), of which short-term liabilities accounted for EUR 108.2 million (EUR 23.1 million) and long-term liabilities for EUR 81.0 million (EUR 97.2 million). The net interest-bearing liabilities were EUR 162.8 million (EUR 68.2 million). The interest cover ratio (EBITDA/net financial expenses) was 8.4 (26.1) in the review period.

MAJOR BUSINESS RISKS

Perlos' business operations are significantly dependent on a single field of industry and several customers. The mobile phone industry accounted for close to 90% of Perlos' net sales in 2005 and the three largest customer accounts for about 80%. Changes in the demand for mobile phones or the market position of Perlos or its key customers might have unfavourable effects on Perlos' business operations.

In Perlos' business operations, it is typical for rapid changes to occur in the demand for individual products manufactured by the company. If Perlos cannot operate with sufficient flexibility, numerous simultaneous changes in the demand for individual products and production volumes might impact unfavourably on Perlos' business operations and profitability.

Perlos has expanded its operations to emerging markets. Changes in the legislation, requirements of the authorities or financial markets in these countries might adversely affect Perlos' business operations, sales and profitability.

PERSONNEL

In 2005, Perlos had 7,116 (5,494) employees on average. Including temporary workers, the personnel strength was 10,066 (6,523). At the end of the year, there were 7,679 (6,117) employees. Including temporary workers, the employee count was 12,889 (7,376), of whom 5,295 (4,491) worked in Europe, 5,500 (2,049) in Asia and 2,094 (836) in North and South America.

BOARD OF DIRECTORS

In accordance with the decisions taken by the Annual General Meeting held on March 30, 2005, Kari O. Sohlberg, Heikki Mairinoja, Matti Aura, Anni Vepsäläinen, Matti Kavetvuo, Teppo Taberman and Timo Leinilä were elected as members of the Board of Directors. Kari O. Sohlberg was elected as the Chairman of the Board. Heikki Mairinoja was elected as the Vice Chairman of the Board at the organisation meeting of the Board of Directors.

BOARD AUTHORISATIONS

In accordance with the resolutions of the Annual General Meeting held on March 30, 2005, Perlos' Board of Directors is authorised to (a) decide on increasing the company's share capital in the manner specified in Article 1 of Chapter 4 of the Companies Act (including amendments no. 734/1978) by a maximum of EUR 6,352,457.40 through a rights issue or by taking out a convertible loan, (b) decide on the acquisition of a maximum of 2,646,857 own shares, and (c) decide on the conveyance of a maximum of 2,646,857 own shares in the company's possession.

CHANGES IN THE GROUP STRUCTURE AND MANAGEMENT

In February, Perlos signed an agreement to acquire a majority stake in the business functions of the CIM Group, a mould manufacturer operating in China. The deal enabled Perlos to build a full-service mould centre – the likes of which the company already has in Europe and the United States – in Shenzen, China. The plant went into operation in December.

In spring 2005, Perlos Corporation and Aspocomp Oyj agreed on dividing their joint R&D company Asperation Oy during 2005. Asperation Oy's demerger and dissolution were entered in the Trade Register on August 31, 2005. In connection with the business split process, Asperation's fixed assets, agreements, innovations and employees were divided equally amongst Perlos and Aspocomp such that both companies gained the innovations that are of key importance to their operations.

The following changes were made to the Group's Executive Board as from January 1, 2006. Isto Hantila, President and CEO, Tage Johansson, Chief Development Officer, and Jouni Pohjonen, President of the Healthcare Customer Group, will stay on as members of the Executive Board. Chief Financial Officer Juha Torniainen's area of responsibility will from now on also cover Corporate Services. Eila Mustala, Senior Vice President of Human Resources will also be responsible for Communications, excluding Investor Relations.

As new members of the Executive Board were appointed Jarmo Paakkunainen, Senior Vice President, Nokia Account, Jari Varjotie, Chief Operating Officer, Kari Häyrinen, President of Asia Pacific Region, Esa Vuorinen, President of Europe Region, Eero Laak, President of Americas Region, and Timo Seppä, Chief Technology Officer. Vice President Jari Laaninen continues as a Secretary of the Executive Board and is responsible for Treasury and Investor Relations.

OPTIONS AND CHANGES IN THE SHARE CAPITAL

At the end of 2005, Perlos Corporation had two share option programmes. A total of 750,000 shares can be subscribed for on the basis of the 2002 share option programme and 1,000,000 shares on the basis of the 2005 share option programme. The A warrants attached to the 2002 share option programme are listed on the Main List of the Helsinki Stock Exchange. No shares have been subscribed for on the basis of the 2002 and 2005 warrants.

In accordance with the resolutions of the Annual General Meeting on March 30, 2005, the company's share capital was lowered by the sum of the nominal value of the 146,198 Perlos shares owned by the company at that time, EUR 87,718.80, by transferring the amount of the decrease of the share capital to the premium fund.

As part of the acquisition of a 75% holding in CIM Precision Molds (HK) Limited, the company transferred 168,802 of the Perlos shares in its possession to the seller as part of the purchase price in accordance with the authorisation granted to the company's Board of Directors by the General Meeting.

Perlos Corporation's share capital at December 31, 2005, amounted to EUR 31,762,288.80 and the number of shares in issue to 52,937,148.

EVENTS AFTER THE BALANCE SHEET DATE

It has become evident in the beginning of this year that the demand for Perlos' services has permanently shifted to lower cost countries and near the fastest growing markets in Asia, Central Europe and Central America. There is a permanent over capacity in high-cost countries, the USA and Finland, and operations in these countries are in the red.

Perlos decided on February 6th, 2006 to continue to adapt its functions to match demand and will start up measures to revitalise loss-making operations in high-cost countries.

In Finland, the objective is to achieve annual savings of approximately EUR 25 million as from the beginning of 2007. The company seeks to achieve the savings target by boosting operational efficiency, and downscaling the number of personnel will be investigated as one alternative. In the USA, the loss making Texas operations were decided to be wound down by the end of the second quarter. The production will be transferred to the Reynosa plant in Mexico. With this transfer, the company seeks to achieve annual savings of about EUR 15 million.

On February 6th, 2006, Perlos also decided to increase its manufacturing capacity in growing markets in line with demand. The company will establish a new plant in Chennai, India. The floor space of the plant is approximately 15,000 square metres and the plant is expected to be operational in early 2007. The investment costs of the plant will amount to approximately EUR 10 million in 2006.

OUTLOOK FOR 2006

In 2006, the volume growth in the global mobile phone market is expected to amount to approximately 10%. Annual growth in the healthcare markets that are significant to Perlos is anticipated to continue at a rate of 5–6%.

Thanks to market growth, the greater diversity of the mechanical structures of mobile phones, and the company's good market position, Perlos believes that it will achieve its long-term targets for net sales growth in 2006. Net sales in 2006 is expected to grow at least in line with the volume growth of the mobile phone market.

The comparable result exclusive of non-recurring items is expected to grow compared with the previous year. However, return on investment is forecast to fall short of the long-term target.

TRANSITION TO IFRS FINANCIAL STATEMENTS

Perlos has drafted its first financial statements in line with International Financial Reporting Standards (IFRS) for the 2005 financial year. A stock exchange bulletin on the IFRS transition was published on April 20, 2005. The key effects of the transition on the accounting policy used in the consolidated financial statements and the comparison information for 2004 are presented in the Notes to the Financial Statements, note no. 29. The 2005 Interim Consolidated Financial Statements have been prepared in accordance with the measurement and recognition principles of IFRS.

DIVIDEND

The calculation of the company's distributable funds is presented in the notes to the financial statements. Perlos' Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.10 per share be paid for the 2005 financial year.

Consolidated Income Statement, IFRS

1 000 €	Note	Year ended 31 December 2005	2004
Net sales	*1*	**666 797**	**561 575**
Cost of goods sold	*2,3,6*	-572 178	-424 107
Gross profit		**94 619**	**137 468**
Other operating income	*5*	3 008	11 478
Selling and marketing expenses	*2,3,6*	-15 316	-12 346
General and administrative expenses	*2,3,4,6*	-56 832	-46 125
Other operating expenses		-12 197	-2 891
Operating profit		**13 282**	**87 584**
Financial income	*7*	13 743	2 634
Financial expenses	*7*	-20 742	-7 321
Share of profit of associates	*12*	-25	-1 146
Profit before income tax		**6 258**	**81 751**
Income tax expense	*8*	2 149	-18 781
Profit for the year		**8 407**	**62 970**

Attributable to			
Equity holders of the Company		8 321	62 970
Minority interest		86	0
Earnings per share for profit attributable to the equity holders of the Company			
Earnings per share, basic	*9*	0.16	1.19
Earnings per share, diluted	*9*	0.16	1.18

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

Consolidated Balance Sheet, IFRS

1 000 €	Note	As at 31 December 2005	2004
ASSETS			
Non-current assets			
Intangible assets	*10*	16 162	13 483
Goodwill	*10*	12 052	7 910
Property, plant and equipment	*11*	246 462	185 818
Non-current trade and other receivables	*14*	320	151
Investments in associates	*12*	346	535
Available-for-sale financial assets	*12*	60	79
Deferred income tax assets	*15*	6 528	3 529
		281 930	**211 505**
Current assets			
Inventories	*16*	117 653	63 265
Trade and other receivables	*17*	134 531	83 992
Derivative financial instruments	*23*	548	1 799
Other financial assets	*18*	1 300	28 658
Cash and cash equivalents	*18*	25 092	23 424
		279 124	**201 138**
Total assets		**561 054**	**412 643**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		31 762	31 850
Share premium		48 782	48 694
Fair value, hedging and other reserves		2 782	354
Translation differences		4 493	-1 606
Retained earnings		99 964	95 875
Equity attributable to equity holders of the Company	*19*	187 783	175 167
Minority interest		407	0
Total shareholders' equity		**188 190**	**175 167**
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	*15*	663	4 149
Interest-bearing liabilities	*20*	80 997	97 248
Provisions	*21*	12 481	845
		94 141	**102 242**
Short-term liabilities			
Interest-bearing liabilities	*20*	108 188	23 049
Current income tax liabilities		694	1 171
Derivative financial instruments	*23*	3 144	1 159
Trade and other payables	*22*	166 697	109 855
		278 723	**135 234**
Total shareholders' equity and liabilities		**561 054**	**412 643**

Consolidated Cash Flow Statement, IFRS

1 000	Note	Year ended 31 December 2005	2004
Cash flows from operating activities			
Operating profit		13 282	87 584
Adjustments to operating profit	*30*	56 724	23 101
Change in net working capital	*30*	-36 957	1 677
		33 049	**112 362**
Interest paid		-12 649	-6 316
Dividends received		63	64
Interest received		5 430	1 724
Income taxes paid		-6 523	-12 512
Net cash generated from operating activities		**19 370**	**95 322**
Cash flows from investing activities			
Investments in subsidiaries	*27*	-3 167	0
Investments in associated companies	*12*	0	-1 150
Purchases of property, plant and equipment and intangible assets	*10,11*	-101 823	-58 473
Proceeds from sale of property, plant and equipment and intangible assets		1 614	1 272
Net cash used in investing activities		**-103 376**	**-58 351**
		-84 006	**36 971**
Cash flows from financing activities			
Share issue		0	1 140
Purchase of treasury shares		0	-3 974
Proceeds from issuance of borrowings		244 263	52 170
Repayments of borrowings		-176 494	-45 100
Increase in interest-bearing receivables		1 101	746
Dividends paid		-10 554	-5 234
Net cash generated from (used in) financing activities		**58 316**	**-252**
Exchange gains (losses) on cash and cash equivalents		**-158**	**126**
Increase (decrease) in cash and cash equivalents		**-25 532**	**36 593**
Cash and cash equivalents 1 January		52 082	15 363
Cash and cash equivalents 31 December		**26 392**	**52 082**

Due to exchange gains and losses during the year and the acquisition of a subsidiary, among others, the amounts in the cash flow statement are not all directly reconcilable with the balance sheet figures.

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

Consolidated Statement of Changes in Shareholders' Equity, IFRS

1 000 €	Share capital	Share premium	Treasury shares	Fair value reserve	Hedging reserve	Other reserves	Translation differences	Retained earnings	Total share-holders' equity attributable to equity holders of the Company	Minority interest	Total equity
SHAREHOLDERS' EQUITY, FAS, 31 December 2003	**32 242**	**47 163**	**7 677**					**54 158**	**141 240**		**141 240**
Effects of transition to IFRS	0	0	-7 677	27	-555	8		-8 795	-16 992		-16 992
SHAREHOLDERS' EQUITY, IFRS, 1 January 2004	**32 242**	**47 163**	**0**	**27**	**-555**	**8**		**45 363**	**124 248**		**124 248**
Cash flow hedges											
- Amount transferred to shareholders' equity					171				171		171
Translation differences							-1 606	-7 225	-8 831		-8 831
Other changes	-701	701									
Net income (expense) recognised directly in equity	-701	701			171		-1 606	-7 225	-8 660		-8 660
Share-based compensation						703			703		703
Profit for the year								62 970	62 970		62 970
Total recog. income/expense for the year	-701	701			171	703	-1 606	55 745	55 013		55 013
Dividends paid								-5 233	-5 233		-5 233
Options exercised	309	830							1 139		1 139
SHAREHOLDERS' EQUITY, IFRS, 31 December 2004	**31 850**	**48 694**	**0**	**27**	**-384**	**711**	**-1 606**	**95 875**	**175 167**		**175 167**
SHAREHOLDERS' EQUITY, IFRS, 1 January 2005	**31 850**	**48 694**	**0**	**27**	**-384**	**711**	**-1 606**	**95 875**	**175 167**		**175 167**
Cash flow hedges											
- Amount transferred to shareholders' equity					138				138		138
- Tax on the amount transferred to shareholders' equity					64				64		64
Available for sale financial assets											
- Fair value gains (losses)				-7					-7		-7
- Tax on fair value gains (losses)				-5					-5		-5
Translation differences							6 100	4 609	10 709	11	10 720
Share-based compensation						771			771		771
Increase in reserve fund						1 467			1 467		1 467
Other changes	-88	88						455	455		455
Net income (expense) recognised directly in equity	-88	88		-12	202	2 238	6 100	5 064	13 592	11	13 603
Profit for the year								8 321	8 321	86	8 407
Total recog. income/expense for the year	-88	88		-12	202	2 238	6 100	13 385	21 913	97	22 010
Dividends paid								-10 554	-10 554		-10 554
Business combinations									0	310	310
Transfer of treasury shares								1 257	1 257		1 257
SHAREHOLDERS' EQUITY, IFRS, 31 December 2005	**31 762**	**48 782**	**0**	**15**	**-182**	**2 949**	**4 494**	**99 963**	**187 783**	**407**	**188 190**

Accounting Policies for the Consolidated Financial Statements

GENERAL INFORMATION

Perlos Corporation is a global supplier of mechanical modules for the telecommunications, healthcare, electronics and automotive industries. The company focuses on the design, manufacture and assembly of mechanical and electronic modules with strict requirements on precision and quality. The world's leading companies in the telecommunications, electronics, automotive and healthcare industries use Perlos' products and end-to-end services.

Perlos Corporation is a Finnish public listed company that was founded in 1953 under Finnish law. It is domiciled in Vantaa, Finland. In addition to Finland, the company has operations in Brazil, China, Hong Kong, Hungary, Japan, Mexico, Singapore, Sweden, Taiwan, the UK and the United States. The Perlos share has been quoted on the Helsinki Stock Exchange since 1999. A detailed list of the subsidiaries and associated companies consolidated in the financial statements is presented in the notes to the consolidated financial statements.

The consolidated financial statements have been approved for issue by the Board of Directors of Perlos Oyj on 6 February 2006.

TRANSITION TO IFRS

In 2005, the Group adopted International Financial Reporting Standards (IFRS) applying IFRS 1 (First-time Adoption of International Financial Reporting Standards). The IFRS transition date for the calculation of comparison information was 1 January 2004. The comparative information for 2004 and the key impacts on the accounting policies for the consolidated financial statements were published in the company's IFRS bulletin on 20 April 2005. Specific differences to the accounting policies applied under Finnish Accounting Standards (FAS) include recognition of pension liabilities (IAS 19), measurement of property, plant and equipment (IAS 16, IAS 36 and IAS 38), accounting for lease agreements (IAS 17), accounting for financial instruments (IAS 39 and IAS 32) and accounting for share-based payments (IFRS 2). The reconciliations included in the notes to the consolidated financial statements present the effects of the IFRS transition on shareholders' equity, the income statement and the balance sheet.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force as at 31 December 2005. The figures in the financial statements are presented in thousands of euros unless there are particular reasons to do otherwise, as indicated in the statements. The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, derivative financial instruments, hedged items in fair value hedging, investment properties and share-based payments, which have been valued at fair value.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions, which have an effect on the amounts of assets and liabilities reported on the balance sheet date and the amounts of revenues and expenses reported for the financial period. In addition, exercise of judgement is required in the process of applying the accounting policies. The estimates and assumptions used represent management's best estimates on the balance sheet date. Actual results could differ from these estimates. Estimation is required for example in connection with impairment testing and recognition of provisions.

Impairment testing

The Group tests annually whether goodwill has been impaired and assesses indications for impairment in accordance with the accounting policy presented. The recoverable amounts of the cash-generating units have been determined based on value in use calculations. The preparation of these calculations requires the use of estimates.

Provisions

The amount recognised as a provision represents the Company's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include, in addition to the parent company, all such companies in which the parent company, through ownership either directly or with its subsidiaries, holds over half of the voting rights or has control over the company's financial and operating decisions. All Group companies have been consolidated in the financial statements; that is, the parent company Perlos Corporation, all the subsidiaries it owns either directly or indirectly as well as associated companies in which the Group holds a significant interest (holding 20–50%). Acquired or established subsidiaries have been included in the consolidated financial statements using the purchase method of accounting, in which the acquired or established company's assets and liabilities at the time of acquisition or founding are measured at their fair value. In accordance with the exemption permitted under IFRS 1, acquisitions made prior to the transition to IFRS have not been adjusted, but have instead been retained in the balance sheet at their carrying amounts under Finnish Accounting Standards at the time of transition. Associated companies are accounted for in the consolidated financial statements using the equity method. A proportionate share of the associated companies' result for the financial year has been calculated on the basis of the Group's holding and is stated as a separate item in the income statement. Subsidiaries acquired or established during the financial year have been included as from the date of acquisition or founding. Divested companies are included in the income statement up to the date of sale. Inter-company transactions, unrealised gains on transactions between group companies, inter-company receivables and liabilities as well as inter-company profit sharing have been eliminated in the consolidated financial statements.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in euros, which is the Group's functional currency. The results and financial positions of subsidiaries are presented in the currency, which is the main currency of their business environment. The income statements of subsidiaries are translated into the Group reporting currency using the average exchange rates for the year, and the balance sheets are translated using the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation as well as retranslation differences on net investments are recorded in equity under cumulative translation differences in the consolidated financial statements. Exchange differences that have arisen before 1 January 2004 were recognised in retained earnings on transition to IFRS-standards, and they are not reclassified to the income statement on a potential disposal of a subsidiary. On disposal of a subsidiary, the exchange differences arising after 1 January 2004 are recognised in the income statement as part of the determination of the overall gain or loss of the disposal.

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction date. Monetary items are translated into functional currency using the exchange rates prevailing at the balance sheet date. Non-monetary items measured at fair value are translated into functional currency at the exchange rates prevailing at the valuation date. Other non-monetary items are measured at the exchange rates prevailing at the transaction date.

MINORITY INTEREST

Minority interest is presented as a separate item under the Group's shareholders' equity and the profit attributable to the minority interest is presented separately in the consolidated income statement.

GOODWILL ON CONSOLIDATION

The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired at the acquisition date is recorded as goodwill. Goodwill has been tested for impairment as required in the standard on transition to IFRS on the date of transition 1 January 2004 and during 2005. Goodwill is not amortised but is tested annually for impairment. Impairment tests are performed at the level of cash-generating units annually and whenever there is an indication that goodwill may be impaired. The recoverable amount of a cash-generating unit is compared with its carrying amount and an impairment charge is recognised if the recoverable amount is lower than the carrying amount. The impairment charge is recognised in the income statement. An impairment test has been carried out on goodwill recognised in the balance sheet by comparing the amount of goodwill allocated to a cash-generating unit with its value in use, which has been determined by calculating the discounted recoverable amount for the cash-generating unit.

DISCONTINUED OPERATIONS

Non-current assets held for sale and assets that relate to discontinued operations are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. Depreciation of these long-lived assets is ceased at the date of classification. A discontinued operation represents a separate major line of business or geographical area of operations or subsidiary that has been acquired solely for the purpose of selling it further. The result of discontinued operations is presented separately on the face of the income statement. The consolidated financial statements do not include discontinued operations currently.

SEGMENT REPORTING

Business segments provide services and products that are subject to risks and returns that are different from those of other business segments. The risks and returns of the products and services of the geographical segments differ from the risks and profitability of the services and products of segments operating in other economic environments. Inter-company transactions are arm's-length transactions that is, are based on fair market value. The business operations of Perlos are divided into two customer areas: customers in the telecommunications and electronics industries and customers in the healthcare industry. The latter do not constitute a reportable segment under IAS 14 and telecommunications, electronics and healthcare customers are presented together as the company's primary segment. Secondary geographical segments are based on the locations of the company's business functions and customers. The segments are Europe, North and South America, and Asia. In reporting the geographical segments the sales are presented based on the country in which the customer is located and assets based on where they are located.

PROPERTY, PLANT AND EQUIPMENT AND USEFUL LIVES

Tangible and intangible assets have been recorded in the balance sheet at their historical acquisition cost less accumulated depreciation and any accumulated impairment charges. Depreciation has been calculated on a straight-line basis from the historical acquisition cost based on the useful life of the assets. Leasehold improvements are capitalised under other tangible assets.

Useful lives are as follows:

	Years
Incorporation expenditure	5
Intangible right	5–10
Other intangible assets	3–10
Buildings	25–40
Fixtures	10
Machinery and equipment	3–10
Other property, plant and equipment	5

BORROWING COSTS

Borrowing costs are charged to expense as incurred.

GOVERNMENT GRANTS

Government or other grants related to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset. The grants are recognised in the income statement during the useful life of the asset in the form of lower depreciation on the asset in question. Other government grants are recognised as income in the income statement in the periods when the related expenditures are charged to expense.

MEASUREMENT OF INVENTORIES

Purchased products are valued at acquisition cost while own-manufactured products are valued at manufacturing cost including related fixed purchasing and manufacturing costs of the Company. Inventories are stated at lower of cost or net realisable value. Cost is determined primarily using the weighted average cost method, which approximates historical cost determined on a first-in first-out (FIFO) basis. Provisions are made for inventories with a lower market value or which are slow-moving. If it becomes apparent that the inventory can be used, provisions are reversed with inventory being revalued up to the lower of its estimated market value or original cost. Unsaleable inventory is fully written off.

FINANCIAL ASSETS AND LIABILITIES

Investments in marketable equity and debt securities and unlisted shares are classified in the following categories in accordance with IAS 39: 1) held-to-maturity investments, 2) financial assets at fair value through profit or loss, 3) available-for-sale financial assets and 4) loans and receivables.

1) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group intends and is able to hold to maturity and which mature on a specific date. The company does not have any financial assets classified as held-to-maturity.

2) Financial assets at fair value through profit or loss comprise derivative financial assets to which hedge accounting under IAS 39 is not applied. They are initially measured at fair value and the changes in fair value are reported in the income statement. The Company has no other financial assets classified as fair value through profit or loss than short-term derivative financial instruments.

3) Available-for-sale financial assets are financial assets that are not classified into any of the above two categories. These assets can include shares as well as interest-bearing investments. At present, all of the Group's investments apart from derivative financial instruments are classified into available-for-sale financial assets. They are classified as current investments if their maturities are less than 12 months and non-current otherwise. After initial measurement, available-for-sale financial assets are measured at fair value on the basis of quoted bid prices at the balance sheet date. Fair value changes of available-for-sale assets are recognised in equity in the fair value reserve, taking the tax effect into consideration. Fair value changes are transferred from shareholders' equity to the income statement when the investment is sold or its value has declined such that an impairment loss must be recorded. Impairment recognised on investments in shares is not reversed through profit or loss at a later date.

4) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. This category includes financial assets acquired by the Group by handing over cash, goods or services to a debtor. They are measured at amortised cost using the effective interest rate method and are included in current and non-current financial assets.

Financial liabilities are initially recognised at fair value on the basis of the consideration received. Transaction costs are included in the original carrying amount of financial liabilities. Subsequently, all financial liabilities are measured at amortised cost using the effective interest rate method. Financial liabilities may comprise of current and non-current and interest-bearing and non-interest-bearing items.

Financial assets are derecognised when the Group has lost its contractual rights to cash flows or it has transferred substantially the risks and rewards of ownership of the asset out of the Group. Sales and purchases of financial assets are accounted for at trade date. The company assesses at each balance sheet date whether there is any evidence that a financial asset is impaired. Any impairment are recognised in financial items in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and at bank as well as liquid current money market deposits, both interest-bearing and non-interest bearing, with a duration of less than 3 months.

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

Derivative contracts are initially measured at acquisition cost, which corresponds to their fair value when the Group becomes a party to the contract. After initial recognition, derivative financial instruments are measured at their fair value on the consolidated balance sheet. Gains and losses arising from measurement at fair value are treated in accounting in the manner determined by the purpose of the derivative contract. When a derivative contract is entered into, the Group treats it either as a hedge of the fair value of the receivables, liabilities or firm commitments, a hedge of the forecasted cash flows from a highly probable future transaction, a hedge of a net investment or as a derivative contract that does not meet the criteria for hedge accounting as set out in IAS 39. The company has used foreign exchange derivatives as hedges of receivables, liabilities and firm commitments, as well as hedges of forecasted cash flows from highly probable future transactions. The company measures all foreign exchange derivatives at fair value through profit or loss and hedge accounting is not applied to them. The company has hedged the interest rate risk of liabilities by converting floating-interest rate loans to fixed-interest rate with interest rate swaps. Hedge accounting is applied to interest rate swaps and at the balance sheet date they were considered highly effective. The company has used electricity derivatives as cash flow hedges of highly probable forecasted transactions (future purchases of electricity). The Group does not apply hedge accounting as set out in IAS 39 to electricity derivatives and they are all measured at fair value through profit or loss. The company did not have any derivatives designated as a hedge that did not meet the criteria for hedge accounting.

During the accounting period the Group has applied cash flow hedge accounting as set out in IAS 39 to hedge a floating-interest rate loan with an interest rate swap. The change in the fair value of the derivatives that meet the cash flow hedge criteria and which are effective is recognised directly in the hedge reserve in equity. The cumulative gain or loss on the derivative recognised in equity is reclassified into profit or loss in the income statement in the same period during which the hedged item is recognised in the income statement. If the hedging instrument designed as a cash flow hedge expires, is sold or the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument remains recognised in equity until the forecast transaction occurs. Anyhow, if the forecast transaction is no longer expected to occur, the cumulative gain or loss is recognised immediately in financial items in the income statement. Fair values of publicly traded derivative financial instruments are based on quoted market prices at the balance sheet date. Fair value of interest rate derivatives are based on discounted cash flows. The values of foreign exchange forward contracts are calculated using year-end market forward rates. The commodity derivatives of the Group are electricity derivative contracts entered to hedge the electricity price and they are measured at fair value. The group does not apply hedge accounting as set out in IAS 39 to foreign exchange or commodity derivatives. Interest rate swaps are treated according to hedge accounting as set out in IAS 39.

REVENUE RECOGNITION

Revenue is shown net of indirect taxes on sales, discounts and exchange rate differences relating to sales. The Group's net sales are generated from the sale of components, tools, assembly solutions and other services. Sales of goods are recognised when the decisive risks and rewards incidental to ownership have been transferred to the buyer and the Group retains no supervisory power or control over the product. Sales of services are recognised when services are rendered. The Company does not have any construction contracts that should be accounted for under the stage of completion method.

MAINTENANCE AND REPAIRS

Significant expenditure on maintenance and repairs are included in the carrying amount of property, plant and equipment, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to expense as incurred.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure has been recognised as annual expenses for the year during which they were incurred. The company has not carried out any product development projects that would have fulfilled all the criteria required for intangible asset capitalisation.

LEASE AGREEMENTS – THE GROUP AS A LESSEE

Property, plant and equipment arrangements in which substantially all the risks and rewards incident to the assets is retained by the lessor are classified as other lease agreements. Other lease agreement payments have been accounted for as rental expenses and they are entered in the income statement in equal instalments over the lease period. Lease agreements on property, plant and equipment, in which substantially all the risks and rewards incident to ownership are transferred to the Group are classified as finance lease agreements. Finance lease agreements have been entered in the balance sheet at the commencement of the lease term at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Assets acquired under finance lease arrangements are depreciated over the lesser of the economic useful life of the asset or the lease term. Lease obligations are included in interest-bearing non-current and current liabilities. The land and buildings elements of an lease agreement of land and buildings are considered separately for the purposes of lease classification. The minimum lease payments are allocated between the land and the buildings elements in proportion to their relative fair values at the inception of the lease. The fair value of the land element has been determined on the basis of reliable valuations of external real-estate companies and the market prices of the land area in question.

PENSION LIABILITIES

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies. The Group has both defined benefit and defined contribution plans. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the credit benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

SHARE-BASED PAYMENT

The Group has applied IFRS 2, Share-based Payment, to all share option plans in which the options that were granted after 7 November 2002 and had not vested before 1 January 2005. Earlier share option plans are not recognised as compensation expense in the income statement. Share options are measured at their fair value at the grant date and recognised as an expense in the income statement on a straight-line basis over the vesting period. The expense determined at the grant date is based on the Group's estimate of the number of options that will vest at the end of the vesting period. The fair value has been determined using the Black-Scholes option-pricing model. The estimate for the final number of options that will vest is revisited at each balance sheet date. Changes in the estimates are recognised in the income statement. When share options are exercised, the cash payments received for the share subscriptions (adjusted by any transaction expenses) are recognised in equity (par value) and in the share premium.

TREASURY SHARES

The acquisition cost of treasury shares including the directly attributable expenses is recorded as a deduction from shareholders' equity in the consolidated financial statements.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, the settlement of which will probably require an outflow of resources embodying economic benefits and when a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions can relate to, for example, restructurings of business operations, onerous contracts, environmental obligations, legal proceedings or tax risks.

INCOME TAXES AND DEFERRED TAXES

The consolidated financial statements include taxes based on the profit for the period of the Group companies and taxes calculated on the basis of the local tax legislation as well as deferred taxes on temporary differences between the carrying amounts of balance sheet items and their tax bases. In the income statement, the change in deferred tax liability is presented as deferred taxes. Deferred taxes are calculated on all temporary differences between the carrying amounts of balance sheet items and their taxable values. The most significant temporary differences arise on the revaluation of derivative instruments, defined-benefit pension arrangements and tax losses carried forward. Deferred tax is determined using tax rates that have been enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The share of the profit of associates is presented in the income statement based on the net profit of the companies and includes, thus, the tax effect.

DIVIDEND DISTRIBUTION

The dividends proposed to the Annual General Meeting by the Board of Directors are not deducted from the distributable shareholders' equity until approved by the Annual General Meeting.

EARNINGS PER SHARE

Basic earnings per share is calculated using the weighted average number of shares outstanding during the financial period. The weighted average number of shares used to calculate the diluted earnings per share takes into account the dilutive effect of options outstanding during the period.

NEW STANDARDS

The standards and interpretations listed below have been published by the IASB and are mandatory in 2006 or later. The Group has not early adopted these standards and interpretations and will adopt them for future periods:

-IAS 19 (Amendment), Employee Benefits. The amendment introduces the option to recognise the actuarial gains and losses directly in equity. In addition, it concerns multi-employer plans and notes disclosures on employee benefits. The management assesses that this amendment will not have a significant effect on the consolidated financial statements.

-IAS 21 (Amendment), Net Investment in a Foreign Operation**: The amendment clarifies and changes the requirements of the standard involving receivables from and liabilities to foreign operations that are accounted for as a part of the net investment in the foreign operation. These items can be stated in whatever currency and can either be between the parent and subsidiary or between subsidiaries. The management assesses that this amendment will affect the accounting for the inter-company monetary items.

- IAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions. The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements. The management of the Company assesses that this amendment will not have a significant effect on the consolidated financial statements as the Company does not apply hedge accounting on inter-company foreign currency items.

- IAS 39 (Amendment), The Fair Value Option. The amendment means that items of financial assets and liabilities can be designated as at fair value through profit or loss if the classification produces more relevant information or it reduces complexity or makes the valuation more reliable. The adoption of the amendments is voluntary and the decision is made at the initial recognition. The Company will not change the principles of classification for its financial instruments in the future financial statements.

-IAS 39 (Amendment) Financial Instruments: Recognition and measurement and IFRS 4 (Amendment) Insurance Contracts – Financial Guarantee Contracts. The amendment concerns the accounting for financial guarantees given to third parties. These contracts shall initially be recognised at their fair value and subsequently measured at the higher of: the unamortised balance of the related fees received and deferred, and the expenditure required to settle the commitment at the balance sheet date. The management assesses that the amendment will not have a significant effect on the consolidated financial statements.

-IFRIC 4, Determining whether an Arrangement contains a Lease. The interpretation requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires the assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to yhse the asset. The Company is currently assessing the impact of this interpretation on the Group's operations.

The following standards and interpretations that are effective in 2006 will not have an effect on the consolidated financial statements:

- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources.
- IFRS 6, Exploration for and Evaluation of Mineral Resources.
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.**
- IFRIC 8, Scope of IFRS 2**

The Group will adopt the following standard published by the IASB in its consolidated financial statements for 2007:

- IFRS 7 Financial Instruments: Disclosures and IAS 1 (Amendment) Presentation of Financial Statements – Capital Disclosures. The standard introduces new disclosures on financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The management is currently assessing the effects of the standard and complementary amendments and their current assessment is that the most significant new disclosures for the Group will be the expanded quantitative analyses, the disclosure of the sensitivity analysis and the capital disclosures.

** The standard/interpretation in question has not yet been endorsed by the EU.

Notes to the Consolidated Financial Statements

1. Segment information

Revenue from services	Year ended 31 December 2005	2004
Service revenue included in net sales	2 183	1 218

The business operations of Perlos are divided into two business areas based on the customers: Telecommunications and Electronic industry and Healthcare industry customers. The Healthcare industry customers do not constitute a reportable segment, as defined by IAS 14. The Company reports the Telecommunication, electronics and healthcare industry customers, that is, the whole Group, as its primary segment. The secondary, geographical segments are based on the location of the customers and operations. The geographical segments are Europe, Americas and Asia.

Net sales by customer	Year ended 31 December 2005	2004
Telecommunications and Electronic industry	615 305	518 290
Healthcare industry	52 646	44 848
Inter-company transactions	-1 154	-1 563
	666 797	**561 575**

Geographical segments 2005

	Europe	Americas	Asia	Unallocated	Eliminations	Group total
Net sales	**361 765**	**166 988**	**138 044**			**666 797**
Assets	**152 268**	**57 331**	**51 138**	13 939		**274 676**
Investments	**44 051**	**31 738**	**26 186**	6 569	-5 964	**102 580**

Geographical segments 2004

	Europe	Americas	Asia	Unallocated	Eliminations	Group total
Net sales	**381 883**	**94 560**	**85 132**			**561 575**
Assets	**142 429**	**26 749**	**30 123**	7 910		**207 211**
Investments	**39 155**	**11 725**	**9 894**		-1 369	**59 405**

Sales are allocated to geographical segments based on the location of the customers and total assets are allocated based on where the assets are located. Segment assets comprise intangible assets and property, plant and equipment. Investments comprise increases in intangible assets and property, plant and equipment.

2. Personnel expenses

	Year ended 31 December 2005	2004
Salaries	142 554	115 221
Pension costs - defined contribution plans	19 297	13 143
Pension costs - pension benefit plans	-578	1 767
Share-based benefits	771	703
Other indirect employee costs	13 694	13 151
	175 738	**143 985**

The consolidated income statement includes EUR 2 755 thousand of termination benefits expenses for the year ended 31 December 2005. There were no termination benefits expenses recorded in 2004.

Average number of employees during the year:

	2005	2004
Administrative and clerical employees	1 766	1 279
Other employees	5 350	4 215
	7 116	**5 494**

3. Depreciation by function

	Year ended 31 December	
	2005	2004
Depreciation related to manufacturing and purchases	39 700	29 169
Depreciation related to selling and marketing	466	416
Depreciation related to administration	5 550	5 095
	45 716	**34 680**

4. Research and development costs

The Group's research and development costs amounted to EUR 6.5 million and EUR 4.0 million for the years ended December 31, 2005 and 2004, respectively. Research and development costs are charged to expenses and included in general and administrative expenses in the consolidated income statement.

5. Other operating income

	Year ended 31 December	
	2005	2004
Gains on sale of intangible assets and property, plant and equipment	1 129	646
Reversal of the pension liability		10 461
Gains on derivative financial instruments	284	
Other income	1 595	371
	3 008	**11 478**

Other income includes insurance reimbursements, sale of waste, research and development and investment grants.

6. Expenses

	Year ended 31 December	
	2005	2004
Materials and services	315 214	229 682
Personnel expenses	175 738	143 985
Lease payments	7 157	5 813
Depreciation	45 716	34 680
Other expenses	100 501	68 418
	644 326	**482 578**

Payments to auditors and other companies that are part of the PricewaterhouseCoopers network amounted to EUR 0.4 million euros for the audit in 2005 compared to EUR 0.3 million in 2004 and for other services EUR 0.4 million in 2005 compared to EUR 0.2 million in 2004.

7. Financial income and expenses

	Year ended 31 December	
	2005	2004
Dividend income	63	64
Interest income	655	816
Foreign exchange gains	13 025	1 754
Total financial income	**13 743**	**2 634**
Interest expense	-7 135	-5 026
Other financial expenses	-1 404	-1 439
Foreign exchange losses	-12 203	-856
Total financial expenses	**-20 742**	**-7 321**
Total financial income and expenses	**-6 999**	**-4 687**

	Year ended 31 December	
	2005	**2004**
Foreign exchange gains and losses		
Net foreign exchange gains (losses) presented in financial income and expenses	822	898
Net foreign exchange gains (losses) related to sales and purchases and presented above operating profit	777	1 149
	1 599	**2 047**

8. Income tax expense

	2005	2004
Current tax expense	-6 196	-12 110
Tax expense for prior periods	1 654	-77
Change in deferred taxes	6 691	-6 594
Income tax expense in the consolidated income statement	**2 149**	**-18 781**
Profit before tax	6 258	81 251
Tax at domestic rate	-1 627	-23 563
Effect of different tax rates in foreign subsidiaries	9 031	6 658
Tax expense for prior periods	1 654	-77
Current year losses for which no deferred tax benefit is recognised	-10 780	-1 615
Tax recognised on current year losses at Group level	4 565	0
Other	-694	-39
Income tax expense in the consolidated income statement	**2 149**	**-18 781**

The tax rate of the parent company is 26% in 2005 compared to 29% in 2004.

9. Earnings per share

	Year ended 31 December	
	2005	**2004**
Basic earnings per share		
Profit attributable to equity holders of the Company	8 321	62 970
Weighted average number of shares in issue during the period	52 882 576	52 954 598
Basic earnings per share, EUR	**0.16**	**1.19**

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options increase the number of ordinary shares of the Company. The share options have a dilutive effect, when the fair value of the shares exceeds the exercise price of the options. The amount of dilution is the number of shares, that the Company has to issue for no consideration, as the Company would not be able to issue a corresponding amount of shares at fair value with the funds received when the options are exercised. The fair value of the shares is based on the average market price of the shares during the period.

	2005	2004
Profit attributable to equity holders of the Company	8 321	62 970
Weighted average number of shares in issue during the period	52 882 576	52 954 598
Adjustment for share options	146 696	389 602
Weighted average number shares for diluted earnings per share	53 029 272	53 344 200
Diluted earnings per share, EUR	**0.16**	**1.18**

10. Intangible assets 2004

	Intangible rights	Goodwill[2)]	Other intangible assets[1)]	Advance payments received and under construction	Total
Acquisition cost 1 January	1 059	171 987	22 151	2 898	198 095
Exchange differences			-923		-923
Additions and reclassifications	1 547		87	733	2 367
Disposals	-16		-179	-2 898	-3 093
Acquisition cost 31 December	2 590	171 987	21 136	733	196 446
Accumulated amortisation 1 January	183	164 077	7 982		172 242
Other changes	-10	-1 582	-1 969		-3 561
Amortisation for the period	352	1 582	4 438		6 372
Accumulated amortisation 31 December	525	164 077	10 451		175 053
Net book amount 31 December	2 065	7 910	10 685	733	21 393

Intangible assets 2005

	Intangible rights	Goodwill[2)]	Other intangible assets[1)]	Advance payments received and under construction	Total
Acquisition cost 1 January	2 590	171 987	21 136	733	196 446
Exchange differences	103		-784		-681
Additions and reclassifications	2 349	4 142	4 822	779	11 571
Acquired subsidiaries	1 374				1 895
Disposals			-92		-92
Acquisition cost 31 December	6 416	176 129	25 082	1 512	209 139
Accumulated amortisation 1 January	525	164 077	10 451		175 053
Exchange differences	33		-270		-237
Amortisation related to the disposals			-90		-90
Amortisation for the period	1 293		4 906		6 199
Accumulated amortisation 31 December	1 851	164 077	14 997		180 925
Net book amount 31 December	4 565	12 052	10 085	1 512	28 214

1) Other intangible assets include primarily information systems.

2) The consolidated balance sheet includes EUR 7.9 million of goodwill on the acquisition of the Moteco AB and EUR 4.1 million of goodwill on the acquisition of the CIM – group. The recoverable amount is determined based on value-in-use calculations. The annual impairment test did not indicate a need to record an impairment charge; instead, the discounted recoverable amount was significantly higher than the carrying amount. In the impairment test, the cash flows for five years are based on existing investments in the business area of Telecommunications and Electronics, (which has been used as the cash generating unit "CGU" in the test) and the existing five-year forecasts for the area. The key assumptions in the impairment test are the estimated yearly market growth rate and the managements' prudent estimates of future growth and profitability.
The terminal growth rate used is 2%. The discount rate used in the calculations is 8.9%, which is based on the Company's long-term target capital structure and the level of risk-free interest rates and beta as estimated by the Company and which includes the credit spread for the Company. Based on management's assessment, reasonable changes in the key assumptions to the calculations would not lead to the carrying amount of the assets exceeding their recoverable amount.

11. Property, plant and equipment 2004

	Land and water areas	Buildings	Buildings under finance leases	Machinery and equipment	Machinery equipment leased under finance leases	Other property, plant and equipment	Advance payments received and assets under construction	Total
Acquisition cost 1 January	1 345	46 039	13 667	197 405	2 817	2 406	10 332	274 011
Exchange differences	-1	-10	-683	-3 331	-2	-84	-60	-4 171
Additions and reclassifications	748	3 062		33 661	1 858	1 625	17 760	58 714
Disposals		-464		-5 685			-3 326	-9 475
Acquisition cost 31 December	2 092	48 627	12 984	222 050	4 673	3 947	24 706	319 079
Accumulated depreciation 1 January		8 476	2 685	99 592	51	1 689		112 493
Exchange differences		-470		-1 376		-56		-1 902
Depreciation related to the disposals				-1 833				-1 833
Other changes				-4 861		653		-4 208
Depreciation for the period		1 266	1 191	24 298	1 515	441		28 711
Accumulated depreciation 31 December		9 272	3 876	115 820	1 566	2 727		133 261
Net book amount 31 December	2 092	39 355	9 108	106 230	3 107	1 220	24 706	185 818

The carrying amount of machinery and equipment used in production 91 954

Property, plant and equipment 2005

	Land and water areas	Buildings	Buildings under finance leases	Machinery and equipment	Machinery equipment leased under finance leases	Other property, plant and equipment	Advance payments received and assets under construction	Total
Acquisition cost 1 January	2 092	48 627	12 984	222 050	4 673	3 947	24 706	319 079
Exchange differences	88	2 940	1 888	-49	-3	374	1 667	6 905
Additions and reclassifications	113	14 848		70 737	1 624	1 658	8	88 988
Acquired subsidiaries				523				523
Disposals		-113		-2 735	-506	-16	-17	-3 387
Acquisition cost 31 December	2 293	66 302	14 872	290 526	5 788	5 963	26 364	412 108
Accumulated depreciation 1 January		9 272	3 876	115 820	1 566	2 727		133 261
Exchange differences		1 137	640	-7 611	132	185		-5 517
Depreciation related to the disposals		174		-1 877	-135	-56		-1 894
Other changes						278		278
Depreciation for the period		2 561	1 202	33 491	1 695	569		39 518
Accumulated depreciation 31 December	0	13 144	5 718	139 823	3 258	3 703	0	165 646
Net book amount 31 December	2 293	53 158	9 154	150 703	2 530	2 260	26 364	246 462

The carrying amount of machinery and equipment used in production 121 040

12. Investments 2004

	Investments in associates	Available for sale financial assets	Total
Acquisition cost 1 January	531	58	589
Exchange differences Increases	1 150	21	1 171
Decreases Historical cost 31 December	1 681	79	1 760
Share of associates profit (loss)	-1 146		-1 146
Change in fair values			
Carrying value 31 December	535	79	614

Investments 2005

	Investments in associates	Available for sale financial assets	Total
Acquisition cost 1 January	1 681	79	1 760
Exchange differences			
Increases		2	2
Decreases	-1 310	-15	-1 325
Historical cost 31 December	371	66	437
Share of associates profit (loss)	-25		-25
Change in fair values		-6	-6
Book amount, 31 December	346	60	406

Available-for sale financial assets consist among others of telephone and golf shares. The fair value of these shares is based primarily on information on market transactions on such shares.

	Interest held by the Group	
Associates	**2005**	**2004**
Asperation Oy		50%
EPE Design Oy	50%	50%

2004	Registered in	Assets	Liabilities	Net sales	Profit (loss)
Epe Design Oy	Helsinki, Finland	641	232	1 234	138
Asperation Oy	Helsinki, Finland	714	396	14	-2 430

2005	Registered in	Assets	Liabilities	Net sales	Profit (loss)
Epe Design Oy	Helsinki, Finland	416	226	1 018	-50

13. Group companies

	Interest held by the Group	
	2005	**2004**
Perlos Limited; Sunderland, the UK	100%	100%
Perlos Holding Inc; USA	100%	100%
Perlos (Texas) Inc; Fort Worth, USA	100%	100%
Perlos Mexico Holding Corp. (US); USA	100%	
Perlos Mexico Services, S.A. de C.V; Mexico	100%	
Perlos Mexico, S.A. de C.V; Mexico	100%	
Perlos Precision Plastics Moulding Limited Liability Company; Komarom, Hungary	100%	100%
Perlos (Guangzhou) Engineering Plastics Company Ltd.; Guangzhou, China	100%	100%
Perlos (Guangzhou) Electronic Components Co., Ltd.; Guangzhou, China	100%	
Perlos (Beijing) Electronic and Telecommunication Components Co., Ltd.; Peking, China	100%	100%
Perlos Finance Holding Oy; Finland	100%	100%
Perlos AB; Sweden	100%	100%
giga Ant AB; Sweden	100%	100%
giga Ant Asia Pte Ltd; Singapore	100%	100%

	2005	2004
Moteco Telecommunication Equipment Co. Ltd, China		100%
Perlos Malaysia Sdn Bhd; Malaysia	100%	100%
Perlos Asia Pte Ltd; Singapore	100%	100%
Perlos Ltda; Brasilia	100%	100%
Perlos Technology Oy; Finland	100%	
Perlos Precision Molds (Schenzen) Co., Ltd.; China	75%	
CIM Precision Molds (H.K.) Ltd.; Hong Kong	75%	

14. Non-current receivables

	As at 31 December	
	2005	**2004**
Other non-current receivables	320	151

Other non-current receivables consist mainly of long-term rental deposits and their book values approximate their fair values.

15. Deferred tax assets and liabilities

Specification of deferred tax assets in 2004	1 January	Exchange differences	Charged credited to the income statement	Charged credited to equity	Acquisition Disposal of subsi- diaries	31 December
Tax losses carried forward	4 143		-4 143			0
Pension benefits	2 714		496			3 210
Other temporary differences	777	-458				319
Total	**7 634**	**-458**	**-3 647**	**0**	**0**	**3 529**

Deferred income tax assets amounting to EUR 19.0 million were not recognised in respect of tax loss carry forwards as at 31 December 2004. The tax loss carry forwards have no expiry date.

Specification of deferred tax liabilities in 2004						
Pension benefits			3 034			3 034
Other temporary differences	1 503	-303	-87			1 113
Total	**1 503**	**-303**	**2 947**	**0**	**0**	**4 147**

Specification of deferred tax assets in 2005						
Tax losses carried forward			6 109			6 109
Pension benefits	3 210		-2 825	-5		380
Other temporary differences	319	-36	-308			-25
Hedging reserve				64		64
Total	**3 529**	**-36**	**2 976**	**59**	**0**	**6 528**

Deferred income tax assets amounting to EUR 36.3 million were not recognised in respect of tax loss carry forwards as at 31 December 2005. Tax loss carry forwards amounting to EUR 13.1 million expire in 10 years and EUR 1.0 million in 20 years. The remainder of the tax loss carry forwards have no expiry date.

Specification of deferred tax liabilities in 2005						
Pension benefits	3 034		-2 825			209
Other temporary differences	1 113	-6	-801			306
Acquired subsidiaries			-89		242	153
Recognised in other IFRS reserves				-5		-5
Total	**4 147**	**-6**	**-3 715**	**-5**	**242**	**663**

16. Inventories

	As at 31 December	
	2005	**2004**
Materials and supplies	39 732	21 714
Work in progress	21 120	13 575
Finished goods	42 682	20 546
Advance payments	12 745	7 430
Goods in transit	1 374	0
	117 653	**63 265**
Inventories includes obsolescence write-downs as follows:	1 631	1 308

17. Current trade and other receivables

	As at 31 December	
	2005	**2004**
Trade receivables	123 221	70 919
Interest-bearing loan receivables	0	1 101
Other current receivables	4 218	10 502
Prepaid expenses and accrued income	5 382	1 470
Tax receivables	1 710	0
	134 531	**83 992**

Trade receivables include provisions amounting to EUR 0.2 million as at 31 December 2005 and 2004.

18. Cash and cash equivalents

	As at 31 December	
	2005	**2004**
Financial assets		
Financial assets	1 300	28 658
Cash and cash equivalents		
Cash at banks	25 092	23 424
Liquid assets Total	**26 392**	**52 082**

Financial assets at the end of the year 2005 include one overnight commercial paper and cash at bank accounts. Financial assets at the end of the year 2004 include short term, less than three month commercial papers and short term cash deposits and cash at bank accounts.

19. Shareholders' equity

		Number of shares	Share capital	Share premium	Treasury shares
	1 January 2004	52 338 086	32 242	47 163	7 677
Options exercised		430 260	309	830	
Acquisition of treasury shares					3 974
Cancellation of treasury shares				-701	701
Reduction of treasury shares		-7 677			
	31 December 2004	**52 768 346**	**31 850**	**48 694**	**3 974**
Cancellation of treasury shares			-88	88	-1 826
Transfer of treasury shares		168 802			-2 148
	31 December 2005	**52 937 148**	**31 762**	**48 782**	**0**

	2005	**2004**
Maximum number of shares	63 355 775	62 805 703

Nominal value of share is EUR 0.6 per share.

Calculation of distributable funds, 31 December 2005

	Parent Company	Group
Retained earnings	45 747	91 643
Profit for the period	6 081	8 321
- Other non-distributable items	0	-6 474
	51 828	**93 490**

Under the Finnish Companies' Act, the amount of dividend distributable by the Parent Company is limited to the amount of distributable equity available at the end of the preceding year on a consolidated or unconsolidated basis, whichever is lower.

20. Interest-bearing liabilities

	As at 31 December			
	2005 Carrying value	**2005** Fair value	**2004** Carrying value	**2004** Fair value
Non-current liabilities				
Loans from financial institutions	25 186	25 186	40 008	40 008
Bonds	44 908	45 330	44 892	45 646
Finance lease liabilities	10 902	10 902	12 348	12 348
	80 996	**81 418**	**97 248**	**98 002**
Current				
Loans from financial institutions	48 622	48 622	21 475	21 475
Commercial paper	56 697	56 697	0	0
Finance lease liabilities	2 869	2 869	1 574	1 574
	108 188	**108 188**	**23 049**	**23 049**

The fair values of floating-interest rate loans approximate their carrying values. The carrying values have been determined using effective interest rates as presented below. The fair values of fixed rate loans are based on discounted cash flows using a rate based on market interest rates corresponding to the remaining maturity of the loans as at 31 December.

Maturities of non-current liabilities:

31 December 2005	**2007**	**2008**	**2009**	**2010**	**2011**	**later**
Floating rate loans from financial institutions		25 186				
Fixed rate bonds				44 908		
Finance lease liabilities	2 225	2 020	1 940	1 366	1 202	2 149

31 December 2004	**2006**	**2007**	**2008**	**2009**	**2010**	**later**
Floating rate loans from financial institutions		15 000	25 008			
Fixed rate bonds					44 892	
Finance lease liabilities	1 446	2 225	2 020	1 940	1 366	3 351

All non-current loans from financial institutions carry floating interest. A EUR 40 million nominal value loan, which matures during 2006-2007, has been converted to fixed rate with an interest rate swap as at 31 December, 2005 and 2004.

Non-current interest-bearing liabilities are denominated in the following currencies:

	As at 31 December	
	2005	**2004**
EUR	71 316	87 542
CNY	6 727	6 699
GBP	2 953	2 963
SEK	0	43

The weighted average effective interest rates of interest-bearing non-current liabilities are as follows:

	Weighted average	Low	High
Loans from financial institutions	3.106%	3.106%	3.106%
Bonds	4.730%	4.567%	4.812%
Finance lease liabilities	4.090%	4.090%	4.090%

Current interest-bearing liabilities are denominated in the following currencies:

	As at 31 December	
	2005	**2004**
EUR	72 804	15 293
CNY	9 609	7 517
GBP	286	215
USD	25 430	0
SEK	59	24

The weighted average effective interest rates of current interest-bearing liabilities are as follows:

	Weighted average	Low	High
Loans from financial institutions	4.864%	3.106%	5.689%
Bonds	2.422%	2.297%	2.609%
Finance lease liabilities	4.090%	4.090%	4.090%

The fair values of issued bonds as at 31 December 2005 are as follows:

	Nominal value	Market price	Market value
JVK 4.55% 1.4.2010	15 000 000	100.361	15 054 150
JVK 4.75% 10.3.2010	30 000 000	100.918	30 275 400
	45 000 000		**45 329 550**

The fair value of issued bonds as at 31 December 2004 are as follows:

JVK 4.55% 1.4.2010	15 000 000	100.670	15 100 500
JVK 4.75% 10.3.2010	30 000 000	101.820	30 546 000
	45 000 000		**45 646 500**

Finance lease liabilities – total future minimum lease payments:	**2005**	**2004**
Not later than one year	2 869	1 575
Later than one year and not later than five years	7 552	8 269
Later than five years	3 350	4 078
Finance lease liabilities – total future minimum lease payments	**13 771**	**13 922**

Finance lease liabilities – present value of future minimum lease payments:

Not later than one year	2 783	1 541
Later than one year and not later than five years	6 750	7 321
Later than five years	2 597	3 014
Finance lease liabilities – present value of future minimum lease payments:	**12 130**	**11 876**
Future finance charges	1 641	2 046

21. Provisions

	1 January 2005	Additional provisions	Used during the year	31 December 2005
Pension benefit	845		-23	822
Restructuring		11 659		11 659
	845	**11 659**	**-23**	**12 481**
Current				8 281
Non-current				4 200
				12 481

The restructuring provision comprise expenses caused by the shut-down of the Ylöjärvi plant. The main items of the provision comprise a rental liability and a provision for voluntary termination benefits.The decision to close the plant was made in June 2005 and the plant will be closed as planned during the first quarter of 2006.

22. Trade and other payables

	2005	**2004**
Advance payments received	18 712	10 503
Trade payables	101 345	56 083
Voluntary pension insurance	460	425
Other current liabilities	5 592	4 803
Accrued expenses	40 588	38 041
	166 697	**109 855**

Accrued expenses include personnel expenses and accrued interest on liabilities.

23. Derivative financial instruments

Nominal values of derivative financial instruments 1 000 €

		Maturity structure		
As at 31 December 2005	**2005**	**2006**	**2007**	**2004**
Foreign exchange derivatives				
related to transaction risk	7 836	7 836		4 126
related to financing	90 890	90 890		39 450
Interest rate swaps	40 000	15 000	25 000	40 000
Electricity derivatives	299	299		244
Total nominal values	**139 025**	**114 025**	**25 000**	**83 820**

Fair values of derivative financial instruments 1 000 €

	Fair value as at 31 December 2005			Fair value as at 31 December 2004		
	Positive	Negative	Net	Positive	Negative	Net
Foreign exchange derivatives						
related to transaction risk	104	-46	58	10	-13	-3
related to financing	421	-2 505	-2 084	1 771	-327	1 444
Interest rate swaps	0	-558	-558	0	-795	-795
Electricity derivatives	23	-35	-12	18	-24	-6
Total nominal values	**548**	**-3 144**	**-2 596**	**1 799**	**-1 159**	**640**

The fair values are based on quoted market prices. Fair value represents the amount that would be realised, if the derivative contracts were closed on the balance sheet date. Interest rate derivatives are designated and qualify as fair value hedges and accordingly hedge accounting is applied to such instruments.

Derivative financial instruments designated as hedge

	Nominal value	Fair value
Interest rate swaps	40 000	-558

24. Commitments

	2005	2004
Collaterals given as at 31 December		
Mortgages on corporate debt		353
Guarantees given as at 31 December		
On behalf of others		
Guarantees on behalf of others	4 675	6 181
The future aggregate minimum lease payments under non-cancellable operating leases		
No later than 1 year	5 251	3 773
Later than 1 year and no later than 5 years	11 013	10 137
Later than 5 years	6 108	1 061
Total minimum lease payments	**22 372**	**14 971**

25. Related-party transactions

	2005	2004
Key management compensation		
CEO and deputy to CEO	540	240
Members of the Board of Directors	160	160
Other management	537	619

Management's post-employment benefits

The retirement age of the CEO, deputy to CEO and three other managers is 60-63 years, and the post-employment benefit equals to 60% of the respective salary.

Management compensation based on agreements

	2005	2004
Other short-term employee benefits	249	79
Other long-term employee benefits	24	231

Number of share options held by management as at 31 December 2005:

2002 A-options	71 750	2005 A-options	17 500
2002 B-options	76 250	2005 B-options	17 500
2002 C-options	105 000	2005 C-options	17 500

26. Retirement benefit obligations

Some senior executives are covered by a supplementary pension insurance, in which the retirement age is 60 years. Supplementary pension insurance provide a 60% pension when they reach the age of 60 years and until they reach the statutory retirement age of 63 years. Such a pension arrangement is a defined benefit arrangement in accordance with IAS 19. The fair value of the plan assets, income and expense effects and changes in pension liabilities during the year are based on actuarial calculations. The main assumptions used by the Group are disclosed at the end of this note.

Defined pension benefit obligation

	31.12.2005	31.12.2004
Present value of obligations	442	2 248
Fair value of plan assets	-318	-1 210
Margin	**124**	**1 038**
Unrecognised actuarial gains (+) or losses (-)	336	
Pension liability (+) / receivable (-) in the balance sheet	**460**	**1 038**

Movements in net pension liability

	2005	2004
Liability at the beginning of the year	**1 038**	**9 720**
Expense (+) / Income (-)	75	-8 094
Contributions paid	-653	-588
Net liability (+) / assets (-) at the end of year	**460**	**1 038**

Expense recognized in the income statement

	1.1.-31.12.2005	1.1.-31.12.2004
Current service cost	41	2 056
Interest cost	104	661
actuarial gain (+), loss (-)		-303
Curtailment		-10 449
Expected return on plan assets	-69	-60
Pension expense recognised in the income statement/other post-employment benefit	**76**	**-8 095**

The principal actuarial assumptions:

Discount rate for 10 years	5.00%	5.25%
Expected return on plan assets	5.00%	5.25%
Future salary increases	3.50%	4.00%
Inflation	2.00%	2.00%
Early termination of employment	2.00%	0.00%

Pension expenses have been presented in accordance with the local legislation in each country.

The pension arrangements of the Group are mainly defined contribution arrangements.
The most significant exception is the disability portion of the Finnish TEL system. The TEL system was changed in the end of 2004 so that a major part of the liability was reversed through income in 2004.

27. Business combinations

On 29 April, 2005 the company closed an agreement whereby 75% of the shares of CIM Precision Molds (HK) Limited were acquired. CIM Precision Molds (HK) Limited, domiciled in Hong Kong, together with its subsidiary located in Shenzen, China specialise in the manufacture of plastic injection moulds.

The acquisition cost of the business combination amounted to the following:

Cash paid	1 877
Direct costs associated with the acquisition	210
Loan receivable	1 158
Other	21
Fair value of shares issued	1 258
Total	**4 524**
Fair value of net assets acquired	**382**
Goodwill	**4 142**

The difference between the cost of the business combination and the Group's interest in the acquirer's fair valued net assets has been recognised as goodwill. The acquisition cost included 168 802 shares of Perlos Oyj with a fair value of EUR 7.45 per share. The fair value is the published last market quotation at the Helsinki Stock Exchange at the acquisition date.

The acquired assets and liabilities consisted of the following:

	Fair value	Acquiree's carrying amounts
Cash and cash equivalents	99	99
Intangible assets	1 374	
Property, plant and equipment	523	523
Receivables	1 297	1 297
Liabilities	-2 460	-2 460
Loans	-323	-323
Total assets	**510**	**-864**
Minority interest (25%)	**-127**	
Net assets acquired	**382**	
Purchase consideration without own shares	**3 266**	
Cash and cash equivalents in subsidiary acquired	**-99**	
Cash outflow on acquisition	**3 167**	

The carrying amounts of the acquiree are determined in accordance with IFRS.

28. Share-based payments

	2005 Options	Weighted average exercise price, €	2004 Options	Weighted average exercise price, €
Options outstanding at the beginning of period	**1 771 666**	**12.56**	**2 192 726**	**9.16**
Granted during the period	797 500	7.49	530 000	7.61
Forfeited during the period	-71 250	9.02	-45 000	9.07
Exercised during the period			-906 060	1.57
Expired during the period	-1 021 666	16.09		
Options outstanding at the end of the period	**1 476 250**	**7.25**	**1 771 666**	**12.56**
Options held by the Company	273 750	7.29	78 334	26.27
Options outstanding at the end of the period	1 750 000	7.25	1 850 000	13.14
Options exercisable at the end of the period	190 000	4.73	1 021 666	16.29
Average remaining contractual life 31 December, days	1575		972	
Range of remaining contractual lives 31 December, days	1200–1950		540-2310	

The weighted average exercise price includes only share options, on which the exercise price had been determined at the end of the period.

Perlos Oyj had at the end of the year two share option plans.

The share options A, B and C that were established as part of the 2002 Share option plan entitle the holders to subscribe a total of 750 000 new shares between 1 April 2005 and 30 April 2008. The initial exercise prices are: Share option A EUR 5.25, Share option B EUR 5.56 and Share option C EUR 9.84. The exercise price is reduced by the amount of dividends distributed after the exercise price has been determined and before the option is exercisable at the record date for each dividend distribution. The exercise price is, however, always at least equal to the nominal value of the share. the dividend adjusted exercise prices of the share options at the end of 2005 were: A EUR 4.73, B EUR 5.26 and C EUR 9.64. The Share options A have been listed on the main list in the Helsinki Stock Exchange. The Share options B and C, for which the exercise periods start on 1 April 2006 and 1 April 2007 have not yet been listed.

The share options A, B and C that were established as part of the 2005 Share option plan entitle the holders to subscribe a total of 1 000 000 new shares between 1 April 2007 and 30 May 2010.The exercise price is the trade volume weighted average quotation of the Perlos Oyj share in the Helsinki Stock Exchange during the August month of each year plus 14 per cent. The exercise price of the Share option A was determined as EUR 7.17 in August 2005. The exercise prices of Share options B and C are determined in August 2006 and 2007, respectively. The exercise price is reduced by the amount of dividends distributed after the exercise price has been determined and before the option is exercisable at the record date for each dividend distribution. The exercise price is, however, always at least equal to the nominal value of the share. The Share option plan has not been listed.

The Share options were issued to the key management of the Company in Finland and abroad.

The IFRS standard on share-based payments was effective on 1 January 2005 and obliges the Company to apply the procedure to all share options that were granted after 7 November 2002 and had not vested before 1 January 2005. These share options have been recorded in the financial statements in accordance with IFRS 2 Share-based payments. The share options are valued at fair value with the Black-Scholes option pricing model. The options accounted for under IFRS 2 were granted on 10 February 2003, 23 January 2004 and 15 May 2005 and the corresponding fair values were as follows:

	Fair value EUR
2002A options, granted 10 February 2003	1.20
2002B options, granted 10 February 2003	1.73
2002C options, granted 10 February 2003	2.05
2002A options, granted 23 January 2004	3.98

	Fair value EUR
2002B options, granted 23 January 2004	4.30
2002C options, granted 23 January 2004	2.82
2005A options, granted 15 May 2005	1.52
2005B options, granted 15 May 2005	2.04
2005C options, granted 15 May 2005	2.49

The subscription prices used in the option pricing models correspond the market prices at grant date (the price of Options 2002 A, B and C granted on 10 February 2003 is EUR 4.16, the price of Options 2002 A, B and C granted on 23 January 2004 is EUR 8.57 and the price of Options 2005 A, B and C granted on 15 May 2005 is EUR 7.45). The range of historical volatility used in the option pricing is 42–57%. The range of risk-free interest rates used in the calculations is 3.4-3.5% and the expected rate of terminations of employment is 15%.

29. Transition to IFRS

The Group has adopted IFRS during 2005 and has applied IFRS 1 (First-time Adoption of International Financial Reporting Standards). The date of transition to IFRS used to present comparative information is 1 January 2004. Significant differences from the earlier accounting policies in accordance with Finnish Accounting Standards (FAS) are in accounting for pension liabilities (IAS 19), valuation of property, plant and equipment (IAS 16, IAS 36 and IAS 38), accounting for lease arrangements (IAS 17) and accounting for financial instruments (IAS 39 and IAS 32) as well as accounting for share based payments (IFRS 2).

The reconciliations below present the effects of transition to IFRS on the income statement, balance sheet and shareholders' equityprepared in accordance with the Finnish Accounting Standards.

INCOME STATEMENT		**For the year ended 31 December**
EUR million		**2004**
Profit for the year in accordance with FAS		55.1
Effect of transition to IFRS		
IFRS 1 First-time Adoption of International Financial Reporting Standards	a)	0.5
IAS 12 Income Taxes	b)	-2.5
IAS 17 Leases	c)	0.5
IAS 19 Employee Benefits, IFRS 2	d)	7.9
IFRS 3 Business Combinations (reversal of amortisation)	e)	1.6
IAS 39 Financial Instruments	f)	-0.1
Total IFRS adjustments		**7.9**
Profit for the year in accordance with IFRS		**63.0**

BALANCE SHEET		**IFRS**	**FAS**	
EUR million		**1 Jan. 2004**	**31 Dec. 2003**	**DIFFERENCE**
Assets				
Intangible assets	g)	18.2	18.2	0.0
Goodwill	e)	7.9	7.9	0.0
Property, plant and equipment and financial assets	c)	159.7	153.4	6.3
Deferred tax assets	b)	7.6	4.3	3.3
Inventories		46.1	46.1	0.0
Trade and other receivables	f)	80.3	80.8	-0.5
Cash and cash equivalents		15.4	15.4	0.0
		335.2	**326.1**	**9.1**

BALANCE SHEET		IFRS	FAS	
EUR million		1 Jan. 2004	31 Dec. 2003	DIFFERENCE
Shareholders' equity and liabilities				
Shareholders' equity		124.2	141.2	-17.0
Deferred tax liabilities	b)	1.5	1.5	0.0
Non-current interest bearing liabilities	c)	68.8	55.3	13.5
Provisions		0.9	0.9	0.0
Current interest bearing liabilities	c), f)	56.2	44.1	12.1
Trade payables and other liabilities	a)	83.6	83.1	0.5
		335.2	**326.1**	**9.1**

BALANCE SHEET		IFRS	FAS	
EUR million		31 Dec. 2004	31 Dec. 2004	DIFFERENCE
Assets				
Intangible assets	g)	13.5	16.1	-2.6
Goodwill	e)	7.9	6.3	1.6
Property, plant and equipment and financial assets	c)	186.5	175.5	11.0
Deferred tax assets	b)	3.5	0.0	3.5
Inventories		63.3	63.3	0.0
Trade and other receivables	f)	85.9	86.5	-0.6
Cash and cash equivalents		52.0	52.0	0.0
		412.6	**399.7**	**12.9**
Shareholders' equity and liabilities				
Shareholders' equity		175.2	180.2	-5.0
Deferred tax liabilities	b)	4.1	1.1	3.0
Non-current interest bearing liabilities	c)	97.2	85.0	12.2
Provisions		0.8	0.8	0.0
Current interest bearing liabilities	c)	23.0	21.6	1.4
Trade payables and other liabilities	f), a)	112.3	111.0	1.3
		412.6	**399.7**	**12.9**

SHAREHOLDERS' EQUITY			
EUR million		1 Jan. 2004	31 Dec. 2004
Shareholders' equity in accordance with FAS		**141.2**	**180.2**
Effect of transition to IFRS			
IFRS 1 First-time Adoption of International Financial Reporting Standards	a)	-0.5	0.0
IAS 12 Income Taxes	b)	3.2	0.7
IAS 17 Leases	c)	-3.2	-2.6
IAS 19 Employee Benefits, IFRS 2	d)	-9.7	-1.8
IAS 32 Financial instruments (treasury shares)	h)	-7.7	-4.0
IFRS 3 Business Combinations (reversal of amortisation)	e)	0.0	1.6
IAS 39 Financial Instruments	f)	1.4	1.2
IAS 39 Financial Instruments (cash flow hedging)	f)	-0.5	-0.1
Total IFRS adjustments		**-17.0**	**-5.0**
Shareholders' equity in accordance with IFRS		**124.2**	**175.2**

a) In connection with the transition to IFRS an error made earlier under FAS was discovered and corrected in the opening IFRS balance sheet. This increased the profit for the comparative period of 2004 by EUR 0.5 million.

b) The changes in accounting policies on consolidation in connection with the transition to IFRS increased the amount of (net) deferred tax assets by EUR 3.3 million as at 1 January 2004 and by EUR 0.5 million as at 31 December 2004. The most significant temporary differences were caused by revaluation of financial instruments, defined-benefit pension arrangements and accounting for finance lease arrangements.

c) Lease arrangements on property, plant and equipment, in which the Group has substantially all the risks and rewards incidental to ownership are classified as finance lease arrangements in accordance with IAS 17. The finance lease arrangements are recorded in the balance sheet at the commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The asset acquired with a finance lease arrangement is depreciated over the shorter of the lease term and its useful life. Lease liabilities are included in the interest bearing non-current and current liabilities. In the finance lease calculations, the average interest rate payable on Group's external loans at the inception of the lease is used as the discount rate in accordance with IAS 17. In connection with the transition to IFRS, the Company classified some of its lease arrangements as finance leases and accounts for them as described above.

d) The pension arrangements in the Perlos Group are mainly defined contribution arrangements.
The most significant exception is the accounting for the disability portion of the Finnish TEL system. During the transition project the system was generally determined to be defined benefit arrangement and thus, it is accounted for as such in the balance sheet at the date of transition 1 January 2004. In December 2004 the Ministry of Social Affairs and Health accepted certain changes to the calculation principles of the liability for the disability portion of the Finnish statutory earnings related pension scheme (TEL). These changes are effective on 1 January 2006.
After these changes, the disability portion in TEL is accounted for as a defined contribution arrangement in the IFRS financial statements. Due to this change, a major part of the liability that was charged to equity at the date of transition was reversed in income during the last quarter of 2004 in the comparative IFRS information. The reversal is presented in other operating expenses. In addition, the Group has certain other, less significant pension arrangements that are classified as defined benefit arrangements and that are accounted for in accordance with IAS 19 on the basis of actuarial calculations.

The Company applies IFRS 2 to all share option plans, where the options have been granted after 7 November 2002 and which had not vested before 1 January 2005. The option rights are valued at fair value at the grant date and recognised as expenses in the income statement on a straight-line basis over the period between the grant date and the start of the exercise period.

e) In accordance with IAS 36, goodwill is not amortised but is assessed for impairment on an annual basis. Impairment tests are performed at the level of cash flow-generating units at the time of transition and annually thereafter and at any time when there is an indication that goodwill may be impaired. Perlos' Consolidated Balance Sheet at 31 December 2003 contains EUR 7.9 million of goodwill on the acquisition of Moteco AB Group. An impairment test has been carried out on the above mentioned goodwill at the date of transition by comparing the amount of the goodwill with its value in use, which is determined by calculating the discounted recoverable amount for the business. The impairment test did not indicate the need to record an impairment charge. Straight-line amortisation of goodwill according to Finnish Accounting Standards has been reversed in the IFRS comparative figures.

f) The Group treats derivative contracts in its IFRS reporting in the manner prescribed in IAS 39.
Unlike in Finnish accounting practice, all changes in fair value of derivative financial instruments not designated as a hedge are recognised in earnings as described below. The company has used foreign exchange derivatives as hedges of receivables, liabilities and firm commitments, as well as hedges of forecasted cash flows from highly probable future transactions. They are all measured at fair value on the balance sheet and changes in fair values are recorded through the income statement. Hedge accounting in accordance with IAS 39 is not applied. The company has hedged the interest rate risk of liabilities by converting floating-interest rate loans to fixed-interest rate with interest rate swaps. Hedge accounting is applied to interest rate swaps and they meet the requirements of hedge accounting as set out in IAS 39. The Company has used electricity derivatives as cash flow hedges of highly probable forecasted transactions but the Group does not apply hedge accounting to them. Electricity derivatives are all measured at fair value on the balance sheet and changes in fair values are recorded through the income statement. Foreign exchange forward

contracts are measured at the balance sheet date applying the forward rates in effect at the balance sheet date. Financial assets at fair value through profit or loss comprise only derivative financial instruments not designated as hedge instruments. Derivative liabilities are measured at fair value on the balance sheet with changes in fair values recognised through profit or loss.

g) In connection with the transition to IFRS certain intangible assets were reclassified as property, plant and equipment.

h) Under Finnish GAAP treasury shares were included in investments in the balance sheet and in treasury shares in equity. In connection with the transition to IFRS these bookings were reversed. The adjustment had no effect on the financial ratios of the Company, as the effect of treasury shares has been eliminated in their calculation under Finnish Accounting Practices.

Other changes

In connection with the transition to IFRS, the Company has reclassified expenses into cost of goods sold, selling and administrative expenses. The major part of the adjustment relates to the change of operative IT system expenses, which are currently reported under administrative expenses instead of under cost of goods sold. The 2004 comparative information has been adjusted to conform to the current presentation.

There are no material differences in the cash flow statement under IFRS and Finnish GAAP.

30. Notes to the cash flow statement

	Year ended 31 December	
Notes to the cash flow statement	**2005**	**2004**
Depreciation and amortisation	45 716	34 680
Change in provisions	11 636	-27
Profit (-) or loss (+) on the sale property, plant and equipment	-628	-301
Reversal of the pension liability		-10 461
Other		-790
	56 724	**23 101**

Change in net working capital		
Increase (-), decrease (+) in current receivables	-46 914	-2 426
Increase (-), decrease (+) in inventories	-52 189	-18 742
Increase (+), decrease (-) in current liabilities	62 146	22 845
	-36 957	**1 677**

31. Dividend distribution

After the balance sheet date the Board of Directors has proposed the distribution of a EUR 0.10 dividend per share.

32. Events after the balance sheet date

The Board of Directors of the Company decided in its meeting on 6 February 2006 to continue to adapt its production to match demand and will start up measures to improve the profitability of the loss-making operations in countries that are considered as high-cost. A rationalisation programme was commenced in Finland with an aim to achieve annual savings of approximately EUR 25 million starting from the beginning of 2007. The Company seeks to achieve the savings target by boosting operational efficiency, and reducing the number of personnel. At the same day, personnel representatives were invited to participate in co-determination negotiations. The Company also decided to immediately take steps to close its Texas plant and to transfer the production to the Reynosa plant in Mexico. The transfer seeks to achieve annual savings of approximately EUR 15 million. The Board of Directors also decided to increase manufacturing capacity in growing markets in line with demand and to establish a new plant in Chennai, India. The plant will have floor space of about 15,000 square metres and is expected to be operational in early 2007.

33. Risk management

The purpose of Perlos' risk management is to support the business functions and facilitate the attainment of business goals. By means of systematic risk management, the company seeks to identify the risks threatening business goals, evaluate their significance and manage them cost-effectively.

A risk is considered to be anything that may impede or enhance the company's ability to achieve its current or future business objectives.

The aim of risk management is to protect the level of shareholder value embodied in the business plan. In addition, risk management enables calculated risk taking when exploiting business opportunities.

Perlos' risk management policies and responsibilities are defined in the Perlos Risk Management Policy, which is approved by the Board of Directors. The Board of Directors and the Management Board are responsible for the strategy and policy of risk management and internal control. The adequacy of the risk management principles and methods is supervised by the Audit Committee, which supports the Board of Directors. The Management Board of the Group is responsible for the organisation of risk management and the development of related operating procedures.

The Perlos Risk Management Policy requires employees to continuously evaluate their objectives, and particularly the impact of both internal and external changes. This evaluation includes identifying the risks arising from these changes and an assessment of the impact of the changes. Employees then need to ensure that best practice controls and processes are put in place to manage the major risks. In addition, objectives, risks and controls should be aligned. This process ensures that the impacts of any changes on the organisation's processes are monitored continuously

The Perlos Risk Management Policy classifies risks into four categories: Strategic, Operational, Financial and Hazard.

Strategic:
Strategic risks relate to the attainment of the company's long-term goals and vision. Strategic risks include, for example, changes in customers' operations, changes in the market for the company's products or the competitive arena, supplier-related risks, development of production and materials technology and R&D matters. Administrative and legal risks are also included in this category.

Operational:
Operational risks relate to the attainment of the company's strategic goals. Operational risks involve, for example, the company's reporting and control systems, key employees, the delivery chain, fraud and the company's reputation.

Financial:
Financial risks also have a bearing on attaining strategic goals. Financial risks include changes in the company's economic situation due to fluctuations in exchange or interest rates, credit risks, refinancing risks, changes in the prices and availability of raw materials and goods, and changes in the cash flow or the company's financial position.

Hazard:
Hazard risks include accidents, damage to property or damage leading to the interruption of operations. Security and environmental risks are also included in this category, as are liability risks.

Strategic, operational and financial risks may benefit or harm the company. However, if a hazard risk occurs, the company always takes a financial loss to some degree. The aim of risk management is to restrict possible losses and facilitate tapping into opportunities in line with Group's objectives.

Financial risk management

Financial risk management is centralised within the corporation's treasury unit, which is responsible for the management of financial risks in accordance with the policy approved by the Board of Directors.

In order to improve the efficiency of risk management, financial risks have been divided into five categories.

Credit risk
Credit risk occurs when the counterparty cannot fulfil its contractual obligations in whole or in part. The risk may be incurred from a hedging arrangement, an investment or a loan. Credit risk might occur due to bankruptcy of the counterparty or downgrading of its creditworthiness.

The management of credit risks aims to minimise the probability of a loss and thus restrict possible negative effects on the company's cash flow. The means used in this are setting minimum requirements on the counterparty's creditworthiness and specifying maximum limits for each counterparty. The limits set on each counterparty are approved by the Board of Directors. The corporation's treasury unit attends to maintaining limits.

The management of customer specific credit risks has been decentralised to business units. The creditworthiness of the key customers of Perlos is good and according to the Company's assessment, the Company did not have any material credit risk exposures as at 31 December 2005 and 2004. The theoretical amount that best represent the maximum credit risk exposure at the balance sheet date is the amount of trade receivables amounting to EUR 123.2 million and EUR 70.9 million as at 31 December 2005 and 2004, respectively.

Refinancing risk

Refinancing risk occurs when a relatively large share of the Group's loans mature within a short time frame that refinancing is either costly or not available. The aim is to restrict the funding-related refinancing risks by staggering the repayment of the non-current loan portfolio into different maturities. Perlos' non-current loan portfolio comprises a five-year syndicated loan amounting to EUR 55 million (nominal value) that was withdrawn in 2002 and bond loans with a six year maturity amounting to EUR 45 million that were issued in spring 2004.

Liquidity risk

Liquidity risk occurs when the company's financial assets and sources of finance do not suffice to cover business needs, or arranging them would cause the company to incur significant additional costs.

Perlos seeks to restrict its liquidity risks by maintaining sufficient cash assets and committed credit limits. At the end of 2005, Perlos' cash assets amounted to EUR 26.4 million. For an eventual need of additional funding, Perlos agreed on a five-year syndicated credit limit of EUR 170 million in summer 2004, of which EUR 25.4 million was withdrawn at the end of 2005 and EUR 0 at the end of 2004. In addition, Perlos has at its disposal a domestic commercial paper programme amounting to EUR 100 million, of which EUR 57.0 million was withdrawn at the end of the year 2005. The facilities were not in use as at 31 December 2004.

Interest rate risk

Interest rate risk refers to fluctuation in the company's cash flows or the value of its assets and liabilities due to changes in market interest rates. Interest rates affect the value of both business operations and financial items. The change in the value of financial items is directly linked to interest rate movements, while the latter have an indirect effect on business operations. At Perlos, the management of interest rate risks is concentrated to managing the interest rate exposure of financial items.

Interest rate exposure is divided into two elements: cash flow interest rate risk and price risk. The former refers to the sensitivity of interest income or expenses to interest rate movements. The cash flow interest rate risk is assessed using the average interest rate reset period of financial assets and liabilities. The average interest rate reset period indicates the time over which interest rate movements are fully reflected in interest expenses. The shorter the interest rate reset period of loans, the faster the movements in interest rates affect interest expenses.

Price risk illustrates the effect of interest rate movements on the value of the net loan portfolio. Price risk is measured using the modified duration. The longer the duration, the greater the effect of interest rate movements on the value of the net loan portfolio.

The optimisation of financial expenses is the primary goal of Perlos' interest rate risk management. Hedging actions are based on an analysis of the development of the global economy and its anticipated effect on interest rates and the company's earnings. Interest rate risk management assumes that the premature repayment of loans is not probable and that exceptionally large cash reserves are transient in nature.

The company has hedged part of its floating-interest loans by using interest rate swaps. Hedge accounting as set in IAS 39 is applied to interest rate swaps and changes in their fair value are recorded in the hedging reserve in shareholders' equity.

Risk limits of interest rate risks

The average interest rate maturity of the net loan portfolio must be at least three months and no longer than five years. In addition, the duration of investments may not exceed 18 months. At the end of 2005, the interest rate maturity of the net loan portfolio was 16 months compared to 37 months at the end of 2004.

Foreign exchange risk
Foreign exchange risk refers to changes in the value of cash flows, the balance sheet or competitive position due to changes in foreign exchange rates. Perlos' foreign exchange exposure is divided into transaction, translation and economic exposure. As these exposures are different in nature, they are managed separately.

Transaction exposure refers to the possibility of changes in the value of an agreed foreign-currency cash flow due to foreign exchange movements. Transaction exposure includes all contractual items denominated in foreign currencies and part of the expected future cash flows.

The company's competitiveness in relation to its competitors may be affected by a long-term change in exchange rates. This risk is referred to as economic exposure. Perlos' economic exposure is similar to that of most of its major competitors.

Translation exposure refers to the impact of exchange rate movements on the consolidated balance sheet. The value of assets, shareholders' equity or liabilities in the consolidated balance sheet may change due to exchange rate movements. Exchange rate fluctuation may impact not only the carrying amounts, but also certain indicators, such as the equity ratio and gearing ratio. Perlos does not hedge translation exposure.

Perlos primarily manages its foreign exchange risk by way of its business operations. The procurement of production inputs and sales of products are primarily carried out in the local currencies of Group companies, of which the most significant are EUR, RMB and USD. Exceptions are components obtained from Japanese suppliers, where the Japanese Yen is the agreed currency of purchase. Perlos uses primarily forward exchange contracts in hedging of its currency exposure. The change in their value is recognised in the income statement under other operating income or expenses for operative hedges or under financial items for hedging of financial risks. Derivatives are used solely for hedging purposes but the Group does not apply hedge accounting to foreign exchange derivatives in accordance with IAS 39.

Risk limits in foreign exchange risk
In the case of the transaction exposure, Perlos' principle is to hedge all major foreign currency firm commitments and part of the estimated cash flows. The business units may deviate from this principle such that, following a non-recurring change of 10% in exchange rates, the value of the unhedged position can change by no more than 5% of estimated net profits at the annual level. In addition, the unhedged transaction exposure of the parent company administered by treasury may not exceed EUR 5 million.

The risk limits can be deviated from when this is approved by the Board of Directors. At the end of 2005, the open foreign exchange exposure arising from the foreign currency-denominated loans of Perlos Ltda at the end of 2005 exceeded the risk limits such that the weakening of the Brazilian real led to a foreign exchange loss of about EUR 1.5 million compared to a loss of EUR 0.8 million at the end of 2004).

Risk limits are not applied to currencies that do not have functional derivative markets.

Commodity price risk
Changes in the prices of the commodities used by the Group in its business operations might impact the Group's profitability. These commodities include different types of raw materials and energy. The company has hedged part of the risks related to changes in the price of electric energy with derivatives. Changes in their fair values are recorded in the income statement under other operating income and expenses at each balance sheet date.

Authorisations to issue new shares, option rights and convertible bond
The Annual General Meeting of Perlos Corporation on 30 March 2005 resolved, in accordance with the proposals of the Board of Directors (a) to authorise the Board of Directors to decide upon the increase of the Company's share capital by a maximum of EUR 6,352,457.40 by issuing new shares or by taking out a convertible loan; and to cancel similar authorisation granted for a period of one year at the Annual General Meeting on 29 March 2004, (b) to authorise the Board of Directors to decide upon the acquisition of a maximum of 2,646,857 of the company's own shares, (c) to authorise the Board of Directors to decide upon the conveyance of a maximum of 2,646,857 of the Company's own shares in the Company's possession, and (d) to decrease the Company's share capital by the total nominal value of the Company's own shares in the Company's possession (146,198 shares), i.e. EUR 87,718.80, through a cancellation of the said shares and a transfer of the decrease in the share capital to the premium fund.

Parent Company Income Statement

1000 €	Note	Year ended 31 December 2005	2004
Net sales	1	307 032	337 220
Cost of goods sold		-274 960	-267 355
Gross profit		32 072	69 865
Selling and marketing expenses		-8 419	-6 917
Administrative expenses		-34 901	-30 836
Other operating income		8 306	4 462
Other operating expenses		-266	-457
Operating profit (loss)	2,3	-3 208	36 117
Financial income and expenses	4	20 809	13 101
Profit before extraordinary items, appropriations and taxes		17 601	49 218
Extraordinary items	5	-11 650	0
Income taxes	6	130	-7 199
Net profit for the period		**6 081**	**42 019**

Parent Company Balance Sheet

1000 €	Note	As at 31 December 2005	2004
ASSETS			
Non-current assets			
Intangible assets	*7*	12 130	13 328
Property, plant and equipment	*8*	84 840	82 326
Investments	*9*	70 962	53 779
		167 932	149 433
Current assets			
Inventories	*11*	39 872	36 236
Non-current receivables	*12*	11	13
Current receivables	*13*	115 981	87 592
Financial assets		1 300	28 593
Cash and cash equivalents		51 366	12 498
		208 530	164 932
Total assets		**376 462**	**314 365**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		31 762	31 850
Share premium		48 782	48 694
Treasury shares		0	3 974
Retained earnings		45 747	13 024
Net profit for the period		6 081	42 019
	14	132 372	139 561
Provisions	*15*	12 481	845
Liabilities			
Non-current liabilities	*16*	70 000	85 000
Current liabilities	*17*	161 609	88 959
		231 609	173 959
Total shareholders' equity and liabilities		**376 462**	**314 365**

Parent Company Cash Flow Statement

1000 €	Year ended 31 December 2005	2004
Cash flows from operating activities		
Operating profit (loss)	-3 208	36 117
Adjustments to operating profit (loss)	19 272	17 601
Change in net working capital	-6 809	-1 045
Interest paid	-8 671	-5 646
Dividends received	21 735	17 054
Interest received	6 200	1 693
Taxes paid	-367	-3 056
Net cash generated from operating activities	**28 152**	**62 718**
Cash flows from investing activities		
Investments in subsidiaries	-21 157	-5 138
Investments in associated companies	0	-1 150
Purchases of property, plant and equipment and intangible assets	-25 141	-24 867
Proceeds from sale of property, plant and equipment and intangible assets	4 538	1 003
Net cash used in investing activities	**-41 760**	**-30 152**
Cash flows before financing activities	**-13 608**	**-32 566**
Cash flows from financing activities		
Proceeds from issuance of borrowings	235 113	45 000
Repayments of borrowings	-167 979	-41 448
Increase (decrease) in interest-bearing receivables	-31 397	1 885
Share issue	0	1 140
Purchase of treasury shares	0	-3 974
Dividends paid	-10 554	-5 234
Net cash generated from (used in) financing activities	**25 183**	**-2 631**
Increase in cash and cash equivalents	11 575	29 935
Cash and cash equivalents at 1 January	41 091	11 156
Cash and cash equivalents at 31 December	**52 666**	**41 091**

Accounting Policies

The financial statements have been prepared in accordance with the Finnish Accounting Act and other statutes and regulations on the preparation of annual accounts.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are made with due prudence. The actual results could differ from these estimates.

BASIS OF PREPARATION

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost, less accumulated depreciation. Depreciation and amortisation is calculated on a straight-line basis over the useful lives of the assets as follows.

	Years
Intangible rights	5–10
Other intangible assets	5–10
Buildings	40
Fixtures	10
Machinery and equipment	3–10
Other property, plant and equipment	5

Inventories

Purchased products are valued at acquisition cost while own-manufactured products are valued at manufacturing cost including related fixed purchasing and manufacturing costs of the Company. Inventories are stated at lower of cost or net realisable value. Cost is determined primarily using the weighted average cost method, which approximates historical cost determined on a first-in first-out (FIFO) basis. Provisions are made for inventories with a lower market value or which are slow-moving. If it becomes apparent that the inventory can be used, provisions are reversed with inventory being revalued up to the lower of its estimated market value or original cost. Unsaleable inventory is fully written off.

Research and development

Research and development costs are expensed as incurred.

Revenue recognition

Indirect taxes on sales, exchange rate differences related to sales and discounts are recorded as reduction of revenue. Sales of goods are recognised when an entity has delivered products to the customer. Sales of services are recognised when services have been rendered.

Maintenance and repair charges

Maintenance and repairs are charged to expense as incurred. Leasehold improvement costs are capitalised under other intangible assets and are amortised on a straight-line basis.

Leasing

Leasing payments are treated as rental expenditures.

Pensions and accrued pension costs
Pension costs are recognised in accordance with the legislation in Finland. The Company has recorded a pension liability of EUR 821 770 under provisions.

Foreign currency translation
Foreign currency denominated assets and liabilities are translated into euros at the year-end foreign exchange rate quoted by the European Central Bank. Non-quoted currencies are translated at the rates published by a commercial bank.

Adjustments made to comparative financial statements
In connection with the transition to IFRS, the Company has reclassified expenses into cost of goods sold, selling and administrative expenses. The major part of the adjustment relates to the change of operative IT system expenses, which are currently reported under administrative expenses instead of under cost of goods sold. The 2004 comparative information has been adjusted to conform to the current presentation.

Notes to the Parent Company Financial Statements

1. Net sales

	Year ended 31 December	
	2005	**2004**
Net sales by industry segment		
Telecommunications and electronics industry	265 004	299 716
Healthcare industry	42 028	37 504
	307 032	**337 220**
Net sales by market area		
Finland	105 062	119 608
Other European countries	144 293	168 090
Americas	27 236	20 063
Other countries	30 441	29 459
	307 032	**337 220**

2. Personnel expenses and number of personnel

Personnel expenses		
Wages and salaries	-92 388	-81 378
Pension expenses	-14 996	-12 197
Other social expenses	-5 716	-4 744
	-113 100	**-98 319**

The remuneration of the Board of Directors and the CEO
The remuneration of the CEO and deputy to CEO of the Parent Company amounted to to EUR 540 270 and EUR 239 640 for the years ended December 31, 2005 and 2004, respectively. The remuneration of the Parent Company Board of Directors amounted to EUR 160 000 for the years ended December 31, 2005 and 2004.

Average number of personnel employed by the parent company were as follows:

	Year ended 31 December	
	2005	**2004**
Administrative and clerical employees	866	689
Other employees	2 107	2 024
	2 973	**2 713**

Pension commitments for the members of the Board of Directors and managing director:
The retirement age for the CEO of the Parent Company has been set at 60 years.

3. Depreciation and amortization by function

	Year ended 31 December	
	2005	**2004**
Depreciation related to manufacturing and purchases	-14 589	-13 577
Depreciation related to selling and marketing	-86	-79
Depreciation related to administration	-4 610	-4 140
	-19 285	**-17 796**

4. Financial income and expenses

	Year ended 31 December	
	2005	**2004**
Dividend income		
Group companies	24 422	16 990
Other companies	63	64
Total dividend income	**24 485**	**17 054**
Interest and other financial income		
Group companies	3 321	1 095
Other companies	4 632	3 979
Total interest and other financial income	**7 953**	**5 074**
Interest and other financial expenses		
Group companies	-10	-9
Other companies	-11 472	-9 018
Total interest and other financial expenses	**-11 482**	**-9 027**
Impairment of non-current investments	-147	
Total financial income and expenses	**20 809**	**13 101**
Financial income and expenses include exchange rate gains and losses, net	-536	-30

5. Extraordinary items

	Year ended 31 December	
	2005	**2004**
Extraordinary income		
Group contributions	9	
Extraordinary expenses		
Restructuring costs	-11 659	
Total extraordinary items	**-11 650**	

6. Income taxes

	Year ended 31 December 2005	2004
Current taxes		-3 056
Deferred taxes	131	-4 143
Total income taxes	**131**	**-7 199**

Non-current assets

7. Intangible assets

	Intangible rights	Other intangible assets	Advances paid and construction in progress	Total
Acquisition cost at 1 January	2 592	22 049	733	25 374
Additions and transfers	978	2 250	1 512	4 740
Disposals			-733	-733
Acquisition cost at 31 December	3 570	24 299	1 512	29 381
Accumulated depreciation at 1 January	527	11 519		12 046
Depreciation and amortization	757	4 448		5 205
Accumulated depreciations at 31 December	1 284	15 967		17 251
Net book value at 31 December	2 286	8 332	1 512	12 130

Other intangible assets consists mainly of leasehold improvements and of an enterprise resource planning system.

8. Property, plant and equipment

	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost at 1 January	719	33 889	112 372	1 539	10 989	159 508
Additions and transfers	20	2 681	17 866		-165	20 402
Disposals			-7 422	-4	-143	-7 569
Acquisition cost at 31 December	739	36 570	122 816	1 535	10 681	172 341
Accumulated depreciation at 1 January		6 408	69 323	1 451		77 182
Depreciation related to disposals			-3 758	-4		-3 762
Depreciation and amortization		1 185	12 810	86		14 081
Accumulated depreciations at 31 December		7 593	78 375	1 533		87 501
Net book value at 31 December	739	28 977	44 441	2	10 681	84 840

Book value of production machinery and equipment amounted to EUR 41 631 thousand as at 31 December 2005.

9. Investments

	Own shares	Shares in subsidiaries	Shares in associates	Other shares	Total
Book value at 1 January	3 974	46 928	2 825	52	53 779
Additions		23 826			23 826
Disposals	-3 974		-2 655	-15	-6 644
Book value at 31 December	0	70 754	170	38	70 962
Impairments					0
Book value at 31 December	0	70 754	170	38	70 962

10. Subsidiaries and investments in associated companies

	Parent company ownership	
	2005	**2004**
Subsidiaries		
Perlos Limited Sunderland, the UK	100%	100%
Perlos Holding Inc; USA	100%	100%
Perlos Mexico Holding Corp. (US); USA	100%	
Perlos Mexico Services. S.A. de C.V; Mexico	100%	
Perlos Mexico. S.A. de C.V; Mexico	100%	
Perlos Precision Plastics Moulding Limited Liability Company; Komarom, Hungary	100%	100%
Perlos (Guangzhou) Engineering Plastics Company Ltd.; Guangzhou, China	100%	100%
Perlos (Guangzhou) Electronic Components Co.. Ltd.; Guangzhou, China	100%	
Perlos (Beijing) Electronic and Telecommunication Components Co., Ltd.; Peking, China	100%	100%
Perlos Finance Holding Oy; Finland	100%	100%
Perlos AB; Sweden	100%	100%
giga Ant AB; Sweden		
Moteco Telecommunication Equipment Co. Ltd.; China		100%
Perlos Ltda; Brazil	100%	100%
Perlos Technology Oy; Finland	100%	
CIM Precision Molds (H.K.) Ltd.; Hong Kong	75%	
Associated companies		
Asperation Oy, Finland		50%
EPE Design Oy, Finland	50%	50%

11. Inventories

	As at 31 December	
	2005	**2004**
Materials and supplies	8 542	9 624
Work in progress	8 396	8 678
Finished goods	17 195	13 008
Advance payments	5 721	4 926
Advance payments from Group Companies	18	
	39 872	**36 236**

12. Non-current receivables

	As at 31 December	
	2005	2004
Other non-current receivables	11	13

13. Current receivables

	2005	2004
Receivables from Group companies		
Accounts receivable	14 632	5 313
Loans receivable	57 461	24 963
Other short-term receivable	2 760	556
Prepaid expenses and accrued income		
Interest receivables	1 345	288
	76 198	**31 120**
Receivables from other companies		
Accounts receivable	36 329	45 223
Loans receivable		1 101
Other short-term receivable	2 589	7 330
Prepaid expenses and accrued income		
Loan origination fees	539	721
Foreign exchange forwards	124	1 755
Other accrued income	202	342
	39 783	**56 472**
Total current receivables	**115 981**	**87 592**

14. Shareholders' equity

	2005	2004
Share capital at 1 January	31 850	32 242
Share issue		309
Cancellation of treasury shares	-88	-701
Share capital at 31 December	**31 762**	**31 850**
Share premium at 1 January	48 694	47 163
Share issue		830
Cancellation of treasury shares	88	701
Share premium at 31 December	**48 782**	**48 694**
Treasury shares at 1 January	3 974	7 677
Increase		3 974
Decrease	-3 974	-7 677
Treasury shares at 31 December	**0**	**3 974**
Retained earnings at 1 January	55 043	22 231
Dividends paid	-10 554	-5 233
Share premium transfers		-3 974
Other changes	1 258	
Retained earnings at 31 December	45 747	13 024
Net profit for the period	6 081	42 019
Total shareholders' equity	**132 372**	**139 561**

	2005	2004
Distributable funds at 31 December		
Retained earnings	45 747	13 024
Net profit for the period	6 081	42 019
	51 828	**55 043**

Under the Finnish Companies' Act, the amount of dividend distributable by the Parent Company is limited to the amount of distributable equity available at the end of the preceding year on a consolidated or unconsolidated basis, whichever is lower.

15. Provisions

	2005	2004
Pension liabilities	822	845
Restructuring provision	11 659	
	12 481	**845**

The restructuring provision comprise expenses caused by the shut-down of the Ylöjärvi plant. The main items of the provision comprise a rental liability and a provision for voluntary termination benefits. The decision to close the plant was made in June 2005 and the plant will be closed
as planned during the first quarter of 2006.

16. Non-current liabilities

Euro denominated loans accounted for 100% of the non-current loans from credit institutions and bond loans at the end of 2005. The average interest rate of non-current loans was 4.70%.

	2005	2004
Loans from credit institutions	25 000	40 000
Bond loans	45 000	45 000
	70 000	**85 000**

The Company's repayment schedule for its loans from credit institution and bond loans at 31 December 2005 is as follows:

	2007	2008	2009	2010
Current maturities	25 000			45 000

The repayments for 2006 have been transferred to current liabilities in the balance sheet. The Company does not have long-term liabilities which would expire later than 2010.

17. Current liabilities

	2005	2004
Current liabilities from group companies		
Loans	764	758
Advance payments		18
Trade creditors	1 212	3 551
Accrued liabilities and deferred income		
Interest expenses	4	5
Current liabilities from other companies		
Loans from credit institutions	40 430	15 000
Commercial papers	56 697	
Advances received	11 575	7 809
Accounts payable	23 425	32 581
Other current liabilities	2 904	3 257
Accrued liabilities and deferred income		
Accrued personnel expenses	19 505	22 236
Interest expenses	2 762	2 192
Foreign exchange forwards	2 331	51
Other accrued liabilities		1 501
	161 609	**88 959**

Other supplementary information

18. Leasing and rental commitments

The Company leases office, manufacturing and warehouse space under various non-cancellable operating leases. Certain contracts contain renewal options for various periods of time.

	2005	2004
Leasing and rental commitments		
Not later than one year	3 821	3 908
Later than one year	7 050	11 424
	10 871	**15 332**

19. Contingent liabilities on behalf of Group companies

	2005	2004
Financing guarantees	6 404	8 816
Other guarantees	39 864	12 806

20. Contingent liabilities on behalf of other companies

	2005	2004
Guarantees	4 675	6 181

21. Derivative financial instruments

	2005	2004
Foreign exchange forwards		
Nominal amount	80 262	34 416
Fair value	-2 207	1 704
Interest rate swaps		
Nominal amount	40 000	40 000
Fair value	-558	-795
Commodity derivatives		
Nominal amount	299	244
Fair value	-12	-6

The nominal amounts are presented as net values.

Fair value represents the amount that would be realised, if the derivative contracts were closed on the balance sheet date.

Vantaa, 6 February, 2006

Kari O. Sohlberg
Chairman of the Board of Directors

Heikki Mairinoja
Vice Chairman of the Board of Directors

Anni Vepsäläinen
Member of the Board

Matti Aura
Member of the Board

Matti Kavetvuo
Member of the Board

Teppo Taberman
Member of the Board

Timo Leinilä
Member of the Board

Isto Hantila
CEO

Auditors' Report

TO THE SHAREHOLDERS OF PERLOS CORPORATION

We have audited the accounting records, the financial statements and the administration of Perlos Corporation for the period 1 January 2005–31 December 2005. The Board of Directors and the Managing Director have prepared the report of the Board of Directors and the consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards as adopted by the EU. They have also prepared the parent company's financial statements including the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements which all are prepared in accordance with prevailing regulations in Finland. 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 Managing Director of the parent company have complied with the rules of the Finnish 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. The members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding distributable funds is in compliance with the Companies' Act.

Vantaa, 6 February, 2006

PricewaterhouseCoopers Oy, Authorised Public Accountants

Kari Lydman, Authorised Public Accountant

Group Financial Key Indicators

Income statement and profitability	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002	FAS 2001
Net sales, EUR million	666.8	561.6	452.3	364.6	431.6
EBITDA, EUR million	59.0	122.3	70.4	53.3	102.2
EBITDA, (% of net sales)	8.8	21.8	15.6	14.6	23.7
EBITA, EUR million	13.3	87.6	39.9	24.0	75.8
EBITA, (% of net sales)	2.0	15.6	8.8	6.6	17.6
EBIT, EUR million	13.3	87.6	17.3	1.4	53.2
EBIT, (% of net sales)	2.0	15.6	3.8	0.4	12.3
Profit (loss) before income taxes, EUR million	6.3	81.8	11.2	-4.5	47.9
Profit (loss) before income taxes, (% of net sales)	0.9	14.6	2.5	-1.2	11.1
Profit (loss) for the financial period, EUR million	8.3	63.0	8.6	-2.1	39.8
Profit (loss) for the financial period, (% of net sales)	1.2	11.2	1.9	-0.6	9.2
Return on equity, %	4.6	42.0	6.3	-1.3	23.7
Return on investment, %	8.0	32.8	7.9	1.7	19.9
Interest cover	8.4	26.1	13.2	9.7	9.6
Cash flow					
Cash flow from operations, EUR million	19.4	95.3	47.7	36.6	116.8
Capital expenditures, EUR million	105.0	59.6	50.7	40.9	37.3
Capital expenditures, (% of net sales)	15.8	10.6	11.2	11.2	8.6
Balance sheet and solvency					
Shareholders' equity, EUR million	188.2	175.2	141.2	149.1	184.2
Provisions, EUR million	12.5	0.8	0.9	0.9	0.9
Total liabilities, EUR million	360.4	236.6	183.9	172.4	146.5
Total shareholders' equity and liabilities, EUR million	561.1	412.6	326.1	322.5	331.6
Interest-bearing liabilities, EUR million	189.2	120.3	99.2	101.7	72.0
Net debt, EUR million	162.8	68.2	83.8	71.9	46.8
Gearing	0.87	0.39	0.63	0.51	0.25
Equity ratio, %	34.7	43.6	43.2	46.3	59.6
Personnel					
Personnel, average	7 116	5 494	4 437	3 641	3 538
Personnel at the end of the period	7 679	6 117	4 657	3 974	3 334

Exchange rates

The most important currencies (31 Dec.)	EUR	EUR	EUR	EUR	EUR
USD	1.1797	1.3621	1.2630	1.0487	0.8813
GBP	0.6853	0.7051	0.7048	0.6505	0.6085
CNY	9.5204	11.2734	10.3426	8.6266	7.2943
SEK	9.3885	9.0206	9.0800	9.1528	9.3012
BRL	2.7446	3.6177	3.6051	2.8051	2.0585

Share Related Key Indicators

		IFRS 2005	IFRS 2004	FAS 2003	FAS 2002	FAS 2001
Earnings per share	EUR	0.16	1.19	0.17	-0.04	0.77
Earnings per share (diluted)	EUR	0.16	1.18	0.16	-0.04	0.73
Cash flow per share	EUR	0.37	1.81	0.93	0.71	2.25
Cash flow per share (diluted)	EUR	0.37	1.80	0.91	0.69	2.15
Shareholders' equity per share	EUR	3.55	3.32	2.55	2.76	3.55
Shareholders' equity per share (diluted)	EUR	3.55	3.29	2.54	2.69	3.40
Dividend per share	EUR	0.10	0.20	0.10	0.22	0.26
Dividend pay-out ratio	%	62.3	16.8	58.8	neg.	33.8
Effective dividend yield	%	1.12	1.70	1.58	3.66	2.23
Price/earning ratio (P/E)		55.8	9.9	37.7	neg.	15.1
Share prices						
Lowest share price	EUR	5.98	6.39	2.96	3.92	5.60
Highes share price	EUR	12.49	13.14	6.92	12.55	23.01
Average share price	EUR	8.03	9.56	4.97	7.54	12.08
Share price at the end of the year	EUR	8.95	11.77	6.33	6.01	11.65
Trading volumes						
Number of shares	pcs	104 041 037	57 486 456	38 740 918	32 100 915	40 422 424
Number of shares in relation to the weighted average number of shares	%	196.5	108.6	75.3	62.3	77.8
Number of shares						
At the end of the period	pcs	52 937 148	52 768 346	52 338 086	51 230 786	51 758 140
Average during the period	pcs	52 882 576	52 954 598	51 420 718	51 504 737	51 956 112
Average during the period (diluted)	pcs	53 029 272	53 344 200	52 518 852	53 158 216	54 225 331
'Market capitalisation at the end of the period	MEUR	474	621	331	308	603

Formulas for the Indicators

EBITDA	=	operating profit + depreciation
Return on investment (ROI), expenses	=	$\frac{\text{profit before extraordinary items + interest and other financial}}{\text{total assets – non-interest-bearing liabilities (average for the period)}} \times 100$
Return on equity (ROE), %	=	$\frac{\text{profit before extraordinary items – taxes}}{\text{shareholders' equity + minority interest (average for the period)}} \times 100$
Equity ratio, %	=	$\frac{\text{shareholders' equity + minority interest}}{\text{total assets – advance payments received}} \times 100$
Gearing ratio	=	$\frac{\text{interest-bearing liabilities – liquid assets}}{\text{shareholders' equity}}$
Interest margin, %	=	$\frac{\text{EBITDA}}{\text{net financial expenses}}$

SHARE RELATED INDICATORS

Earnings/share, EUR	=	$\frac{\text{profit before extraordinary items – taxes +/- minority interest}}{\text{average number of shares during the period}}$
Earnings per share, accounting for dilution, EUR	=	$\frac{\text{Profit before extraordinary items – taxes +/- minority interest}}{\text{adjusted number of shares (accounting for dilution)}}$
Equity/share, EUR	=	$\frac{\text{shareholders' equity}}{\text{number of shares at the end of the year}}$
Dividend/share	=	$\frac{\text{dividend for the period}}{\text{number of shares at the end of the year}}$
Dividend/share, %	=	$\frac{\text{dividend per share}}{\text{earnings/share}} \times 100$
Net cash flow from operations/share	=	$\frac{\text{net cash flow from operations}}{\text{average number of shares during the period}}$
Net cash flow from operations/share, net cash flow from operations	=	$\frac{\text{net cash flow from operations}}{\text{adjusted number of shares (accounting for dilution)}}$
Effective dividend yield, %	=	$\frac{\text{dividend/share}}{\text{share price at the end of the year}} \times 100$
P/E multiple	=	$\frac{\text{share price at the end of the year}}{\text{earnings/share (exclusive of extraordinary items)}}$
Market capitalisation	=	number of shares at the end of the year x share price at the end of the year
Average share price	=	$\frac{\text{total value of share turnover during the year}}{\text{number of shares traded during the period}}$

Corporate Governance

Perlos Corporation's corporate governance and administrative procedures comply with the Guidelines on the Administration of Public Limited Companies released by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers that came into force on 1 July, 2004. The statement on the review of the administration is included in the Auditors' Report on page 76.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the company's highest decision-making body. Among other tasks, it annually confirms the company's income statement and balance sheet as well as decides on dividends and the election of Board members and auditors. Perlos' Annual General Meeting is convened by the company's Board of Directors. The Annual General Meeting must be held annually by the end of June. Annual General Meetings are usually held in March.

BOARD OF DIRECTORS

As specified in the Articles of Association, Perlos Corporation's Board of Directors includes five to eight ordinary members who are elected by the Annual General Meeting. A member's term of office begins after the end of the Annual General Meeting at which he or she was elected, and lasts to the end of the following Annual General Meeting.

The majority of all members of the Board shall be independent of the company. In addition, at least two of the members representing this majority shall be independent of significant shareholders in the company. The President of Perlos Corporation is not a Board member.

The Board has approved written rules of procedure in which the responsibilities, composition, tasks and practices of the Board are specified. According to the rules of procedure, the Board is responsible for the due organisation of the governance and operations of the company. Furthermore the Board is responsible for matters that are of strategic or financial significance or important in principle.

The main tasks of the Board

Strategy

- decide on the company's vision and values and oversee their realisation,
- decide on the corporate strategy,
- monitor the implementation of strategic plans and assess the results achieved and, if necessary, decide on revising plans and goals,
- confirm the strategic plans and budgets of the company and the business units.

Organisation

- decide on the corporate structure and organisation,
- appoint the company's President and decide on his perquisites,
- decide on appointing a deputy for the President,
- decide on bonus and incentive schemes for the corporate management.

Finance and control

- confirm the corporate financing policy,
- oversee and develop corporate governance, the business organisation, bookkeeping and financial management,
- confirm corporate level risk management and reporting procedures,
- follow up and monitor the resources that affect the results of business units,
- decide on major investments, recruitments, acquisitions and the restructuring of business operations,
- specify the rules for decision-making and authorisation procedures, including euro-denominated limits,
- approve company policies and instructions for major areas of administration and control,
- draft the dividends policy and assume responsibility for the trend in shareholder value,
- prepare annual accounts, interim reports and approve the annual report and its related financial information.

Other tasks

- develop the ownership structure of the company,
- prepare the agenda for the Annual General Meeting and oversee the implementation of the resolutions of the meeting,
- assume responsibility for all other such duties as have been stipulated for Boards of Directors in the Companies Act and elsewhere.

The Board shall assess its performance and rules of procedure once a year. This assessment can be conducted by the Board by means of self-assessment or by an external party. Improvement measures are decided on the basis of the results of the assessment.

In 2005, the Board of Directors convened 22 times and the average attendance of directors at the Board meetings was 90%.

AUDIT COMMITTEE

The Audit Committee's primary purpose is to assist the Board in overseeing:

- The integrity of the company's annual accounts,
- The company's compliance with legal and regulatory requirements,
- The external auditors' competence and independence,
- The performance of the company's Internal Audit function and external auditor,
- The company's system of internal controls and ethics that have been established by management and the Board,
- The adequacy of risk management policies and procedures.

The Board of Directors elects the Chairman and members of the Audit Committee at its annual organisational meeting. The Audit Committee is comprised of at least three persons appointed by the Board. All Audit Committee members shall have the financial and accounting competence and experience necessary to attend to the responsibilities of the Audit Committee. The Audit Committee convenes at least four times annually, or more frequently as circumstances dictate.

In 2005, the Audit Committee consisted of the following directors: Teppo Taberman, Matti Aura and Kari O. Sohlberg. The Audit Committee convened four times in 2005.

PRESIDENT AND THE EXECUTIVE BOARD

The Board of Directors elects the company's President. The principal terms and conditions pertaining to his employment are specified in writing in the President's agreement. The President performs his duties in accordance with Finnish law and especially with the provisions of the Companies Act, Perlos' Articles of Association, the rules of procedure of the Board of Directors and in accordance with such general and special directions and instructions which may be given to him or her by the Board. The President is not a Board member.

Isto Hantila has been the company's President since January 1, 2004.

Perlos' Executive Board assists the President in operative management. The Executive Board meets regularly to discuss matters related to the company's operative business activities. The members of the Executive Board are presented on pages 85–87.

INTERNAL AUDIT

Internal Audit's mission is to oversee the company's operations and in doing so generate added value for management and the Board of Directors. It is an independent function that, among other duties, evaluates the company's risk management, internal controls and business processes. In addition, Internal Audit disseminates accumulated knowledge of the best operational and control practices amongst all of the company's business units.

Internal Audit reports to the Audit Committee of the Board of Directors. Its day-to-day operations are co-ordinated by the President. The Internal Audit is outsourced as a purchased service.

AUDIT

The Articles of Association specify that the company shall have one to two regular auditors. The regular auditor must be a firm of independent public accountants that is authorised by the Central Chamber of Commerce. The regular auditor is elected at the Annual General Meeting. An auditor's term of office lasts until the end of the next Annual General Meeting.

The auditor elected by the Annual General Meeting is SVH PricewaterhouseCoopers Oy, Authorised Public Accountants, with Kari Lydman, Authorised Public Accountant, acting as chief auditor.

INSIDER REGULATIONS

The Insider Rules of Perlos observe the Insider Guidelines of the Helsinki Stock Exchange, yet setting somewhat more stringent requirements in certain respects. Perlos' Insider Rules are updated and compliance therewith monitored on a regular basis.

Pursuant to Perlos' Insider Rules, the shareholding data of the so-called Public Insiders is in the public domain and accessible either via the Finnish Central Securities Depository or via Perlos' website. Under the Insider Rules, the following persons belong to Public Insiders: the members of the Board of Directors, the President, the members of the Executive Board, the Chief Auditor and, where applicable, another members of the upper management, as from time to time designated by Perlos.

The Public Insiders, together with any other permanent insiders, form the so-called Permanent Insiders of Perlos. Three principal rules govern trading by Permanent Insiders in Perlos' securities or derivatives. Firstly, trading is generally permitted only during the four-week period following the date of publication of the annual results or of an interim report (the "Open Window"). Secondly, trading may exceptionally be permitted outside of the Open Window upon prior approval to such effect by Perlos' Insider Officer. Thirdly, trading is always prohibited during the two-week period preceding the release of the annual results or of an interim report, and on the date of publication itself (the "Closed Window"). In addition, specific trading restrictions apply to project-specific insiders.

SHARE OPTION PROGRAMME FOR KEY EMPLOYEES

At the end of 2005, Perlos had two share option programmes under the company's incentive scheme for its management and key personnel.

The warrants of the 2002 share option programme entitle their bearers to subscribe for a total of 750,000 new shares in the period from April 1, 2005 to April 30, 2008 and the warrants of the 2005 programme for a total of 1,000,000 new shares in the period from April 1, 2007 to May 30, 2010.

At the end of 2005, a total of 91 key employees were covered by the share option programmes.

BONUS SCHEME

Perlos' management is entitled to a bonus scheme. Bonuses are paid on the basis of targets set for net sales, return on investment (ROI) and cash flow after investments.

ANNUAL SALARIES AND REMUNERATION PAID TO MANAGEMENT

In 2005, the salaries and remuneration paid to the Board of Directors and the President amounted to:

Chairman of the Board:

Total gross salaries and remuneration: EUR 40,000, including 1,884 Perlos shares, net (at EUR 8.49/share). Other out-of-pocket expenses are reimbursed against expense receipts.

Other members of the Board:

Total gross salaries and remuneration: EUR 20,000, including 942 Perlos shares, net (at EUR 8.49/share). Other out-of-pocket expenses are reimbursed against expense receipts.

The members of the Board of Directors were paid a total of EUR 160,000 in salaries and remuneration in 2005.

President:

The annual salary of the President is EUR 315,000 (excluding bonuses). Bonuses are paid on the basis of targets set for net sales, return on investment (ROI) and cash flow after investments. The President is entitled to participate in the company's share option programme. The President held 150,000 shares under the 2002 share option programme.

The President is entitled to retire at the age of 60. The President's period of notice is six months. In the event that the President's employment contract is terminated without proper cause by the company, the severance payment is six months' base salary.

MANAGEMENT'S SHAREHOLDING

The members of the company's Board of Directors and the President owned a total of 31,200 shares at the end of 2005, representing 0.06% of the shares and votes.

BOARD OF DIRECTORS

Kari O. Sohlberg
Chairman of the Board of Directors
born 1940, M.Sc. (Econ.)
Member of Perlos´ Board of Directors since 1986

Previous working experience:
- G.W. Sohlberg Corporation, President and CEO, 1973–2001.
- Managing Director of G.W. Sohlberg Corporation´s Packaging Division

Board memberships:
The Finnish Fair Corporation (Chairman), Association for Promoting Voluntary National Defense of Finland (Chairman), G.W. Sohlberg Corporation, Varma Mutual Pension Insurance Company and Päivikki and Sakari Sohlberg Foundation (Chairman).

Owns 13,712 Perlos shares directly and 30 through Piton Oy.

Heikki Mairinoja
Vice Chairman of the Board of Directors
CEO, G.W. Sohlberg Corporation
born 1947, M.Sc. (Eng.), B.Sc. (Econ.)
Member of Perlos´ Board of Directors since 2001

Previous working experience:
- Perlos Corporation, President 1.6.– 31.12. 2002
- G.W Sohlberg Corporation, CEO since 2001 and Deputy CEO, 2000
- Uponor Corporation (Asko Oyj), Deputy CEO, 2000
- Uponor Corporation, President and CEO, 1989–1999, Deputy CEO, 1985–1989
- Kone Corporation, Manager of profit center, 1976–1985

Board memberships:
Ensto Corporation, Suominen Corporation, Kyro Corporation and Detection Technology.

Owns 2,956 Perlos shares directly and 250 through Monaccio Oy.

Matti Aura
Managing Director, Finnish Port Association
born 1943, Master of Laws
Member of Perlos´ Board of Directors since 1999

Previous working experience:
- Onvest Oy, President, 1999-2000
- the Minister of Transport and Communications, 1997–1999
- a Member of Parliament, 1995–1999
- Central Chamber of Commerce, Managing Director, 1986–1997

Board memberships:
Elisa Corporation, The Finnish Maritime Administration, Harjavalta Oy and Catella Property Oy (Chairman).

Owns 2,006 Perlos shares.

Matti Kavetvuo
born 1944, M.Sc. (Eng.), B.Sc. (Econ.)
Member of Perlos´ Board of Directors since 2003

Previous working experience:
- Pohjola Group Insurance Corporation, President and CEO, 2000–2001
- Valio Ltd, President and CEO, 1992–1999
- Orion Group, President and CEO, 1985–1991
- Instrumentarium Corporation, President, 1979–1984

Board memberships:
Metso Corporation (Chairman), Orion Group (Chairman), Suominen Corporation (Chairman), Kesko Corporation (Vice Chairman), Alma Media Corporation (Vice Chairman), KCI Konecranes Plc and Marimekko Corporation.

Owns 1,856 Perlos shares.

Timo Leinilä
born 1950, M.Sc. (Eng.)
Member of Perlos´ Board of Directors since 2004

Previous working experience:
- Perlos Corporation, President, 1997–2003
- Metra/Evac Ltd., Managing Director, 1995–1997
- Metra/IDO Group, Managing Director, 1991–1995

Board memberships:
Incap Corporation, Salcomp Plc. and Evac Oy.

Owns 1,856 Perlos shares.

Teppo Taberman
born 1944, M.Sc. (Econ.)
Member of Perlos´ Board of Directors since 2003

Previous working experience:
- Board professional and financial adviser since 1995
- KOP, Deputy Managing Director, 1990–1994, and the member of Management Group, 1985–1989
- Helsingin Osakepankki, in different management duties, 1972–1984

Board memberships:
Ingman Group, Larox Corporation, Lemminkäinen Corporation, Oy Rettig Ab, Paloheimo Oy and SKS-Tekniikka Oy.

Owns 3,856 Perlos shares.

Anni Vepsäläinen
Managing Director, HRM Partners Oy, as of April 3, 2006
born 1963, M.Sc. (Eng.)
Member of Perlos´ Board of Directors since 2002

Previous working experience:
- TeliaSonera Finland Oyj, President, 2003–2005
- Sonera Corporation (former Telecom Finland), in management duties since 1987

Owns 1,856 Perlos shares.

EXECUTIVE BOARD

Isto Hantila
President and CEO
Born 1958, M.Sc. (Eng.)
Joined the company 2004

Previous working experience:
- Ascom (Switzerland), Division Head (2001–2003) and a member of Group Executive Board (2000–2003) as well as the Chief Operating Officer (2000–2001)
- Ascom Energy Systems (Switzerland), Division CEO, 1994–2000
- Ascom Energy Systems Oy, Managing Director, 1991–1994
- Management positions, Fiskars Power Systems, Kraftelektronik AB (Sweden), Fiskars Power Electronics

Board memberships:
Technology Industries of Finland and Efore Plc.

Perlos shares and options: 3,102 shares, Option 2002 150,000 options

Kari Häyrinen
President of Asia Pacific Region
Born 1959, M.Sc. (Eng.), MBA
Joined the company 2001
Responsible for the business operations in Asia.

Previous working experience:
- Elcoteq Network Oyj, Group Vice President, Asia Pacific, 1997–2001
- Elcoteq Network Oy, Director, Business Development, 1995–1997
- Start Fund of Kera Oy, Director, 1993–1995
- Fiskars, product managerial positions in Finland and abroad, 1984–1993

Board memberships:
Finnish Business Council (Beijing)

Perlos shares and options: 3,283 shares, Option 2002 30,000 options, Option 2005 20,000 options

Tage Johansson
Chief Development Officer
Born 1959, Master of Laws, eMBA
Joined the company 1998
Responsible for the development and implementation of the Corporate Strategy and heading the Corporate Intelligence function.
Prior to that, he was the CFO of Perlos Corporation 1998–2003.

Previous working experience:
- Kemira Kemi AB (Sweden), Finance Director, 1997–1998
- Treasury Manager and Corporate Dealer, Kemira Oyj
- Okobank Oyj, Customer Dealer

Perlos shares and options: 1,551 shares, Option 2002 40,000 options

Eero Laak
President of Americas Region
Born 1963, B.Sc (Eng.)
Joined the company 1986
Responsible for the business operations in Americas.

Has previously served Perlos in several positions: Vice President, Quality & Information Management (2003–2005), Director, Process Support Center (2001–2003), Project Director (2000–2001), management positions related to logistics and quality (1993–1999) and information technology (1986–1993).

Perlos shares and options: 1,274 shares, Option 2002 15,000 options, Option 2005 10,000 options

Eila Mustala
Senior Vice President of Human Resources
Born 1950, B.Sc.
Joined the company 2005
Responsible for human resources administration and development, and communications.

Previous working experience:

- Nokia Corporation, head of HR in different business units, 1997–2005
- Prior to that, in different HR positions at McDonald´s Oy, Digital Equipment Corporation, Oy Philips Ab and MPS-Finland Oy

Perlos shares and options: Option 2005 40,000 options

Jarmo Paakkunainen
Senior Vice President, Nokia Account
Born 1962, B.Sc. (Eng.)
Joined the company 1989
Responsible for the Nokia account.

Has previously served Perlos in several managerial positions related to various accounts and projects. Has managed Nokia projects as of 1994 and answered for Nokia account as of 1998.

Perlos shares and options: 1,408 shares, Option 2002 20,000 options, Option 2005 10,000 options

Jouni Pohjonen
President of the Healtcare customer group
Born 1962, M.Sc. (Eng.)
Joined the company 2004
Responsible for Perlos´ Healthcare customer group.

Previous working experience:

- Oriola Oy, Senior Vice President, Medical and Technical Sector, 1999–2004
- Instrumentarium Corporation, several managerial positions in Datex-Ohmeda Division and in Instrumed Division, 1993–1999

Perlos shares and options: 1,027 shares, Option 2002 60,000 options

Timo Seppä
Chief Technology Officer
Born 1960, M.Sc. (Eng.)
Joined the company 2004.
Responsible for the technology operations.

Previous working experience:

- Foxconn Finland Oy, Chief Operations Officer, 2003–2004
- Eimo Corporation, the President of Eimo Europe (2002–2003), Sr. Vice President Technology (2001–2002), Vice President, Technology (2000–2001) and Technical Director (1992–2000)

Perlos shares and options: 948 shares, Option 2002 15,000 options, Option 2005 10,000 options

Juha Torniainen
CFO
Born 1966, M.Sc. (Econ.)
Joined the company 2000
Responsible for the Group´s financial and information management, treasury and legal affairs.

Previous working experience:
- Oy Veho Ab, Business Controller, 1998–2000
- Kemira Oyj, Controller and Financial Analyst, 1994–1998

Perlos shares and options: 2,000 shares, Option 2002 33,000 options, Option 2005 12,500 options

Jari Varjotie
Chief Operating Officer
Born 1960, M.Sc. (Eng.)
Joined the company 2000.
Responsible for the development and coordination of the global operations.

Has previously served Perlos as Vice President, Product Design, Tools and Assembly Solutions (2002–2005) and Executive Vice President, Production and Logistics (2000–2002).

Previous working experience:
- Valmet Corporation, managerial positions related to operations, 1989–2000
- Instrumentarium Oy Imaging Group, Manager, Production Development Group, 1986–1989

Perlos shares and options: 1,366 shares, Option 2002 20,000 options, Option 2005 10,000 options

Esa Vuorinen
President of Europe Region
Born 1955, B.Sc. (Eng.)
Joined the company 1978
Responsible for the business operations in Europe.

Has previously served Perlos in several positions related to telecommunications and electronics business: Vice President, Operations (2004–2005), Managing Director at Perlos Kft, Hungary (2002–2004), and prior to that, in several managerial tasks in various units (1979–1996).

Perlos shares and options: 1,780 shares, Option 2002 15,000 options, Option 2005 10,000 options

Jari Laaninen
Vice President, Treasury and Investor Relations
Secretary of the Executive Board
Born 1967, M.Sc. (Econ.)
Joined the company 1999
Responsible for the Group´s finance, investor relations and risk management.

Has previously served as Perlos Corporation´s Treasury and Communications Manager (1999–2002).

Previous working experience:
- Fortum Oil & Gas Oy (the former Neste Oyj), dealer, 1995–1999
- Fiskars Oy, Treasury Analyst, 1993–1995

Perlos shares and options: 910 shares, Option 2002 20,000 options, Option 2005 20,000 options

Board of Directors




KARI O. SOHLBERG

Chairman of the Board of Directors
Born 1940
M.Sc. (Econ.)

Member of Perlos' Board of Directors since 1986

HEIKKI MAIRINOJA

Vice Chairman of the Board of Directors
Born 1947
M.Sc. (Eng.), B.Sc. (Econ.)
CEO, G.W. Sohlberg Corporation

Member of Perlos' Board of Directors since 2001

MATTI AURA

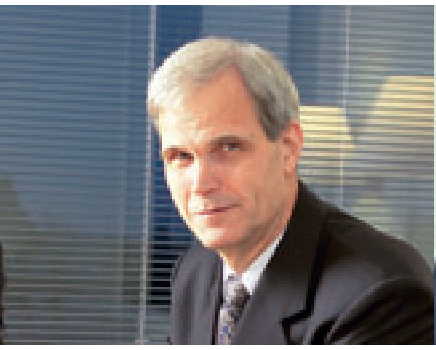
Born 1943
Master of Laws
Managing Director, Finnish Port Association

Member of Perlos' Board of Directors since 1999

MATTI KAVETVUO

Born 1944
M.Sc. (Eng.), B.Sc. (Econ.)

Member of Perlos' Board of Directors since 2003



TIMO LEINILÄ

Born 1950
M.Sc. (Eng.)

Member of Perlos' Board of Directors since 2004

TEPPO TABERMAN

Born 1944
M.Sc. (Econ.)

Member of Perlos' Board of Directors since 2003

ANNI VEPSÄLÄINEN

Born 1963
M.Sc. (Eng.)
Managing Director, HRM Partners Oy, as of April 3, 2006

Member of Perlos' Board of Directors since 2002

The Board of Directors is presented in more detail on pages 83-84.

Executive Board

ISTO HANTILA

Born 1958
M.Sc. (Eng.)
President and CEO

Joined the company 2004

JUHA TORNIAINEN

Born 1966
M.Sc. (Econ.)
CFO

Joined the company 2000

KARI HÄYRINEN

Born 1959,
M.Sc. (Eng.), MBA
President, Asia Pacific Region

Joined the company 2001

TAGE JOHANSSON

Born 1959
Master of Laws, eMBA
Chief Development Officer

Joined the company 1998

JARMO PAAKKUNAINEN

Born 1962
B.Sc. (Eng.)
Senior Vice President,
Nokia Account

Joined the company 1989

JOUNI POHJONEN

Born 1962
M.Sc. (Eng.)
President of the Healtcare
Customer Group

Joined the company 2004


EERO LAAK

Born 1963
B.Sc (Eng.)
President, Americas Region

Joined the company 1986

EILA MUSTALA

Born 1950
B.Sc.
Senior Vice President,
Human Resources

Joined the company 2005




TIMO SEPPÄ

Born 1960
M.Sc. (Eng.)
Chief Technology Officer

Joined the company 2004

JARI VARJOTIE

Born 1960
M.Sc. (Eng.)
Chief Operating Officer

Joined the company 2000

ESA VUORINEN

Born 1955
B.Sc. (Eng.)
President, Europe Region

Joined the company 1978

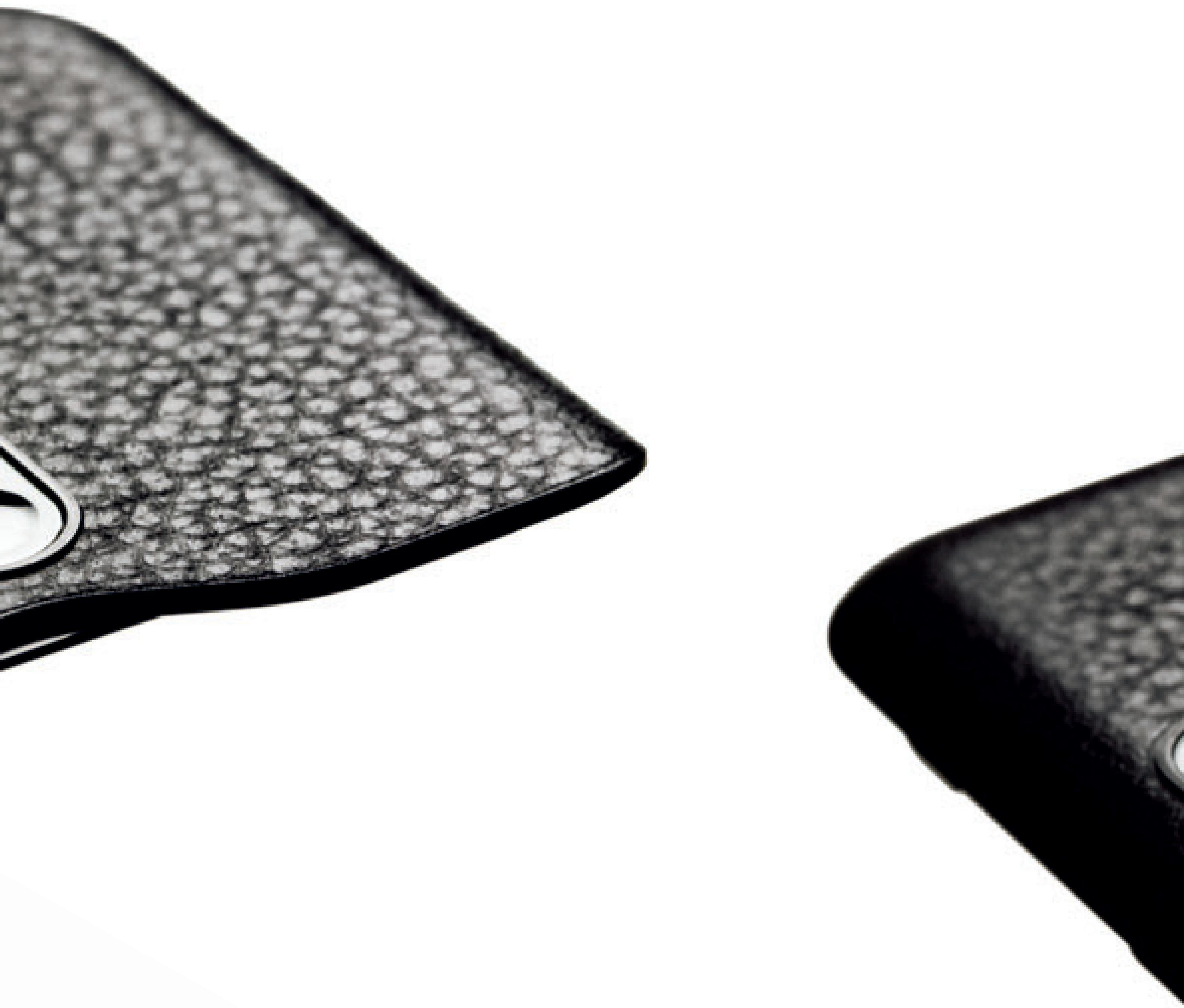
JARI LAANINEN

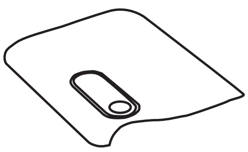
Born 1967
M.Sc. (Econ.)
Vice President, Treasury
Secretary of the
Executive Board

Joined the company 1999

The Executive Board is presented in more detail on pages 85-87.


NOKIA
1.3 megapixel





NEW DECORATION TECHNOLOGIES CAN PRODUCE A VARIETY OF DIFFERENT SURFACES SUCH AS IMITATION TEXTILES AND LEATHER.

Information on Perlos Shares and Shareholders

GENERAL

Perlos Corporation is a public limited company as defined in Finnish legislation. The company was registered in the Trade Register, which is maintained by the National Board of Patents and Registration of Finland, on 22 October, 1996.

SHARES AND SHARE CAPITAL

Perlos Corporation's shares (POS1V) are quoted on the Main List of the Helsinki Stock Exchange and they are entered in the book-entry system maintained by Finnish Central Securities Depository Ltd. The round-lot of Perlos' shares is 50 shares.

According to the Articles of Association, the company's minimum share capital shall be EUR 30,600,000 and its maximum share capital EUR 122,400,000, within which limits the share capital may be increased or decreased without amending the Articles of Association.

In accordance with the resolution of the Annual General Meeting held on 30 March, 2005, the company's share capital was lowered by EUR 87,718.80 by annulling 146,198 Perlos Corporation shares owned by the company. Perlos' registered share capital was EUR 31,762,288.80, or 52,937,148 shares on 31 December, 2005. Each share has a nominal value of EUR 0.60. Each share entitles the bearer to one vote at the general meeting of shareholders. All shares entitle the bearer to a dividend for the financial period that began on 1 January, 2005.

SHARE QUOTATION, PRICE TREND AND TURNOVER

The share price was EUR 8.95 at the end of the year, 24% lower than at the end of 2004. The highest price of the company's share in trading was EUR 12.49 and the lowest was EUR 5.98. During the financial year, the turnover of Perlos' shares on the Helsinki Stock Exchange amounted to EUR 835 million and 104 million shares, which represents 197% of the shares outstanding. The company's market capitalisation on the last day of the year, as calculated from the closing quotation of EUR 8.95, was EUR 474 million.

OPTIONS

At the end of 2005, Perlos Corporation had two share option programmes.

The A, B and C warrants (options) of the 2002 share option programme entitle the holders to subscribe for a total of 750,000 new shares in the period from 1 April, 2005 to 30 April, 2008. The original subscription price was EUR 5.25 with the A warrant, EUR 5.56 with the B warrant and EUR 9.84 with the C warrant. The subscription price will be reduced on the record date of each dividend payment

Share Capital and Shares, as at 31 December

	2005	2004	2003	2002	2001
Share capital, 1 000 €	31,762	31,850	32,007	31,439	31,603
Number of shares, 1 000	52,937	53,083	53,346	52,399	52,672
Shares held by the company, 1 000	0	315	1,168	1,168	914
Number of registered shareholders [1)]	15,479	15,037	14,160	13,548	12,603

[1)] In the case of nominee-registered shares, each nominee-register custodian has been counted as one registered shareholder.

with the amount of dividends paid after the period of determining the subscription price and before the subscription of the shares. However, the subscription price shall always be at least the nominal value of the share. At the end of December 2005, the dividend-corrected subscription price was EUR 4.73 with the A warrant, EUR 5.26 with the B warrant and EUR 9.64 with the C warrant. The A warrants of the share option programme are listed on the Main List of the Helsinki Stock Exchange, while the B and C warrants, the subscription periods of which begin on 1 April, 2006 and 1 April, 2007, have not been listed for the time being.

The A, B and C warrants (options) of the 2005 share option programme entitle their holders to subscribe for a total of 1,000,000 new shares in the period from 1 April, 2007 to 30 May, 2010. The subscription price with the warrants is the trade volume weighted average price of Perlos Corporation's share on the Helsinki Stock Exchange in the August of each year plus 14 per cent. The subscription price with the A warrant was set at EUR 7.17 in August 2005. The subscription prices of the B and C warrants will be determined in August 2006 and 2007, respectively. The subscription price will be reduced on the record date of each dividend payment with the amount of dividends paid after the period of determining the subscription price and before the subscription of the shares. However, the subscription price shall always be at least the nominal value of the share. For the time being, the warrants related to the share option programme have not been listed.

AUTHORISATIONS OF THE BOARD

In accordance with the resolutions of the Annual General Meeting held on 30 March, 2005, Perlos' Board of Directors is authorised to (a) decide on increasing the company's share capital in the manner specified in Section 1 of Chapter 4 of the Companies Act (no. 734/1978, including amendments) by a maximum of EUR 6,352,457.40 through a rights issue or by taking out a convertible loan, (b) decide on the acquisition of a maximum of 2,646,857 own shares, and (c) decide on the conveyance of a maximum of 2,646,857 own shares in the company's possession.

COMPOSITION OF THE BOARD OF DIRECTORS AND THE AUDITOR

At Perlos Corporation's Annual General Meeting on 30 March, 2005, Kari O. Sohlberg, Heikki Mairinoja, Matti Aura, Anni Vepsäläinen, Matti Kavetvuo, Teppo Taberman and Timo Leinilä were elected as members of the Board of Directors. Kari O. Sohlberg was elected as the Chairman of the Board. Heikki Mairinoja was elected as the Vice Chairman of the Board of Directors at the organisation meeting of the Board of Directors held after the Annual General Meeting, where the Board also appointed an Audit Committee consisting of the following Board members: Matti Aura, Kari O. Sohlberg and Teppo Taberman.

The company's auditor is SVH PricewaterhouseCoopers Oy, Authorised Public Accountants, with Kari Lydman, Authorised Public Accountant, as chief auditor.

Summary of the Share Option Programmes

	Redemption price € 31 Dec. 2005	Shares subscribable	Subscription period begins	Subscription period ends	Dilution effect, %
Option Programme 2002					
A warrants	4.73	190,000	1 Apr., 2005	30 Apr., 2008	0.3
B warrants	5.26	190,000	1 Apr., 2006	30 Apr., 2008	0.3
C warrants	9.64	370,000	1 Apr., 2007	30 Apr., 2008	0.7
Option Programme 2005					
A warrants	7.17	333,000	1 Apr., 2007	30 May, 2010	0.6
B warrants	undefined	333,000	1 Apr., 2008	30 May, 2010	0.6
C warrants	undefined	334,000	1 Feb., 2009	30 May, 2010	0.6
Total		**1,750,000**			**3.2**

Largest Shareholders as of 31 December 2005

		Number of shares and votes	% of shares and votes
1	G.W.Sohlberg Corporation	15 425 000	29.14
2	Ilmarinen Mutual Pension Insurance Company	1 486 080	2.81
3	Varma Mutual Pension Insurance Company	712 824	1.35
4	OP-Suomi Kasvu Mutual Fund	417 750	0.79
5	Tapiola Mutual Pension Insurance Company	414 900	0.78
6	State Pension Fund	400 000	0.76
7	Mutual Insurance Company Kaleva	400 000	0.76
8	Veikko Laine Plc	370 400	0.70
9	Päivikki and Sakari Sohlberg Foundation	369 550	0.70
10	Gyllenberg Finlandia Mutual Fund	350 000	0.66
11	Gyllenberg Small Firm Mutual Fund	218 550	0.41
12	OP-Delta Equity Fund	210 140	0.40
13	Norvestia Plc	195 950	0.37
14	Gyllenberg Momentum Mutual Fund	190 000	0.36
15	Nordea Fennia Mutual Fund	174 130	0.33
16	Aktia Capital Mutual Fund	170 000	0.32
17	Koivisto Matti Tapio	163 132	0.31
18	Nordea Pro Suomi Mutual Fund	157 200	0.30
19	Perälä Petri	142 470	0.27
20	Töykkälä Ari-Pekka	138 682	0.26
20 major shareholders total		22 106 758	41.76
Nominee registered		14 727 153	27.82
Other shareholders		16 103 237	30.42
Total		**52 937 148**	**100.00**

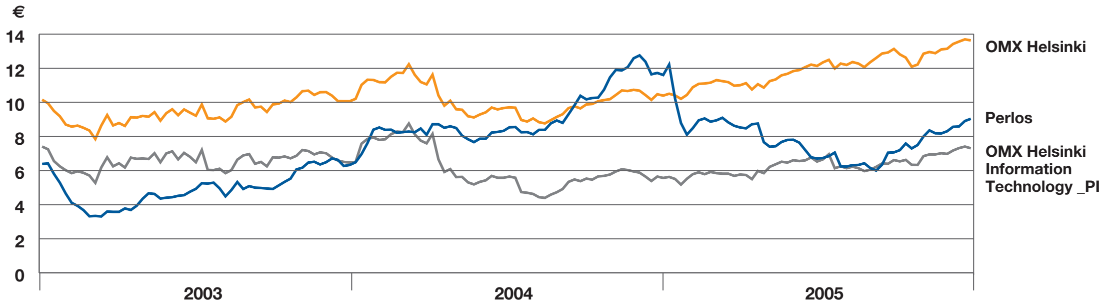
Shareholders by Group as of 31 December 2005

	Number of share-holders	% of share-holders	Number of shares and votes	% of shares and votes
Companies	1 006	6.50	18 830 302	35.57
Financial and insurance institutions	74	0.48	3 530 869	6.67
Public institutions	26	0.17	3 579 487	6.76
Non-profit institutions	107	0.69	1 403 330	2.65
Households	14 180	91.60	10 628 633	20.08
Foreign and nominee registered	86	0.56	14 964 527	28.27
Total	**15 479**	**100.00**	**52 937 148**	**100.00**

Breakdown of Share Ownership as of 31 December 2005

Number of shares	Number of share-holders	% of share-holders	Number of shares and votes	% of shares and votes
1 - 100	4 476	28.92	321 782	0.61
101 - 500	6 304	40.73	1 809 704	3.42
501 - 5 000	4 296	27.75	6 265 795	11.84
5 001 - 100 000	369	2.38	6 614 173	12.49
100 001 - 500 000	28	0.18	5 919 233	11.18
500 001 -	6	0.04	32 006 461	60.46
Total	**15 479**	**100.00**	**52 937 148**	**100.00**

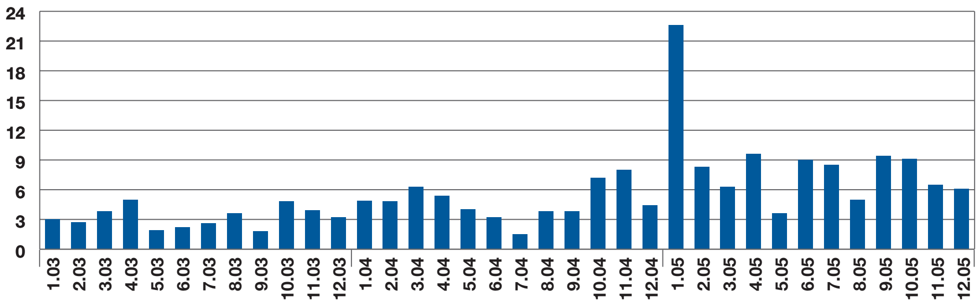
PERLO'S SHARE PERFORMANCE AND RELATIVE INDICES OF REFERENCE 2003–2005

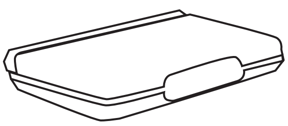


PERLO'S MARKET CAPITALISATION 2003–2005

PERLO'S SHARE TURNOVER 2003–2005

Number of shares, million





PERLOS HAS EXPANDED ITS LONG METAL KNOW-HOW TO THE MANUFACTURE OF COSMETIC METAL PARTS. THIS PRODUCT HAS A HIGH-QUALITY ANODISED ALUMINIUM COVER THAT STANDS UP WELL TO WEAR AND TEAR.

Analyst Coverage

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111 87 Stockholm
Sweden
Tel. +46 8 545 06 958

Investor Information in 2006

INTERIM REPORTS

April 25, 2006 Interim report for January–March
July 27, 2006 Interim report for January–June
October 26, 2006 Interim report for January–September

ANNUAL REPORTS, INTERIM REPORTS AND STOCK EXCHANGE RELEASES are published in Finnish and in English at Perlos' Internet service www.perlos.com.

ANNUAL GENERAL MEETING

Perlos Corporation's Annual General Meeting will be held on Monday, March 28, 2006, from 17:00 onwards in the Helsinki Hall of the Finlandia Hall. The address is Mannerheimintie 13 e, Helsinki.

Shareholders who have been registered by March 17th, 2006, at the latest in the company's Shareholder List, which is kept by Finnish Central Securities Depository Ltd, have the right to attend the Annual General Meeting.

We request participants to register by 12:00 on March 21, 2006, at the latest by notifying us at: Perlos Corporation, Anne Inberg, P.O. Box 178, FIN-01511 Vantaa, tel. +358 9 2500 7255, fax +358 9 2500 7208, or email: agm2006@perlos.com. We request that any proxies be sent to the company's address provided above before the registration deadline.

DIVIDEND

The Board of Directors will propose to the Annual General Meeting that the dividend to be paid for the 2005 financial year be EUR 0.10 per share. The dividend will be paid to shareholders who are registered, on the record date of March 31, 2006, in the company's Shareholder List, which is kept by Finnish Central Securities Depository Ltd. The Board of Directors will propose to the Annual General Meeting that the dividend be paid on April 7, 2006.

SHAREHOLDER REGISTER

Shareholders are kindly requested to inform the custodian of their book-entry account of any changes in their address, personal information and shareholding.

INVESTOR RELATIONS

Jari Laaninen, Vice President, Treasury
Tel. +358 9 2500 7326
jari.laaninen@perlos.com

Copies of the annual report and Perlos News magazine can be ordered via www.perlos.com or from Perlos' Corporate Communications, tel. +358 9 2500 7346, fax +358 9 2500 7208, e-mail: info@perlos.com

Contact Information

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FINLAND
Tel. +358 9 250 071
Fax +358 9 2500 7208
firstname.surname@perlos.com
www.perlos.com

Subsidiaries

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Taruma
69048-660
Manaus – Amazonas
BRAZIL
Tel. +55 92 2123 7777
Fax +55 92 2123 7700

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and Telecommunication
Components Co., Ltd.
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Beijing Economic and
Technological
Development Area
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P.R. CHINA
Tel. +86 10 6787 9009
Fax +86 10 6786 2068

Perlos (Guangzhou)
Engineering Plastics Co., Ltd.
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Fax +86 20 822 66 001

CIM Precision
Molds (H.K.) Ltd.
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Hopeful Factory Centre
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Fax +852 2364 9522

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(Shenzhen) Co. Ltd.
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Fax +86 755 8996 4005

Perlos Precision Plastics
Moulding Limited Liability
Company
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Fax +36 34 542 790

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