BUSINESS REVIEW 2006

EVOX RIFA

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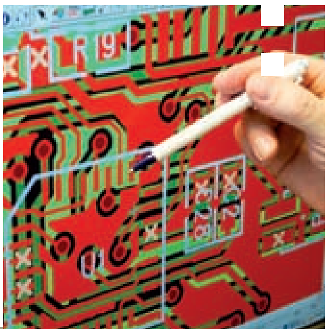
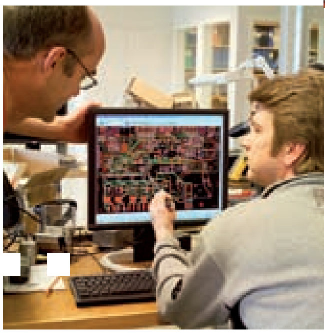
Evox Rifa is an electronics partner with global operations. The company supplies capacitors and related solutions to meet the needs of demanding customers.

Designing circuit board for control electronics of pellet boilers.





Evox Rifa's capacitor development work is driven by in-depth understanding of the latest trends in electronics.

EVOX RIFA GROUP IN BRIEF

Evox Rifa Group's Head Office in Espoo, Finland.

Evox Rifa Group is a partner with global operations to the electronics industry. The company's goal is to become a leading supplier of capacitor-based solutions by focusing on high-end capacitors to selected business sectors.

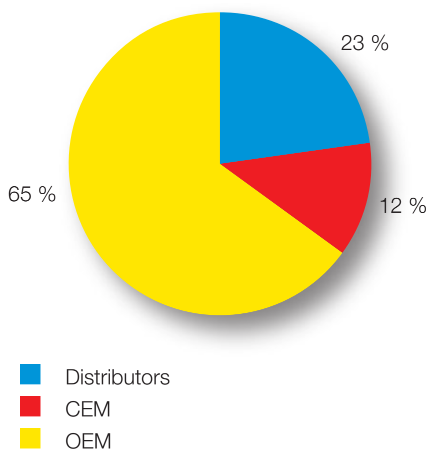
Evox Rifa designs and manufactures passive electronic components specialising in plastic film, paper and electrolytic capacitors. Major customer groups are especially in the fields of automotive, industrial, lighting and consumer electronics in Europe, North America and Asia.

The company has a global sales and distribution network and its production plants are located in Finland, Sweden, UK, Indonesia and China. It also has a unit in Sweden specialising in R & D and testing. In 2006 Evox Rifa Group had net sales of about EUR 90 million and employed about 1,400 people. Evox Rifa is the largest manufacturer of capacitors in the Nordic Countries and the fifth largest in Europe.

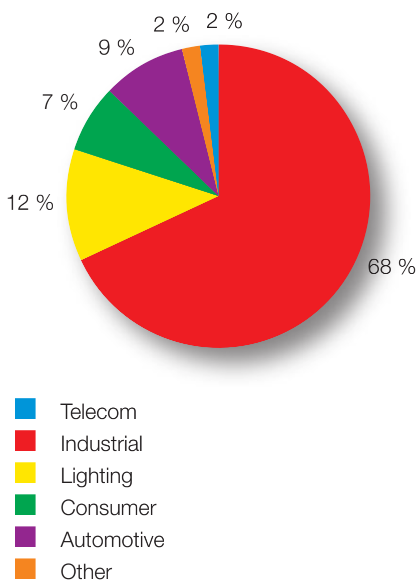
Evox Rifa's customers require high-performance, certified manufacturing and engineered solutions from capacitors. Especially in capacitor applications for industrial and automotive electronics, the need is for demanding, high quality solutions with substantial service content. A growing number of Evox Rifa's products are designed to meet the individual requirements of customers.

Production plants in Europe and Asia provide significant support for future growth and help optimising the logistical costs in serving the customer. Evox Rifa has a customer-oriented business concept, in which geographical market areas are responsible for marketing, customising solutions and logistics in their area.

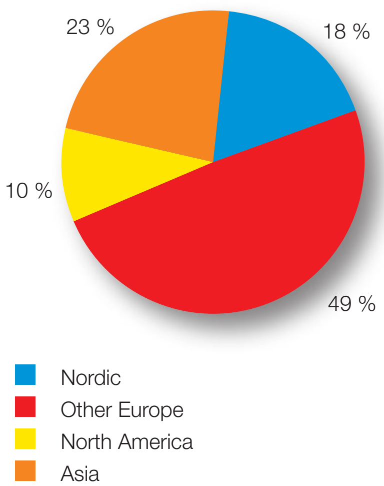
Net sales 2006 by sales channel



Net sales 2006 by market segment



Net sales 2006 by market area



Tuula Ylhäinen
President & CEO
Evox Rifa Group Oyj

Committed to customers

Evox Rifa develops its business in close co-operation with customers, including several industry leaders. The key to our future growth lies in products for more and more demanding applications with high engineering content.

During the year the demand for our products remained strong in all market areas, and our plants were working at a high utilisation rate. However, increasing inventory levels in the supply chain reduced the visibility of actual market demand. Increasing raw material prices and the weak US dollar put pressure on profitability.

The importance of industrial electronics for Evox Rifa has still been increasing. The European market is stronger than anticipated a few years ago, and our market share has remained on the level of the previous year. The sales are more and more channeled through contract manufacturers, but OEM sales remain the key sales channel for Evox Rifa.

The operative performance of Evox Rifa Group improved compared to the previous year. Financially, the year was tight, as the commitments to the European operations' restructuring during the year 2005 strongly affected the cash flow. During the year the net debt excluding the convertible loan was reduced by 3.2 million euros.

Restructuring actions and investments showing results

Our key units during the previous years have been BHC Components Ltd. in the UK, as well as our operations in Singapore and Batam. These units continued their positive performance, while during the year 2006 we also had some good examples of successful development operations.

In the US, our warehouse operations moved from El Paso, Texas, to Chicago, Illinois, where we already had our sales office. This finalised the restructuring actions in Evox Rifa Inc., and the performance of the unit has been stable since.

After the investments during the year 2005, our production plant in Nantong, China, now had production capability for both snap-ins and screw terminals. Both product lines achieved their profitability targets. The year 2007 will be the year of stabilising the production efficiency and further growth together with our customers.

Our R&D and Test House Dectron in Sweden was also facing major growth, as the key development resources of the former Kalmar plant joined the Dectron team at the beginning of the year. The successful integration proved to be the key to improved service and growing sales in customised solutions.

The biggest change took place in the Suomussalmi plant in Finland. The ramp-up of the production after the transfers from the Kalmar plant was more difficult than anticipated, and especially the first quarter of the year resulted in substantial losses. Even though the losses were considerably reduced during the year, we will continue intensive process development work at the site during the year 2007. The target is a flexible unit specialised in customised applications.

Future growth in engineering

Evox Rifa continues to focus on applications with high engineering content. This approach is supported by our dedicated production plants with proven co-operation capability between Europe and Asia. We are also intensifying our co-operation with our existing or new partners in order to improve our production efficiency and product portfolio.

The key to future growth, however, lies in our own products for demanding applications. Here we can offer aluminium electrolytic, film and paper capacitor solutions. Regarding new products, especially the new axial lead capacitor generation and the new special film capacitors must be mentioned.

We have a challenging year behind us, but this time with a more optimistic outlook. I would like to thank our customers, subcontractors, material suppliers, shareholders and other partners for their trust and co-operation. Our personnel deserve special thanks for their efforts during the year. Keeping up our high standards and company spirit will take us ahead also in 2007.

Tuula Ylhäinen
President & CEO
Evox Rifa Group Oyj

Customised EMI suppression filter production utilising Evox Rifa capacitors in Dectron AB.

R&D centre and test house, Dectron AB, on Oeland Island in Sweden.

ELECTROLYTIC CAPACITORS

Evox Rifa has a wide range of capacitors for applications in industrial electronics.

Improved performance reflects continued growth

The market for industrial and automotive electrolytic capacitors showed positive growth in 2006. This provided the platform for Electrolytic Capacitors to deliver another strong performance with increased profitability.

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

Production facilities respond flexibly to demand

Following the 2005 start-up of screw terminal capacitor operations in Nantong, China, 2006 saw a steady growth in the demand for this product among customers in China. The additional revenue generated from these sales, combined with the improved operational performance of snap-in capacitors, helped the unit to successfully achieve a positive result.

Axial electrolytic capacitor production in Gränna, Sweden continues to show potential for high growth in automotive applications over the next few years. The unit experienced a difficult operational year in 2006 as it negotiated the transition away from the declining lighting market and into the growing automotive market.

The Weymouth facility (BHC Components Ltd.) in the UK continued to perform strongly, increasing both sales and profit. Increased demand for screw terminal products, especially in Europe, and continued investment in capability leave the unit well placed to take advantage of prospective growth in 2007.

Components for demanding applications

The strategy of focusing the electrolytic capacitor business on the automotive and the most demanding industrial applications is yielding results. The chosen markets are largely driven by the need for energy conservation, alternative power sources and higher performance electronics. These growth drivers are less susceptible to economic downturns and therefore should assist in providing for a robust performance even if the general market turns down.

There is a growing demand for all forms of alternative power, and wind generation is proving to be a major growth area for Evox Rifa. Reliability is a key requirement in supplying this market as generators are usually located in isolated areas (sometimes offshore), where maintenance is difficult and expensive.

Performance and reliability are also essential for high-power variable speed drives. These drives are used to provide precise control in large applications such as paper mills, steel mills, mines, and large pumping stations where breakdown or malfunction can be very expensive. Other applications include control of pumps and fans where significant energy savings can be achieved. The demand for variable speed drives is forecast to grow at an annual rate of over 5% in the next few years as energy prices continue to rise, electronics prices fall and automation continues to spread. Evox Rifa is well placed to meet global growth, especially strong in Asia, through its factories in the UK and China.

New challenges

Growing sophistication in medical equipment is placing new performance demands on electronic components. Evox Rifa has met this opportunity through a number of new customers and applications during the past year.

The drive towards more ecologically friendly cars is opening up many new and demanding requirements for electrolytic capacitors. Evox Rifa is successfully responding to this challenge by designing components that meet the severe temperature, vibration and size restrictions with the reliability and price levels demanded by the automotive industry.

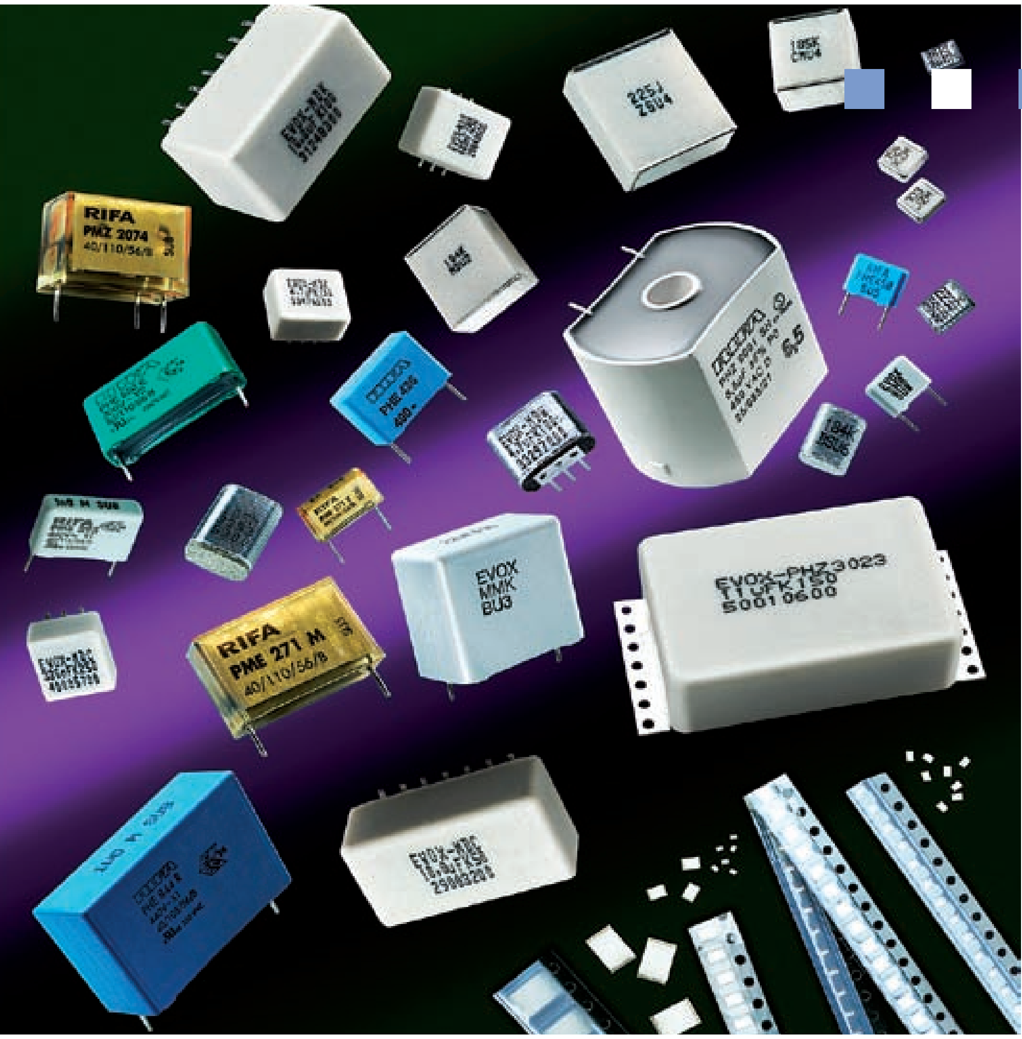
Ultrasonic welding and rivetting of electrode contacts at BHC Component's factory.

"The strategy of focusing the electrolytic capacitor business on more demanding applications is steadily yielding results."

Keith Hunter
Director
Electrolytic Capacitors

Applying insulating sleeves on capacitors at Evox Rifa's Nantong factory.

FILM AND PAPER CAPACITORS



Wide selection of standard and customised film and paper capacitors.

The year of increasing competitiveness

The year 2006 saw the implementation of major changes within the Film and Paper capacitors product group. Reflecting increased demand in the main customer application areas, the performance of the group improved towards the end of the year.

Evox Rifa's Film and Paper Capacitor group designs and manufactures a broad range of capacitors. Film capacitors are used in precision, pulse, Electromagnetic Interference (EMI) suppression and general purpose applications in industrial, consumer (audio/video), lighting, measuring and automotive electronics. Evox Rifa is the world's largest manufacturer of metallised paper capacitors. These are used extensively for EMI suppression in mains power supplies of equipment, which are designed to meet stringent safety requirements.

The demand for our products was strong in all market areas, and the loading of the production plants remained good throughout the year. The high energy and metal prices put pressure on profitability, and also some price erosion still took place. Supported by the good market situation, we were able to improve our product mix and build up a better focus on our strategic market. Europe remained the main geographical market area for the product group.

Restructuring and development successful

The performance of the product group improved substantially compared to the previous year. Profitability was not yet satisfactory, but the group's performance continued to improve towards the end of the year. One major factor behind this trend was the specialisation between the Batam plant in Indonesia and the Suomussalmi plant in Finland: Batam produces commodity products in long production runs, while Suomussalmi focuses on special and technically demanding products.

The ramp-up of the increased production in the Suomussalmi plant was more difficult than anticipated, and this resulted in high losses during the first

DC-link capacitor elements for electric motor drives.

quarter of the year. Since then the plant's performance has improved continuously. Further development is expected to take place as a result of the re-engineering of the plant's business processes.

The expansion of the R&D and Test House Dectron in Sweden took place at the beginning of the year. The development resources, the capacitor technology knowhow from the closed Kalmar factory and the electronics design skills of Dectron were successfully integrated during the first quarter. This has given Evox Rifa a unique combination of component design and electronics design capabilities, supporting each other in innovation. Dectron has e.g. made several new customised EMI suppression filter designs utilising Evox Rifa's capacitor technology, and several new customised AC and DC capacitor designs for industrial customers.

In December, the product group received for its Quality System, on top of the ISO 9001 certificate, the new ISO/TS 16949 certificate, specific for automotive industry.

Components for industry leaders

The development activities of the product group are focused on capacitor solutions for challenging industrial and automotive applications. The competence and resources to develop the product portfolio will be strengthened further. The product group is also prepared for partnerships, especially in Asia.

The requirements of the European Union's Restriction of Hazardous Substances Directive came into force July 1st 2006, e.g. banning the use of lead in soldering. This has meant a substantial increase in soldering temperatures, forcing Evox Rifa to develop a new generation of its SMD film capacitors to meet these higher requirements. For this development work Evox Rifa has received financial support from TEKES (the Finnish Funding Agency for Technology and Innovation).

Evox Rifa is committed to further developing the unique Metallised Paper capacitor technology. This technology, where 2006 was the first full year after the transfer of production to the Suomussalmi plant, offers the industry's best performance in mains voltage EMI suppression, especially when the mains voltage contains frequent voltage spikes. This is often the case in industrial applications and factory environments.

During the year 2006, Evox Rifa has through several customer projects built the competence to design and produce film capacitors for DC-link applications in electric motor inverter drives, for both hybrid cars and industrial applications. This has meant substantial investments in new winding technology to produce large capacitor elements needed in these areas. First projects in this promising new field should materialise during the year 2007.

”The Film and Paper Capacitor product group focuses on solutions for demanding industrial and automotive applications.”

Wee Cheng Hoon
Director,
Film and Paper capacitors

The transfer of paper capacitor production to the expanded Suomussalmi plant doubled the factory's turnover.

CAPACITORS ONE ELEMENT IN ENVIRONMENTALLY FRIENDLY SOLUTIONS

Wind power plants require extremely reliable capacitors. Evox Rifa has several customers in this fast-growing industry.

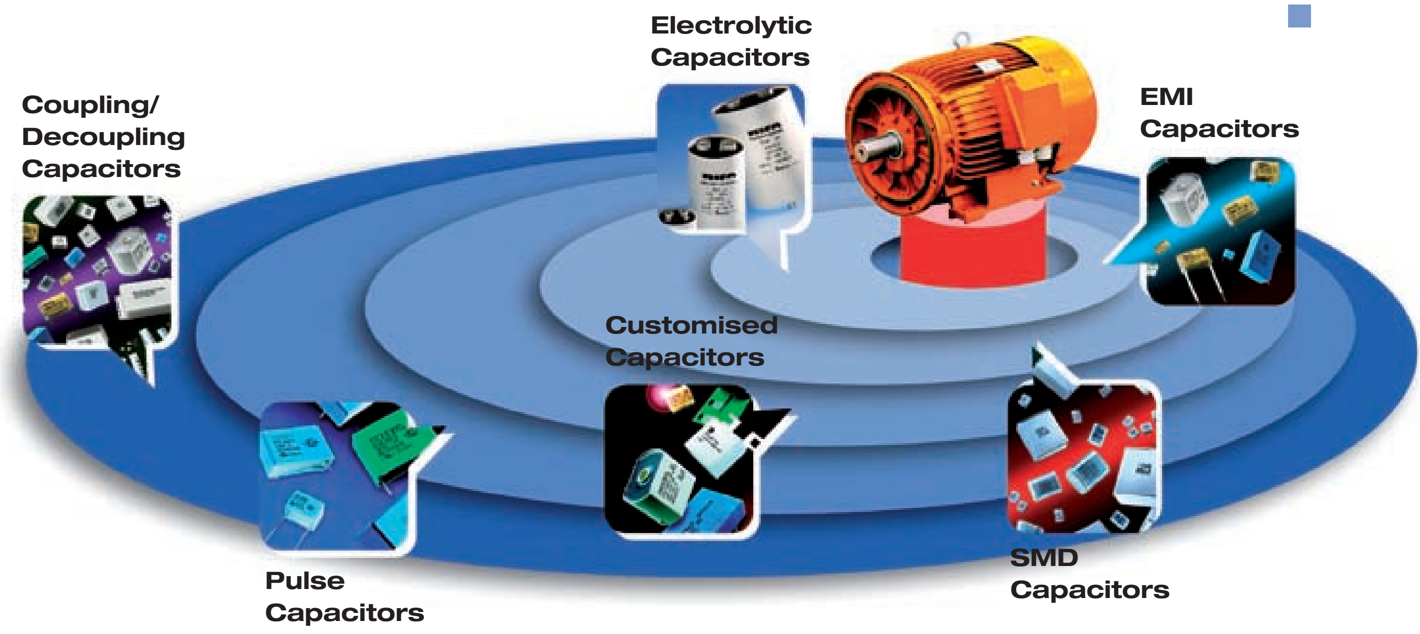
Energy efficient technology is needed to promote environmental consciousness, and especially to prevent climate change. Evox Rifa collaborates with its customers to promote conservation of the world's limited energy resources.

Industrial electronics and controls are a primary application area for Evox Rifa capacitors.

Energy-efficient technologies

In many areas of life, electronics is the key to saving energy. One spearhead technology is so-called variable speed drives (frequency converters) of AC motors. This technology can save up to 50% of energy used to drive electric motors, and there is a large savings potential in old and new applications from elevators to air conditioning, from hot water circulation to large-scale industrial processes. Similar technology is used to feed the energy from wind-powered generators into the distribution network. Evox Rifa's aluminium electrolytic capacitors are essential components in these drives, and enable their smooth operation. The practical realisation of AC drives also makes use of Evox Rifa's EMI suppression and pulse capacitors as vital parts of the system.

Evox Rifa capacitors
– quality, efficiency
and performance,
all-in-one.



Evox Rifa designs and manufactures controls for eco-friendly pellet burners and for heat pumps utilising either air or earth heat, making use of state-of-the-art capacitor technology.

Cleaner automotive applications

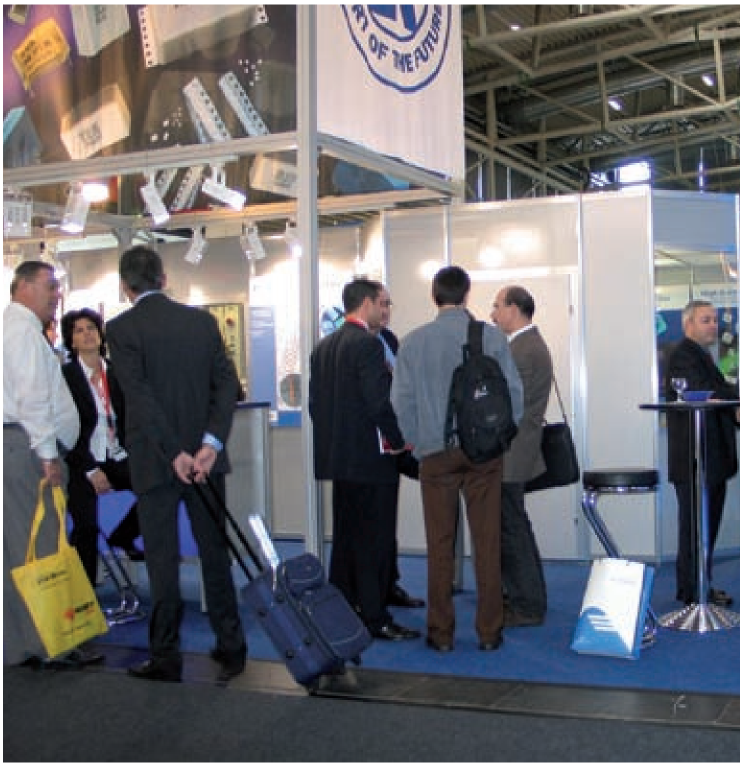
Evox Rifa is participating in the development of new automotive electronics to reduce carbon dioxide emissions. Mechanical features for car engines are being replaced with electronic solutions, facilitating the achievement of increasingly stricter environmental targets.

We e.g. supply capacitors that enable continuous regulation of the cooling fans for car radiators. This process saves up to three decilitres of petrol per hundred kilometres as a result of improved engine temperature control. In addition, we are actively involved in developing DC link capacitor elements to enhance hybrid car performance.

Electronics help car makers
lower fuel consumption
and reach CO_2 emission targets.

MAIN EVENTS IN 2006

As a result of the June 2006 reorganisation, Merja Maijanen and Jani Pyykkönen were appointed production managers, paper and film capacitors, at the Suomussalmi plant.



THE MAIN STOCK EXCHANGE RELEASES OF 2006 IN SHORT

14.02.2006 Evox Rifa reported that the earlier agreed deal concerning the sale of its manufacturing facilities in Sweden will come into force in March 2006.

01.03.2006 Evox Rifa Group's Financial Statement of the fiscal year 2005. The Group's net sales in 2005 decreased by 10.7 percent compared to the previous year. The loss was EUR 7.5 million and included EUR 5.4 million of one-time costs regarding production transfer from Kalmar, Sweden to Finland and Indonesia. The costs related to the start up of new production in Finland were higher than estimated. Weak demand in the market led to an exceptionally high amount of bad debts (EUR 0.7 million).Price pressures were hard during the whole year. However, demand within the Evox Rifa's main customer segments in Europe remained stable and the Company continued increasing its market share in Europe.

20.4.2006 The Annual General Meeting decided in accordance with the Board's proposal that no dividend will be paid for the fiscal year 2005. The Meeting authorised the Board to decide on new issues and/or convertible loans so that the increase of the share capital can be maximum EUR 1,722,210. Members of the Board of Directors and the auditor of the company were all re-elected.

27.04.2006 Interim Report January 1 – March 31, 2006
In the first quarter of the year, net sales increased and operating loss decreased when compared with the same period of the previous year. The operating loss of EUR 0.5 million included EUR 0.3 million of one-time costs related to restructuring of the business and EUR 0.1 million of bad debts. The result also includes a capital gain of EUR 0.7 million regarding the sale of Company's real estate in Kalmar, Sweden. The order backlog was now clearly better than at the same time in the previous year, and demand was expected to remain on a good level. The weak result of the Finnish plant and its increased need for working capital tied up liquid funds, and the Group's financial situation was therefore tight. Price pressures continued being hard.

11.05.2006 Due to the new shares subscribed with option rights, the share capital of Evox Rifa Group Oyj totalled 8,904,800.90 euros and the number of shares totalled 178,096,018.

16.06.2006 Evox Rifa Group agreed on the conditions of a EUR 2.2 million working capital financing. The gain on the sales of the production property in the UK was EUR 0.6 million.

Elkie charmed visitors at Evox Rifa's stand at Electronica.

Biannual Electronica fair in Munich is the world's largest professional electronics show. The 2006 event was for Evox Rifa the busiest ever.

Evox Rifa's Financial Reviews in 2007

February 28:	Financial Performance 2006
April 26:	Interim Report for January – March, 2007
August 7:	Interim Report for January – June, 2007
October 25:	Interim Report for January – September, 2007

08.08.2006 Interim Report January 1 – June 30, 2006
Net sales increased compared to the previous year. Operating profit was EUR 0.2 million. It included EUR 0.6 million of one-time costs related to production transfers, and restructuring of business in the US and the UK. The profit also included a total capital gain of EUR 1.2 million from the sale of the production properties in the UK and Sweden. The Group's financial situation continued as tight. The capacity utilisation rates of the plants and order backlog were on a good level. Operating result of the Finnish plant was still strongly negative, though the losses were substantially reduced during the second quarter.

26.10.2006 Interim Report January 1 – September 30, 2006
Net sales of the three first quarters of the year increased by 12.5 percent compared to the previous year. Operating profit was EUR 0.8 million. It includes EUR 0.8 million of one-time costs and a total of EUR 1.2 million capital gain from the sales of production facilities. Order backlog was EUR 24.7 million, compared to the EUR 15.2 million in the same period of the previous year. The costs related to the expansion of production at the Finnish plant and the closure of the Kalmar plant in Sweden, the low profitability of the Finnish plant, and the increased need of working capital weakened the Group's liquidity during the whole period. The Finnish plant improved its performance during the third quarter compared to the first and second quarters of the year.

20.12.2006 Mr. Juhani Pöhö was appointed Chief Financial Officer of Evox Rifa Group and Member of the Group Management Team beginning February 2, 2007.

28.12.2006 Evox Rifa Group agreed on the conditions of a EUR 3.3 million investment and working capital financing. The investment financing will be used for the start up of the manufacturing of new products at Evox Rifa's plant in Finland.

28.12.2006 Due to new shares subscribed with Evox Rifa Group option rights, the registered share capital of the Group totalled 8,908,400.90 euros and the number of shares totalled 178,156,018 shares.

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

BOARD OF DIRECTORS

Chairman
Henrik Ehrnrooth

born 1954, M.Sc. (Forest Econ.), B.Sc. (Econ.)

- Chairman of the Evox Rifa Group Board of Directors since 2003
- Member of the Evox Rifa Group Board since 2002 .
- Key Board Memberships: Pöyry Oyj, Chairman of the Board; Cargotec Oyj, Vice Chairman of the Board; Otava Books and Magazines Group Ltd., Member of the Board; Oy Forcit Ab, Member of the Board.
- Owns 68 251 976 shares (held directly, by family members, and by controlled corporations) of Evox Rifa Group Oyj

Henrik Ehrnrooth, together with his brothers Georg Ehrnrooth and Carl-Gustav Ehrnrooth, indirectly holds a controlling interest in Fennogens S.A. which owns 38,3 % of Evox Rifa Group's shares.

Vice Chairman
Jerker Molander

born 1955, LLM, MBA, MA.

- Member of the Evox Rifa Group Board of Directors since 2000
- Key Board Memberships: Monilaite-Thomeko Oy, Chairman of the Board; Ellos Tili Oy, Chairman of the Board; Xenetic Oy, Member of the Board; Captum Group Oy, Member of the Board, Nixu Oy, Member of the Board
- Owns 150 000 shares of Evox Rifa Group Oyj

GROUP MANAGEMENT TEAM

Tuula Ylhäinen

born 1955, M.Sc. (Econ)

- President and CEO since 2003
- Employed by Evox Rifa since 2002
- Owns 200 000 shares of Evox Rifa Group Oyj

Wee Cheng Hoon

born 1946, B.Sc. (Mech. Eng.)

- Area of responsibility: Film and Paper Capacitors
- Managing Director of Evox Rifa Pte.Ltd. (Singapore)
- Employed by Evox Rifa since 1982
- Owns 3 970 000 shares of Evox Rifa Group Oyj

Keith Hunter

born 1956, B.A. (Hons) Business Studies

- Area of responsibility: Electrolytic Capacitors
- Managing Director of BHC Components (U.K.)
- Employed by Evox Rifa since 2002 (by BHC since 1985)
- Owns 60 000 shares of Evox Rifa Group Oyj

Ownership information on Evox Rifa shares on this opening is from December 31, 2006. Figures include direct and indirect ownership. Subscription period for all options ended on December 31, 2006 and no new option program exists.

Mikko J. Aro
born 1945, B.Sc. (Econ)
- Member of the Evox Rifa Group Board of Directors since 2000
- Key Board Memberships: Okmetic Oyj, Chairman of the Board; Helkama Auto Oy, Member of the Board; Oy Airam Electric Ab, Member of the Board.
- Owns 34 000 shares of Evox Rifa Group Oyj

Pertti Laine
born 1941, B.Sc. (Econ.)
- Member of the Evox Rifa Group Board of Directors since 2002
- Key Board Memberships: Veikko Laine Oy, Chairman of the Board; Finnlines Oyj, Chairman of the Board; United Bankers Oy, Chairman of the Board.
- Owns 19 938 972 shares (held directly, by family members, and by controlled corporations) of Evox Rifa Group Oyj

Jarmo Niemi
born 1953, M.Sc. (Eng.)
- Member of the Evox Rifa Group Board of Directors since 2000
- Tecnomen Oyj, President & CEO
- Owns 30 000 shares of Evox Rifa Group Oyj

Olavi Lehtimäki
born 1953, B.Sc. (Econ)
- Area of responsibility: Sales and Marketing
- Employed by Evox Rifa 1980-1987, and again since 1998
- Owns 74 962 shares of Evox Rifa Group Oyj

Juhani Pöhö
born 1951, B.Sc. (Econ)
- Area of responsibility: Finance and IT
- Employed by Evox Rifa from 2007
- Owns no shares of Evox Rifa Group Oyj

Kimmo Saarinen
born 1950, M.Sc. (physics)
- Area of responsibility: Business Development
- Employed by Evox Rifa since 1978
- Owns 189 920 shares of Evox Rifa Group Oyj
- Key Board memberships: Chairman of both SESKO (Finnish Electro-technical Standardisation Organisation) and SFS (Finnish Standardisation Association); Chairman of Technical Committee 40 (capacitors, resistors and filters) and Council Board Member in IEC (International Electronics Committee)

ELECTROLYTIC CAPACITORS

Evox Rifa's latest Electrolytic Capacitor for Automotive Applications New PEG 226

- +150 °C, 2000 h
- 28 A at +125°C >5 kHz, 4000 h continuous load
- 18 A at + 140°C >5 kHz, 2500 h
- High vibration resistance

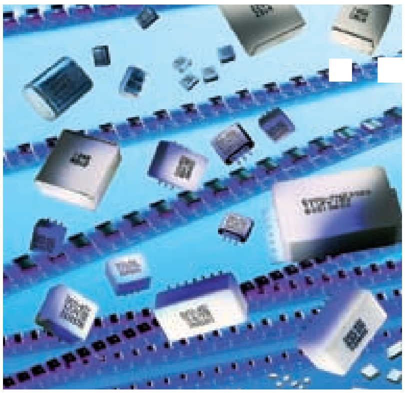
Screw Terminal Capacitors – high performance, long life, low ESR, high ripple current, high surge capability, excellent value

- Metric and Imperial case sizes and terminals
- Up to 550 VDC
- +85 °C to +125 °C operation
- Operational life to 78000 hours at +85 °C
- Case sizes to Ø 90 x 220 mm

Snap-in Capacitors – high performance, long life, low ESR, high ripple current, large diameter case sizes introduced

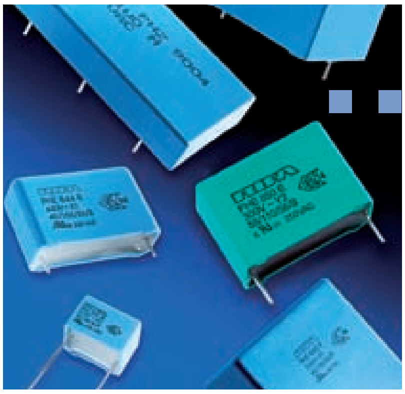
- 2, 3, 4 and 5 pin versions
- Up to 500 VDC
- +85 °C to +125 °C operation
- Operational life to 56000 hours at +85 °C
- Up to Ø 50 x 105 mm case sizes

FILM AND PAPER CAPACITORS



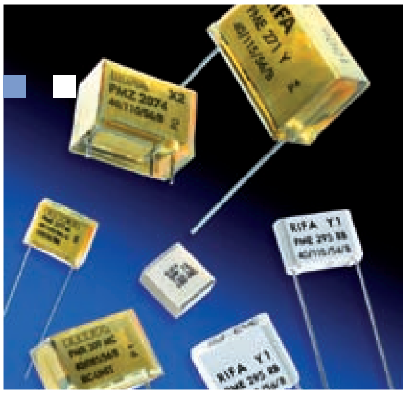
World's widest selection of SMD film capacitors High temperature applications up to +175 °C

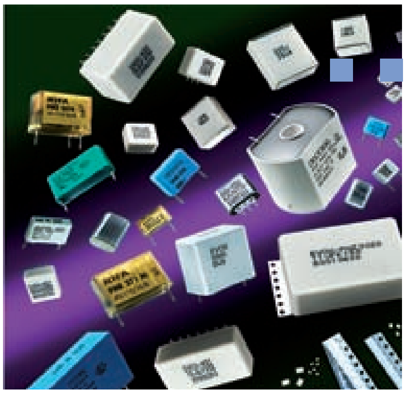
- Encapsulated SMD
- Dual-in-Line
- Naked SMD
- Film Chip
- Customised
- PET, PEN and PPS dielectrics
- No delamination
- Low losses
- Good long term stability
- No piezoelectric effect
- Excellent flammability properties



Wide range of EMI suppressor capacitors

- Worldwide approvals
- X1, X2, Y1, Y2 classes
- Paper, PP and PET dielectrics
- Highest safety



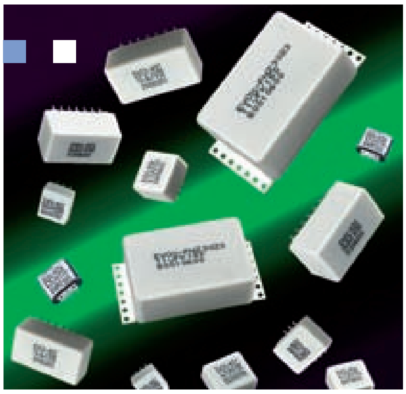


DC and Pulse capacitors

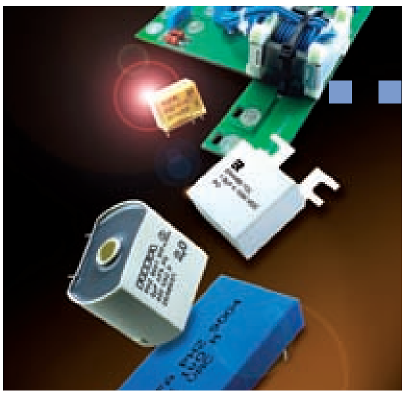
- PP, PET and PPS dielectrics
- Radial construction
- Dual-in-line construction for applications requiring extremely low ESR and ESL

Input and output filtering of high frequency SMPS and DC - DC converters

- Low ESR and ESL
- High ripple current capability
- Encapsulated
- Meets UL94V-0 requirements
- Wound construction
- No delamination



CUSTOMISED SOLUTIONS



For Individual Requirements

- Optimised design
- Demanding applications, e.g. DC Link capacitors
- Fast prototyping
- Multiple capacitors in one unit
- Variety of terminal configurations

CORPORATE GOVERNANCE STATEMENT IN SHORT

General

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

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

Committees of the Board of Directors

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

President and the Management Team

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

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

Business Organisation Structure

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

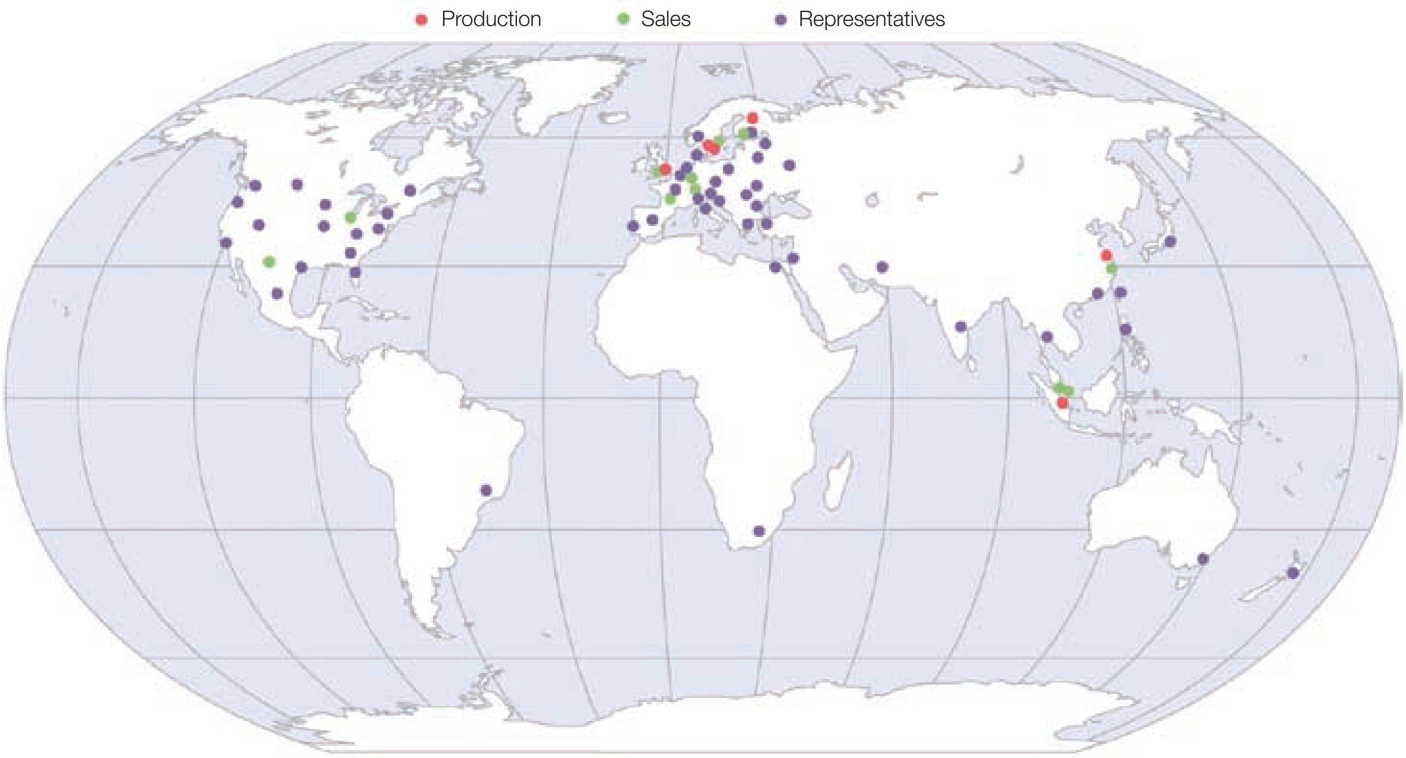
Both product groups have a Director appointed by the President. The appointments are approved by the Board of Directors. Both product groups have a management team chaired by the Director who reports to the President of Evox Rifa Group Oyj.

Auditor

The Annual General Meeting nominates the Auditors for one year at a time. In 2006 the Auditors of the company were KPMG Oy Ab, authorised public accountants.

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

GLOBAL PRESENCE



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

www.evoxrifa.com

EVOX RIFA

Evox Rifa Group Oyj

FINANCIAL STATEMENTS 2006

EVOX RIFA

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KEY FIGURES

	2002	2003	IFRS 2004	IFRS 2005	IFRS 2006
Net sales, MEUR	69.8	78.9	89.5	79.9	89.8
EBIT, MEUR	-8.9	-4.9	-0.3	-7.5	1.9
% of net sales	-12.8	-6.2	-0.4	-9.4	2.1
Return on investment, %	-19.1	-11.3	-0.8	-18.7	5.6
Earnings per share, EUR	-0.068	-0.034	-0.012	-0.052	-0.005
Equity ratio, %	36.5	31.1	28.6	13.9	12.9
Personnel, average	1 288	1 241	1 355	1 320	1 391
Order backlog 31.12., MEUR	13.6	16.6	17.4	17.7	23.2

THE BOARD OF DIRECTORS' REPORT 1.1. – 31.12.2006

General

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

The Group's parent company is Evox Rifa Group Oyj in Finland. The other Group companies are: Evox Rifa Oy, Finland; Evox Rifa AB, Sweden; Dectron AB, Sweden; Evox Rifa Pte. Ltd, Singapore; Seoryong Singapore Pte. Ltd, Singapore; P.T. Evox S.R., Indonesia; Evox Rifa Sdn. Bhd., Malaysia; Nantong Evox Rifa Electrolytics Co. Ltd., People's Republic of China; BHC Components Ltd., United Kingdom; Evox Rifa GmbH, Germany; and Evox Rifa Inc., USA. Evox Rifa Group Oyj has a branch in Sweden called Evox Rifa Group Abp filial i Sverige, reg. no. 502061-6073 and address Flodhästen 4, Kalmar.

Market survey

Demand was at a good level during the year in all market areas. Europe remained the main market area for Evox Rifa, and market shares on that continent continued at the same level as the previous year. The business of key customers continued to expand in the Asian market, but globally Europe kept its position as the largest manufacturer of industrial and automotive electronics. During the year the North American market recovered steadily.

The share of Group sales accounted for by industrial electronics increased from the previous year to 68% (59% in 2005). Deliveries to end customers take place increasingly through contract manufacturers.

Financial performance

The Group's net sales in 2006 totalled EUR 89.8 million (EUR 79.9 million in 2005).

The Group's operating profit was EUR 1.9 million (loss of EUR 7.5 million) and the loss before taxes was EUR 0.2 million (loss of EUR 8.7 million). The result included one-time proceeds of EUR 1.2 million relating to the sale of the Kalmar and BHC properties and one-time costs of EUR 0.9 million arising from the transfer and restructuring of operations in the USA and Europe. In 2005 one-time costs amounted to EUR 5.4 million.

The Group's earnings per share were EUR -0.005 (EUR -0.052) and the equity per share was EUR 0.036 (EUR 0.041).

Evox Rifa Group had an order backlog of EUR 23.2 million at the end of 2006 (EUR 17.7 million at the end of 2005). The order backlog remained at a good level in the final quarter of 2006 and is expected to remain strong during the first quarter of 2007.

The Group's liquid assets totalled EUR 1.3 million (EUR 2.4 million) and the equity ratio was 12.9% (13.9%) at the end of 2006. Including the convertible capital loan in shareholders' equity, the equity ratio is 23.3%.

The Group's net interest costs were EUR 1.4 million (EUR 1.4 million). Exchange rate gains and losses totalled EUR -0.5 million (EUR +0.4 million).

The Group's financial indicators with figures for comparison are presented on page 34 in the Notes to the Financial Statements.

Even though the cash flow from operations improved towards the end of the year, the Group's financial position during the year was tight. The expenditure caused by the expansion of production at the Suomussalmi plant and from closing down the Kalmar plant, coupled with the poor profitability of operations at Suomussalmi and the increased need for working capital, all reduced the Group's liquidity.

In June 2006 the Group reached agreement with its main financiers on working capital financing of EUR 2.2 million and in December on working capital and investment financing of EUR 3.3 million.

The Group's financing agreements contain standard terms relating to change of ownership.

The sale of the production property in Kalmar was completed in March 2006.

In June 2006 BHC Components Ltd. agreed on terms for selling the production property it owns, and the company will continue its business operations in these premises as tenant. Income from the sale of these properties totalled EUR 6.0 million.

Gross investments in fixed assets were EUR 1.0 million (EUR 4.0 million), and include new investments at the Group's Suomussalmi, British, Chinese and Indonesian plants.

Net sales of the film capacitor product group were EUR 41.5 million (EUR 39.1 million in 2005). Demand was strong in all market areas and capacity utilization rates at the plants were high. The high prices of energy and raw materials put pressure on margins.

The Kalmar plant in Sweden ceased production operations at the end of 2005 and most of the plant's production was transferred to the Suomussalmi plant in Finland. Starting up production of paper capacitors proved more difficult than expected. Operations at the Suomussalmi plant made substantial losses, especially in the first quarter.

Net sales of the electrolytic capacitors product group totalled EUR 48.3 million (EUR 40.8 million in 2005). The profitability of the product group remained at a good level, and demand was strong in all market areas.

The Nantong plant in China started production of screw terminal aluminium electrolytic capacitors towards the end of 2005. During 2006 the plant improved its profitability and established itself as a supplier of industrial electronic components.

Shares and share capital

The shares of Evox Rifa Group Oyj have a nominal value of EUR 0.05, the number of shares on 31 December 2006 was 178,156,018 and the share capital stood at EUR 8,908,400.90. The share capital increased as the result of option subscriptions by 935,000 shares and EUR 47,350.

The Annual General Meeting of Shareholders held on 20 April 2006 authorized the Board of Directors for a period of one year from the AGM to decide to increase the share capital by one or more issues of shares and/or convertible loans, so that pursuant to the issue of new shares and/or the conversion of the convertible loans the share capital may be increased by an aggregate maximum amount of EUR 1,772,210. The authorization has not been used.

The Board of Directors has decided to propose to the AGM that no dividend be paid for 2006 and that the loss for the fiscal year be transferred to retained earnings.

Convertible subordinated loan

In March 2005 Evox Rifa Group Oyj issued a convertible subordinated loan of EUR 5,587,500, with fixed annual interest of 5%. The interest cannot be paid because of the lack of distributable funds in the financial statements of 31 December 2006, but the deferred interest of EUR 0.3 million weakens the company's result in 2006.

Each EUR 100 loan note can be converted into 750 Evox Rifa Group Oyj shares at a share price of EUR 0.1333 during the period 1 October 2005 – 26 February 2010. No loan notes had been converted into shares by 31 December 2006. The main terms for the convertible subordinated loan are given in section 25.2 of the Notes to the Financial Statements.

Personnel

The average number of Evox Rifa Group personnel in 2006 was 1391 (average of 1320 in 2005 and 1355 in 2004). The number of personnel grew at the Asian plants and at the Suomussalmi plant in Finland.

At the end of 2006 54% (54%) of Group personnel were in Asia. The personnel at the Suomussalmi plant included 26 people whose temporary employment contracts were not renewed after 31 December 2006.

Accrual based salaries and bonuses totalled EUR 22.5 million (EUR 24.4 million in 2005 and EUR 24.3 million in 2004).

Risks and uncertainties facing business operations

Organizing risk management

Risk management is an integral part of Evox Rifa Group's management and business processes at Group level and in the different business units. The objective of risk management is to identify the strategic, operational, property and financial risks to which Evox Rifa Group is exposed in working towards its strategic and financial goals - risks which if they materialize may form an obstacle to reaching these goals.

Strategic and operational risks

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

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

Evox Rifa Group has received product reclamations that are still being processed. In the opinion of management, the provisions contained in the consolidated balance sheet are sufficient to cover the probable compensation risk as currently assessable.

Property, interruption and liability risks

The primary objective is to prevent accident risks from materializing by observing the best practices and standardized procedures in all the Group's operations. All accident risks for which this is financially possible or otherwise reasonable are covered by insurance. The Group has a common insurance scheme, and the insurance needs for this are assessed each year. The objective is to have appropriate insurance cover for loss of assets, interruptions to business operations, and operations and product liability.

Financial risks

The financial risks to Evox Rifa Group's financial performance, cash flow and continuity of operations can be divided into foreign exchange, interest rate, liquidity and refinancing risks.

Foreign exchange risk derives from changes in the exchange rates between different currencies that are important for the Group. Management of foreign exchange risks is explained in more detail in Note 2, 'Management of financial risks' in the Notes to the Financial Statements.

Interest rate risk arises from changes in interest rates. Most of the Group's loans are floating rate loans. Interest rate risk can be hedged using interest rate swaps.

The liquidity risk is related to Evox Rifa Group's ability to maintain sufficient liquidity. To reduce this risk, payments by customers and the amount of any inventories that the customer may have are monitored actively. The Group has credit lines in Finland, Sweden, Great Britain and Singapore that help cover short-term financing needs.

The Group manages the refinancing risk by ensuring that long-term financing covers a sufficiently large part of its total financing needs, by monitoring the schemes for repaying long-term financing, and by negotiating any necessary new financing schemes in good time.

Research and development

In the Film and Paper Capacitors product group the main focus remained on application specific projects especially for the automotive industry and industrial electronics. This has resulted in product development and investments that make it possible to manufacture even larger windings for high power applications.

The work of expanding Dectron AB in Sweden was completed, and the R&D and testing activities at the Kalmar plant were merged with Dectron's operations. The results of this successful integration were seen towards the end of the year in increased sales of special products.

In the Electrolytic Capacitors product group, the work continued of developing new electrolytes for several applications. As the result of joint development activities between the Weymouth and Nantong plants, numerous new local raw material and component suppliers have been introduced in China. At Weymouth the first customized capacitor modules were developed, and at the Swedish plant in Gränna several customer products were developed for the automotive industry based on a new high temperature capacitor solution.

The Gränna plant in Sweden, the Suomussalmi plant in Finland and the Batam plant in Indonesia obtained the new automotive industry quality certificate (ISO/TS 16949).

R&D expenditure of EUR 2.8 million was recorded as incurred (EUR 2.9 million in 2005 and EUR 3.0 million in 2004). R&D costs represented 3.1% of net sales (3.6% in 2005 and 3.3% in 2004).

Environment

The RoHS EU directive, on restricting the use of hazardous substances, came into force at the beginning of July 2006. Meeting its requirements has demanded considerable development and investment expenditure. During 2006 a particular focus was on improving the resistance of components to high temperatures. Higher soldering temperatures forced Evox Rifa to develop new generation surface mount capacitors.

The Batam plant in Indonesia has ISO 14001 certification for its environmental management system and the other productions plants have scheduled plans for obtaining this.

Management and auditors

The Board of Directors of Evox Rifa Group Oyj comprised the following persons:
Mikko J. Aro, Board member
Henrik Ehrnrooth, Chairman of the Board
Pertti Laine, Board member
Jerker Molander, Deputy Chairman of the Board
Jarmo Niemi, Board member

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

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

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

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

Events after the end of the fiscal year

On 19 February 2007, Kemet Corporation announced its intention to launch a public tender offer to acquire all the shares of Evox Rifa Group Oyj.

Outlook for the year 2007

The year 2006 was a period of strong demand, and stable demand is expected to continue, especially in the industrial and automotive electronic sectors. However, the visibility of the market demand and market conditions is weakened by increased inventory levels in the supply chain and high prices of raw materials and energy.

The sales development of Evox Rifa Group's most important customers is expected to continue at a steady pace, and the growth of the business operations in Asia of the major partners of the Group is expected to continue.

The increased need for working capital and the low profitability of the Finnish plant have tied up Group's liquid funds. As the capacity utilization rates of the plants are expected to stay at a good level and the Chinese plant is expected to tie up more working capital, the financial situation of the Group will still be tight.

The profitability of the electrolytic capacitors product group is estimated to stay good. The film and paper capacitors product group is expected to improve its performance along with the improving profitability of the Finnish plant.

CONSOLIDATED INCOME STATEMENT

NOTE		31 Dec 2006 EUR thousand	31 Dec 2005 EUR thousand
	REVENUE	89 787	79 911
5	Other operating income	1414	154
	Changes in inventories of finished products and work in progress	726	-1 013
	Raw material and consumables used	-42 638	-36 071
6	Employee benefits expense	-28 945	-32 443
7	Depreciation and amortisation expense	-2 702	-3 313
8, 9	Other operating expenses	-15 777	-14 744
		-90 062	-86 571
	OPERATING PROFIT (LOSS)	1 865	-7 519
10	Financial income and expenses	-2 090	-1 198
	LOSS BEFORE TAX	-225	-8 717
11	Income tax expense	-716	-539
	LOSS FOR THE PERIOD	-941	-9 256
	Attributable to:		
	Equity holders of the parent	-948	-9172
	Minority interest	7	-84
		-941	-9256
12	Earnings per share for loss attributable to the equity holders of the parent (expressed in € per share)		
	basic	-0,005	-0,052
	diluted	-0,005	-0,052

CONSOLIDATED BALANCE SHEET

NOTE		31 Dec 2006 EUR thousand	31 Dec 2005 EUR thousand
	ASSETS		
	Non-current assets		
14	Property, plant and equipment	12 821	15 855
13	Goodwill	1 236	1 235
13	Other intangible assets	30	29
	Available-for-sale investments	3	3
16	Receivables	282	371
	Total non-current assets	14 372	17 493
	Current assets		
17	Inventories	16 615	15 012
18	Trade and other receivables	17 109	14 441
19	Cash and cash equivalents	1 313	2 435
	Total current assets	35 037	31 888
15	Non-current assets classified as held for sale	0	3 798
	TOTAL ASSETS	49 409	53 179

NOTE		31 Dec 2006 EUR thousand	31 Dec 2005 EUR thousand
	EQUITY AND LIABILITIES		
20	Equity attributable to equity holders of the parent		
	Share capital	8 909	8 861
	Share premium	1 934	1 926
	Reserve fund	677	677
	Translation differences	-1 589	-1 481
	Retained earnings	-3 687	-2 739
		6 244	7 244
	Minority interest	133	142
	Total equity	6 377	7 386
	Non-current liabilities		
20, 25	Convertible subordinated loan	5 125	5 004
22	Deferred tax liabilities	515	730
23	Pension obligations	1 904	2 321
25	Interest-bearing liabilities	7 557	9 623
	Total non-current liabilities	15 101	17 678
	Current liabilities		
26	Trade and other payables	16 465	14 790
	Current tax liabilities	672	554
24	Provisions	934	943
25	Interest-bearing liabilities	9 860	11 828
	Total current liabilities	27 931	28 115
	Total liabilities	43 032	45 793
	TOTAL EQUITY AND LIABILITIES	49 409	53 179

CONSOLIDATED CASH FLOW STATEMENT

NOTE		2006 EUR thousand	2005 EUR thousand
	Cash flows from operating activities		
	Loss for the period	-941	-9 256
	Adjustments:		
27	Non-cash transactions	2 260	4 378
	Interest and other financial expenses	1 619	1 668
	Interest income	3	-31
	Income taxes	950	547
	Change in net working capital:		
	Increase (-) decrease (+) in inventories	-2 125	44
	Increase (-) decrease (+) in trade and other receivables	-3 076	388
	Increase (+) decrease (-) in trade and other payables	1 734	2 496
	Change in provisions	9	289
	Interest paid	-1 331	-1 418
	Interest received	8	30
	Income taxes paid	-875	-649
	Net cash from operating activities	-1 765	-1 514
	Cash flows from investing activities		
	Acquisition of property, plant and equipment	-738 *)	-3 679
	Acquisition of intangible assets	-16	-287
	Proceeds from sale of property, plant and equipment	5 952	99
	Net cash from investing activities	5 198	-3 867
	Cash flows from financing activities		
	Proceeds from the issue of shares	56	0
	Proceeds from the issue of convertible subordinated loan	0	5 588
	Proceeds from borrowings	658	2 665
	Repayment of borrowings	-5 169	-3 072
	Payment of finance lease liabilities	-141	-234
	Net cash from financing activities	-4 596	4 947
	Net change in cash and cash equivalents	-1 163	-434
	Cash and cash equivalents at January 1	-3 883	-3 618
	Effect of exchange rate fluctuations	137	-169
19	**Cash and cash equivalents at December 31**	-5 183	-3 883

*) Received Investment Grant +260 thousand euro deducted

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Attributable to equity holders of the Parent						Minority interest	Total equity
	Share capital	Share premium	Reserve fund	Translation differences	Retained earnings	Total		
Equity at 1 January, 2005	8 669	1 733	12 989	-2 509	-6 374	14 508	685	15 193
Translation differences				1 028		1 028	45	1 073
Loss for the period					-9 172	-9 172	-84	-9 256
Total rec. income and exp. for the period				1 028	-9 172	-8 144	-39	-8 183
Share issue	192	193				385		385
Transferred from reserve fund			-12 312		12 312			
Redemption of minority interest							-504	-504
Equity component separated from the convertible subordinated loan					496	496		496
	192	193	-12 312		12 808	881	-504	377
Equity at 31 December, 2005	8 861	1 926	677	-1 481	-2 739	7 244	142	7 386
Equity at 1 January, 2006	8 861	1 926	677	-1 481	-2 739	7 244	142	7 386
Translation differences				-108		-108	-16	-124
Loss for the period					-948	-948	7	-941
Total rec. income and exp. for the period				-108	-948	-1 056	-9	-1 065
Subscription with share options	48	8				56		56
Equity at 31 December, 2006	8 909	1 934	677	-1 589	-3 687	6 244	133	6 377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Company profile and principal activities

Evox Rifa Group Oyj (the "Company") is a Finnish public limited liability company organised under the laws of Finland. It is domiciled in Helsinki, Finland and its registered address is Lars Sonckin kaari 16, 02600 Espoo. The parent company of the Evox Rifa Group, Evox Rifa Group Oyj, has been listed on the Helsinki Stock Exchange since 2001. Evox Rifa is a specialised manufacturer of electrolytic, plastic film and paper capacitors with global operations: it has a worldwide sales and distribution network and its production plants are located in Indonesia, United Kingdom, China, Sweden and Finland. The company is headquartered in Espoo, Finland. In 2006 Evox Rifa Group had net sales of EUR 89.8 million and employed about 1391 people. Of these 54 percent were employed in Asia. Evox Rifa is the largest manufacturer of capacitors in the Nordic countries and the fifth largest in Europe.

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

Basis of preparation

These consolidated financial statements of the Evox Rifa Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) in force as at 31 December, 2006. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also conform with the Finnish accounting and company legislation.

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

In 2006 the Group adopted the following new pronouncements that are effective for annual periods beginning on or after 1 January 2006:

- Amendment to IAS 19 Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures. This amendment introduced the option of an alternative recognition approach for actuarial gains and losses to be recognised fully in equity and added new disclosure requirements. Evox Rifa did not change the accounting policy adopted for recognition of actuarial gains and losses, consequently adoption of this amendment only has an impact on the format and extent of disclosures.
- Amendment to IAS 21 Net Investment in a Foreign Operation. Those exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation are recognised in the consolidated financial statements in a separate component of equity. This amendment did not have significant impacts on the Group's financial statements.
- IFRIC 4 Determining whether an Arrangement contains a Lease. The interpretation states that arrangements that depend on a specific asset or convey the right to control the use of a specific asset generally are leases under IAS 17 Leases. This interpretation has not had any impact Group's operations in current period.

Use of estimates

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

Consolidated financial statements

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

Associates

Associates included in the consolidated financial statements are those entities in which the Group's holding and its share of voting rights are between 20 -50 per cent or in which Evox Rifa otherwise has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. The unrealised profits between the Group and associates are eliminated in proportion to share ownership. The carrying amount of an investment in an associate includes the carrying amount of goodwill resulted from its acquisition. When Evox Rifa's share in an associate's losses exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate. The Group had no investments in associates at 31 December, 2006.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. As at 31 December, 2006 the Group had no interests in joint ventures.

Principles of consolidation

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

In accordance with the exemption under IFRS 1 business combinations occurred prior to the transition date, which was 1 January, 2004, have not been restated but previous values under FAS have been taken as a deemed cost under IFRSs. The difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities acquired, measured at the acquisition date is first allocated, where applicable, to the underlying assets. The rest of the excess is presented as goodwill.

Acquisitions from entities under common control

The difference between the cost of the shares acquired in the companies over which the Group already has control and the minority interest is recognised as goodwill.

Translation of financial statements of foreign subsidiaries

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

Foreign currency transactions

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

Revenue recognition and net sales

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

Other operating income

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

Operating profit

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

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

= operating profit / loss

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

Borrowing costs

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

Dividend and interest income

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

Income taxes

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

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

Property, plant and equipment

Owned assets

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

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

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

Land is not depreciated.

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

Leases

Group as lessee

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

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

Group as lessor

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

Arrangement that contains a lease

Arrangements that depend on a specific asset or convey the right to control the use of a specific asset may be in substance leases under IAS 17. The related interpretation IFRIC 4 deals with the identification of those arrangements such as purchasing contracts, services and take-or-pay sales that do not take the legal form of a lease but convey rights to customers or suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. The contracts that meet these criteria should be classified as either operating leases or finance leases. If an arrangement is classified as a financial lease, a finance liability would be recognized to reflect the financing deemed to be received by the Group where it is considered as acting as lessee. As at 31 December, 2006 the Group had no arrangements that contain a lease.

Goodwill and other intangible assets

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

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

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

Intangible rights	3-5 years

Research and development costs are expensed in the period in which they are incurred, except for those development costs, which are capitalised when certain criteria are met. The criteria are as follows: the development project will be successful as well as the product is technically and commercially feasible. The capitalised development costs mainly comprise direct labour and related overheads, raw materials and external services. They are amortised on a systematic basis over their expected useful lives, which is two to five years. At 31 December, 2006 the Group had no capitalised development costs.

Impairment

The carrying amounts of Group assets are assessed for potential impairment at each balance sheet date and whenever there is any indication that an asset may be impaired. For the purposes of assessing impairment, the business operations of Evox

Rifa are allocated at the factory level, which is the lowest level mainly independent of other units and for which there are separately identifiable cash inflows and outflows. If there is an indication of an impairment, the Group estimates the recoverable amount of the asset or cash-generating unit. Goodwill, unfinished intangible assets and intangible assets with indefinite useful lives, if any, are in all cases tested annually. When the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, the difference is immediately charged as an impairment loss in the income statement. If the impairment loss is to be allocated for a cash-generating unit, it is allocated first by recognising an impairment loss for any goodwill and then on pro rata basis to other assets of the unit. In connection of recognition of an impairment loss the estimated remaining useful life of the asset in question is reassessed.

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

Non-current assets held for sale and discontinued operations

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

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

Inventories

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

Financial instruments

The financial assets of Evox Rifa are classified as follows: financial assets at fair value through profit or loss, loans and receivables and available-for-sale assets. Financial assets are classified when originally acquired based on their purpose of use. The financial liabilities are classified either as financial liabilities at fair value through profit or loss or as other liabilities. Evox Rifa only has liabilities classified in the latter category.

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

Financial assets at fair value through profit or loss

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

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

Available-for-sale assets

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

Financial liabilities

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

The liability component of the convertible subordinated loan issued by the parent company Evox Rifa Group Oyj is presented under the long-term interest-bearing liabilities and the equity component in equity.

Trade receivables

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

Cash and cash equivalents

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

Dividends

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

Employee benefits

Pension plans

The Group companies have several pension plans in different countries in accordance with the local practices and conditions. Pension plans are classified as either defined contribution plans or defined benefit plans. Most plans the Group has currently are classified as defined contribution plans, where contributions are expensed in the income statement in the year to which they relate. Under a such plan the Group has no legal or constructive obligations to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. All those plans that do not meet the requirements of a defined contribution plan are considered defined benefit plans.

The expense incurred in respect of a defined benefit pension plan is determined separately for each plan in accordance with its terms based on actuarial calculations and recognised on the income statement over the expected working lives of the employees participating in the plan. The net present value of the obligation is calculated using the projected unit credit method. In calculating the present value of the obligation the discount rate is determined annually and it is based on the market rates of corporate and government bonds. The net present value of the obligation less the plan assets measured at fair value at the balance sheet date and the unrecognised actuarial gains and losses is the amount, a receivable or a liability, recognised in the balance sheet.

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

Share-based payments

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

Provisions

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

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

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

Government grants

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

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

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

New standards and interpretations

In 2007 Evox Rifa will adopt the following new or amended standards and interpretations issued in 2005 and 2006:

- IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2007). IFRS 7 requires disclosures about the significance of financial instruments for an entity's financial position and performance as well as qualitative and quantitative disclosures on the nature and extent of risks. The new standard will increase the disclosure requirements, the main additional disclosures will be the sensitivity analyses.
- Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures (effective from 1 January 2007). This is a complementary amendment due to issuance of IFRS 7 and introduces new disclosures about the level of an entity's capital and how it manages capital.
- IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). The interpretation requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. Evox Rifa does not expect the adoption of IFRIC 9 will have a material impact on the Group's financial statements.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November, 2006). IFRIC 10 prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. The interpretation is not expected to have any impact on the Group's accounts.
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 Segment Reporting. It adopts a management approach to segment reporting. The information reported would be that which is used internally by management for evaluating the performance of operating segments and allocating resources. Also additional disclosures are required. The Group is currently assessing the impact of IFRS 8.

IFRIC 8 Scope of IFRS 2 is not relevant to the Group's operations.
IFRIC 11 IFRS 2 – Group and Treasury Share Transactions and IFRIC 12 Service Concession Arrangements are not relevant to the Group´s operations.

2 FINANCIAL RISK MANAGEMENT

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

Evox Rifa Group operates globally in Europe, Asia and North America. The revenue denominated in euro accounted for more than half of the total revenue in 2006. The non-euro dominated revenue mainly consists of Swedish krona, Singapore dollar, US dollar and UK pound sterling. Foreign exchange risk, even limited, has an impact principally on Group´s financial performance to the extent that revenue and costs are denominated in different currencies in the production plants. Furthermore, currency fluctuations have an effect on the parent company as its functional and presentation currency is euro. On the other hand, especially the weak US dollar against euro may reduce company´s competitiveness in export sales to the United States and Asia. The weak US dollar also has an impact on imports to Europe from the countries that have linked their currencies to the US dollar. To mitigate the foreign exchange risk, the income and expense items in each currency are matched, and open positions are hedged with currency options.

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

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

The Group has credit lines in Sweden, Great Britain and Singapore to safeguard sufficient liquidity. Unused credit facilities totalled 2.8 million euro at the balance sheet date.

3 SEGMENT INFORMATION

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

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

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

Geographical segments
The secondary geographical segment is divided into three sales regions:

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

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

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

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

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

3.1 Business segments EUR thousand

2006	Capacitors	Unallocated items	Group
Revenue	89 787		89 787
Operating profit (loss)	1 875	-10	1 865
Financial income and expenses			-2 090
Income tax expense			-716
Loss for the period			-941
Segment assets	47 846	1 563	49 409
Segment liabilities	36 547	6 485	43 032
Capital expenditure	1 021	0	1 021
Depreciation and amortisation	2 701	1	2 702

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

3.2 Geographical segments EUR thousand

2006	Europe	Asia	America	Group
Revenue by the location of customers	60 660	20 226	8 901	89 787
Segment assets	33 222	14 426	1 761	49 409
Capital expenditure	918	58	45	1 021
2005	Europe	Asia	America	Group
Revenue by the location of customers	55 381	16 721	7 809	79 911
Segment assets	35 997	15 313	1 869	53 179
Capital expenditure	2 731	1 227	8	3 966

4 BUSINESS COMBINATIONS

In 2006 there were no business combinations.

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

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

EUR thousand	**2006**	2005

5 OTHER OPERATING INCOME

Gains on sale of property, plant and equipment and intangible assets	1 233	99
Rental income	29	23
Other income items	152	32
Total	1 414	154

6 EMPLOYEE BENEFITS

Wages and salaries	22 478	24 394
Pension expenses		
Defined contribution plans	1 915	1 590
Defined benefit plans	183	134
Other social expenses	4 369	6 325
Total	28 945	32 443

Information for 2005 has been updated to be comparable with 2006
Information on the remuneration of Group Management is presented in note 28 Related Party Transactions.

The average number of personnel in the Group during the financial year		
White-collar	289	299
Blue-collar	1 102	1 021
Total	1 391	1 320

The number of personnel in the Group at year-end		
White-collar	292	294
Blue-collar	1 107	994
Total	1 399	1 288

7 DEPRECIATION AND AMORTISATION

Depreciation and amortisation by asset type:		
Intangible assets		
Other intangible assets	15	18
Total	15	18
Property, plant and equipment		
Buildings	187	326
Machinery and equipment	2 462	2 927
Other assets	38	42
Total	2 687	3 295
Depreciation and amortisation expense, total	2 702	3 313

8 OTHER OPERATING EXPENSES

Production and supply overheads	7 015	6 248
Distribution overheads	2 792	2 117
Sales, development and administration overheads	5 970	6 379
Total	15 777	14 744

EUR thousand	**2006**	2005

9 RESEARCH AND DEVELOPMENT COSTS

Research and development costs expensed as incurred to income statement amounted to 2,8 million euro in 2006 (2,9 million euro in 2005).

10 FINANCIAL INCOME AND EXPENSES

Interest income	3	5
Exchange gains	1 384	2 198
Other financial income	5	45
Total financial income	1 392	2 248
Interest expenses	-1 447	-1 396
Exchange losses	-1 864	-1 779
Other financial expenses	-171	-271
Total financial expenses	-3 482	-3 446
Total	-2 090	-1 198

11 INCOME TAXES

Current tax expense	970	546
Taxes for prior years	-20	1
Change in deferred taxes	-234	-8
Total	716	539

A reconciliation between the income tax expense reported in the consolidated income statement, 0.7 million euro, and the income tax calculated at the domestic corporation tax rate 26 % (2005: 0.5 million euro) is as follows:

Loss before tax	-225	-8 718
Income tax calculated using the domestic corporation tax rate 26%	-59	-2 267
Effect of tax rates in foreign jurisdictions	105	25
Tax exempt revenues	-174	-41
Non-deductible expenses	47	77
Unrecognised deferred tax asset related to the loss for the period	1 051	2 752
Taxes for prior years	-20	1
Change in deferred taxes	-234	-8
Income tax expense reported in the consolidated income statement	716	539

12 EARNINGS PER SHARE

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

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

EUR thousand	**2006**	2005
Loss for the year attributable to equity holders of the parent	-948	-9 172
Weighted average number of ordinary shares outstanding during the financial year (1,000)	177 815	176 579
Basic earnings per share (€ per share)	-0,005	-0,052
Loss for the year attributable to equity holders of the parent	-948	-9 172
Post-tax effect of interest on convertible subordinated loan	380	285
Loss for the period for computing diluted earnings per share	-568	-8 887
Weighted average number of ordinary shares outstanding during the financial year	177 815	176 579
Effect of share options on issue	0	626
Conversion of convertible subordinated loan	41 909	41 909
Weighted average number of ordinary shares outstanding for computing diluted earnings per share	219 724	219 114
Diluted earnings per share (€ per share)	-0,003	-0,041

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

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

13 INTANGIBLE ASSETS

14 PROPERTY, PLANT AND EQUIPMENT

14.1 FINANCIAL LEASES

EUR thousand	Goodwill	Other intangible assets	Total	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments	Total	Total	Machinery and equipment include assets leased under financial leases as follows:
Cost at 1 January, 2006	2 105	698	2 803	216	6 962	56 473	406	709	64 766	67 569	972
Additions	0	16	16	0	0	288	25	692	1 005	1 021	0
Disposals	0	0	0	-131	-1 268	-10 882	-134	0	-12 415	-12 415	0
Transfers between classes	0	0	0	0	0	970	0	-970	0	0	0
Exchange difference	1	-4	-3	6	-67	444	-13	5	375	372	37
Cost at 31 December, 2006	2 106	710	2 816	91	5 627	47 293	284	436	53 731	56 547	1 009
Accumulated depreciation, amortisation and impairment losses at 1 January, 2006	-870	-670	-1 540	0	-3 399	-45 163	-349	0	-48 911	-50 451	-579
Depreciation and amortisation charges for the period	0	-15	-15	0	-187	-2 462	-38	0	-2 687	-2 702	-143
Accumulated depreciation and amortisation from disposals	0	0	0	0	448	10 566	115	0	11 129	11 129	0
Transfers between classes	0	0	0	0	0	0	0	0	0	0	0
Exchange difference	0	5	5	0	-4	-461	24	0	-441	-436	-25
Accumulated depreciation, amortisation and impairment losses at 31 December, 2006	-870	-680	-1 550	0	-3 142	-37 520	-248	0	-40 910	-42 460	-747
Carrying amounts at 1 January, 2006	1 235	28	1 263	216	3 563	11 310	57	709	15 855	17 118	393
Carrying amounts at 31 December, 2006	1 236	30	1 266	91	2 485	9 773	36	436	12 821	14 087	262
Cost at 1 January, 2005	1 833	685	2 518	3 072	7 256	57 059	376	564	68 327	70 845	2 368
Additions	272	15	287	0	255	2 062	4	1 188	3 509	3 796	0
Disposals	0	0	0	0	-108	-3 493	-3	0	-3 604	-3 604	-1 302
Transfers between classes	0	0	0	0	0	1 046	0	-1 046	0	0	0
Transfer to non-current assets held for sale	0	0	0	-2 856	-794	-567	-23	0	-4 240	-4 240	0
Exchange difference	0	-2	-1	0	353	366	52	3	774	773	-94
Cost at 31 December, 2005	2 105	698	2 804	216	6 962	56 473	406	709	64 766	67 570	972
Accumulated depreciation, amortisation and impairment losses at 1 January, 2005	-870	-663	-1 533	0	-3 001	-46 125	-272	0	-49 398	-50 931	-1 546
Depreciation and amortisation charges for the period	0	-18	-18	0	-326	-2 927	-42	0	-3 295	-3 313	-348
Accumulated depreciation and amortisation from disposals	0	0	0	0	108	3 419	0	0	3 527	3 527	1 247
Transfers between classes	0	0	0	0	-270	270	0	0	0	0	0
Transfer to non-current assets held for sale	0	0	0	0	215	223	4	0	442	442	0
Exchange difference	0	11	11	0	-125	-23	-39	0	-187	-176	68
Accumulated depreciation, amortisation and impairment losses at 31 December, 2005	-870	-670	-1 540	0	-3 399	-45 163	-349	0	-48 911	-50 451	-579
Carrying amounts at 1 January, 2005	963	22	985	3 072	4 255	10 934	104	564	18 929	19 914	822
Carrying amounts at 31 December, 2005	1 235	28	1 264	216	3 563	11 310	57	709	15 855	17 119	393

Carrying amount of production machinery and equipment at 31 December, 2006 9 339

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

The Group has received an investment grant in Finland amounting to 30 thousand euro (in 2005 0.4 million euro). The grant received has been deducted from the additions to machinery and equipment in 2006.

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

The recoverable amount of a cash-generating unit is based on value in use calculations. In respect of determining cash flows, the major variables are:

a) Discount rate (8%), which is based on cost of equity capital including market risk premium and cost of debt, weighted to reflect the Group´s capital structure.

b) Sales growth on each market area (in average 0-8%) based on management assessment as well as internal and external views on history and future of the business.

c) Profitability (operating margin) of cash generating units, which reflects both historical profitability and on-going development programs. The relative profitability of the units is not expected to improve during the forecast period with the exception of the impact of the on-going development programs.

The forecast period covers five years. The most critical key assumptions in the estimation of the recoverable amount are discount rate, sales growth and profitability.

For Evox Rifa´s production units the most critical key assumption is profitability development, especially for Suomussalmi unit. According to management assessment, the recoverable amount exceeds the carrying amount, assuming that the decided and on-going development program will be completed mainly according to plan. This assessment excludes possible simultanious changes in other assumptions. The management does not believe that in other production units any reasonably possible changes in the key assumptions would cause recoverable amounts to fall short of their carrying amounts.

Based on impairment tests performed, no impairment losses have been recognised in 2005 or 2006 for goodwill nor for property, plant and equipment.

15 NON-CURRENT ASSETS HELD FOR SALE

In 2006 there were no non-current assets held for sale.

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

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

EUR thousand	**2006**	2005

16 NON-CURRENT RECEIVABLES

Prepaid rental expense	125	232
Insurance claim	157	139
Total	282	371

17 INVENTORIES

Raw material and supplies	7 627	6 606
Work in progress	2 263	1 871
Finished goods	6 725	6 535
Total	16 615	15 012

The amount of the impairment loss recognised on inventories to net realisable value totalled 0.4 million euro during the financial year (2005: 0.6 million euro).

EUR thousand	**2006**	2005

18 TRADE AND OTHER CURRENT RECEIVABLES

Trade receivables	14 962	12 579
Accrued income and prepaid expenses	1 195	1 168
Other receivables	952	694
Total	17 109	14 441

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

During the financial year the Group has recognised impairment losses on trade receivables amounting to 0.1 million euro (2004: 0.7 million euro).

18.1 Accrued income and prepayments

Investment grant	132	362
Other items	1 063	806
Total	1 195	1 168

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows		
Cash at bank and in hand	1 313	2 435
Bank overdrafts	-6 496	-6 318
Total	-5 183	-3 883

20 CAPITAL AND RESERVES

EUR thousand	Number of shares (1,000)	Share capital	Share premium	Reserve fund	Total
1 Jan, 2005	173 371	8 669	1 733	12 989	23 391
Transfer from reserve fund				-12 312	-12 312
Share issue	3 850	192	193		385
31 Dec, 2005	177 221	8 861	1 926	677	11 464
Subscription with share options	935	48	8		56
31 Dec, 2006	178 156	8 909	1 934	677	11 520

The number of shares of Evox Rifa Group Oyj totalled 178,156,018 at 31 December, 2006 (31 Dec 2005 177,221,018). The nominal value of the share is 0.05 euro. All shares issued have been fully paid.

On 20 April, 2006 the Annual General Meeting of Evox Rifa Group Oyj approved the proposal of the Board of Directors to authorise the Board to decide to issue new shares and / or convertible loans, deviating from the shareholders´ pre-emptive rights, so that the share capital may rise by a maximum of 1,772,210 euro. Concurrently the Annual General Meeting decided to revoke its authorisation of 28 February, 2005. The Board of Directors did not use this authorisation.

On 14 November 2000, the Shareholders' Meeting of Evox Rifa Group Oyj resolved to issue 7,500,000 share options that entitle the holders to subscribe for 7,500,000 Evox Rifa Group Oyj shares. By 31 December, 2005 no share options have been used for share subscription. On 28 February, 2005 the Annual General Meeting resolved that the share options in the possession of the Group, in total 2,745,000, will not be offered and that they will be cancelled. Based on the share options, a total of 935,000 shares were subscribed in 2006. The increases in share capital have been registered 11 May, 2006 and 28 December, 2006 respectively. The right to subscribe shares based on share options expired at 31 December, 2006 and currently Evox Rifa Group Oyj has no existing share options.

In March 2005 Evox Rifa Group Oyj issued 55,879 convertible subordinated loan notes with a total nominal value of 5.6 million euro. The loan matures in five years from the date of issue unless the holders of the notes use their right to convert the notes into shares of the parent company. A loan note with a nominal value of 100 euro can be converted into 750 shares. The conversion price of a share is approximately 0.1333 euro. The conversion can be made during the period of 1 October, 2005 and 26 February, 2010. By 31 December, 2006 no convertible loan notes have been converted into shares.

The share premium fund was increased in 2006 by the amount exceeding the nominal value of the new 875,000 shares subscribed based on option rights. The reserve fund can be used to cover the losses of the parent company.

21 SHARE-BASED PAYMENTS

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

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

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

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

Based on share options, a total of 935,000 shares were subscribed in 2006.

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

	A Options	B Options	C Options
1 January, 2005			
Outstanding	1 780 000	1 410 000	1 565 000
Company-owned	220 000	1 090 000	1 435 000
Total	2 000 000	2 500 000	3 000 000
Changes in 2005			
Annulled options	220 000	1 090 000	1 435 000
31 December, 2005			
Outstanding	1 780 000	1 410 000	1 565 000
Company-owned	0	0	0
Total	1 780 000		1 565 000
Changes in 2006			
Subscribed shares			935 000
Annulled due to expiration	1 780 000	1 410 000	630 000
Total 31 December, 2006	0	0	0

22 DEFERRED TAX ASSETS AND LIABILITIES

EUR thousand

	1 Jan, 2006	Recognised in income	Recognised in equity	Exchange differences	**31 Dec, 2006**
Movements in deferred taxes during 2005					
Deferred tax liabilities					
Accumulated depreciation difference	500	-185	0	11	326
Convertible subordinated loan	152	-36	0	0	116
Pension obligations	78	-13	0	8	73
Total	730	-234	0	19	515

	1 Jan, 2006	Recognised in income	Recognised in equity	Exchange differences	**31 Dec, 2006**
Movements in deferred taxes during 2006					
Deferred tax liabilities					
Accumulated depreciation difference	495	0	0	5	500
Convertible subordinated loan	0	-22	174	0	152
Pension obligations	66	14	0	-2	78
Total	561	-8	174	3	730

At 31 December, 2005 the Group had unused tax losses carried forward amounting to 16.1 million euro. No deferrex tax assets have been recognised in respect of these items due to the uncertainty of utilisation of these losses carried forward. The losses in question mainly result from Finnish and Swedish Group companies.

23 PENSION OBLIGATIONS

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

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

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

EUR thousand	**2006**	2005
The defined benefit obligation in the balance sheet comprises the following items:		
Present value of unfunded obligations	2049	2603
Unrecognised actuarial gains (+) and losses (-)	-145	-282
Net obligation	1904	2321
Amounts recognised in the income statement in respect of the defined benefit plans are determined as follows:		
Current service costs	1	17
Interest on obligation	98	117
Actuarial gains and losses	84	0
	183	134
Movements in the balance sheet obligations		
At 1 January	2603	2471
Exchange differences	90	-88
Redeemed obligations	-702	-153
Interest costs	98	117
Actuarial gains and losses	-38	264
Current service costs	1	17
Pension payments	-3	-25
At 31 December	2049	2603
Principal actuarial assumptions at 31 December		
Discount rate	4%/4,75%	5 %
Future salary increase	2-3%	2-3%

Information for 2005 has been updated to be comparable with 2006.

24 PROVISIONS

EUR thousand	Warranties	Restructuring	Total
Balance at 1 January, 2006	723	220	943
Provisions made during the year	74	180	254
Provisions released during the year	-43	-220	-263
Balance at 31 December, 2006	754	180	934

	2006	2005
Current provisions	934	943
Total	934	943

The Group grants a warranty for its products. The warranty provision comprises the estimated expenses for product claims.

The restructuring provision 2005 includes the expected expenses for closing down the production and cleaning of the Kalmar plant. The increase in restructuring provision in 2006 is related to restructuring of the Group´s Swedish operations.

The provisions are considered current as the Group intends to settle the obligations within 12 months after the balance sheet date.

25 INTEREST-BEARING LIABILITIES

EUR thousand	**2006**	2005
Non-current		
Bank loans	7421	9364
Convertible subordinated loan	5125	5004
Finance lease liabilities	135	259
Total	12681	14627
Current		
Bank overdrafts (Note 19 Cash and cash equivalents)	6496	6318
Current portion of finance lease liabilities	134	167
Current portion of non-current liabilities	3230	5343
Total	9860	11828

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

Non-current liabilities mature as follows:

2006	2007	2008	2009	2010	2011	2012 –
Floating rate bank loans	3 230	4 104	1 944	874	500	0
Convertible subordinated loan				5 588 *)		
Finance lease liabilities	134	135				
Total	3 364	4 239	1 944	6 462	500	0

*) Includes the component recognised in equity

2005	2 006	2 007	2 008	2 009	2 010	2011 –
Floating rate bank loans	5 343	4 229	2 700	1 552	883	
Convertible subordinated loan					5 588 *)	
Finance lease liabilities	167	136	123			
Total	5 510	4 365	2 823	1 552	6 471	0

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

EUR thousand	**2006**	2005
EUR	10 275	10 882
USD	1 821	1 980
SGD	102	229
GBP	348	925
SEK	135	611
	12 681	14 627

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

EUR thousand	**2006**	2005

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

Bank loans	5,2 %	4,1 %
Convertible subordinated loan	8,0 %*)	8,0 %*)
Finance lease liabilities	5,0 %	5,0 %

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

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

EUR	4 412	4 410
USD	728	1 388
SGD	1 027	691
GBP	2 717	2 435
SEK	781	2 904
RMB	195	
	9 860	11 828

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

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

25.1 Finance lease liabilities

The Group's finance lease liabilities are payable as follows:

EUR thousand	**2006**	2005
Minimum lease payments	285	461
Less than one year	146	186
Between one and five years	139	275
Total minimum lease payments	285	461
Present value of the minimum lease payments		
Less than one year	134	167
Between one and five years	135	259
Total present value of the minimum lease payments	269	426
Future finance charges	16	35
Total finance lease liabilities	285	461

25.2 Convertible subordinated loan

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

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

In the financial statements for 2005 the convertible subordinated loan has been classified into the equity component and the liability component. The liability component was initially measured at its fair value that was determined by using the market rate for similar loans (8 %) at the time the loan was issued. The equity component, amounting to 0.5 million euro, net of deferred tax, equals the difference between the proceeds on the loan issued and the fair value of the liability and it was recognised into retained earnings. At 31 December, 2006, the equity component was 0.3 million euro.

EUR thousand	2006	2005

26 TRADE PAYABLES AND OTHER NON INTEREST BEARING LIABILITIES

26.1 Current liabilities

Trade payables	9 588	7 206
Accrued expenses and deferred income	5 472	4 902
Other liabilities	1 405	2 682
Total	16 465	14 790

26.2 Accrued expenses and deferred income

Accrued wages and salaries	2 009	2 082
Accrued social security and pension expenses	1 432	1 153
Interest expenses	627	350
Income taxes for prior years	0	29
Other items	1 404	1 288
Total	5 472	4 902

27 ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

Non-cash transactions:		
Depreciation and amortisation	2 702	3 313
Impairment loss on inventories	398	573
Impairment loss on trade receivables	130	677
Change in provisions	9	289
Other items	-979	-474
Total	2 260	4 378

28 RELATED PARTY TRANSACTIONS

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

Group companies are as follows:

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

EUR thousand	2006	2005

Transactions between related parties:

28.1 Employee benefits

Salaries and other short-term benefits	885	993
Post-employment benefits	8	13
Total	893	1006

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

28.2 Shares, options and convertible subordinated loan

31 December, 2006	Shares	Options	Convertible-subordinated-loan notes
Board members and CEO	20 412 972	0	9 040
Management Team	4 416 882	0	10
Total	24 829 854	0	

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

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

EUR thousand	2006	2005
Key management personnel compensation:		
Chairman of the Board		
Henrik Ehrnrooth	22	24
Members of the Board		
Jerker Molander	17	32
Pertti Laine	11	12
Mikko J. Aro	11	14
Jarmo Niemi	11	12
CEO		
Tuula Ylhäinen	158	159
Total	230	253

The age of retirement of CEO of the parent company, Tuula Ylhäinen, is based on applicable Finnish legislation.

EUR thousand	**2006**	2005

29 COMMITMENTS AND CONTINGENCIES

29.1 Pledges, mortgages and contingent liabilities

Loans secured with mortgages and pledges

Loans from credit institutions	17 146	21 025
Pension obligations	1 865	2 356
	19 011	23 381
Collateral given for own commitments		
Real estate mortgages	1 106	6 135
Mortgages on company assets	14 181	16 340
Securities and receivables pledged	9 590	7 233
	24 877	29 708
Other collateral given for own commitments		
Other collaterals	292	62
Securities pledged	35	35
	327	97

Evox Rifa Group has received product reclamations the processing of which is still in process. The management believes that the provisions made in the balance sheet of the Group will cover currently assessable compensation risk.

29.2 Derivative financial instruments

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

Currency options		
Bought options		
Nominal value	2035	2079
Balance sheet value	3	0
The options generally mature in three months.		

Evox Rifa uses currency options for hedging the transaction risk of its balance sheet items. Since the Group does not apply the hedge accounting as defined under IAS 39, the changes in the fair values of financial instruments used for hedging purposes are recognised fully in the income statement. In 2006 the changes in the fair values of the currency options totalled 3 thousand euro (2005: 15 thousand euro) and the changes are recognised in financial expenses.

EUR thousand	**2006**	2005

30 OPERATING LEASES

Group as lessee

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

Less than one year	1411	1344
Between one and five years	3641	3323
More than five years	1603	837
Total	6655	5504

31 SUBSEQUENT EVENTS

On February 19, 2007 Kemet Corporation announced its intention to launch a public tender offer to acquire all the shares of Evox Rifa Group Oyj.

INCOME STATEMENT OF PARENT COMPANY

NOTE		1.1. - 31.12.2006 EUR thousand	1.1. - 31.12.2005 EUR thousand
	NET SALES		
	Other operating income	1 661	2 125
1	Personnel expenses	-1 149	-1 240
	Depreciation and write-downs	-7	-269
	Other operating expenses	-1 957	-1 353
		-3 113	-2 862
	OPERATING PROFIT (- LOSS)	-1 452	-737
2	Financial income and expenses	468	1 038
3	Write-downs of non-current investments	-923	-1 667
		-455	-629
	LOSS BEFORE APPROPRIATIONS AND TAXES	-1 907	-1 366
	LOSS FOR THE PERIOD	-1 907	-1 366

BALANCE SHEET OF PARENT COMPANY

NOTE-		31.12.2006	31.12.2005
		EUR thousand	EUR thousand
	ASSETS		
	NON-CURRENT ASSETS		
1	Intangible assets		
	Other capitalised expenditure	5	8
1	Tangible assets		
	Land areas	0	3838
	Buildings and structures	0	912
	Machinery and equipment	2	357
	Other tangible assets	0	19
		2	5 126
	Investments, non-current		
2	Shares in the subsidiary companies	12 185	12 185
	Other shares	1	1
		12 186	12 186
	CURRENT ASSETS		
3	Non-current receivables		
	Subordinated capital loan receivable	2 500	0
		2 500	0
4	Current receivables		
	Loan receivables	0	2 475
	Other receivables	808	2 162
	Prepaid expenses and accrued income	67	10
		875	4 647
	Cash in hand and in banks	213	633
	TOTAL ASSETS	15 781	22 600

NOTE		31.12.2006	31.12.2005
		EUR thousand	EUR thousand
	LIABILITIES AND SHAREHOLDERS' EQUITY		
5	SHAREHOLDERS' EQUITY		
	Share capital	8 909	8 861
	Premium fund	1 934	1 926
	Reserve fund	677	677
	Retained earnings	-1 366	0
	Loss for the financial year	-1 907	-1 366
		8 247	10 098
	LIABILITIES		
6	Non-current liabilities		
	Convertible subordinated loan	5 588	5 588
	Loans from group companies	0	5 326
		5 588	10 914
7	Current liabilities		
	Loans from credit institutions	673	260
	Other current liabilities	493	887
	Accrued expenses and deferred income	780	441
		1 946	1 588
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	15 781	22 600

CASH FLOW STATEMENT OF PARENT COMPANY

	2006	2005
	EUR thousand	EUR thousand
Operational cash flow		
Operating loss	-1 452	-737
Adjustments to operating loss		
Depreciation and write-downs	7	269
Other adjustments	674	0
Change in working capital		
Trade receivables, increase (-) decrease (+)	725	-1 149
Non-interest bearing loans, increase (+) decrease (-)	7	786
Financial income and expense	749	1 038
Operational cash flow	710	207
Investments		
Proceeds from sale of tangible and intangible assets	4 103	0
Investments in other fixed assets	0	-5 208
Investments cash flow	4 103	-5 208
Cash flow before financing	4 813	-5 001
Financing		
Share issue	56	0
Convertible subordinated loan	0	5 588
Non-current loan receivable increase (-) decrease (+)	-2 500	-253
Current loan receivable increase (-) decrease (+)	2 124	176
Non-current loans increase (+) decrease (-)	-5 326	-217
Current loans increase (+) decrease (-)	413	6
Financing cash flow	-5 233	5 300
Increase / Decrease in liquid funds	-420	299
Liquid funds 1.1.	633	334
Liquid funds 31.12.	213	633

Liquid funds include cash in hand and in banks.

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

NOTES TO THE INCOME STATEMENT OF PARENT COMPANY

EUR thousand	2006	2005
1 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL		
Salaries and fees	792	859
Pension costs	181	204
Other personnel costs	176	177
Total	1 149	1 240

Other personnel costs include both compulsory and voluntary personnel expenses.

The management salaries and fees		
Managing Directors	158	159
Board of Directors	72	94
Total	230	253

The age of retirement of CEO of the parent company, Tuula Ylhäinen, is based on applicable Finnish legislation.

Personnel during the fiscal year (average)		
Office personnel	8	8
Personnel at the end of the fiscal year		
Office personnel	8	8

2 FINANCIAL INCOME AND EXPENSES

Interest and other financial income		
Interest income from non-current investments		
Evox Rifa Group internal	64	132
Interest income from current investments		
Evox Rifa Group internal	34	
External	2	23
Other financial income		
External	0	19
Dividend income		
Evox Rifa Group Internal	900	1 172
Interest expenses for the external liabilities		
Evox Rifa Group internal	80	222
External	281	197
Total	361	419
Other interest expenses		
External	38	176
Foreign exchange gain / loss, net	-133	287
Total financial income and expenses	468	1 038

EUR thousand	2006	2005
3 WRITE-DOWNS OF NON-CURRENT INVESTMENTS		
Write-downs		
Write-down of loan receivables of the subsidiaries	351	1 134
Write-down of other receivables of the subsidiaries	572	533
Total	923	1 667

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

NOTES TO THE BALANCE SHEET OF PARENT COMPANY

EUR thousand	**2006**	2005
1 INTANGIBLE AND TANGIBLE ASSETS		
Intangible Assets		
Other capitalized expenditure		
Acquisition cost 1.1.	86	77
Increase 1.1. - 31.12.	0	9
Acquisition cost 31.12.	86	86
Accumulated depreciation and write-downs 1.1.	-78	-72
Depreciation for the fiscal year	-3	-6
Accumulated depreciation and write-downs 31.12.	-81	-78
Book value 31.12.	5	8
Tangible Assets		
Land areas		
Acquisition cost 1.1.	3 838	3838
Decrease 1.1. - 31.12.	-3 838	0
Acquisition cost 31.12.	0	3 838
Book value 31.12.	0	3 838
Buildings and structures		
Acquisition cost 1.1.	1 127	1 127
Decrease 1.1.-31.12.	-1 127	0
Acquisition cost 31.12.	0	1 127
Accumulated depreciation and write-downs 1.1.	-215	-92
Depreciation for the fiscal year	0	-123
Accumulated depreciation from disposals	215	0
Acquisition cost 31.12.	0	-215
Book value 31.12.	0	912
Machinery and equipment		
Acquisition cost 1.1.	630	630
Decrease 1.1.-31.12.	-575	0
Acquisition cost 31.12.	55	630
Accumulated depreciation and write-downs 1.1.	-273	-135
Depreciation for the fiscal year	-4	-138
Accumulated depreciation from disposals	224	0
Accumulated depreciation and write-downs 31.12.	-53	-273
Book value 31.12.	2	357
Other Intangible Assets		
Acquisition cost 1.1.	23	23
Increase 1.1.-31.12.	-23	0
Acquisition cost 31.12.	0	23
Accumulated depreciation and write-downs 1.1.	-4	-2
Depreciation for the fiscal year	0	-2
Accumulated depreciation from disposals	4	0
Accumulated depreciation and write-downs 31.12.	0	-4
Book value 31.12.	0	19

EUR thousand	**2006**	2005
2 SHARES		
Shares in subsidiaries		
Acquisition cost 1.1.	12 185	6 601
Increase 1.1. - 31.12.	0	5 584
Accumulated acquisitions 31.12.	12 185	12 185

STOCK OWNERSHIP

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

EUR thousand	**2006**	2005
3 NON-CURRENT RECEIVABLES FROM THE GROUP COMPANIES		
Subordinated capital loan receivable from Evox Rifa Oy	2 500	0
4 CURRENT RECEIVABLES FROM THE GROUP COMPANIES		
Loan receivables	0	2 475
Other receivables	759	2 122
Prepaid expenses and accrued income	64	
Receivables from the Group companies total	823	4 597
CURRENT EXTERNAL RECEIVABLES		
Other receivables	49	40
Prepaid expenses and accrued income	3	10
Receivables total	52	50
5 SHAREHOLDERS' EQUITY		
Share capital 1.1.	8 861	8 669
Increase	48	192
Share capital 31.12.	8 909	8 861
Premium fund 1.1.	1 926	1 734
Increase	8	192
Premium fund 31.12.	1 934	1 926
Reserve fund 1.1.	677	12 989
Transfers between items	0	-12 312
Reserve fund 31.12.	677	677
Retained earnings 1.1.	-1 366	-12 312
Transfers between items	0	12 312
Retained earnings 31.12.	-1 366	0
Net loss for the fiscal year	-1 907	-1 366
Shareholders' equity 31.12.	8 247	10 098

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

Calculation of the distributable earnings

The parent company has no distributable earnings on December 31, 2006

EUR thousand	**2006**	2005
Retained earnings	-1 366	-12 312
Transfer from reserve fund	0	12 312
Net loss for the period	-1 907	-1 366
Distributable earnings 31.12.	-3 273	-1 366

6 NON-CURRENT LIABILITIES

Convertible subordinated loan	5 588	5 588
Loans from group companies	0	5 326
Total	5 588	10 914

Convertible subordinated loan

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

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

7 CURRENT LIABILITIES FROM GROUP COMPANIES

Loans	673	260
Other short term liabilities	104	203
Accrued expenses and deferred income	5	0
Group companies total	782	463

Accrued expenses and deferred income include periodised expenses of business operations. The accrued interest of the convertible subordinated loan 503 thousand euro is included in accrued expenses and deferred income.

OTHER NOTES OF PARENT COMPANY

1 PLEDGES, MORTGAGES, CONTINGENT AND OTHER LIABILITIES	**2006**	2005
Mortgages and pledges given on behalf of Group companies		
Real estate mortgages	0	5 006
Mortgage on company assets	6 168	6 168
Other pledges	20 724	21 328
Total	26 892	32 502

2 RENTAL AND LEASING LIABILITIES

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

In 2006	51	71
Later	31	20
Total	82	91

3 DERIVATIVE FINANCIAL INSTRUMENTS

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

Foreign currency options		
Bought options		
Value at the contract date	2035	2079
Asset value 31.12.	3	0

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

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

Non-current assets

Valuation of the fixed assets

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

Depreciation principles

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

Transactions in foreign currency

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

Pension liability coverage

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

Research and development expenses

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

Income Taxes

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

CONSOLIDATED KEY FIGURES

EUR thousand	**2006** IFRS	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS
Net Sales	89 787	79 911	89 478	78 935	69 839
Operating profit (loss)	1 865	-7 519	-347	-4 900	-8 942
% of net sales	2.1%	-9.4%	-0.4%	-6.2%	-12.8%
Loss before direct taxes	-225	-8 717	-1 510	-5 791	-9 739
% of net sales	-0.3%	-10.9%	-1.7%	-7.3%	-13.9%
Loss for the period	-941	-9 256	-1 933	-5 882	-8 735
% of net sales	-1.0%	-11.6%	-2.2%	-7.5%	-12.5%
Return on equity (ROE), %	-13.7%	-82.0%	-12.1%	-29.9%	-36.3%
Return on Investment (ROI), %	5.6%	-18.7%	-0.8%	-11.3%	-19.1%
Equity ratio, %	12.9%	13.9%	28.6%	31.1%	36.5%
Gross investments in fixed assets	1 021	3 966	1 295	1 019	7 147
% of net sales	1.1 %	5.0 %	1.4 %	1.3 %	10.2 %
Research and development costs	2 800	2 900	2 978	3 026	2 724
% of net sales	3.1 %	3.6 %	3.3 %	3.8 %	3.9 %
Earnings / share, EUR	-0.005	-0.052	-0.012	-0.034	-0.068
Equity of parent shareholders / share, EUR	0.04	0.04	0.08	0.09	0.13
Price / earnings ratio (P/E)	-16	-1.3	-8.3	-3.5	-0.9
Share prices					
low, EUR	0.07	0.07	0.10	0.04	0.04
high, EUR	0.10	0.12	0.16	0.15	0.14
average, EUR	0.08	0.10	0.13	0.09	0.09
Closing rate of the last trading day	0.08	0.07	0.10	0.12	0.06
Market value of total shares outstanding 31.12.	14 252	12 405	17337	20804	10 402
Share turnover, 1 000 pcs	20 552	27 772	44 016	63 908	52 568
Share turnover %	11.5 %	15.7 %	25.4 %	36.9 %	41.0%
Total share turnover, TEUR	1 664	2 737	5 608	6 013	3 930
Number of shares, 1 000	178 156	177 221	173 371	173 371	173 371
Issue-adjusted number of shares, weighted average, 1 000	177 815	176 578			128 247
Order stock, MEUR	23.2	17.7	17.4	16.6	13.6
Average number of personnel	1 391	1 320	1 355	1 241	1 288

CALCULATION PRINCIPLES OF KEY FIGURES

RETURN ON EQUITY %, ROE

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

RETURN ON INVESTMENT %, ROI

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

EQUITY RATIO, %

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

EARNINGS / SHARE (EPS)

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

Parent shareholders´ equity / share, EUR

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

PRICE / EARNINGS RATIO, P/E

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

EQUITY MARKET VALUE

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

SHARE TURNOVER, %

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

SHAREHOLDERS AND SHARES

Major Shareholders 31.12.2006

Shareholders	Number of shares	Holdings and votes %
Fennogens Investments SA	68 191 976	38,28 %
Veikko Laine Oy	19 908 972	11,18 %
Etra-Invest Oy	11 256 000	6,32 %
Wee Cheng Hoon	3 970 000	2,23 %
Terkki Risto	1 350 000	0,76 %
Gripenberg Gustaf	1 200 000	0,67 %
Nevalainen Vesa	1 000 000	0,56 %
Tuominen Tauno	810 000	0,48 %
Tarkkio Jori	800 000	0,45 %
Oksanen Markku	750 000	0,42 %
Nominee registered shares	1 274 950	0,70 %

Number of nominee registered shares and shares in foreign ownership as of December 31, 2006 was total 69 563 832, i.e. 39,0 % of the holdings and votes.

Management Share Ownership

Evox Rifa Group Oyj´s Board Members and President held 31.12.2006 a total of 20 412 972 shares, i.e. 11,5 % of the shares outstanding and voting power. Regarding the issuance of convertible subordinated loan the Board Members´and President´s ownership could rise by 6 780 000 shares, after that the Board Members´ and President´s owneship would be 27 192 972 shares, i.e. 14,7 % of the holdings and votes.

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

Distribution of Share Owneship 31.12.2006

By numbers of shares

1 000 pcs	Number of shareholders	% of shareholders	Number of shares	% of total shares
1 – 1 000	1 362	26,83 %	578 925	0,32 %
1 001 – 10 000	2461	48,48 %	11 252 335	6,32 %
10 001 – 50 000	970	19,11 %	23 047 833	12,94 %
50 001 – 100 000	177	3,49 %	13 389 132	7,52 %
100 001 –	106	2,09 %	129 887 793	72,91 %
	5 076	100,00 %	178 156 018	100,00 %

By owner groups

	Number of shareholders	Total holding %	Number of shares	Total shares %
Foreign	17	0,33 %	68 288 882	38,33 %
Households	4 799	94,54 %	70 481 270	39,56 %
Companies	237	4,67 %	37 911 193	21,28 %
Financial and insurance institutions	5	0,10 %	1 264 950	0,71 %
Public sector organisations	1	0,02 %	370	0,00 %
Non-profit organisations	17	0,33 %	209 353	0,12 %
Total	5 076	100,00 %	178 156 018	100,00 %

PROPOSAL OF THE BOARD FOR THE DISTRIBUTION OF EARNINGS

The parent company´s distributable retained earnings are:

Not distributable previously	-1 365 541,04 euroa
Loss for the period	-1 906 934,62 euroa
Total	-3 272 475,66 euroa

The Board proposes that no dividends be distributed and that the loss for the period be transferred to retained earnings.

Espoo, 27 February, 2007

Henrik Ehrnrooth
Chairman of the Board

Jerker Molander
Deputy Chairman of the Board

Mikko J. Aro
Member of the Board

Pertti Laine
Member of the Board

Jarmo Niemi
Member of the Board

Tuula Ylhäinen
President & CEO

AUDITORS' REPORT

To the shareholders of Evox Rifa Group Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Evox Rifa Group Oyj for the period 1 January – 31 December 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

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

Consolidated financial statements

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

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

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

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

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

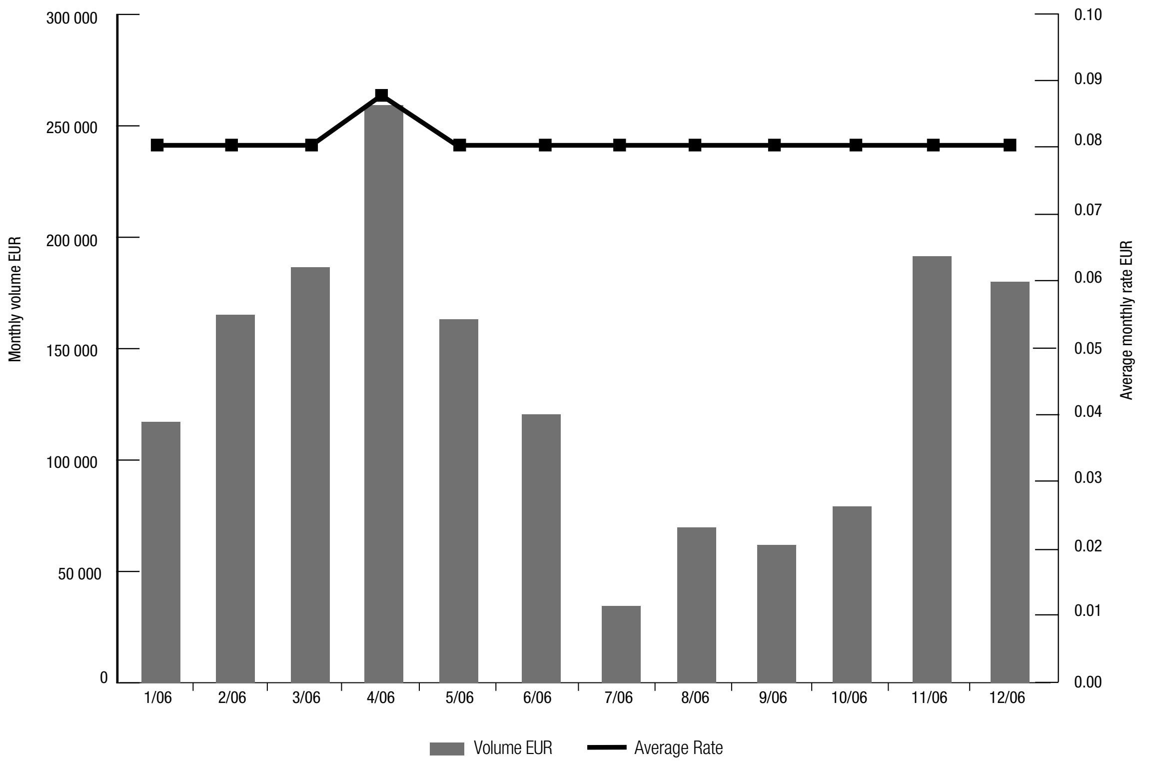
Helsinki, 27 February 2007

KPMG OY AB

Lasse Holopainen
Authorized Public Accountant
KHT

SHARE TRADING

Share Trading Volume and Average Price Development 1.1.2006 – 31.12.2006



INFORMATION FOR SHAREHOLDERS

Evox Rifa Group Oyj will publish its financial information in 2007 as follows:

February 27, 2007	2006 Financial Statements
April 26, 2007	Interim Review for January – March 2007
August 7, 2007	Interim Review for January – June 2007
October 25, 2007	Interim Review for January – September 2007

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