PERLOS

ANNUAL REPORT 2006


NOKIA

ANNUAL REPORT 2006

CONTENTS

Year 2006 in Brief

The year 2006 was the second year of big structural changes for Perlos. With the manufacture of mobile phone mechanics being increasingly focused in Asia, Perlos continued to adapt its operations to match demand. We built new manufacturing capacity in China and India and continued the rationalisation measures in Finland and the United States.

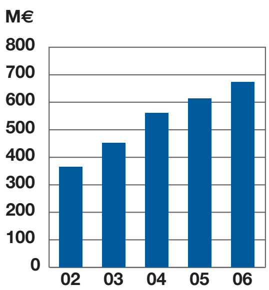
In July, we took the strategic decision to focus on our core business area, the telecommunications and electronics industry, and to divest our Healthcare Customer Group which manufactures drug delivery devices. The business was sold to the Swedish private equity investment company Ratos AB.

Perlos' net sales grew by 10% in 2006, totalling EUR 673.6 million. The operating result for the financial year was EUR 43.6 million negative. The result was significantly weakened by large non-recurring items, a total of EUR 43.6 million, connected with the accounts receivables and inventories of BenQ Mobile, an important customer of Perlos, as well as the rationalisation of our operations in Finland and the United States, and the divestment of the Healthcare Customer Group.

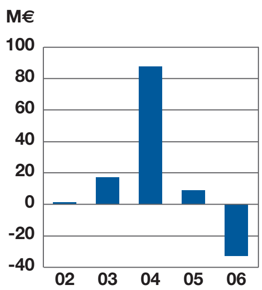
OUR LONG-TERM FINANCIAL GOALS

- **20% return on investment (ROI)**
- **net sales growth at least in line with the volume growth of the mobile phone market**
- **positive cash flow after investments**

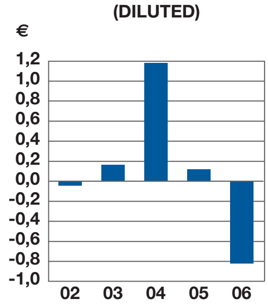
NET SALES



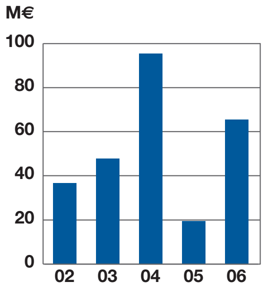
EBIT



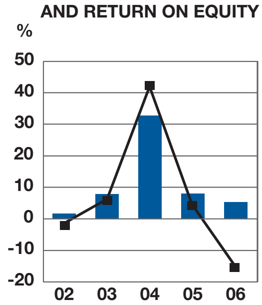
EARNINGS/SHARE (DILUTED)



NET CASH FLOW FROM OPERATING ACTIVITIES



RETURN ON INVESTMENT AND RETURN ON EQUITY



Figures for years 2002–2004 include both continuing and discontinued operations.

ROE **ROI**



Our customers benefit from our wide knowledge in product development and design, which enables us to optimize the manufacturability and usability of products as well as manufacturing costs for the whole product lifecycle.

Perlos Basics

Perlos is a global technology company focusing on the research, development and manufacture of electromechanical modules for leading telecommunications and electronics companies.

Our service offering covers the entire lifecycle of our customers' products from the development of new, innovative technologies to the design, manufacture and assembly of products and the management of logistics. We have state-of-the-art manufacturing capacity in the growth centres of the telecommunications and electronics industry worldwide.

OUR CUSTOMERS

We are proud to be a key partner for the leading companies in their fields. Our customers include Nokia, Sony Ericsson, Huawei, Polar Electro, Nokia Networks, Ericsson, RIM and Flextronics.

OUR PRODUCTS

Our core competence is in the field of product development, design and manufacture of mechanical and electromechanical parts for mobile phones as well as their decoration and assembly. Examples of the end products include mobile phone covers and frame components in plastic and metal, as well as connectors and antennas. We also manufacture other precision components for the electronics industry.

We provide our customers with device subassemblies incorporating components manufactured by ourselves and sourced from other suppliers. Examples of outsourced components include microphones, speakers and keypads.

PERLOS BASICS

Perlos' customers include leading companies in their fields, whose products combine state-of-the-art design, latest production and material technologies and high quality.

OUR VISION

We intend to become the world's leading integrator of mechanics and electronics for the telecommunications and electronics industries and other sectors where our competence can be exploited.

OUR STRATEGY

In order to reach our vision, we have selected six strategic focus areas, in which we strive to maintain our competitive edge.

We aim at expanding our clientele both within our current business area and within new customer segments where our competencies can be utilised.

In technology development, we focus on new product concepts, production technologies and materials technologies, which support the integration of electronics and mechanics in handheld devices. In the near future, we will expand our service offering particularly in the area of new technologies.

Our production services must be located where our customers are and where the demand is. We are continuously developing our operations to ensure an efficient, flexible and rapid service.

OUR SERVICE CONCEPT

We offer a comprehensive service from product development to worldwide deliveries. We guarantee high quality, state-of-the-art and flexible manufacturing capacity and an efficient capital turnover throughout the entire product lifecycle.

Product Development

We actively conduct research and development in our field and create added value to our customers with innovations in production technology, new product concepts and materials technology.

Product Design

Careful mechanical design will ensure that the manufacturability, usability and manufacturing costs are optimal for each product.

Pre-production

Perlos is able to minimise the critical pre-production phase with robust in-house expertise in tool and assembly line design and manufacturing. By seamlessly co-ordinating our design and manufacturing processes we ensure that our customers are able to launch their products smoothly.

Manufacture

The manufacture and integration of mechanical and electromechanical components is our core competence. The products are manufactured close to the end-markets in Asia, North and South America and Europe.

Our global network of factories and skilful personnel enable us to manufacture our customers' products near their end-markets.

After Sales Services

Our after sales services result in considerable savings for our customers by minimising costs and maximising the product's potential.

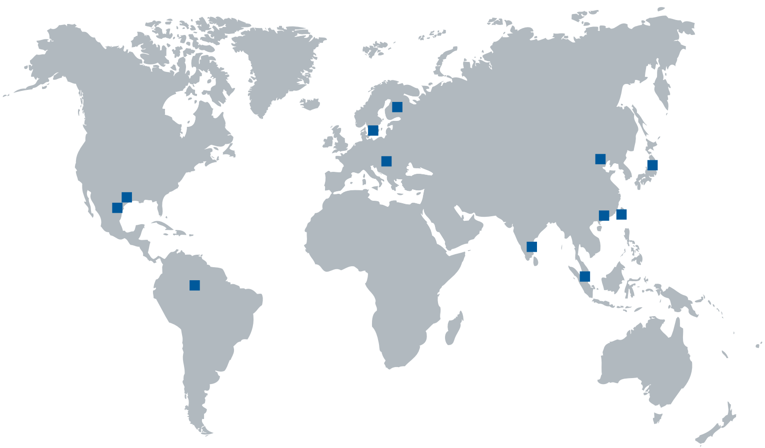
OUR STRENGTHS

We are focusing on the telecommunications and electronics industry, which is large and rapidly growing sector.

We have a solid position within the telecommunications industry, being the world's largest supplier of mechanical modules for mobile phones and one of Nokia's key suppliers since 1985.

We have a comprehensive network of factories covering key markets: the Americas, Europe and Asia. The majority of our manufacturing capacity is located in Asia, the fastest-growing market.

Integrating mechanics and electronics in handheld devices is our core competence. The seamless co-operation of our own design team and our customers' teams ensure that innovations are adapted in production rapidly and efficiently.



Perlos' manufacturing units and design and sales offices are located in Europe, Asia and North and South America. Europe: Finland, Hungary and Sweden. Asia: China, India, Japan, Singapore and Taiwan. North and South America: Brazil, Mexico and the United States.

The Focus in 2007 Will Be on Improving Profitability

Since taking over my task as the President and CEO of Perlos in December 2006, I have been pleased to find out that the starting points for developing the company are good. Perlos has a healthy and competitive core business, a good clientele, competent personnel, excellent technological expertise and a modern manufacturing capacity.

The biggest challenge currently facing Perlos is its weak profitability, due primarily to the fact that the company's cost structure is too heavy in relation to its current level of net sales. Even though Perlos' net sales in 2006 grew by 10% to EUR 673.6 million, the operating result for the financial year was EUR 43.6 million negative. The operating result excluding non-recurring items, was EUR 10.7 million, and including non-recurring items EUR -32.9 million. The large number of non-recurring items, totalling EUR 43.6 million, is connected with the accounts receivables and inventories of BenQ Mobile as well as the rationalisation of Perlos' operations in Finland and the United States, and the divestment of the Healthcare Customer Group.

TARGETING AT A COST REDUCTION OF OVER EUR 100 MILLION

In 2007, we will primarily focus on improving Perlos' profitability.

We launched a large-scale profitability improvement programme in January with the objective of significantly improving the operating profit of Perlos' continuing operations exclusive of non-recurring items compared with 2006. We intend to achieve this objective by boosting the efficiency of our operations and by reducing annual expenses by more than EUR 100 million by the end of 2007. The profitability improvement programme concerns all our operations in Europe, Asia and North and South America.

Crucial measures for changing Perlos' cost structure include boosting the efficiency of production processes, purchasing activities and subcontracting as well as cutting costs related to quality by improving the quality of all operations. The entire company's organisation will also be streamlined and production in Finland will be adjusted to match demand. As a result of these measures, Perlos estimates that, by the end of 2007, the required number of personnel will be 4,000 people less than at present.

I am convinced that with this process of change, our profitability will improve, while at the same time we will become more competitive and will be able to better meet our customers' changing needs.

We predict that the mobile phone market will continue to grow in Asia, and therefore our ongoing investments in new factories in China and India will be completed according to plan.

STRONG IN TECHNOLOGY AND GLOBAL PRESENCE

Perlos' core competence lies in the integration of mechanics and electronics in handheld devices, and our future success will be built on these competencies. Our goal is to commercialise innovations in product concepts, production and materials in such a way that, together with our customers, we can influence the future development of mobile phones. With the seamless co-operation between our product design teams and our customers' teams, we aim to implement these technologies in production in a fast and efficient way.

In addition to our competencies in technology, our strength is based on the global manufacturing capacity and consistent operating procedures of our business locations. Perlos has secured a strong foothold in the fastest-growing markets in Asia and has a presence in Central Europe as well as North and South America. Once our new factories in China and India have become operational next summer, we will be present in the right locations, near our customers.

OUTLOOK FOR 2007

As a result of the profitability improvement programme initiated in early 2007, Perlos expects the full-year operating result exclusive of non-recurring items to be significantly stronger than in 2006. Improvement measures are expected to improve the result during the second half of the year. However, profitability is predicted to be weak early in the year, and the first-quarter operating result exclusive of non-recurring items is estimated to be negative.

Due to the change in the BenQ customer relationship and the foreseeable decrease in demand in Finland, full-year net sales are expected to fall short of the 2006 figure by about a quarter. Net sales in January-March are forecast to fall by about a third from the previous year.

I would like to extend my warm thanks our customers, shareholders, personnel and partners, and to wish you all great success for this year.

Vantaa, Finland, 6 February 2007

Matti Virtanen
President and CEO

OPERATING ENVIRONMENT

The design, new mechanical features and decorative coatings are further emphasised as factors in mobile phones' segmentation and differentiation.

The manufacturing of mobile phones has concentrated in Asia during the past few years. Perlos has responded to the changes in the operating environment and increased its manufacturing capacity in China and started building a new factory in India.

Rapidly Changing Operating Environment

The development and changes in the telecommunications and electronics industries are strongly reflected in Perlos' operations. In such an environment, our readiness for change and ability to react quickly are the foundations for our competitiveness.

MOBILE PHONE MARKET GROWING STRONGLY

The strong growth in the world's mobile phone market continued in 2006. Over 980 million handsets were sold worldwide, or approximately a fifth more than in 2005. Growth in the demand for mobile phones is anticipated to continue, with over a billion phones to be sold in 2007.

It was estimated at the end of 2006 that there were approximately 2.5 billion mobile phone subscriptions worldwide. Emerging markets have been the engine for this growth, particularly India and China, which already have about 580 million mobile phone subscribers. Growth is expected to continue and the number of mobile phone users is estimated to exceed three billion early in 2008.

There is a wide selection of mobile phone models on the market, with technical features and design as differentiating factors. Various mechanical features, such as ultra-slim phones and rotating, sliding or folding mechanisms, have become common.

The importance of decoration has also increased. In addition to painting, various decorative coatings are also used to give, for example, plastic parts a metallic shine or an effect imitating leather.

The average price of mobile phones has continued to fall, especially on the emerging markets. The importance of price in the buying decision varies from one market area to another. In low-cost countries, end users often select a phone based on its price, but the brand plays a factor as well.

LARGE MANUFACTURERS DOMINATE THE MARKET

The five largest mobile phone makers in the world are Nokia, Motorola, Samsung, Sony Ericsson and LG. These manufacturers currently have about a 80 per cent share of the mobile phone market. The two largest manufacturers' combined market share is over half of the entire market.

The market share remaining from BenQ Mobile is expected to be divided among the five largest manufacturers, further increasing their combined market share.

The largest mobile phone manufacturers are also the most profitable, earning about 90 per cent of the entire sector's profits. Several smaller mobile phone manufacturers are facing an ever-tougher competition.

MANUFACTURING SHIFTS IN ASIA

The manufacture of mobile phones takes place near the products' end users. Manufacturing has increased especially in China, where almost half of the world's mobile phones were manufactured in 2006. Several manufacturers have opened or are in the process of opening production facilities in India as well, and manufacturing operations are expected to grow there sharply, as the country currently has the fastest-growing number of new mobile phone users.

MORE COMPREHENSIVE SERVICE EXPECTED FROM SUPPLIERS

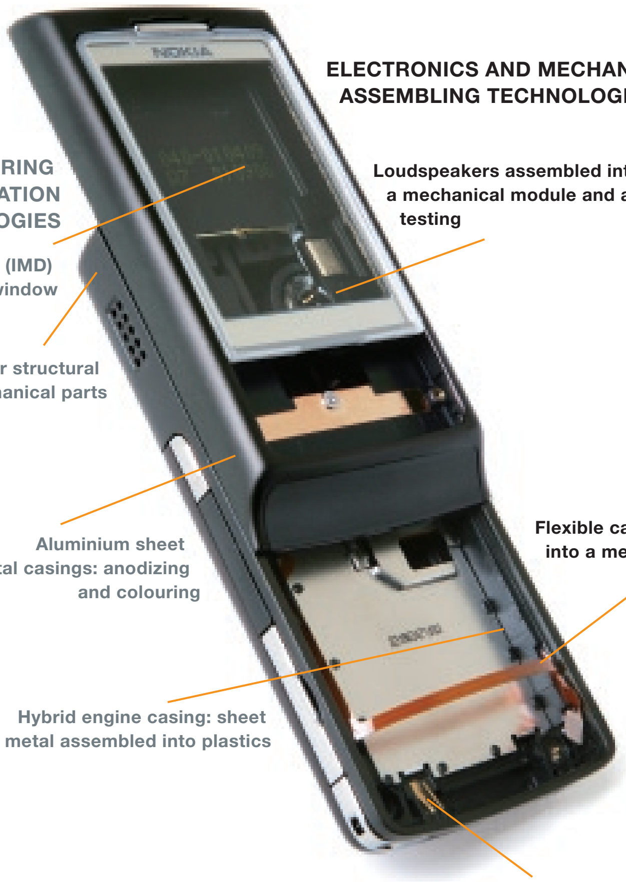
Mobile phone makers are concentrating their procurements with an increasingly smaller number of suppliers who are expected to provide the widest possible product and service offering. Suppliers specialising in a certain part of the value chain must be sufficiently large and efficient in order to remain competitive.

With the majority of the market's growth taking place in Asia, global contract manufacturers are facing local Asian suppliers that have an advantage in costs, speed and agility over their western counterparts.

Many suppliers are strengthening their market position by expanding their service offering. Also mergers and acquisitions are increasing supplier their size and scale.

The amount of electromechanical sub-assemblies offered by suppliers continues to grow as mechanics and electronics become more and more integrated in devices. New technologies and design know-how are also playing an increasingly important role as a part of suppliers' service offering.

VISION AND STRATEGY



Examples of technologies used by Perlos in the manufacture of mobile phones.

Targeting at the Leading Position in the Integration of Mechanics and Electronics

In line with our vision, we intend to become the world's leading supplier of products integrating mechanics and electronics for the telecommunications and electronics industries.

IN PRACTICE, THIS MEANS:

Leading position

We are already the world's largest supplier of mechanical modules to the telecommunications industry. In the future, we also intend to be a leading supplier of handheld devices, which integrate electronics and mechanics.

Integration of mechanics and electronics

Our core competence is in combining mechanics and electronics into functional sub-assemblies. We are able to deliver sub-assembled products with demanding features and yet a smaller number of components.

Using PVD technology, several different materials can be coated for various effects without compromising on the phone's functionality. A traditional chrome coating can be replaced with the nickel-free PVD, which, as being recyclable, is also environmentally friendly.

Strategy Implementation in 2006

During 2006, Perlos has focused on six areas in the implementation of its strategy.

INDUSTRY AND CUSTOMER COVERAGE

In 2006, we took the strategic decision of focusing entirely on the telecommunications and electronics industries, divesting our healthcare business to the Swedish private equity investment company Ratos AB.

Our goal is to expand our clientele within the telecommunications and electronics industries and so utilise our diverse expertise in the creation of service solutions for new customers as well.

Currently our biggest customer is Nokia, which we supply with mobile phone mechanics as well as components for Nokia Networks business. Our other customers include e.g. Sony Ericsson, Huawei, Polar Electro, Ericsson, RIM and Flextronics.

TECHNOLOGY DIFFERENTIATION

We continued the implementation of our technology strategy in 2006, focusing particularly on the development of new product concepts, production technologies and materials technologies.

With our innovations connected with product concepts we are, for example, able to make more efficient use of the space inside devices, reduce power draw and disturbances and introduce new features and functions. An example of the commercialisation of our patented innovations is the HDF (High De-electric Feed) antenna, which enables a handset to use all mobile phone frequencies through a single antenna.

By developing our production technologies we are able to improve the efficiency of our production processes and shorten lead times. During the past year, we have adopted several new production technologies connected with, for example, the painting of reinforced plastic and metal parts, laser decoration and three-dimensional sheet metal parts.

New materials technologies enable the improvement of the durability and performance of products as well as increase decoration alternatives. We have e.g. developed the integration of electronics through injection moulding, which enables the manufacture of compact and thin phone structures.

During the latter half of the year, we entered into several technology partnerships.

We signed an exclusive partnership agreement in PVD (Physical Vapour Deposition) coating technology with the Germany-based Hartec Group. Under the agreement, Perlos will have exclusive rights to the utilisation of PVD technology developed by Hartec in the manufacture of mobile phone components. PVD coating is currently used, among other applications, for obtaining highly glossy surfaces on various materials and for improving their durability.

In Thixomoulding technology, we have new partners in Asia. Thixomoulding is particularly suited to the manu-

STRATEGY IMPLEMENTATION IN 2006

Perlos factory in Mexico, Reynosa was inaugurated in the beginning of September. The factory's floor area is roughly 17,000 square meters.

In line with the strategy, Perlos has manufacturing locations near its customers. After the opening of the second factory in Beijing's XingWang industrial park, Perlos' manufacturing floor area in China grew to a total of 70,000 square meters. The floor area will further grow as the new plant in Guangzhou reaches operational stage in the second quarter of 2007.

facture of more expensive phone models, which typically feature varied mechanical parts requiring strong and stiff mechanical parts.

SERVICE OFFERING COVERAGE

We offer comprehensive product design and manufacturing services for the telecommunications and electronics industries. Our expertise in the manufacture and assembly of mechanical and electromechanical components enable the delivery of ever more complete sub-assembled products. However, we do not assemble circuit boards in mobile phones, but offer electromechanical assembly and testing.

GLOBAL FOOTPRINT AND SIZE

Our manufacturing capacity is located where our customers and the end users of our products are. We currently operate in ten countries in Asia, North and South America and Europe.

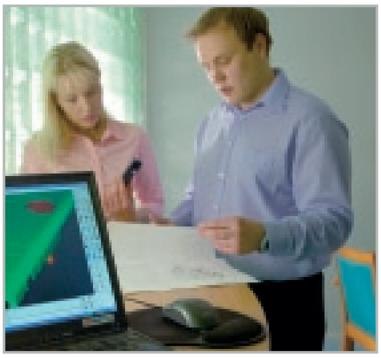
We have prepared ourselves for the increasing demand by investing in the growth markets in China and India.

At the same time, we have rationalised our operations in Finland and the USA. We will continue to boost the efficiency of our operations at all our factories in accordance with the principle of continuous improvement. Our manufacturing capacity will be sufficient in relation to the size of our business, after we have downscaled our operations in Finland and our new factories in China and India have started their operations next summer.

OPERATIONAL EFFICIENCY

We intend to become the most efficient and competitive company in our field. We implement global processes and global quality and management systems in our operations to

Perlos' uniform global operating procedures and processes ensure efficient operations and continuous improvement of quality throughout the whole design, manufacturing and supply chains.



Perlos' global ISO certified quality system covers all operations.

ensure that our customers receive the same service no matter which part of the world they do business with us.

Our key processes are in use at all our locations, covering concept creation, product creation and product delivery. Thanks to our consistent operational model, we are able to constantly improve our cost-efficiency and service quality.

Our global quality system has been certified in accordance with the ISO 9001:2000 and ISO 14001:2004 standards and it covers all our operations: factories, administration and functions focusing on sales and product design. Our newest factories in Reynosa, Mexico, and Beijing and Shenzhen, China, will be included within the scope of the quality system during the first quarter of 2007.

We will continue to boost the efficiency of our operations during 2007.

FLEXIBILITY AND AGILITY

The telecommunications industry is fast-paced, which translates into fast changes in our customers' needs.

Rapid response times and flexibility are part of our daily life, and we are constantly improving our operations in order to ensure that we can provide the fastest possible service from the design of a product to its launch.

Our locations near our customers enables us to achieve fast and low-cost delivery logistics. Having received an order, we are able to deliver products to our customers very quickly. Our flexible capacity management is underpinned by customers' demand forecast reports, which are received at varying frequencies, ranging from daily reports to reports covering several months. These forecasts enable us to make real-time adjustments to our production in response to changes in demand.

Sustainable Development is Part of Our Daily Work

Perlos is committed to following the principles of sustainable development in its operations. We are actively developing our operational models for environmental protection, occupational health and safety in compliance with statutory requirements and the demands of our customers. The effects of our operations are both ecologically and ethically sound.

GLOBAL ENVIRONMENTAL CERTIFICATE GUARANTEES CONSISTENT OPERATIONS

The unit-specific environmental system certificates held by our production facilities were combined in June 2006 under a global ISO 14001:2004 certificate. The certificate is a confirmation by an independent external body of the fact that every one of our units worldwide complies with consistent principles of environmental responsibility. Our operations are monitored regularly at all business locations using uniform benchmarks for sustainable development as well as internal and external audits.

COMPLIANCE WITH LEGAL PROVISIONS SUPPORTS SUSTAINABLE DEVELOPMENT

With regards to environmental responsibility, our operations are influenced by several EU directives and other international statutes. The most recent of these are the WEEE directive, which governs the handling and sorting of electrical and electronic waste, and the RoHS directive, which restricts the use of hazardous substances in electrical and electronic equipment.

The purpose of these directives is to recycle as much waste, and as many of the materials it contains, as possible, and to reduce the environmental and health hazards caused by products during their entire life span. We apply these requirements to all our operations worldwide and constantly monitor any changes to the directives.

Our recycling rate has been high for a number of years, with about 60% of all waste generated by manufacturing operations being recycled.

The RoHS directive, which came into force in July 2006, will mainly affect our choices of raw materials and other materials. Our manufacture of connectors became completely lead-free early in 2006, while the mobile phone products have been in compliance with the RoHS directive since early 2005.

PROMOTION OF OCCUPATIONAL SAFETY WILL CONTINUE

At Perlos, occupational safety issues are based on a ”zero accidents” way of thinking. When it comes to occupational safety, we rank high among the international average, and our objective is to rank amongst the safest companies in the world. To this end, we engage in regular activities promoting occupational safety, which are supported by the use of consistent operating procedures and benchmarks for occupational safety at all locations.

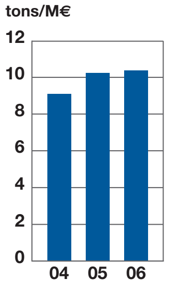
We will continue to improve our operational models during 2007 by adapting our management systems to comply with the requirements of the OHSAS 18001 occupational health and safety specification. The purpose is to ensure that our occupational health and safety activities are consistent worldwide while taking into consideration each country’s legislation and regulations. Accidents and reports on hazardous situations, for example, are handled according to a uniform procedure regardless of business unit or country.

SUSTAINABLE DEVELOPMENT METRICS

ENVIRONMENT METRICS

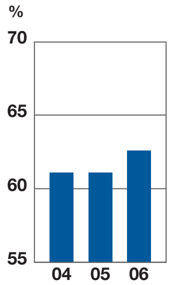
In terms of environmental policy, we aim at an economical use of materials and energy and at minimising emissions and waste.

TOTAL WASTE INDEX



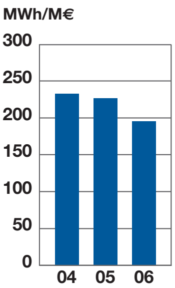
The total amount of waste index measures the total amount of waste generated in relation to net sales. Perlos has managed to keep the amount of waste at the same level as in 2005 despite expansion of operations.

RECYCLING RATE



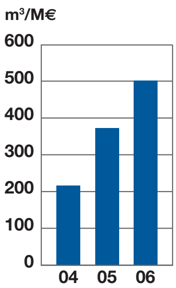
The recycling rate measures the proportion of all waste that is recyclable. In 2006, an average of 63% of the waste at all of Perlos' production facilities was recycled. Perlos' recycling rate is high, and the company has managed to increase it in spite of the expansion of operations. Production processes produce a lot of clean plastic waste fractions, which can be recycled.

ELECTRICITY CONSUMPTION INDEX



The electricity consumption index measures electricity consumption in relation to net sales. Electricity consumption at Perlos has been made even more efficient. In 2006, consumption decreased considerably at the same as net sales grew.

WATER CONSUPTION INDEX

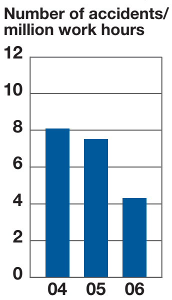


The water consumption index measures water consumption in relation to net sales. The expansion of operations is also evident in this index.

OCCUPATIONAL SAFETY METRICS

Our occupational safety issues are based on a "zero accidents" way of thinking.

ACCIDENT FREQUENCY



Occupational safety is measured in terms of accident frequency, which shows the number of absences resulting from accidents in relation to working hours. In 2006, we have nearly halved the accident frequency from already a good standard, by actively focusing on preventive measures.



The recognition of our key personnel and their development is very important for our future success. We have specified global competence profiles for key positions, which we can utilize in e.g. the planning of personnel development.

The development of work related competencies and job well-being is a central part of our personnel strategy. We support our personnel's professional development with various training programmes and by learning through work.



Competent Personnel Crucial Amid Change

In 2006, Perlos' personnel strategy focused on following through on structural changes, harmonising worldwide operational models and charting key competencies.

At the end of 2006, Perlos had a total of 12,944 employees including temporary workers. Of them, 4,207 worked in Europe, 7,612 in Asia and 1,125 in North and South America. For the first time in the company's history, over half of our employees work in Asia.

During the year, structural changes resulted in reductions in the number of personnel, as operations were rationalised in Finland and the United States. We supported the personnel who were made redundant with extra severance pay, among other things, and we are also supporting our remaining personnel's job satisfaction in many different ways.

EFFICIENCY THROUGH CONSISTENT OPERATIONAL MODELS

During 2006, we continued the renewal of our human resources system and processes. The objective is to harmonise the operating procedures in human resources while taking into account any possible special needs arising from local labour legislation or culture.

By unifying our operating procedures we are striving to meet the rapid changes of the business and providing supervisors and the entire organisation with effective tools for the competence management, among other things. A good common understanding of the company's objectives and operating procedures is an essential success factor in tough competition.

As our operations expand into new market areas, we have sought to make sure that we operate in a consistent and ethically sound way in all countries. Perlos' ethical code of conduct was updated during 2006 on the basis of the international SA8000 standard.

COMPETENCE IS A KEY TO SUCCESS

The strong and sometimes unexpected changes taking place in our business pose special challenges to the development of personnel as well. A competent, motivated and customer-oriented personnel is a cornerstone for our success.

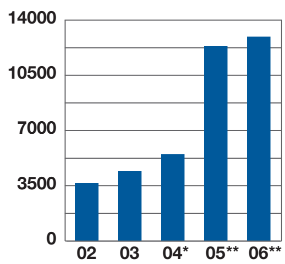
Developing competence and maintaining the motivation of our personnel in the midst of sometimes difficult changes requires steadfast and motivating management that aims at enhancing performance and competence at work without forgetting job well-being.

In 2006, we specified competence profiles for key positions globally. The profiles will be utilised e.g. in recruitment and aptitude assessments as well as in the planning of personnel development.

As for key personnel, we initiated a strategic mentoring process, in which members of the Executive Board coach key personnel for a specific period of time. A total of 24 persons have taken part in the mentoring process, which began in the spring of 2006.

All personnel groups were also provided with training in connection with their job descriptions whenever necessary and in accordance with training plans. We also promote advanced training, which is again a good example our way of supporting the development of our staff. All in all, we spent an average of 0.3% of net sales on the training and development of our personnel during 2006.

PERSONNEL AT THE END OF THE PERIOD



* incl. temporary workers
** personnel in continuing operations

The expansion of Perlos' operations can be seen in the development of the total number of employees. In 2006, already over a half of employees worked in Asia.

The Board's Report

BUSINESS ENVIRONMENT

The strong growth in the world's mobile phone market continued in 2006. Approximately 980 million handsets were sold worldwide, or a fifth more than in 2005. Growth in the demand for mobile phones is anticipated to continue, with over a billion phones to be sold in 2007.

It was estimated at the end of 2006 that there were approximately 2.5 billion mobile phone subscriptions worldwide. Emerging markets have been the engine for this growth, particularly India and China, which already have about 580 million mobile phone subscribers. Growth in the sales of subscriptions is expected to continue and the number of mobile phone users is estimated to exceed three billion in early 2008.

Mobile phone manufacturing has grown strongly in China, where almost half of the world's mobile phones were made in 2006. India's share of manufacturing is expected to grow significantly in the coming years. The average price of mobile phones has continued to fall, especially on emerging markets.

Mobile phone makers are concentrating their procurements with an increasingly smaller number of suppliers who are able to provide a wide range of design and manufacturing services. As a result, many suppliers are striving to consolidate their market position by expanding their service offering. Suppliers have also expanded their size and scale through mergers and acquisitions.

As mechanics and electronics become more and more integrated in devices, the amount of electromechanical sub-assemblies offered by suppliers continues to grow. The importance of new technologies and design know-how as a part of suppliers' service offering is also increasing.

NET SALES AND RESULT

Perlos adjusted its financial reporting as from the Interim Report released on 26 October 2006 due to the divestment of the Healthcare Customer Group. In this report, the Healthcare Customer Group has been treated as discontinued operations, and its results presented separately from those of continuing operations. In this report, information on Perlos' or the Group's result refers to continuing operations, i.e. the former Telecommunications and Electronics Customer Group.

Perlos' net sales in 2006 amounted to EUR 673.6 million (EUR 614.0 million in 2005, EUR 516.7 million in 2004) of which 35% came from Asia (22% in 2005, 16% in 2004), 44% from Europe (51% in 2005, 65% in 2004) and 21% from North and South America (27% in 2005, 18% in 2004).

Operating profit exclusive of non-recurring items was EUR 10.7 million (EUR 21.2 million in 2005, EUR 86.1 million in 2004), and including non-recurring items EUR –32.9 million (EUR 8.9 million in 2005, EUR 86.1 million in 2004). The significant non-recurring items, totalling EUR 43.6 million, are connected with the accounts receivable and inventories of BenQ Mobile as well as the rationalisation of Perlos' operations in Finland and the United States, and the divestment of the Healthcare Customer Group.

Result from continuing operations was EUR -43.6 million (EUR 6.4 million in 2005). The result for the report year was EUR –25.3 million (EUR 8.4 million in 2005, EUR 63 million in 2004) and earnings per share amounted to EUR –0.48 (EUR 0.16 in 2005, EUR 1.18 in 2004).

DISCONTINUED OPERATIONS

The result of the divested Healthcare Customer Group totalled EUR 18.3 million (EUR 1.9 million in 2005). The result includes the capital gain on the divestment of the healthcare business.

INVESTMENTS

The gross investments of continuing operations in 2006 amounted to EUR 60.4 million (EUR 99.7 million in 2005, EUR 56.6 million in 2004), representing 9.0% (16.2% in

2005, 11.0% in 2004) of net sales. The major investments in 2006 comprised the costs of completing the new plants in Beijing and Reynosa and starting the construction of the new Guangzhou and Chennai plants. Additional investments were made during the year especially in the Shenzhen plant's mould manufacturing capacity and in new production technologies.

The Group's investment in research and development activities represented about 1% of net sales in 2006 (1% in 2005, 1% in 2004).

FINANCING

The Group's liquid assets at the end of the report period amounted to EUR 28.1 million (EUR 26.4 million in 2005, EUR 52.1 million in 2004) and unused committed credit limits to EUR 173.1 million (EUR 148.1 million in 2005, 173.6 million in 2004). The Group's net gearing ratio was 0.72 (0.87 in 2005, 0.39 in 2004) and its equity ratio was 37.3% (34.7% in 2005, 43.6% in 2004). Interest-bearing liabilities amounted to EUR 140.9 million (EUR 189.2 million in 2005, EUR 120.3 million in 2004), of which short-term liabilities accounted for EUR 89.8 million (EUR 108.2 million in 2005, EUR 23.1 million in 2004) and long-term liabilities for EUR 51.1 million (EUR 81.0 million in 2005, EUR 97.2 million in 2004). Net interest-bearing liabilities totalled EUR 112.8 million (EUR 162.8 million in 2005, EUR 68.2 million in 2004) and the interest cover ratio was 3.6 (8.4 in 2005, 26.1 in 2004) in the report period.

Perlos' non-current loan portfolio primarily comprises bond loans with a six year maturity amounting to EUR 45 million that were issued by Perlos Corporation in 2004 as well as a credit limit amounting to EUR 170 million agreed between Perlos Corporation and a bank syndicate on 16 June 2004. The agreement on the credit limit includes a clause concerning the change of control in the company, whereby if a single owner were to obtain more than 50% of voting rights, the parties to the agreement would have to renegotiate the continuation of the credit limit agreement. If no settlement is reached in the negotiations, the bank syndicate has the right to terminate the agreement.

MAJOR BUSINESS RISKS

Perlos' business operations are significantly dependent on a single field of industry and a few customers. Following the divestment of the Healthcare Customer Group, the company's services and products are targeted mostly for customers in the mobile phone industry. The majority of Perlos' net sales come from supplying the Nokia Group with mobile phone mechanics and products and services used in mobile phone networks.

Focusing on one industry and being dependent on a single customer carries certain risks. Changes in the demand for mobile phones or the market position of Perlos or its key customers may have unfavourable effects on Perlos' business operations.

It is typical for Perlos' business that rapid changes occur in the demand for products manufactured by the company. Should Perlos not be able to operate with sufficient flexibility, numerous simultaneous changes in the demand for individual products and dramatic changes in production volumes might have an unfavourable impact on Perlos' business and profitability.

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

PERSONNEL

In 2006, Perlos' continuing operations employed 7,324 people on average (6,570 in 2005 and 5,150 in 2004). Including temporary workers, the number of personnel amounted to 13,320 employees (9,489 in 2005 and 5,974 in 2004).

At the end of the year, the number of personnel was 7,229 (7,143 in 2005 and 5,565 in 2004) and, including temporary workers, 12,944 (12,323 in 2005 and 7,402 in 2004). Of the total payroll, 4,207 employees (4,729 in 2005 and 4,517 in 2004) worked in Europe, 7,612 (5,500 in 2005 and 2,049 in 2004) in Asia and 1,125 (2,094 in 2005 and 836 in 2004) in North and South America.

In 2006, Perlos paid a total of EUR 151.0 million in salaries and remuneration (EUR 157.0 million in 2005, EUR 144.0 million in 2004).

By international standards, Perlos' occupational safety is at a good level, and the company actively improves its operational models related to well-being at work and occupational safety based on statutory requirements and the demands of customers. Matters related to personnel are described in further detail in the Annual Report's "Personnel" and "Sustainable Development" sections.

ADMINISTRATION

Board of Directors

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

Perlos Corporation's Annual General Meeting held on 28 March 2006 elected Timo Leinilä, Heikki Mairinoja, Jukka Rinnevaara, Kari O. Sohlberg, Andreas Tallberg, Kari Vuorialho and Petteri Walldén as members of the Board of Directors. Kari O. Sohlberg was elected as the Chairman of the Board. At the Board's organisation meeting, which was held after the Annual General Meeting, Andreas Tallberg was elected as Vice Chairman of the Board and Jukka Rinnevaara, Kari O. Sohlberg and Kari Vuorialho were appointed to the Board's Audit Committee.

Board Authorisations

In accordance with the resolutions of the Annual General Meeting held on 28 March 2006, Perlos' Board of Directors is authorised to decide on increasing the company's share capital by a maximum of EUR 6,352,457.40 through a rights issue or by taking out a convertible loan, and (a) decide on the acquisition of a maximum of 5,293,714 own shares, and (b) decide on the conveyance of a maximum of 5,293,714 own shares in the company's possession. The authorisations are in force until the next Annual General Meeting.

President and CEO

On 16 November 2006, Matti Virtanen, M.Sc. (Eng.), born 1958, was appointed as the President and CEO of Perlos Corporation as from 1 December 2006. The position was previously held by Isto Hantila, M.Sc. (Eng.), who was President and CEO of Perlos until 16 November 2006.

The essential content of Matti Virtanen's employment contract is outlined in the notes to the Consolidated Financial Statements, section 26.

Changes in Management

Vesa Vähämöttönen, Lic.Sc. (Tech.), born 1966, was appointed to Perlos' Executive Board as Senior Vice President, Global Sales and Marketing, as from 7 August 2006. He has also been in charge of Perlos' Nokia account as from 7 November 2006, after the previous Head of the Nokia account, Jarmo Paakkunainen, M.Sc. (Eng.), resigned from Perlos' employ.

CHANGES IN THE GROUP STRUCTURE

During the report period, Perlos established a new subsidiary in Chennai, India. The company opened an office in Chennai during the spring and started the construction of a production facility with about 20,000 square metres of floor space.

On 17 July 2006, Perlos announced the signing of a Memorandum of Understanding for the sale of its Healthcare Customer Group to the Swedish private equity investment company Ratos AB. The deal was concluded on 8 November 2006, after the approval of the competition authorities had been received and other terms and conditions of the transaction had been fulfilled. According to the deal, all of the business operations of Perlos' Healthcare Customer Group were sold to Medifiq Healthcare Corporation, which is owned by Ratos AB, Perlos Corporation and the management of the new company.

After deducting liabilities transferred to the buyer and other deductible items, the final payable purchase price amounted to EUR 58.2 million. The deal resulted in a capital gain of about EUR 24.4 million, which was included in Perlos' October-December 2006 financial results.

OFFICES ABROAD

Perlos has offices in Tokyo, Japan, and Taipei, Taiwan. The offices focus on regional sales and marketing, sourcing, support for product design and project management.

SHARE AND OPTIONS

Perlos has one series of shares, and each share entitles its holder to one vote at a general meeting of shareholders. Perlos' share is listed on the Nordic List of the Helsinki Stock Exchange.

Perlos Corporation's share capital at 31 December 2006 was EUR 31,762,288.80 and the number of shares in issue was 52,937,148. The company did not hold any own shares (treasury shares).

On 31 December 2006, Perlos Corporation had two share option programmes. A total of 750,000 shares can be subscribed for on the basis of the 2002 share option programme and 1,000,000 shares on the basis of the 2005 share option programme. The A and B warrants attached to the 2002 share option programme are listed on the Main List of the Helsinki Stock Exchange. No shares have been subscribed for on the basis of the 2002 and 2005 warrants.

DECREASE OF THE SHARE PREMIUM FUND

On 17 July 2006, the National Board of Patents and Registration of Finland approved the decrease of the share premium fund in accordance with the resolution of the Annual General Meeting on 28 March 2006. The cash in the premium fund, a total of EUR 48,781,395.24, was therefore transferred in its entirety to a fund belonging to the company's non-restricted equity, which is administered by the Annual General Meeting.

EVENTS AFTER THE BALANCE SHEET DATE

On 15 January 2007, Perlos announced a profitability improvement programme with the objective of significantly improving the operating result of Perlos' continuing operations, exclusive of non-recurring items, compared with 2006. Perlos intends to achieve this objective by boosting the efficiency of its operations and by reducing annual expenses by more than EUR 100 million by the end of 2007. The profitability improvement programme concerns all of the company's operations in Europe, Asia and North and South America.

Crucial measures for changing Perlos' cost structure include boosting the efficiency of production processes, purchasing activities and subcontracting as well as cutting costs related to quality by improving the quality of the company's operations. The entire company's organisation will also be streamlined and production in Finland will be adjusted to match demand. As a result of these measures, it is estimated that, by the end of 2007, the Perlos Group will require 4,000 fewer employees than at present.

On 22 January 2007, as a part of its profitability improvement programme, Perlos started co-determination negotiations concerning all personnel in Finland for reasons related to production, finances and the restructuring of operations. The negotiations concern approximately 1,400 people. The aim of the negotiations is to actively find various ways to improve profitability and one of the options to be discussed at the negotiations is the discontinuation of production operations in Finland altogether. According to a preliminary estimate, the company will need to cut about 1,200 full-time jobs.

If a decision to discontinue production operations in Finland were to be made, it is estimated that this would incur non-recurring expenses of EUR 35-40 million. The majority of the expenses would result from write-downs of property, plant and equipment, with no effects on cash flows.

OUTLOOK FOR 2007

As a result of the profitability improvement programme initiated in January, Perlos expects the full-year operating result of its continuing operations, exclusive of non-recurring items, to be significantly stronger in 2007 than in 2006. Development measures are expected to improve the result during the second half of the year. However, profitability is predicted to be weak early in the year, and the first-quarter operating result exclusive of non-recurring items is estimated to be negative.

Due to the change in the BenQ customer relationship and the foreseeable decrease in demand in Finland, full-year net sales are expected to fall short of the 2006 figure by about a quarter. Net sales in January-March are forecast to fall by about a third from the previous year.

DIVIDEND

Perlos' Board of Directors will propose to the Annual General Meeting that no dividend be paid for 2006.

Consolidated Income Statement, IFRS

1 000 €	Note	Year ended 31 December 2006	2005
Continuing operations:			
Net sales	*1*	**673 635**	**614 026**
Cost of goods sold	*3,4,6*	-614 872	-530 266
Gross profit		**58 763**	**83 760**
Other operating income	*2*	3 463	2 729
Selling and marketing expenses	*3,4,6*	-13 086	-12 841
General and administrative expenses	*3,4,5,6*	-60 891	-52 510
Other operating expenses		-21 128	-12 197
Operating profit/loss		**-32 879**	**8 941**
Financial income	*7*	25 469	13 617
Financial expenses	*7*	-36 073	-19 920
Share of profit of associates	*12*	-102	-25
Profit/loss before income tax		**-43 585**	**2 613**
Income tax expenses	*8*	-30	3 830
Profit/loss from continuing operations		-43 615	6 443
Discontinued operations:			
Profit from discontinued operations	*10*	18 296	1 964
Profit/loss for the year		**-25 319**	**8 407**
Attributable to			
Equity holders of the Company		-25 536	8 321
Minority interest		217	86
Earnings per share for profit/loss attributable to the equity holders of the Company			
Continuing operations			
Earnings per share, basic, €	*9*	-0.82	0.12
Earnings per share, diluted, €		-0.82	0.12
Discontinued operations			
Earnings per share, basic, €	*9*	0.36	0.04
Earnings per share, diluted, €		0.36	0.04

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

Consolidated Balance Sheet, IFRS

1 000 €	Note	As at 31 December 2006	2005
ASSETS			
Non-current assets			
Intangible assets	*11*	11 611	12 052
Goodwill	*11*	12 950	16 162
Property, plant and equipment	*12*	219 335	246 462
Non-current trade and other receivables	*15*	1 336	320
Investments in associates	*13*	1 587	346
Available-for-sale financial assets	*13*	60	60
Deferred income tax assets	*16*	7 000	6 528
		253 879	**281 930**
Current assets			
Inventories	*17*	65 637	117 653
Trade and other receivables	*18*	75 506	134 531
Derivative financial instruments	*24*	416	548
Cash and cash equivalents	*19*	28 123	26 392
		169 682	**279 124**
Total assets		**423 561**	**561 054**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		31 762	31 762
Share premium		-	48 782
Fair value, hedging and other reserves		4 341	2 782
Translation differences		1 063	4 493
Reserve, managed by the General Meeting		48 782	-
Retained earnings		69 606	99 964
Equity attributable to equity holders of the Company	*20*	**155 554**	**187 783**
Minority interest		**156**	**407**
Total shareholders' equity		**155 710**	**188 190**
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	*16*	228	663
Interest-bearing liabilities	*21*	51 109	80 997
Provisions	*22*	2 796	8 281
		54 133	**89 941**
Current liabilities			
Interest-bearing liabilities	*21*	89 779	108 188
Current income tax liabilities		186	694
Provisions	*22*	2 891	4 200
Derivative financial instruments	*24*	258	3 144
Trade and other payables	*23,27*	120 604	166 697
		213 718	**282 923**
Total liabilities		**267 851**	**372 864**
Total shareholders' equity and liabilities		**423 561**	**561 054**

Consolidated Cash Flow Statement, IFRS

1 000 €	Note	Year ended 31 December 2006	2005
Cash flows from operating activities			
Operating profit		-7 772	13 282
Adjustments to operating profit	*30*	53 204	56 724
Change in net working capital	*30*	40 681	-36 957
		86 113	**33 049**
Interest paid		-60 922	-12 649
Dividends received		0	63
Interest received		50 142	5 430
Income taxes paid		-9 871	-6 523
Net cash flow from operating activities		**65 462**	**19 370**
Cash flows from investing activities			
Investments in subsidiaries	*28*	0	-3 167
Investments in associated companies	*13*	-7 722	0
Purchases of property, plant and equipment and intangible assets	*11,12*	-60 428	-101 823
Proceeds from sale of property, plant and equipment and intangible assets		2 409	1 614
Proceeds from divested operations, net of cash	*10*	56 019	0
Net cash flow used in investing activities		**-9 722**	**-103 376**
Cash flow before financing activities		**55 740**	**-84 006**
Cash flows from financing activities			
Proceeds from issuance of borrowings		499 031	244 263
Repayments of borrowings		-547 747	-176 494
Increase in interest-bearing receivables		0	1 101
Dividends paid		-5 294	-10 554
Net cash flow from financing activities		**-54 010**	**58 316**
Exchange gains (losses) on cash and cash equivalents		**-3 418**	**-158**
Increase (decrease) in cash and cash equivalents		**5 148**	**-25 532**
Cash and cash equivalents 1 January		26 392	52 082
Cash and cash equivalents 31 December		**28 122**	**26 392**

Due to exchange gains and losses during the year, discontinuing operations and the acquisition of a subsidiary 2005, the amounts in the cash flow statement are not all directly reconcilable with the balance sheet figures.

Consolidated Statement of Changes in Shareholders’ Equity, IFRS

1 000 €	Share capital	Share premium	Fair value reserve	Hedging reserve	Other reservers	Translation differences	Retained earnings	Total share-holders’ equity attributable to eguity holders of the Company	Minority interest	Total equity
SHAREHOLDERS’ EQUITY, IFRS, 1 January 2005	**31 850**	**48 694**	**27**	**-384**	**711**	**-1 606**	**95 875**	**175 167**		**175 167**
Cash flow hedges										
- Amount transferred to shareholders’ equity				138				138		138
- Tax on the amount transferred to shareholders’ equity				64				64		64
Available for sale financial assets										
- Fair value gains (losses)			-7					-7		-7
- Tax on fair value gains (losses)			-5					-5		-5
Translation differences						6 100	4 609	10 709	11	10 720
Share-based compensation					771			771		771
Increase in reserve fund					1 467			1 467		1 467
Other changes	-88	88					455	455		455
Net income (expense) recognised directly in equity	-88	88	-12	202	2 238	6 100	5 064	13 592	11	13 603
Profit for the year							8 321	8 321	86	8 407
Total recognised income for the year	-88	88	-12	202	2 238	6 100	13 385	21 913	97	22 010
Dividends paid							-10 554	-10 554		-10 554
Business combinations								0	310	310
Transfer of treasury shares							1 257	1 257		1 257
SHAREHOLDERS’ EQUITY, IFRS, 31 December 2005	**31 762**	**48 782**	**15**	**-182**	**2 949**	**4 494**	**99 963**	**187 783**	**407**	**188 190**
SHAREHOLDERS’ EQUITY, IFRS, 1 January 2006	**31 762**	**48 782**	**15**	**-182**	**2 949**	**4 494**	**99 963**	**187 783**	**407**	**188 190**
Cash flow hedges										
- Amount transferred to shareholders’ equity										
- Decrease (hedging reserve)				182				182		182
- Tax on the amount transferred to shareholders’ equity										
Available for sale financial assets										
- Fair value gains (losses)										
- Tax on fair value gains (losses)										
Translation differences transfered to income statement due to sales of subsidiaries						-234		-234		-234
Translation differences					-71	-3 196	418	-2 848	-34	-2 882
Net gains/losses of net investments						-1		-1		-1
Share-based compensation					928			928		928
Increase in reserve fund										
Other changes		-48 782			49 302		-380	140		140
Net income (expense) recognised directly in equity	0	-48 782	0	182	50 159	-3 431	38	-1 833	-34	-1 867
Profit for the year							-25 102	-25 102	-217	-25 319
Total recognised income for the year	0	-48 782	0	182	50 159	-3 431	-25 064	-26 935	-251	-27 186
Dividends paid							-5 294	-5 294		-5 294
Business combinations										
Transfer of treasury shares										
SHAREHOLDERS’ EQUITY, IFRS, 31 December 2006	**31 762**	**0**	**15**	**0**	**53 108**	**1 063**	**69 605**	**155 554**	**156**	**155 710**

Accounting Policies for the Consolidated Financial Statements

GENERAL INFORMATION

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

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

The consolidated financial statements have been approved for issue by the Board of Directors of Perlos Oyj on 6 February 2007. Copy of Group financial statements is available in Internet pages www.perlos.com or at the address Äyritie 8 A, 01510 Vantaa, Finland.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force as at 31 December 2006. Following changes in standards and interpretations were in force and have been adopted beginning 1 January 2006: IAS 19 (amendment), IAS 21 (amendment), IAS 39 (amendment) and IFRIC 4.

In 2005, the Group adopted International Financial Reporting Standards (IFRS). The IFRS transition date for the calculation of comparison information was 1 January 2004.

Notes of the Group financial statements are also in accordance with the Finnish accounting and company legislation. The figures in the financial statements are presented in thousands of euros unless there are particular reasons to do otherwise, as indicated in the statements.

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, derivative financial instruments, hedged items in fair value hedging, investment properties and share-based payments, which have been valued at fair value.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions, which have an effect on the amounts of assets and liabilities reported on the balance sheet date and the amounts of revenues and expenses reported for the financial period. In addition, exercise of judgement is required in the process of applying the accounting policies. The estimates and assumptions used represent management's best estimates on the balance sheet date. Actual results could differ from these estimates. Assumptions has been used to define reported amounts related to the impairment testing, provisions and the utilization of deferred tax asses in annual report.

The Group test goodwill annually for probable impairment also reviews indications of impairment in the manner as presented in accounting principals. Cash generating units recoverable amount has been reported with calculations, which are based on the used values. Preparation of these calculations requires use of estimations.

Estimating useful lives used to calculated depreciation and amortization also requires management to estimate the useful lives of the assets.

Other management's estimates relate mainly to other assets, such as inventories and current nature of receivables, provisions and to the utilization of deferred tax assets against future taxable income. Justifies for the estimations has been presented more specific in accounting principals or notes.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include, in addition to the parent company, all such companies in which the parent company, through ownership either directly or with its subsidiaries, holds over half of the voting rights or has control over the company's financial and operating decisions. All Group companies have been consolidated in the financial statements; that is, the parent company Perlos Corporation, all the subsidiaries it owns either directly or indirectly as well as associated companies in which the Group holds a significant interest (holding 20-50%). Acquired or established subsidiaries have been included in the consolidated financial statements using the purchase method of accounting, in which the acquired or established company's assets and liabilities at the time of acquisition or founding are measured at their fair value. In accordance with the exemption permitted under IFRS 1, acquisitions made prior to the transition to IFRS have not been adjusted, but have instead been retained in the balance sheet at their carrying amounts under Finnish Accounting Standards at the time of transition.

Associated companies are accounted for in the consolidated financial statements using the equity method. A proportionate share of the associated companies' result for the financial year has been calculated on the basis of the Group's holding and is stated as a separate item in the income statement.

Subsidiaries acquired or established during the financial year have been included as from the date of acquisition or founding. Divested companies are included in the income statement up to the date of sale.

Inter-company transactions, unrealised gains on transactions between group companies, inter-company receivables and liabilities as well as inter-company profit sharing have been eliminated in the consolidated financial statements. Accounting period of Group companies ends 31.12. excluding subsidiary in India. Perlos Telecommunication and Electronic Components (India) Pvt Ltd's accounting period ends 31.3. and it is consolidated based on interim accounts prepared 31.12.

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

FOREIGN SUBSIDIARIES

The consolidated financial statements are presented in euros, which is the Group's functional currency. The results and financial positions of subsidiaries are presented in the currency, which is the main currency of their business environment. The income statements of subsidiaries are translated into the Group reporting currency using the average exchange rates for the year, and the balance sheets are translated using the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation as well as retranslation differences on net investments are recorded in equity under cumulative translation differences in the consolidated financial statements. Same way has been treated long-term group loans, which factual contents are collateral with the own equity and are handle as part of foreign company's net investment.

Exchange differences that have arisen before 1 January 2004 were recognised in retained earnings on transition to IFRS-standards, and they are not reclassified to the income statement on a potential disposal of a subsidiary. On disposal of a subsidiary, the exchange differences arising after 1 January 2004 are recognised in the income statement as part of the determination of the overall gain or loss of the disposal.

ITEMS DENOMINATED IN FOREIGN CURRENCY

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

Foreign exchange gains and losses related to the normal business operations are treated as adjustments to sales and purchases. Exchange rate differences associated with the hedging of financing transactions and the Group's overall foreign currency position are stated in exchange gains and losses under financial income and expenses.

SEGMENT REPORTING

Business segments provide services and products that are subject to risks and returns that are different from those of other business segments. The risks and returns of the products and services of the geographical segments differ from the risks and profitability of the services and products of segments operating in other economic environments. Inter-company transactions are arm's-length transactions that is, are based on fair market value.

The business operation of Perlos is: customers in the telecommunications and electronics industries. Secondary geographical segments are based on the locations of the company's business functions and customers. The segments are Europe, North and South America, and Asia. In reporting the geographical segments the sales are presented based on the country in which the customer is located and assets based on where they are located.

DISCONTINUED OPERATIONS

Non-current assets held for sale and assets that relate to discontinued operations are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. Depreciation of these long-lived assets is ceased at the date of classification. A discontinued operation represents a separate major line of business or geographical area of operations or subsidiary that has been acquired solely for the purpose of selling it further. The result of discontinued operations is presented separately on the face of the income statement. As discontinued operation has been classified 8 November 2006 divested Healthcare Customer Group. The accounting period did not include any assets held for sale.

GOODWILL ON CONSOLIDATION

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

PROPERTY, PLANT AND EQUIPMENT AND USEFUL LIVES

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

Useful lives are as follows:

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

Profits or losses from the sale or disposal of fixed assets are recognised as other operating income or expenses in the income statement.

BORROWING COSTS

Borrowing costs are charged to expense as incurred.

GOVERNMENT GRANTS

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

MEASUREMENT OF INVENTORIES

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

4) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. This category includes financial assets acquired by the Group by handing over cash, goods or services to a debt-

or. They are measured at amortised cost using the effective interest rate method and are included in current and non-current financial assets.

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and at bank as well as liquid current money market deposits and other short term, highly liquid investments with a duration of less than 3 months.

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

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

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

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, the settlement of which will probably require an outflow of resources embodying economic benefits and when a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the time value of money is material. provisions will be discounted. Provisions can relate to, for example, restructuring of business operations, loss making contracts and pension liabilities.

IMPAIRMENT OF ASSETS

In preparing each financial statements, the Group's assets are evaluated to determine weather there are indications, that the value of any asset item may be impaired. If there are indications of impairment, the recoverable amount of the assets will be estimated. Recoverable amount is estimated annually of following asset items, never the less, is there any indications of impairments: goodwill, intangible assets with the indefinite useful life and for intangible assets which are not yet ready for use. Recoverable amount is asset's fair value less selling costs or the higher of the asset's value in use. An impairment loss is recognized weather the carrying amount of an asset exceeds its recoverable amount. The loss is booked to the income statement. When the circumstances which caused the impairment loss are resolved, the impairment loss is reversed. The impairment loss of goodwill is never reversed.

REVENUE RECOGNITION

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

MAINTENANCE AND REPAIRS

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

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure has been recognised as annual expenses for the year during which they were incurred. Development expenditure will be activated for intangible assets when they have fulfilled all the criteria. Minor activated development expenditures are expenses related to the patents and these are presented in intangible assets.

LEASE AGREEMENTS

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

PENSION LIABILITIES

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

SHARE-BASED PAYMENT

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

TREASURY SHARES

The acquisition cost of treasury shares including the directly attributable expenses is recorded as a deduction from shareholders' equity in the consolidated financial statements. The Group did not have any own shares 2006.

INCOME TAXES AND DEFERRED TAXES

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

DIVIDEND DISTRIBUTION

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

EARNINGS PER SHARE

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

NEW STANDARDS

Company will adopt 2007 the standards and interpretations listed below which have been issued by the IASB:

- IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 standard provides new and extensive disclosures on financial instruments and how those effects to group's financial position and result. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. Group's estimation is that the new standard will increase the notes especially those relating to quantitative and sensitivity analysis.

- IAS 1 – amendment to IAS 1 Presentation of Financial Statements – Capital disclosures (effective for annual periods beginning on or after 1 January 2007). When an entity adopts this amendment, it must present the level of the equity and it's management during the annual period. Group's estimation is that the interpretations will increase the notes related to the equity.

Following interpretations will be adopted beginning 1 January 2007:

- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006).

- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 will apply to any arrangements when equity instruments are granted or liabilities are incurred by an entity, when the identifiable consideration appears to be less the fair value of the instruments given.

- IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether the contract an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flow.

- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits any impairment loss recognized for goodwill, equity investments and cash booked into initial costs in interim period may not be reversed in subsequent interim periods.

It has been estimated that above presented new IFRIC interpretations will not have effect for future consolidated financial statements.

IASB has also issued in addition following new standards or interpretations, which company will adopt during the future annual periods:

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). Company estimated, that standard can possible increase the information volume of the Group's operations.

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

Notes to the Consolidated Financial Statements

1. Segment information

Perlos the business operations is Telecommunications and Electronics Customer Group as overall, as it's primary segment. During the year 2006 Perlos divested the Healthcare Customer Group, which is presented in annual report as discontinued operations. The Healthcare Customer Group did not constitute a reportable segment, as defined by IAS 14.

Net sales by customer	Year ended 31 December 2006	2005
Telecommunications and Electronic industry, continuing operations	673 793	615 305
Healthcare industry, discontinued operations	42 693	52 646
Inter-company transactions	-158	-1 154
	716 328	**666 797**

Sales are allocated to geographical segments based on the location of the customers and total assets are allocated based on where the assets are located. Reported assets includes intangible and tangible fixed assets and investments additions of the intangible and tangible assets. The geographical segments are Europe, Americas and Asia. The information of discontinued operations is reported on note 10.

Geographical segments 2006	Europe	Americas	Asia	Unallocated	Eliminations	Group total
Net sales	**333 278**	**83 931**	**256 426**			**673 635**
Assets	**99 257**	**50 248**	**82 058**	12 332		**243 895**
Investments	**11 056**	**12 095**	**42 442**	7 722	-5 165	**68 150**
Geographical segments 2005						
Net sales	**310 273**	**166 988**	**138 044**			**615 305**
Assets	**127 349**	**57 331**	**51 138**	13 939		**249 757**
Investments	**41 846**	**31 738**	**26 186**	6 569	-5 964	**100 375**

2. Other operating income

	Year ended 31 December 2006	2005
Gains on sale of intangible assets and property, plant and equipment	1 081	1 052
Gains on derivative financial instruments	246	284
Other income	2 136	1 393
	3 463	**2 729**

Other income includes e.g. insurance reimbursements, research, development and investment grants.

3. Employment based expenses

	Year ended 31 December	
	2006	**2005**
Salaries	115 750	126 262
Pension costs - defined contribution plans	15 865	17 089
Pension costs - pension benefit plans	-262	-578
Share-based benefits	928	771
Other indirect employee costs	19 063	13 046
	151 344	**156 590**

The consolidated income statement includes EUR 3 180 thousand of termination benefits expenses for the year ended 31 December 2006 (EUR 2 755 thousand 2005).

	As at 31 December	
Key management compensation	**2006**	**2005**
CEO and deputy to CEO	620	591
Members of the Board of Directors	181	160
Other management	854	860
	1 655	**1 611**

Key management's compensations and other related-party transactions on note 26.

Average number of employees during the year	**13 764**	**7 116**
Average number of employees continuing operations		
Administrative and clerical employees	2 114	1 615
Other employees	5 115	4 951
Total	**7 229**	**6 566**
Temporary workers	6 091	2 920
Total including temporary workers	**13 320**	**9 486**
Number of the employees in the end of period		
Administrative and clerical employees	2 084	1 874
Other employees	5 145	5 266
Total	**7 229**	**7 140**
Temporary workers	5 715	5 183
Total including temporary workers	**12 944**	**12 323**

4. Depreciation by function

	Year ended 31 December	
	2006	**2005**
Depreciation related to manufacturing and purchases	38 395	35 673
Depreciation related to selling and marketing	136	449
Depreciation related to administration	5 986	5 229
	44 517	**41 351**

Specification by the balance sheet items is included to the intangible and tangible assets.

5. Research and development costs

The Group's research and development costs amounted to EUR 6.0 million and EUR 6.5 million for the years ended December 31, 2006 and 2005, respectively. Research and development costs are included in general and administrative expenses in the consolidated income statement.

6. Expenses by function

	Year ended 31 December	
	2006	2005
Materials and services	381 043	296 815
Personnel expenses	151 344	156 590
Lease payments	10 063	7 157
Depreciation	44 517	41 351
Impairment loss on tangible assets	8 580	
Other expenses	114 430	93 704
	709 977	**595 617**

Other expenses includes extra ordinary expenses EUR 43.6 million (EUR 12.3 million 2005).

Payments to auditors amounted to EUR 0.4 million (2005 EUR 0.4 million) for the audit and for other services EUR 0.2 million (2005 EUR 0.4 million).

7. Financial income and expenses

	Year ended 31 December	
	2006	2005
Dividend income		63
Interest income	1 677	655
Foreign exchange gains	24 131	13 025
Total financial income	**25 808**	**13 743**
Interest expense	-10 169	-7 135
Other financial expenses	-1 909	-708
Foreign exchange losses	-24 334	-12 203
Total financial expenses	**-36 412**	**-20 046**
Total financial income and expenses	**-10 604**	**-6 303**
Foreign exchange gains and losses		
Net foreign exchange gains (losses) presented in financial income and expenses	-203	822
Net foreign exchange gains (losses) related to sales and purchases and presented above operating profit	-1 449	777
Total	**-1 652**	**1 599**

8. Income tax expense

	Year ended 31 December	
	2006	2005
Current tax expense	-2 534	-4 514
Tax expense for prior periods	7	1 653
Change in deferred taxes	2 497	6 691
Income tax expense for continuing operations	-30	3 830
Income tax expense for discontinued operations	-6 429	-1 682
Income tax expense for consolidated income statement	**-6 459**	**2 149**

Discontinued operations tax of the result is calculatory and it is krediting income tax for continuing operations. Parent company's result 2006 was loss-making, deferred tax assets have not been recoqnised in balance sheet.

The differences between income tax expense computed at statutory rates 26% (2005 in Finland 26%) and income taxes recoqnised in the consolidated income statement is reconciled as follows at December 31:

	Year ended 31 December	
	2006	**2005**
Profit before tax	-18 860	6 258
Tax at domestic rate	4 904	-1 627
Effect of different tax rates in foreign subsidiaries	9 910	9 031
Tax expense for prior periods	7	1 654
Current year losses for which no deferred tax benefit is recognised	-26 947	-10 780
Tax recognised on current year losses at Group level	2 692	4 565
Other	2 975	-694
Income tax expense in the consolidated income statement	**-6 459**	**2 149**

9. Earnings per share

	Year ended 31 December	
	2006	**2005**
Basic earnings per share		
Profit attributable to equity holders of the Company	-24 647	8 321
Weighted average number of shares in issue during the period	52 937 148	52 882 576
Basic earnings per share	**-0.48**	**0.16**
- basic from continuing operations	**-0.82**	**0.12**
- basic from discontinued operations	**0.36**	**0.04**

Diluted earnings per share

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

	Year ended 31 December	
	2006	**2005**
Profit attributable to equity holders of the Company	-24 647	8 321
Weighted average number of shares in issue during the period	52 937 148	52 882 576
Adjustment for share options	83 168	146 696
Weighted average number shares for diluted earnings per share	53 020 316	53 029 272
Diluted earnings per share	**-0.48**	**0.16**
- diluted from continuing operations	**-0.82**	**0.12**
- diluted from discontinued operations	**0.36**	**0.04**

10. Discontinued operations

Perlos divested Healthcare Customer Group 2006. The Memorandum of Understanding was signed 15 August 2006 and the sale was concluded on 8 November 2006 after the approval of the competition authorities had been received and other terms and conditions of the transaction had been fulfilled. The divested business contained the healthcare business of Perlos Corporation and 100% owned subsidiary Perlos Ltd in the UK.

Healthcare Customer Group's result has been presented as nett amount separately in Income Statement as discontinued operations.

Perlos has invested in to the new company, the purchaser of the Healthcare Customer Group, EUR 7.7 million, which is equal to 20 per cent company's share of ownership and voting rights. New company, Medifiq Healthcare Corporation, has been consolidated as associate company from the divestment.

The net sales, profit for the year and cash flow of the discontinued operations are presented below:

Income statement	Business	Profit on sale	**1.1.–31.10. 2006**	**1.1.–31.12. 2005**
Net sales	42 693		42 693	52 771
Cost of goods sold	-41 942		-41 942	-48 429
Gross profit	751	24 356	25 107	4 342
Net financial expenses	-382	-	-382	-696
Profit before taxes	369	24 356	24 725	3 646
Income tax expense	-96	-6 333	-6 429	-1 682
Profit for the year	**273**	**18 023**	**18 296**	**1 964**

The Group result includes the capital EUR 24.4 million before taxes on the divestment of the Healthcare Customer Group. The deferred tax has been deducted from the capital gain in Profit and Loss Statement. Because the result of the parent company was loss, there will not been any payable tax from 2006. Continuing operations income tax expense includes the same tax amount as deferred tax assets.

Cash flow	**1.1.–31.10. 2006**	**1.1.–31.12. 2005**
Cash flows from operating activities	3 665	3 646
Cash flows from investing activities	-1 627	-2 033
Cash flows from financing activities	-2 829	2 934
Cash flow total	**-791**	**4 547**

Cash flow don't include the divestment.

The Healthcare Customers Group divestments effect to the Group

Property, plant and equipment	25 479
Non-current trade and other receivables	352
Inventories	7 299
Other short term receivables	3 264
Cash and cash equivalents	141
Long term interest-bearing liabilities	-3 444
Trade debtors and other short term debts non-interest bearing	-9 213
Net assets assigned	**23 878**
Paid in cash 31 December 2006	56 160
Cash and cash equivalents in discontined operations	141
Cash inflow on divestment	56 019

Divestments cash inflow is presented in the Group's cash flow.

11. Intangible assets

1.1.–31.12.2005	Intangible rights	Goodwill[2)]	Other intangible assets[1)]	Advance payments and assets under construction	Total
Acquisition cost 1 January	2 590	7 910	21 136	733	32 369
Exchange differences	103		-784		-681
Additions and reclassifications	2 349	4 142	4 822	779	12 092
Acquired subsidiaries	1 374				1 374
Disposals			-92		-92
Acquisition cost 31 December	6 416	12 052	25 082	1 512	45 062
Accumulated amortisation 1 January	525		10 451		10 976
Translation difference	33		-270		-237
Amortisation related to the disposals			-90		-90
Amortisation for the period	1 293		4 906		6 199
Accumulated amortisation 31 December	1 851		14 997		16 848
Net book amount 31 December	4 565	12 052	10 085	1 512	28 214

1.1.–31.12.2006	Intangible rights	Goodwill[2)]	Other intangible assets[1)]	Advance payments and assets under construction	Total
Acquisition cost 1 January	6 416	12 052	25 082	1 512	45 062
Exchange differences	-282	-441	-400		-1 123
Additions and reclassifications	928		4 712	386	6 026
Discontinued operations	-1 912		-932		-2 844
Disposals	-168		-2 676	-1 298	-4 142
Acquisition cost 31 December	4 982	11 611	25 786	600	42 979
Accumulated amortisation 1 January	1 851		14 997		16 848
Exchange differences	-95		-177		-272
Amortisation related to the disposals			-2 820		-2 820
Discontinued operations	-1 640		-524		-2 164
Amortisation for the period	1 778		5 047		6 825
Accumulated amortisation 31 December	1 894		16 523		18 417
Net book amount 31 December	3 088	11 611	9 263	600	24 562

1) Other intangible assets include primarily information systems.

2) The consolidated balance sheet includes EUR 7.9 million of goodwill on the acquisition of the Moteco AB and EUR 3.7 million of goodwill on the acquisition of the CIM-group. The recoverable amount is determined based on value-in-use calculations. The annual impairment test did not indicate a need to record an impairment charge; instead, the discounted recoverable amount was significantly higher than the carrying amount. In the impairment test, the cash flows for five years are based on existing investments in the business area of Telecommunications and Electronics, (which has been used as the cash generating unit "CGU" in the test) and the existing five-year forecasts for the area. The key assumptions in the impairment test are the estimated yearly market growth rate and the managements' prudent estimates of future growth and profitability. The terminal growth rate used is 3%. The discount rate used in the calculations is 9.1%, which is based on the Company's long-term target capital structure and the level of risk-free interest rates and beta as estimated by the Company and which includes the credit spread for the Company. Based on management's assessment, reasonable changes in the key assumptions to the calculations would not lead to the carrying amount of the assets exceeding their recoverable amount.

12. Property, plant and equipment

1.1.–31.12.2005	Land and water areas	Buildings	Buildings leased under finance leases	Machinery and equipment	Machinery and equipment leased under finance leases	Other property, plant and equipment	Advance payments received and assets under construction	Total
Acquisition cost 1 January	2 092	48 627	12 984	222 050	4 673	3 947	24 706	319 079
Exchange differences	88	2 940	1 888	-49	-3	374	1 667	6 905
Additions and reclassifications	113	14 848		70 737	1 624	1 658	8	88 988
Acquired subsidiaries				523				
Disposals		-113		-2 735	-506	-16	-17	-3 387
Acquisition cost 31 December	2 293	66 302	14 872	290 526	5 788	5 963	26 364	412 108
Accumulated depreciation								
1 January		9 272	3 876	115 820	1 566	2 727		133 261
Exchange differences		1 137	640	-7 611	132	185		-5 517
Depreciation related to the disposals		174		-1 877	-135	-56		-1 894
Other changes						278		278
Depreciation for the period		2 561	1 202	33 491	1 695	569		39 518
Accumulated depreciation								
31 December		13 144	5 718	139 823	3 258	3 703		165 646
Net book amount 31 December	2 293	53 158	9 154	150 703	2 530	2 260	26 364	246 462

The carrying amount of machinery and equipment used in production amounted to EUR 121 040 thousand as at 31 December 2005.

1.1.–31.12.2006	Land and water areas	Buildings	Buildings leased under finance leases	Machinery and equipment	Machinery and equipment leased under finance leases	Other property, plant and equipment	Advance payments received and assets under construction	Total
Acquisition cost 1 January	2 293	66 302	14 872	290 526	5 788	5 963	26 364	412 108
Exchange differences	-10	-446	-784	-7 767	6	-250	-1 365	-10 616
Additions and reclassifications	1 521	16 256		39 757	1 519	1 103	1 019	61 175
Discontinued operations	-245	-15 731	-3 398	-23 188	-827		-601	-43 990
Disposals	-29	-3 136		-26 432	-264	-1 068	-11 329	-42 258
Acquisition cost 31 December	3 530	63 245	10 690	272 896	6 222	5 748	14 088	376 419
Accumulated depreciation								
1 January		13 144	5 718	139 823	3 258	3 703		165 646
Exchange differences		-170	-341	-3 230	3	-198		-3 936
Depreciation related to the disposals		-1 265		-27 887	-36	-733		-29 921
Discontinued operations		-3 739	-1 349	-14 858	-503			-20 449
Impairment				6 650		1 776		8 426
Depreciation for the period		2 940	1 292	30 760	1 679	647		37 318
Accumulated depreciation								
31 December		10 910	5 320	131 258	4 401	5 195		157 084
Net book amount 31 December	3 530	52 335	5 370	141 638	1 821	553	14 088	219 335

The carrying amount of machinery and equipment used in production amounted to EUR 131 708 thousand as at 31 December 2006.

13. Investments

1.1.–31.12.2005	Investments in associates	Available for sale financial assets	Total
Acquisition cost 1 January	1 681	79	1 760
Increases		2	2
Decreases	-1 310	-15	-1 325
Historical cost 31 December	371	66	437
Share of associates profit (loss)	-25		-25
Change in fair values		-6	-6
Carrying value 31 December	346	60	406

1.1.–31.12.2006	Investments in associates	Available for sale financial assets	Total
Acquisition cost 1 January	346	60	406
Increases	1 628		1 628
Decreases	-170		-170
Historical cost 31 December	1 804	60	1 864
Share of associates profit (loss)	-217		-217
Change in fair values			
Book amount, 31 December	1 587	60	1 647

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

Associates	Registered in	Share of ownership and voting right held by the Group **2006**	**2005**
EPE Design Corporation	Helsinki, Finland	-	50%
Medifiq Healthcare Corporation	Vantaa, Finland	20%	-

2006	Assets	Liabilities	Net sales	Profit (loss)
Medifiq Healthcare Corporation	23 753	43 857	10 145	-240

2005	Assets	Liabilities	Net sales	Profit (loss)
Epe Design Corporation	416	226	1 018	-50

Perlos acquired 20% of Medifiq Healthcare Corporation’s shares 2006.
Perlos divested 50% ownership of Epe Design Corporation in August 2006.

14. Group companies

	Share of ownership and voting right held by the Group	
	2006	**2005**
Perlos Ltd (UK); Sunderland, the UK	-	100%
Perlos Holding Inc; USA	100%	100%
Perlos (Texas) Inc; Fort Worth, USA	100%	100%
Perlos Mexico Holding Corp. (US); USA	100%	100%
Perlos Mexico Services, S.A. de C.V; Mexico	100%	100%
Perlos Mexico, S.A. de C.V; Mexico	100%	100%
Perlos Precision Plastics Moulding Limited Liability Company; Komarom, Hungary	100%	100%
Perlos (Guangzhou) Engineering Plastics Company Ltd.; Guangzhou, China	100%	100%
Perlos (Guangzhou) Electronic Components Co., Ltd.; Guangzhou, China	100%	100%
Perlos (Beijing) Electronic and Telecommunication Components Co., Ltd.; Peking, China	100%	100%
Perlos Finance Holding Oy; Finland	100%	100%
Perlos AB; Sweden	100%	100%
giga Ant AB; Sweden	100%	100%
giga Ant Asia Pte Ltd; Singapore	100%	100%
Perlos Malaysia Sdn Bhd; Malaysia	100%	100%
Perlos Asia Pte Ltd; Singapore	100%	100%
Perlos Ltda; Brazil	100%	100%
Perlos Technology Oy; Finland	100%	100%
Perlos Telecommunication and Electronic Components (India) Pvt Ltd, Chennai, India	100%	-
Perlos Precision Molds (Schenzen) Co., Ltd.; China	75%	75%
CIM Precision Molds (H.K.) Ltd.; Hong Kong	75%	75%

Perlos established new subsidiary in India, Chennai 2006.

Perlos divested 100% of Perlos Ltd Shares in November 2006 as discontinued operations.

15. Non-current receivables

	As at 31 December	
	2006	**2005**
Rental deposits	846	320
Receivable for associates	490	
	1 336	320

Rental deposits book values approximate their fair values.

16. Deferred tax assets and liabilities

Specification of deferred tax assets in 2005	1 January	Exchange differences	Charged/ credited to the income statement	Charged/ credited to equity	Acquisition/ Disposal of subsi-diaries	31 December
Tax losses carried forward			6 109			6 109
Pension benefits	3 210		-2 825	-5		380
Other temporary differences	319	-36	-308			-25
Hedging reserve				64		64
Total	**3 529**	**-36**	**2 976**	**59**	**0**	**6 528**

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

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

Specification of deferred tax assets in 2006	1 January	Exchange differences	Charged/ credited to the income statement	Charged/ credited to equity	Acquisition/ Disposal of subsi-diaries	31 December
Tax losses carried forward	6 109		891			7 000
Pension benefits	380		-380			0
Other temporary differences	-25		25			0
Hedging reserve	64			-64		0
Total	**6 528**	**0**	**536**	**-64**	**0**	**7 000**

Specification of deferred tax liabilities in 2006						
Pension benefits	209		-209			0
Other temporary differences	306		-246			60
Fair value of the acquisitions	148		20			168
Total	**663**	**0**	**-435**	**0**	**0**	**228**

Deferred income tax assets amounting to EUR 69.5 million were not recognised in respect of tax loss carry forwards as at 31 December 2006. Tax loss carry forwards amounting to EUR 33.7 million expire in 10 years and EUR 35.8 million in 20 years. The remainder of the tax loss carry forwards have no expiry date. Deferred tax assets have been recorded of the tax losses, it has been estimated, it is likely that tax losses will be utilized during the next 2-3 years. Recorded tax assets are related to the subgroup in USA.

17. Inventories

	As at 31 December	
	2006	**2005**
Materials and supplies	24 231	39 732
Work in progress	18 160	21 120
Finished goods	20 267	42 682
Advance payments	1 136	12 745
Goods in transit	1 843	1 374
	65 637	**117 653**

Inventories include obsolescence write-downs EUR 13.4 million, BenQ Mobile's share is EUR 11.2 million and end-of life write-down is EUR 750 thousand (2005: EUR 1.6 million).

18. Current trade and other receivables

	As at 31 December 2006	2005
Trade receivables	63 259	123 221
Other current receivables	2 721	4 218
Prepaid expenses and accrued income	5 817	5 382
Tax receivables	3 707	1 710
	75 504	**134 531**

Trade receivables include provisions amounting to EUR 16.5 million, BenQ Mobile's share is EUR 16.4 million (2005: EUR 0.2 million).

19. Cash and cash equivalents

	As at 31 December 2006	2005
Financial assets	3 998	1 300
Cash on hand and at banks	24 125	25 092
Liquid assets total	**28 123**	**26 392**

Financial assets include overnight commercial papers.

20. Shareholders' equity

2005		Number of shares	Share capital	Share premium	Treasury shares
	1 January	52 768 346	31 850	48 694	3 974
Cancellation of treasury shares			-88	88	-1 826
Transfer of treasury shares		168 802			-2 148
	31 December	**52 937 148**	**31 762**	**48 782**	**0**
2006					
	1 January	52 937 148	31 762	48 782	0
Transfer of treasury shares				-48 782	
	31 December	**52 937 148**	**31 762**	**0**	**0**

	2006	2005
Maximum number of shares	63 524 577	63 355 775

Nominal value of share is EUR 0.60 per share.
Company has one share series.

Total shareholders' equity consists of share capital, share premium, fair value, hedging and other reserves, translation differences, reserve managed by the General Meeting and and retained earnings. When effective option rights are exercercised, the impact of change in share capital which exceeds the accountings value of the shares, are included in the share premium account. Fair value reserve includes the changes in fair value of assets available for sale, hedging reserve for fair value changes from derivates. Other reserves mainly consist of reserve fund. Translation differences include the exhange differences arising from the translation of the financial statements of foreign subsidiaries. The effect of hedging net investments in foreign operations are recorded as translation differences due to changes in IAS 21 2006. Unrestricted shareholder's equity includes reserve, which is managed by the General Meeting.
The reserve has been founded based on the Annual General Meeting's conclusion in 2006. Profit or loss of the reporting period is reported in retained earnings.

21. Interest-bearing liabilities

	2006 Carrying value	2006 Fair value	2005 Carrying value	2005 Fair value
Non-current liabilities				
Loans from financial institutions			25 186	25 186
Bonds	44 936	42 540	44 908	45 330
Finance lease liabilities	6 173	6 173	10 902	10 902
	51 109	**48 713**	**80 996**	**81 418**
Current				
Limit for the cheque account	441	441		
Loans from financial institutions	1 546	1 546	48 622	48 622
Commercial paper	85 872	85 872	56 697	56 697
Finance lease liabilities	1 921	1 921	2 869	2 869
	89 780	**89 780**	**108 188**	**108 188**

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

Maturities of non-current liabilities

2006	**2008**	**2009**	**2010**	**2011**	**2012**	**later**
Fixed rate bonds			44 936			
Finance lease liabilities	1 260	1 144	1 098	773	681	1 217

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

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

	As at 31 December 2006	2005
EUR	44 936	71 316
CNY	-	6 727
GBP	-	2 953

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

	Weighted average	Low	High
Bonds	4.730%	4.567%	4.812%
Finance lease liabilities	4.510%	4.510%	4.510%

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

	2006	2005
EUR	441	72 804
INR	1 546	-
CNY	-	9 609
GBP	-	286
USD	-	25 430
SEK	-	59

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

	Weighted average	Low	High
Loans from financial institutions	9.667%	9.500%	9.750%
Bonds	3.741%	3.388%	3.985%
Finance lease liabilities	4.510%	4.510%	4.510%
Limit for the cheque account	4.086%	4.086%	4.086%

The fair values of issued bonds as at 31 December 2006 are as follows:

	Nominal value	Market price	Market value
JVK 4.55% 1.4.2010	15 000 000	94.00	14 100 000
JVK 4.75% 10.3.2010	30 000 000	94.80	28 440 000
Total	**45 000 000**		**42 540 000**

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

JVK 4.55% 1.4.2010	15 000 000	100.30	15 045 000
JVK 4.75% 10.3.2010	30 000 000	101.17	30 351 000
Total	**45 000 000**		**45 396 000**

Finance lease liabilities - total future minimum lease payments:

	As at 31 December	
	2006	**2005**
Not later than one year	1 921	2 869
Later than one year and not later than five years	4 276	7 552
Later than five years	1 897	3 350
Finance lease liabilities - total future minimum lease payments	**8 094**	**13 771**

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

Not later than one year	1 863	2 783
Later than one year and not later than five years	3 822	6 750
Later than five years	1 471	2 597
Finance lease liabilities - present value of future minimum lease payments	**7 156**	**12 130**
Future finance charges	**938**	**1 641**

22. Provisions

	1 January 2006	Additional provisions	Used during the year	31 December 2006
Pension benefit	822		-21	801
Restructuring	11 659	3 205	-9 978	4 886
	12 481	**3 205**	**-9 999**	**5 687**

The restructuring provision comprise expenses caused by the shut-down of the Ylöjärvi plant and also 2006 executed reorganization of Finlands operations and provision comprise a rental liability and provision for voluntary termination benefits related to the shut-down of Fort Worth's plant.

	1 January 2005	Additional provisions	Used during the year	31 December 2005
Pension benefit	845		-23	822
Resturcturing		11 659		11 659
	845	**11 659**	**-23**	**12 481**

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

23. Trade and other payables

	As at 31 December	
	2006	**2005**
Advance payments received	6 527	18 712
Trade payables	77 406	101 345
Other current liabilities	7 403	6 052
Accrued expenses	29 269	40 588
	120 605	**166 697**

Accrued expenses include personnel expenses and accrued interest on liabilities.

24. Derivative financial instruments

Nominal values of derivative financial instruments

	2006	**2005**
Foreign exchange derivatives		
Related to transaction risk	4 109	7 836
Related to financing	46 271	90 890
Interest rate swaps	25 000	40 000
Electricity derivatives	424	299
Total nominal values	**75 804**	**139 025**

All derivative financial instruments mature during one year.

Fair values of derivative financial instruments

	Fair value as at 31 December 2006			**Fair value as at 31 December 2005**		
	Positive	Negative	Net	Positive	Negative	Net
Foreign exchange derivatives						
Related to transaction risk	24	-82	-58	104	-46	58
Related to financing	241	-179	62	421	-2 505	-2 084
Interest rate swaps		-5	-5		-558	-558
Electricity derivatives		-15	-15	23	-35	-12
Total nominal values	**265**	**-281**	**-16**	**548**	**-3 144**	**-2 596**

The fair values are based on quoted market rates and prices. Fair value represents the amount that would be realised, if the derivative contracts were closed on the balance sheet date. All other derivative financial instruments are fair valued through the income statement at each balance sheet date. Hedge accounting is not applied to derivatives 2006.

25. Collaterals and commitments

	2006	2005
Collaterals given as at 31 December		
Rental deposits	414	516
Guarantees given as at 31 December		
Guarantees on behalf of associates	5 614	-
Guarantees on behalf of others	1 429	4 675
Other operaiting leases		
The future aggregate minimum lease payments under non-cancellable operating leases		
No later than 1 year	4 926	5 251
Later than 1 year and no later than 5 years	8 121	11 013
Later than 5 years	5 229	6 108
Total minimum lease payments	**18 276**	**22 372**

The Group has rented production and office facilities and equipments. The rental agreements generally include option to continue the contract after the orginal expiration date.

Major off-balance sheet investment commitments
Major amounts of contractual commitments for the aquisition of property plant and equipment are EUR 13.0 million for the construction of the plants in Guangzhou and India.

26. Related-party transactions

The Group's related-parties include the parent company, subsidiaries and associated companies, which are specified on notes 13 and 14. Related parties also include the members of the Board of Directors, the Executive Board, the CEO and his deputy.

Perlos Corporation has divested the Healthcare Customer Group for the established company. Group's share of ownership and voting rights is 20%. Divested business result has been presented as discontinued operations in annual report and specified on note 10. In addition to the sale Group have had some minor transactions with the established associated company.

Outstanding balances with the associated companies	2006	2005
Receivables	2 808	-
Liabilities	449	-

Gurantees given behalf of associates are specified on note 25.

	As at 31 December	
Key management compensation	**2006**	**2005**
Salaries and other short-term benefits	2 019	1 350
Termination benefits	423	-
Other long-term benefits	-	24
	2 442	**1 374**

Key management has not received any loans 31 December 2006 or 31 December 2005.

Management's post-employment benefits

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

President of the parent company Matti Virtanen's annual salary is EUR 375 000. In addition, he is entitled to a bonus, which is paid on the basis of meeting the targets set by the Board of the Directors. His remunerations and other benefits in 2006 were EUR 32 300 and he currenctly holds 114 167 options in the share programme 2005.

The period of notice for terminating the Presidents employment contract is 6 months, in addition he will receive emolument equaling 24 months' salary in case the company would give the notice for him and he is entitled to keep all share options granted to him. President has also the right to terminate his employment contract if 1) a single shareholder acquires at least 25 per cent of the company's shares and the said shareholder becomes the largest shareholder of the company as a result of this transaction or if 2) at least 50 per cent of the company's assets are acquired by a third party as a result of the single transaction. In these cases, the period of notice is also 6 months and the President is entitled to a 24 months' base salary and to keep all share options granted to him.

Number of share options held by management as at 31 December 2006:

2002 A options	64 250	2005 A options	27 499
2002 B options	68 750	2005 B options	27 499
2002 C options	127 500	2005 C options	27 502

27. Retirement benefit obligations

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

	Defined benefit obligation	
	31.12.2006	**31.12.2005**
Present value of obligations	239	442
Fair value of plan assets	-103	-318
Margin	**136**	**124**
Unrecognised actuarial gains (+) or losses (-)	62	336
Pension liability (+) / receivable (-) in the balance sheet	**198**	**460**

	Movements in net pension liability	
	2006	**2005**
Liability at the beginning of the year	**460**	**1 038**
Net expenses presented in Income Statement	-240	75
Contributions paid	-22	-653
Net liability (+) / assets (-) at the end of year	**198**	**460**

	Expense recognized in the income statement	
	1.1.–31.12.2006	**1.1.–31.12.2005**
Current service cost	36	41
Interest cost	22	104
Actuarial gain (+), loss (-)	-34	
Curtailment	-249	
Expected return on plan assets	-15	-69
Pension expense/other post-employment benefit recognised in the income statement	**-240**	**76**

The principal actuarial assumptions:	2006	2005
Discount rate for 10 years	4.50%	5.00%
Expected return on plan assets	4.50%	5.00%
Future salary increases	3.50%	3.50%
Inflation	2.00%	2.00%
Early termination of employment	0.00%	2.00%

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

28. Business combinations

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

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

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

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

The acquired assets and liabilities consisted of the following:

	Fair value	Acquiree's carrying amounts
Cash and cash equivalents	99	99
Intangible assets	1 374	0
Property, plant and equipment	523	523
Receivables	1 297	1 297
Liabilities	-2 460	-2 460
Loans	-323	-323
Total assets	**510**	**-864**
Minority interest (25%)	**-127**	
Net assets acquired	**382**	
Purchase consideration without own shares	**3 266**	
Cash and cash equivalents in subsidiary acquired	**-99**	
Cash outflow on acquisition	**3 167**	

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

29. Share-based payments

	2006 Options	Weighted average exercise price, €	2005 Options	Weighted average exercise price, €
Options outstanding at the beginning of period	**1 476 250**	**7.25**	**1 771 666**	**12.56**
Granted during the period	375 417	7.00	797 500	7.49
Forfeited during the period	-111 667	6.90	-71 250	9.02
Exercised during the period				
Expired during the period			-1 021 666	16.09
Options outstanding at the end of the period	**1 740 000**	**7.22**	**1 476 250**	**7.25**
Options held by the Company	10 000	6.96	273 750	7.29
Options outstanding at the end of the period	1 750 000	7.22	1 750 000	7.25
Options exercisable at the end of the period	380 000	6.90	190 000	4.73
Average remaining contractual life 31 December, days	1 210		1 575	
Range of remaining contractual lives 31 December, days	835-1 585		1 200-1 950	

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

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

The share options A, B and C that were established as part of the 2002 Share option plan entitle the holders to subscribe a total of 750 000 new shares between 1 April 2005 and 30 April 2008. The initial exercise prices are: Share option A EUR 5.25, Share option B EUR 5.56 and Share option C EUR 9.84. The exercise price is reduced by the amount of dividends distributed after the exercise price has been determined and before the option is exercisable at the record date for each dividend distribution. The exercise price is, however, always at least equal to the nominal value of the share. The dividend adjusted exercise prices of the share options at the end of 2006 were: A EUR 4.63, B EUR 5.16 and C EUR 9.54. The Share options A have been listed on the main list in the Helsinki Stock Exchange. The Share options C, for which the exercise periods start on 1 April 2007 have not yet been listed.

The share options A, B and C that were established as part of the 2005 Share option plan entitle the holders to subscribe a total of 1 000 000 new shares between 1 April 2007 and 30 May 2010. The exercise price is the trade volume weighted average quotation of the Perlos Corporation share in the Helsinki Stock Exchange during the August month of each year plus 14 per cent. The exercise price of the Share option A was determined as EUR 7.17 in August 2005. The exercise prices of Share options B was determined as EUR 6,85 in Agust 2006. The exercise price of Share options C will be determinated in August 2007 respectively. The dividend adjusted exercise prices of the share options at the end of 2006 were: 2005 A EUR 7.07 and 2005 B EUR 6.85. The exercise price is reduced by the amount of dividends distributed after the exercise price has been determined and before the option is exercisable at the record date for each dividend distribution. The exercise price is, however, always at least equal to the nominal value of the share. The Share option plan has not been listed.

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

The IFRS standard on share-based payments was effective on 1 January 2005 and obliges the Company to apply the procedure to all share options that were granted after 7 November 2002 and had not vested before 1 January 2005. These share options have been recorded in the financial statements in accordance with IFRS 2 Share-based payments. The share options are valued at fair value with the Black-Scholes option pricing model. The options accounted for under IFRS 2 were granted on 10 February 2003, 23 January 2004, 15 May 2005, 6 February 2006 and 22 September 2006 and the corresponding fair values were as follows:

	Fair value, €	Exercise period
2002A options, granted 10 February 2003	1.20	1.4.2005–30.4.2008
2002B options, granted 10 February 2003	1.73	1.4.2006–30.4.2008
2002C options, granted 10 February 2003	2.05	1.4.2007–30.4.2008
2002A options, granted 23 January 2004	3.98	1.4.2005–30.4.2008
2002B options, granted 23 January 2004	4.30	1.4.2006–30.4.2008
2002C options, granted 23 January 2004	2.82	1.4.2007–30.4.2008
2005A options, granted 15 May 2005	1.52	1.4.2007–30.5.2010
2005B options, granted 15 May 2005	2.04	1.4.2008–30.5.2010
2005C options, granted 15 May 2005	2.49	1.4.2009–30.5.2010
2005A options, granted 6 February 2006	3.02	1.4.2007–30.5.2010
2005B options, granted 6 February 2006	1.95	1.4.2008–30.5.2010
2005C options, granted 6 February 2006	2.51	1.4.2009–30.5.2010
2005A options, granted 22 Sebtember 2006	0.13	1.4.2007–30.5.2010
2005B options, granted 22 Sebtember 2006	0.61	1.4.2008–30.5.2010
2005C options, granted 22 Sebtember 2006	1.38	1.4.2009–30.5.2010

The subscription prices used in the option pricing models correspond the market prices at grant date (the price of Options 2002 A, B and C granted on 10 February 2003 is EUR 4.16, the price of Options 2002 A, B and C granted on 23 January 2004 is EUR 8.57 and the price of Options 2005 A, B and C granted on 15 May 2005 is EUR 7.45, the price of Options 2005 A, B and C granted on 6 February 2006 is EUR 9.40 and the price of Options 2005 A, B and C granted on 22 September 2006 is EUR 4.67). The range of historical volatility used in the option pricing is 42-57%. Historical volatility has been counted based on the Perlos share's daily closing rates year before the grant date. The range of risk-free interest rates used in the calculations is 3.4-3.5% and the expected rate of terminations of employment is 15%. In the end of the employment shareholders must return the options, which exercise period has not yet started, unless nothing else has not been agreeded.

30. Notes to the cash flow statement

	Year ended 31 December	
Adjustments on the profit for the period	**2006**	**2005**
Depreciation and amortisation	44 502	45 716
Change in provisions	-7 683	11 636
Profit (-) or loss (+) on the sale property, plant and equipment	1 000	-628
Other	15 385	0
Total	**53 204**	**56 724**
Change in net working capital		
Increase (-), decrease (+) in current receivables	33 191	-46 914
Increase (-), decrease (+) in inventories	52 016	-52 189
Increase (+), decrease (-) in current liabilities	-44 526	62 146
	40 681	**-36 957**

31. Dividend distribution

After the balance sheet date the Board of Directors has proposed no dividend will be distributed. Divident distribution was EUR 0.10 per share 2005.

32. Events after the balance sheet date

On 15 January 2007, Perlos announced a profitability improvement programme with the objective of significantly improving the operating result of Perlos' continuing operations, exclusive of non-recurring items, compared with 2006. Perlos intends to achieve this objective by boosting the efficiency of its operations and by reducing annual expenses by more than EUR 100 million by the end of 2007. The profitability improvement programme concerns all of the company's operations in Europe, Asia and North and South America. Crucial measures for changing Perlos' cost structure include boosting the efficiency of production processes, purchasing activities and subcontracting as well as cutting costs related to quality by improving the quality of all operations. The entire company's organisation will also be streamlined and production in Finland will be adjusted to match demand. As a result of these measures, it is estimated that, by the end of 2007, the Perlos Group will require 4,000 fewer employees than at present. On 22 January 2007, as a part of its profitability improvement programme, Perlos started co-determination negotiations concerning all personnel in Finland for reasons connected with production, finances and the restructuring of operations. The negotiations concern approximately 1,400 people. The aim of the negotiations is to actively find different ways to improve profitability and one of the options to be discussed at the negotiations is the discontinuation of production operations in Finland altogether. According to a preliminary estimate, the company will need to cut approximately 1,200 full-time jobs. If a decision to discontinue production operations in Finland were to be made, it is estimated that this would incur non-recurring expenses of EUR 35-40 million. The majority of the expenses would result from write-downs of property, plant and equipment, with no effects on cash flows.

33. Risk management

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

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

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

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

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

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

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

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

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

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

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

Management of financial risks

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

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

Credit risks

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

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

The management of customer specific credit risks has been directed to business units. The creditworthiness of the key customers of Perlos is good and the company considers not to have had any material credit risks at the year end. The theoretical amount that best represent the maximum credit risk exposure at the balance sheet us the amount of trade receivables amounting to EUR 63.3 million and EUR 123.2 million as at 31 December 2006 and 2005, respectively.

Refinancing risks

Refinancing risks occur when such a large share of the company's loans mature in such a short time that refinancing is either costly or not available. The aim is to restrict the funding-related refinancing risks by staggering the repayment of the non-current loan portfolio into different maturities. Perlos' non-current loan portfolio comprises six-year bond loans totalling EUR 45 million that were issued in spring 2004.

Liquidity risks

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

Perlos seeks to restrict its liquidity risks by maintaining sufficient cash assets and committed credit limits. At the end of 2006, Perlos' cash assets amounted to EUR 28.1 million. For an eventual need of additional funding, Perlos agreed on a five-year syndicated credit limit of EUR 170 million in summer 2004, of which EUR 0 million was in use at the end of 2006 (EUR 25,4 million at the end of 2005). In addition, Perlos has at its disposal a domestic commercial paper programme worth EUR 200 million, of which EUR 86.5 million was in use at the end of the year and EUR 57.0 million at the end of 2005.

Interest rate exposure

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

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

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

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

The company has hedged part of its variable-interest loans with interest rate swaps. Hedge accounting is applied to interest rate swaps and changes in their fair value are recorded in the revaluation fund under shareholders' equity as set in IAS 39.

Risk limits of interest rate exposure

The average interest rate maturity of the net loan portfolio must be at least three months and no longer than five years. In addition, the duration of investments may not exceed 18 months. At the end of 2006, the interest rate reset period of the net loan portfolio was 14 months and at the end of 2005 16 months.

Foreign exchange exposure

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

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

Translation exposure refers to the impact of exchange rate movements on the consolidated balance sheet. Assets, shareholders' equity or liabilities in the consolidated balance sheet may change due to exchange rate movements. Exchange rate movements may impact on not only the carrying amounts, but also certain key figures, such as the equity ratio and gearing ratio.

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

Perlos primarily manages its foreign exchange exposure by way of its business operations. The procurement of production inputs and sales of products are primarily carried out in the local currencies of Group companies, of which the most significant are EUR, RMB and USD. Exceptions are components obtained from Japanese suppliers, where the Japanese Yen is the agreed currency of purchase. Perlos primarily uses forward exchange contracts in the hedging of its currency exposure. The change in their value is recognised in the income statement in other operating income or expenses regarding operative hedges or in financial items regarding hedging of financial risks. Derivatives are used solely for hedging purposes but no IAS 39 compatible hedge accounting is conducted.

Hedging of currency risks

In case of the transaction exposure, Perlos' principal is to hedge major foreign currency commitments and part of the estimated cash flows. The unhedged transaction exposure of the parent company administered by treasury may not exceed EUR 5 million. Perlos does not hedge translation exposure.

Commodity risks

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

Parent Company Income Statement (FAS)

1 000 €	Note	Year ended 31 December 2006	2005
Net sales	*1*	227 240	307 032
Cost of goods sold		-221 019	-274 960
Gross profit		6 220	32 072
Sales and marketing expenses		-6 953	-8 419
Administration expenses		-35 860	-34 901
Other operating income		2 238	8 306
Other operating expenses		-3 122	-266
Operating profit/loss	*2,3,4*	-37 477	-3 208
Financial income and expenses	*5*	2 336	20 809
Profit/loss before extraordinary items		-35 141	17 601
Extraordinary items	*6*	18 411	-11 650
Profit/loss before appropriations and taxes		-16 730	5 950
Income taxes	*7*	-181	130
Net profit/loss for the period		**-16 910**	**6 081**

Parent Company Balance Sheet (FAS)

1 000 €	Note	As at 31 December 2006	2005
ASSETS			
Non-current assets			
Intangible assets	*8*	6 947	12 130
Property, plant and equipment	*9*	47 656	84 840
Investments	*10*	122 501	70 962
		177 104	167 932
Current assets			
Inventories	*12*	17 669	39 872
Non-current receivables	*13*	498	11
Current receivables	*14*	65 481	115 981
Financial assets		3 998	1 300
Cash and cash equivalents		16 546	51 366
		104 192	208 530
Total assets		**281 296**	**376 462**
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	*15*	31 762	31 762
Share premium		-	48 782
Reserve, managed by General Meeting		48 782	-
Retained earnings		46 535	45 747
Net profit/loss for the period		-16 910	6 081
		110 169	132 372
Obligatory provisions	*16*	4 798	12 481
Liabilities			
Non-current liabilities	*17*	45 010	70 000
Current liabilities	*18*	121 319	161 609
		166 329	231 609
Total shareholders' equity and liabilities		**281 296**	**376 462**

Parent Company Cash Flow Statement (FAS)

1 000 €	2006	2005
Cash flows from operating activities		
Operating profit/loss	-37 059	-3 208
Adjustments to operating profit/loss	9 279	19 272
Change in working capital	-8 023	-6 809
Interest expenses	-11 930	-8 671
Dividends received	41 658	21 735
Interest income	6 586	6 200
Taxes paid	-181	-367
Net cash flow from operating activities	**330**	**28 152**
Cash flows from investing activities		
Investments in subsidiaries	-51 709	-21 157
Investments in associated companies	-7 722	-
Acquisition of intangible and tangible assets	-5 903	-25 141
Sales of business units & subsidiaries	56 160	-
Sales of intangible and tangible assets	3 327	4 538
Net cash flow used in investing activities	**-5 847**	**-41 760**
Cash flow before financing activities	**-5 517**	**-13 608**
Cash flows from financing activities		
Loans raised	447 889	235 113
Repayments of loans	-480 875	-167 979
Interest bearing receivables, increase/decrease	11 675	-31 397
Dividends	-5 294	-10 554
Net cash flow from financing activities	**-26 605**	**25 183**
Increase/decrease in cash and cash equivalents	-32 122	11 575
Cash and cash equivalents, 1 Jan.	52 666	41 091
Cash and cash equivalents, 31 Dec.	**20 544**	**52 666**

Accounting Policies for Parent Company

The financial statements of Perlos Corporation have been prepared in accordance with the Finnish Accounting Act and other statutes and regulations on the preparation of annual accounts (FAS = Finnish Accounting Standards).

Use of estimates

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

Foreign currency translation

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

Tangible and intangible assets

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

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

Inventories

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

Provision for contingent losses

Future costs and losses which the company has an obligation to settle and which are certain or likely to occur are disclosed in the income statement under an appropriate expense heading. They are presented in the balance sheet as provisions for contingent losses when the precise amount or timing is no known.

Revenue recognition

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

Maintenance and repair charges

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

Research and development

Research and development costs have been recognised as annual expenses for the year during they were incurred. Development expenditure will be activated for intangible assets when they have fulfilled all the criteria. Minor activated development expenditures are expenses related to the patents.

Lease agreements

Leasing payments are treated as rental expenditures.

Pensions and accrued pension costs

Pension costs are recognised in accordance with the legislation in Finland. The Company has recorded a pension liability under provisions.

Extraordinary income and expenses

Extraordinary income and expenses are deemed as those based on events in the company that are extraordinary, non-recurring and substantial, such as group contributions and items related to corporate restructuring.

Taxes

Taxes in the income statement are the taxes corresponding to the result of the company during the financial year as well as adjustments to taxes in previous years. Deferred tax assets or liabilities are not entered in the accounts of the parent company.

Notes to the Parent Company Financial Statements

1. Net sales

1 000 €	2006	2005
Net sales by industry segment		
Telecommunications and electronics industry	191 293	265 004
Healthcare industry	35 946	42 028
	227 240	**307 032**
Net sales by market area		
Finland	73 343	105 062
Other European countries	100 056	144 293
Americas	33 797	27 236
Other countries	20 044	30 441
	227 240	**307 032**

2. Other operating income

Other operating income	**2 238**	**8 306**

Other operating income includes insurance reimbursements, rent income of free office premises and equipments, foreign exchange forwards and profit of asset sale.

3. Personnel costs and number of personnel

Personnel costs		
Wages and salaries	-70 910	-92 388
Pension costs	-11 945	-14 996
Other personnel costs	-5 345	-5 716
	-88 200	**-113 100**

Salaries and remunerations paid to management
The salaries and remunerations of the Parent Company managing director were EUR 620 thousand (2005: EUR 591 thousand). The remunerations of the members of the Board were EUR 181 thousand in Parent Company (2005: EUR 160 thousand).

The average number of personnel employed by the parent company was:

	2006	2005
Salaried employees	801	866
Employees	1 411	2 107
	2 212	**2 973**

Pension commitments of the members of the Board and managing directors
The agreed retirement age for the managing director of the parent company is 60 years.

4. Depreciation by function

Purchasing and manufacturing	-13 127	-14 589
Sales and marketing	-	-86
Administration	-4 629	-4 610
Change in fair value of assets	-3 255	-
	-21 011	**-19 285**

5. Financial income and expenses

	2006	2005
Dividend income		
Dividend income belonging to the same Group	41 658	24 422
From others	1	63
Dividend income, total	**41 659**	**24 485**
Other interest and financial income		
From companies belonging to the same Group	5 284	3 321
From others	1 302	4 632
Other interest and financial income, total	**6 586**	**7 953**
Interest expenses and other financial expenses		
To companies belonging to the same Group	-21	-10
To others	-11 910	-11 472
Interest and other financial expenses, total	**-11 930**	**-11 482**
Impairment in non-current investments	-33 978	-147
Financial income and expenses, total	**2 336**	**20 809**
Financial income and expenses includes exchange gains and losses (net)	-2 258	-536

6. Extraordinary items

	2006	2005
Income		
Group contribution	13	9
Divestment of Healthcare Customer group	18 398	-
Expenses		
Operation’s reorganization	-	-11 659
Extraordinary items	**18 411**	**-11 650**

7. Income taxes

	2006	2005
Other taxes	-181	130
Taxes, total	**-181**	**130**

Deferred tax liabilities have not been presented in the profit and loss statement nor in the balance sheet.
The company has a tax authority verified tax loss of EUR 6.3 million on 31 December 2005. The deferred tax asset from this tax loss is EUR 1.6 million.

8. Intangible assets

1.1.–31.12.2005	Intangible rights	Other long-term expenditure	Advances and purchases in progress	Total
Acquisition cost, 1 Jan.	2 592	22 049	733	185 230
Increases and transfers	978	2 250	1 512	4 740
Decreases			-733	-733
Acquisition cost, 31 Dec.	3 570	24 299	1 512	189 237
Accumulated depreciation, 1 Jan.	527	11 519		171 902
Depreciation during the financial year	757	4 448		5 205
Accumulated depreciation, 31 Dec.	1 284	15 967		177 107
Book value, 31 Dec.	**2 286**	**8 332**	**1 512**	**12 130**

1.1.–31.12.2006	Intangible rights	Other long-term expenditure	Advances and purchases in progress	Total
Acquisition cost, 1 Jan.	3 570	24 299	1 512	189 237
Increases and transfers	831	729	386	1 946
Decreases	-170	-3 338	-1 298	-4 806
Discontinued operations	-1 911	-401		-2 312
Acquisition cost, 31 Dec.	2 320	21 289	600	184 065
Accumulated depreciation, 1 Jan.	1 284	15 968		177 108
Depreciation of decreases	-1 641	-2 820		-4 461
Depreciation during the financial year	939	3 532		4 471
Accumulated depreciation, 31 Dec.	582	16 680		177 118
Book value, 31 Dec.	**1 738**	**4 609**	**600**	**6 947**

Other long-term expenditure consists mainly of leasehold improvements and enterprise resource planning system.

9. Preperty, plant and equipment

1.1.–31.12.2005	Land	Buildings	Machinery and equipment	Other tangible assets	Advances and purchases in progress	Total
Acquisition cost, 1 Jan.	719	33 889	112 372	1 539	10 989	159 508
Increases and transfers	20	2 681	17 866		-165	20 402
Decreases			-7 422	-4	-143	-7 569
Acquisition cost, 31 Dec.	739	36 570	122 816	1 535	10 681	172 341
Accumulated depreciation, 1 Jan.		6 408	69 323	1 451		77 182
Depreciation of decreases			-3 758	-4		-3 762
Depreciation during the financial year		1 185	12 810	86		14 081
Accumulated depreciation, 31 Dec.		7 593	78 375	1 533		87 501
Book value, 31 Dec.	**739**	**28 977**	**44 441**	**2**	**10 681**	**84 840**
Book value of production machinery and equipment						41 631

1.1.–31.12.2006	Land	Buildings	Machinery and equipment	Other tangible assets	Advances and purchases in progress	Total
Acquisition cost, 1 Jan.	739	36 570	122 816	1 535	10 681	172 341
Increases and transfers		64	7 334		1 136	8 534
Decreases	-29	-10	-24 347		-9 120	-33 506
Discontinued operations	-245	-15 731	-17 738		-601	-34 315
Acquisition cost, 31 Dec.	464	20 893	88 065	1 535	2 096	113 053
Accumulated depreciation, 1 Jan.		7 593	78 375	1 533		87 501
Depreciation of decreases		-3 741	-34 902			-38 643
Depreciation during the financial year		1 151	12 132	2		13 285
Impairment			3 255			3 255
Accumulated depreciation, 31 Dec.		5 003	58 860	1 535		65 398
Book value, 31 Dec.	**464**	**15 890**	**29 205**	**0**	**2 096**	**47 656**
Book value of production machinery and equipment						29 517

10. Investments

1.1.–31.12.2005	Own shares	Shares in Group companies	Receivables from associates	Asso-ciates' shares	Other shares	Total
Book value, 1 Jan.	3 974	46 928	0	2 825	52	53 779
Increases		23 826				23 826
Decreases	-3 974			-2 655	-15	-6 644
Book value, 31 Dec.	0	70 754	0	170	38	70 962
Write downs						
Book value, 31 Dec.	**0**	**70 754**	**0**	**170**	**38**	**70 962**

1.1.–31.12.2006	Own shares	Shares in Group companies	Receivables from associates	Asso ciates' shares	Other shares	Total
Book value, 1 Jan.	0	70 754	0	170	38	70 962
Increases		15 611	79 076	7 722		102 409
Discontinued operations		-16 721				-16 721
Decreases				-170		-170
Book value, 31 Dec.	0	69 644	79 076	7 722	38	156 480
Write downs			-33 978			-33 978
Book value, 31 Dec.	**0**	**69 644**	**45 098**	**7 722**	**38**	**122 501**

11. Subsidiaries and investment in associated companies

	Share of ownership and voting right held by the Group 2006	2005
Perlos Ltd (UK); Washington, the UK	-	100%
Perlos Holding Inc; USA	100%	100%
Perlos (Texas) Inc; Fort Worth, USA	100%	100%
Perlos Mexico Holding Corp. (US); USA	100%	100%
Perlos Mexico Services, S.A. de C.V; Mexico	100%	100%
Perlos Mexico, S.A. de C.V; Mexico	100%	100%

	Share of ownership and voting right held by the Group	
	2006	2005
Perlos Precision Plastics Moulding Limited Liability Company; Komarom, Hungary	100%	100%
Perlos (Guangzhou) Engineering Plastics Company Ltd.; Guangzhou, China	100%	100%
Perlos (Guangzhou) Electronic Components Co., Ltd.; Guangzhou, China	100%	100%
Perlos (Beijing) Electronic and Telecommunication Components Co., Ltd.; Peking, China	100%	100%
Perlos Finance Holding Oy; Finland	100%	100%
Perlos AB; Sweden	100%	100%
giga Ant AB; Sweden		
giga Ant Asia Pte Ltd; Singapore		
Perlos Malaysia Sdn Bhd; Malaysia		
Perlos Asia Pte Ltd; Singapore		
Perlos Ltda; Brazil	100%	100%
Perlos Technology Oy; Finland	100%	100%
Perlos Telecommunication and Electronic Components (India) Pvt Ltd, Chennai, India	100%	-
Perlos Precision Molds (Schenzen) Co., Ltd., China		
CIM Precision Molds (H:K) Ltd., Hong Kong	75%	75%
Associates		
EPE Design Corporation, Finland	-	50%
Medifiq Healthcare Corporation	20%	-

Associated companies have been consolidated to the Group Financial Statements.

12. Inventories

	2006	2005
Materials and supplies	3 210	8 542
Semifinished products	5 833	8 396
Finished products/goods	8 103	17 195
Advances	522	5 721
Advances from Group Companies	-	18
Total	**17 668**	**39 872**

13. Non-current receivables

	2006	2005
Other long-term receivables, from Group	490	-
Other long-term receivables	8	11
Long-term receivables	**498**	**11**

14. Current receivables

	2006	2005
Receivables from Group companies		
Accounts receivables	6 568	14 632
Loan receivables	11 808	57 461
Other receivebles	25 944	2 760
Prepaid expenses and accrued income	223	-
Interest receivables	1 017	1 345
	45 560	**76 198**
Receivables from associates		
Other receivables	2 318	-
Receivables from others		
Accounts receivable	15 885	36 329
Other receivables	332	2 589
Prepaid expenses and accrued income		
Fees of loans paid in advance	-	539
Foreign exchange forwards	415	124
Other accrued income	971	202
	17 603	**39 783**
Short-term receivables, total	**65 481**	**115 981**

15. Shareholders' equity

	2006	2005
Restricted equity		
Share capital, 1Jan.	31 762	31 850
Own shares cancelled		-88
Share capital, 31 Dec.	**31 762**	**31 762**
Share premium, 1 Jan.	48 782	48 694
Transfer to other funds	-48 782	
Own shares cancelled		88
Share premium, 31 Dec.	**0**	**48 782**
Reserve funds for own shares, 1 Jan.	-	3 974
Decrease	-	-3 974
Reserve funds for own shares, 31 Dec.	**0**	**0**
Total Restricted equity	**31 762**	**80 544**
Non-Restricted equity		
Reserve managed by the General Meeting, 1 Jan.	-	-
Transfer from share premium	48 782	-
Reserve managed by the General Meeting, 31 Dec.	**48 782**	**-**
Retained earnings, 1 Jan.	51 828	55 043
Dividends	-5 294	-10 554
Other changes	-	1 258
Retained earnings, 31 Dec.	**46 535**	**45 747**
Net profit/loss for the period	-16 910	6 081
Total Non-Restricted equity	**78 407**	**51 828**
Shareholders´ equity, total	**110 169**	**132 372**

	2006	2005
Schedule of distributable funds, 31 Dec.		
Reserve managed by the General Meeting	48 782	-
Retained earnings	46 535	45 747
Profit/loss for the period	-16 910	6 081
	78 407	**51 828**

The company has during 2006 established a reserve managed by the General Meeting
of Perlos Corporation. The reserve was founded based on the Annual General Meeting's conclusion in 2006.

16. Provisions

	2006	2005
Pension liabilities	801	822
Business reorganization	3 997	11 659
	4 798	**12 481**

The reorganization costs are due to the closing of the Ylöjärvi and Nurmijärvi Plants and other activities in Finland. The main costs arise from the rental commitments and personnel severance payments.

17. Non-current liabilities

Loans denominated in euros accounted for 100% of loans from financial institutions and bonds and depentures at the end of year 2006. The average interest rate of long-term loans was 4.73%.

	2006	2005
Loans from financial institutions	-	25 000
Bonds and depentures	45 000	45 000
Other long-term debts	10	-
	45 010	**70 000**

Company's repayment schedule of long-term loans from financial institutions and bonds and depentures at 31 December 2006.

	2008	2009	2010	2011
Repayments	0	0	45 000	0

The company does not have any long-term loans which would expire later than year 2010.

18. Current liabilities

	2006	2005
Liabilities to Group companies		
Loans	3 583	764
Accounts payable	4 045	1 212
Accounts payable to associated companies	22	-
Accrued liabilities		
Interest expenses	10	4
	7 661	**1 980**
Liabilities for associates		
Other short-term liabilities	36	-

	2006	2005
Liabilities to others		
Loans from financial institutions	-	40 430
Bank account limit	441	-
Commercial papers	85 871	56 697
Advances received	2 765	11 575
Accounts payable	7 563	23 425
Other short-term liabilities	2 952	2 904
Accrued liabilities		
Wages, salaries and provisions for staff social costs	11 714	19 505
Interest expenses	2 079	2 762
Foreign exchange forwards	237	2 331
	113 622	**159 629**
Total short-term liabilities	**121 319**	**161 609**

19. Leasing and rental commitments

The Company has rented office, factory and storage buildings for its own use. The rental agreements are fixed-term, and some can be renewed for periods of varying duration.

	2006	2005
Payments to be made on leasing and rental agreements		
Not later than one year	2 167	3 821
To be paid later	2 575	7 050
	4 742	**10 871**

20. Commitments on behalf of companies in the same Group

	2006	2005
Guarantees on security of financing	8 667	6 404
Guarantees on security of other commitments	44 415	39 864

21. Commitments on behalf of other parties

Guarantees on behalf of other parties	1 429	4 675
Rental deposits	414	516

22. Derivative contracts

Foreign exchange forwards		
Nominal amount	49 336	80 262
Fair value	179	-2 207
Interest rate swaps		
Nominal amount	25 000	40 000
Fair value	-60	-558
Commodity derivatives		
Nominal amount	424	299
Fair value	-15	-12

The nominal amounts are presented as net values.

The fair value indicates the result that would be realised, if the derivative contracts were closed on the reporting date.

Proposal for the Distribution of Profits

The loss of Perlos Corporation for the financial year 2006 was EUR 16.910.574,90 and the distributable equity at December 31, 2006 was EUR 78.405.756,08. The Board of Directors proposes that no dividend be paid on the financial year 2006.

THE SIGNATURES OF THE BOARD´S REPORT AND THE FINANCIAL STATEMENTS

Vantaa, 5 February, 2007

Kari O. Sohlberg Chairman of the Board of Directors	Andreas Tallberg Vice Chairman of the Board of Directors	Timo Leinilä Member of the Board	Heikki Mairinoja Member of the Board
Jukka Rinnevaara Member of the Board	Kari Vuorialho Member of the Board	Petteri Walldén Member of the Board	Matti Virtanen President and CEO

Auditors' Report

TO THE SHAREHOLDERS OF PERLOS PLC

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Perlos plc for the period 1.1. – 31.12.2006. 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, 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 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 Directors of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Ernst & Young Oy,
Authorised Public Accountants

Harri Pärssinen,
Authorised Public Accountant

Group Financial Key Indicators

Income statement and profitability		IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Net sales	MEUR	716.3	666.8	561.6	452.3	364.6
Net sales, continuing operations	MEUR	673.6	614.0	516.7		
EBITDA	MEUR	36.7	59.0	122.3	70.4	53.3
EBITDA, (% of net sales)	%	5.13	8.8	21.8	15.6	14.6
EBITDA, continuing operations	MEUR	11.6	50.3	119.9		
EBITDA, (% of net sales), continuing operations	%	1.7	8.2	75.9		
EBITA	MEUR				39.9	24.0
EBITA, (% of net sales)	%				8.8	6.6
EBIT	MEUR	-7.8	13.3	87.6	17.3	1.4
EBIT, (% of net sales)	%	-1.1	2.0	15.6	3.8	0.4
EBIT, continuing operations	MEUR	-32.9	8,9	86.1		
EBIT, (% of net sales), continuing operations	%	-4.9	1.5	54.6		
Profit (loss) before income taxes	MEUR	-18.9	6.3	81.8	11.2	-4.5
Profit (loss) before income taxes, (% of net sales)	%	-2.6	0.9	14.6	2.5	-1.2
Profit (loss) for the financial period	MEUR	-25.3	8.3	63.0	8.6	-2.1
Profit (loss) for the financial period, (% of net sales)		-3.5	1.2	11.2	1.9	-0.6
Return on equity	%	-14.7	4.6	42.0	6.3	-1.3
Return on equity, continuing operations	%	-28.6	4.5	52.5		
Return on investment	%	5.3	8.0	32.8	7.9	1.7
Return on investment, continuing operations	%	-2.4	7.6	36.5		
Interest cover	%	3.6	8.4	26.1	13.2	9.7
Cash flow						
Cash flow from operations	MEUR	65.5	19.4	95.3	47.7	36.6
Capital expenditures	MEUR	62.1	105.0	59.6	50.7	40.9
Capital expenditures, (% of net sales)	%	8.7	15.8	10.6	11.2	11.2
Capital expenditures, continuing operations	MEUR	60.4	99.7	56.6		
Capital expenditures, (% of net sales)	%	9.0	16.2	11.0		
Balance sheet and solvency						
Shareholders' equity	MEUR	155.7	188.2	175.2	141.2	149.1
Provisions	MEUR	5.7	12.5	0.8	0.9	0.9
Total liabilities	MEUR	262.2	360.4	236.6	183.9	172.4
Total shareholders' equity and liabilities	MEUR	423.6	561.1	412.6	326.1	322.5
Interest-bearing liabilities	MEUR	140.9	189.2	120.3	99.2	101.7
Net debt	MEUR	112.8	162.8	68.2	83.8	71.9
Gearing	%	0.72	0.87	0.39	0.63	0.51
Equity ratio	%	37.3	34.7	43.6	43.2	46.3
Personnel						
Personnel, average		7 746	7 120	5 494	4 437	3 641
Personnel, average, continuing operations		7 324	6 570	5 150		
Personnel, average, continuing operations, including temporary workers		13 320	9 489	5 974		
Personnel at the end of the period		7 229	7 682	6 117	4 657	3 974
Personnel at the end of the period, continuing operations		7 229	7 143	5 565		
Personnel at the end of the period, continuing operations, including temporary workers		12 944	12 323	7 402		

Exchange rates

The most important currencies (31 Dec.)	EUR	EUR	EUR	EUR	EUR
USD	1.3170	1.1797	1.3621	1.2630	1.0487
GBP	0.6715	0.6853	0.7051	0.7048	0.6505
CNY	10.2793	9.5204	11.2734	10.3426	8.6266
SEK	9.0404	9.3885	9.0206	9.0800	9.1528
BRL	2.8202	2.7446	3.6177	3.6051	2.8051
MXN	14.2830	12.5880			
INR	58.2295				

Share Related Data

		IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Earnings per share	EUR	-0.48	0.16	1.19	0.17	-0.04
Earnings per share (diluted)	EUR	-0.48	0.16	1.18	0.16	-0.04
Earnings per share, continuing operations	EUR	-0.82	0.12	1.19		
Cash flow per share	EUR	1.26	0.37	1.81	0.93	0.71
Cash flow per share (diluted)	EUR	1.26	0.37	1.80	0.91	0.69
Shareholders' equity per share	EUR	2.94	3.55	3.32	2.55	2.76
Shareholders' equity per share (diluted)	EUR	2.94	3.55	3.29	2.54	2.69
Dividend per share	EUR	-	0.10	0.20	0.10	0.22
Dividend pay-out ratio	%	-	62.3	16.8	58.8	neg.
Effective dividend yield	%	-	1.12	1.70	1.58	3.66
Price/earning ratio (P/E)		neg.	55.8	9.9	37.7	neg.
Share prices						
Lowest share price	EUR	3.45	5.98	6.39	2.96	3.92
Highes share price	EUR	9.67	12.49	13.14	6.92	12.55
Average share price	EUR	6.29	8.03	9.56	4.97	7.54
Share price at the end of the year	EUR	3.51	8.95	11.77	6.33	6.01
Trading volumes						
Number of shares	pcs	93 564 833	104 041 037	57 486 456	38 740 918	32 100 915
Number of shares in relation to the weighted average number of shares	%	176.7	196.5	108.6	75.3	62.3
Number of shares						
At the end of the period	pcs	52 937 148	52 937 148	52 768 346	52 338 086	51 230 786
Average during the period	pcs	52 937 148	52 882 576	52 954 598	51 420 718	51 504 737
Average during the period (diluted)	pcs	53 020 316	53 029 272	53 344 200	52 518 852	53 158 216
Market capitalisation at the end of the period	MEUR	186	474	621	331	308

Dividend distribution 2006 is the Board's proposal for the Annual General Meeting.

Calculation of Key Indicators

FINANCIAL INDICATORS

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

PER-SHARE INDICATORS

Earnings/share, EUR	= $\dfrac{\text{Equity attributable to equity holders of the parent company at the end of year}}{\text{average number of shares during the period}}$
Earnings per share, accounting for dilution, EUR	= $\dfrac{\text{Equity attributable to equity holders of the parent company at the end of year}}{\text{adjusted number of shares (accounting for dilution)}}$
Equity/share, EUR	= $\dfrac{\text{shareholders' equity}}{\text{number of shares at the end of the year}}$
Dividend/share, %	= $\dfrac{\text{dividend per share}}{\text{earnings/share}} \times 100$
Net cash flow from operations/share	= $\dfrac{\text{net cash flow from operations}}{\text{average number of shares during the period}}$
Effective dividend yield, %	= $\dfrac{\text{dividend/share}}{\text{share price at the end of the year}} \times 100$
P/E multiple	= $\dfrac{\text{share price at the end of the year}}{\text{earnings/share (exclusive of extraordinary items)}}$
Market capitalisation	= number of shares at the end of the year x share price at the end of the year
Average share price	= $\dfrac{\text{total value of share turnover during the year}}{\text{number of shares traded during the period}}$

Corporate Governance

Perlos Corporation's corporate governance and administrative procedures comply with the Guidelines on the Administration of Public Limited Companies released by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers that came into force on 1 July, 2004.

The statement on the review of the administration is included in the Auditors' Report on page 68.

ANNUAL GENERAL MEETING

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

BOARD OF DIRECTORS

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

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

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

The main tasks of the Board

Strategy

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

Organisation

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

Finance and control

- confirm the corporate financing policy,
- oversee and develop corporate governance, the business organisation, bookkeeping and financial management,
- confirm corporate level risk management and reporting procedures,
- follow up and monitor the resources that affect the results of business units,
- decide on major investments, recruitments, acquisitions and the restructuring of business operations,
- specify the rules for decision-making and authorisation procedures, including euro-denominated limits,
- approve company policies and instructions for major areas of administration and control,

- draft the dividends policy and assume responsibility for the trend in shareholder value,
- prepare financial statements and interim reports and approve the annual report and the financial information related to it.

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

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

In 2006, the Board of Directors convened 21 times and the average attendance of directors at the Board meetings was 96%.

AUDIT COMMITTEE

The Audit Committee's primary purpose is to assist the Board in overseeing:
- The integrity of the company's financial statements,
- The company's compliance with legal and regulatory requirements,
- The external auditors' competence and independence,
- The performance of the company's Internal Audit function and external auditor,
- The company's system of internal controls and ethics that have been established by management and the Board,
- The adequacy of risk management policies and procedures.

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

In 2006, the Audit Committee consisted of the following members up to the Annual General Meeting held on 28 March 2006: Kari O. Sohlberg, Matti Aura and Teppo Tabermann. After the Annual General Meeting, the Audit Committee consisted of Kari O. Sohlberg, Jukka Rinnevaara and Kari Vuorialho. The Audit Committee convened six times in 2006.

PRESIDENT AND THE EXECUTIVE BOARD

The Board of Directors elects the company's President. The principal terms and conditions pertaining to his employment are specified in writing in the President's employment contract. The President performs his duties in accordance with Finnish law and especially with the provisions of the Companies Act, Perlos' Articles of Association, the rules of procedure of the Board of Directors and in accordance with such general and special directions and instructions which may be given to him or her by the Board. The President is not a Board member. Matti Virtanen has been the President of Perlos since 1 December 2006. Prior to this, the company's President was Isto Hantila.

Perlos' Executive Board assists the President in operative management. The Executive Board meets regularly to discuss matters related to the company's operative business activities. The members of the Executive Board are presented on pages 82–83.

INTERNAL AUDIT

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

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

AUDIT

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

The company's auditor up to the Annual General Meeting on 28 March 2006 was SVH PricewaterhouseCoopers Oy, Authorised Public Accountants, with Kari Lydman, Authorised Public Accountant, acting as chief auditor. The auditor elected by the Annual General Meeting on 28 March 2006 is Ernst & Young Oy, Authorised Public Accountants, with Harri Pärssinen, Authorised Public Accountant, acting as chief auditor.

Audit fees in 2006 amounted to EUR 0.4 million, and the company paid EUR 0.2 million for other services by the Authorised Public Accountants.

INSIDER REGULATIONS

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

Pursuant to Perlos' Insider Rules, the shareholding data of the so-called Public Insiders is in the public domain and accessible either via the Finnish Central Securities Depository or via Perlos' website. Under the Insider Rules, the following persons belong to Public Insiders: the members of the Board of Directors, the President, the members of the Executive Board, the Chief Auditor and other members of senior management designated by Perlos at its own discretion.

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

SHARE OPTION PROGRAMME FOR KEY EMPLOYEES

At the end of 2006, Perlos had two share option programmes under the company's incentive scheme for its management and key personnel. The warrants of the 2002 share option programme entitle their holders to subscribe for a total of 750,000 new shares in the period from 1 April 2005 to 30 April 2008 and the warrants of the 2005 programme for a total of 1,000,000 new shares in the period from 1 April 2007 to 30 May 2010. At the end of 2006, a total of 99 key employees were covered by the share option programmes.

BONUS SCHEME

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

ANNUAL SALARIES AND REMUNERATION PAID TO MANAGEMENT

In 2006, the following salaries and remuneration were paid to the Board of Directors and the President:

Chairman of the Board:

Total gross salaries and remuneration: EUR 40,000, including 3,780 Perlos shares, net (at EUR 4.23/share) and attendance fee of EUR 500 for each meeting. Other out-of-pocket expenses are reimbursed against expense receipts.

Other members of the Board:

Total gross salaries and remuneration: EUR 20,000, including 1,890 Perlos shares, net (at EUR 4.23/share) and attendance fee of EUR 500 for each meeting. Other out-of-pocket expenses are reimbursed against expense receipts. The members of the Board of Directors were paid a total of EUR 215,500 in salaries and remuneration in 2006.

President:

The President's remuneration and other benefits in 2006:

The remuneration and benefits of Isto Hantila, President of Perlos until 16 November 2006, amounted to EUR 413,320 in 2006. Isto Hantila is entitled to receive remuneration and benefits in accordance with his President's employment contract until 15 May 2007. Moreover, Mr Hantila will be paid a severance payment equivalent to six months' base salary and a bonus for 2006 also equivalent to six months' base salary. In accordance with option terms and conditions, Hantila retained the 150,000 share options he received under the 2002 share option programme and the 33,333 share options he received under the 2005 share option programme.

The annual salary of President Matti Virtanen is EUR 375,000 (excluding fringe benefits and bonuses). In addition, he is entitled to a bonus which is paid on the basis of meeting the targets set by the Board of Directors. Mr Virtanen became President of Perlos as from 1 December 2006, and his remuneration and other benefits in 2006 amounted to EUR 32,300. Mr Virtanen received 114,167 share options under the 2005 share option programme.

Mr Virtanen is entitled to retire at the age of 60 and his pension will amount to 60 per cent of the salary on which the pension is based.

The period of notice for terminating the President's employment contract is six months for both parties. In the event that the President's employment contract is terminated without proper cause by the company, Mr Virtanen is entitled to receive a severance payment equivalent to 24 months' base salary and to keep all share options granted to him.

Mr Virtanen also has the right to terminate his employment contract if i) a single shareholder acquires at least 25 per cent of the company's shares and the said shareholder becomes the largest shareholder of the company as a result of this transaction, or if ii) at least 50 per cent of the company's assets are acquired by a third party as a result of a single transaction. In these cases the period of notice is six months and Mr Virtanen is entitled to receive a severance payment equivalent to 24 months' base salary and to keep all share options granted to him.

MANAGEMENT'S SHAREHOLDING

The members of the company's Board of Directors, President and deputy for the President owned directly and through companies a total of 85,924 shares at the end of 2006, representing 0.16% of the shares and votes.

BOARD OF DIRECTORS

Kari O. Sohlberg

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

Member of Perlos´ Board of Directors since 1986

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

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

Owns 17,492 Perlos shares directly and 30 through Piton Oy.

Deemed to dependent of a significant shareholder of the company.

Andreas Tallberg

Vice Chairman of the Board of Directors
CEO, G. W. Sohlberg Corporation (as of Feb 15, 2007)
born 1963, M.Sc. (Econ.)

Member of Perlos´ Board of Directors since 2006.

Previous working experience:
- EQT Partners Oy, Senior Partner, 1997–2006
- MacAndrews & Forbes Holding Co, Vice President International, London and Amsterdam, 1993–1997
- Amer Group, Corporate Business Development, Vice President, Acquisitions and Divestments, Chicago, 1991–1993
- Nokia Group, Consumer Electronics Division, Director, Business Development, Geneva, 1990–1991
- Amer Group, Director Business Development, Helsinki, 1987–1990

Board memberships:
Kyro Corporation, Salcomp Plc and Detection Technology Inc (Chairman).

Owns 1,890 Perlos shares.

Deemed to dependent of a significant shareholder of the company.

Timo Leinilä

born 1950, M.Sc. (Eng.)

Member of Perlos´ Board of Directors since 2004

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

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

Owns 3,746 Perlos shares.

Deemed to dependent of the company.

Heikki Mairinoja

CEO, G.W. Sohlberg Corporation (until Feb 15, 2007)
born 1947, M.Sc. (Eng.), B.Sc. (Econ.)

Member of Perlos´ Board of Directors since 2001

Previous working experience:
- Perlos Corporation, President 1.6.–31.12.2002
- G.W Sohlberg Corporation, CEO since 2001 and Deputy CEO, 2000
- Uponor Corporation (Asko Oyj), Deputy CEO, 2000
- Uponor Corporation, President and CEO, 1989–1999, Deputy CEO, 1985–1989
- Kone Corporation, Manager of profit center, 1976–1985

Board memberships:
Ensto Corporation, Suominen Corporation, Kyro Corporation and Lindström Invest Oy.

Owns 4,846 Perlos shares directly and 250 through Monaccio Oy.

Deemed to dependent of a significant shareholder of the company.

Jukka Rinnevaara

President and CEO, Teleste Corporation
born 1961, M.Sc. (Econ.)

Member of Perlos´ Board of Directors since 2006

Previous working experience:
- ABB Building Systems, Zürich, Group Senior Vice President, 2001–2002
- ABB Installaatiot Oy, President, 1999–2001 and in several other positions in the company as of 1985

Owns 1,890 Perlos shares.

Deemed to independent of the company and significant shareholders of the company.

Kari Vuorialho

born 1952, B.Sc. (Elec.)

Member of Perlos´ Board of Directors since 2006

Previous working experience:
- Salcomp Plc, President & CEO, 1996–2005
- Salcomp Plc, various management positions since 1977

Board memberships:
Salcomp Plc. (Chairman), Mekajohtotiet Oy, Pyhä-Sommelo Oy (Chairman) and Aspocomp Group Plc.

Owns 1,890 Perlos shares.

Deemed to independent of the company and significant shareholders of the company.

Petteri Walldén

born 1948, M.Sc. (Eng.)

Member of Perlos´ Board of Directors since 2006

Previous working experience:
- Onninen Corporation, President & CEO, 2001–2005
- Ensto Oy, President & CEO, 1996–2001
- Nokia Cables Ltd., President, 1990–1996
- Sako Ltd., President, 1987–1990
- Nokia Cables Ltd., several positions 1973–1986

Board memberships:
Nokian Tyres plc (Chairman), eQ Oyj, SE Mäkinen Logistics Oy and Suomen Terveystalo Oyj.

Owns 1,890 Perlos shares.

Deemed to independent of the company and significant shareholders of the company.

EXECUTIVE BOARD

Matti Virtanen

President and CEO
born 1958, M.Sc. (Eng.)
Joined the company December 1, 2006

Previous working experience:
- Virtanen Consulting GmbH, founder and Managing Partner, 2005–2006
- Solectron Corporation, Senior Vice President and President EMEA, 2004–2005
- Hewlett-Packard EMEA, Vice President and Managing Director of the ISE unit, 2002–2004
- Compaq Computer Corporation, several senior executive positions, 1990–2002

Board memberships: Stonesoft Corporation

Perlos shares and options: Owns directly 25,000 shares and in addition 25,000 shares through Virtanen Consulting GmbH, Option 2005 114,167 options.

Tage Johansson

Chief Development Officer
born 1959, Master of Laws, eMBA
Joined the company 1998

Responsible for the development and implementation of the Corporate Strategy and heading the Corporate Intelligence function.

Prior to that, he was the CFO of Perlos Corporation 1998–2003.

Previous working experience:
- Kemira Kemi AB (Sweden), Finance Director, 1997–1998
- Treasury Manager and Corporate Dealer, Kemira Oyj, 1989-1997
- Okobank Oyj, Customer Dealer, 1987-1989

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

Eila Mustala

Senior Vice President of Human Resources
born 1950, BA
Joined the company 2005

Responsible for human resources administration and development, and communications.

Previous working experience:
- Nokia Corporation, head of HR in different business units, 1997–2005
- Prior to that, in different HR positions at McDonald´s Oy 1995-1997, Digital Equipment Corporation 1986-1995, Oy Philips Ab 1984-1986 and MPS-Finland Oy 1982-1984.

Perlos shares and options: Option 2005 40,000 options.

Timo Seppä

Chief Technology Officer
born 1960, M.Sc. (Eng.)
Joined the company 2004

Responsible for the development of technology.

Previous working experience:
- Foxconn Finland Oy, Chief Operations Officer, 2003–2004
- Eimo Corporation, the President of Eimo Europe 2002–2003, Senior Vice President, Technology 2001–2002, Vice President, Technology 2000–2001 and Technical Director 1992–2000

Perlos shares and options: 448 shares, Option 2002 15,000 options, Option 2005 10,000 options.

Juha Torniainen

Chief Financial Officer
born 1966, M.Sc. (Econ.)
Joined the company 2000

Responsible for the Group´s financial and information management, treasury and legal affairs.

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

Board memberships: Medific Healthcare Oy

Perlos shares and options: 2,000 shares, Option 2002 44,250 options, Option 2005 12,500 options.

Jari Varjotie

Chief Operating Officer
born 1960, M.Sc. (Eng.)
Joined the company 2000

Responsible for the development and coordination of the global operations.

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

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

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

Vesa Vähämöttönen

Senior Vice President, Global Sales and Marketing
born 1966, Lic.Sc. (Tech.)
Joined the company August 7, 2006

Responsible for global marketing, sales and customer relations.

Previous working experience:
- Flextronics ODM Finland Oy, General Manager and Vice President of mobile phone design center, 2004–2006
- Filtronic Plc, General Manager of European Operations, Wireless Infrastructure Division, 1999–2004
- LK-Products Oy, Business Unit Manager and R&D Manager, 1995–1998

Board memberships: Oulun Hienomekaniikka Oy

Perlos shares and options: Option 2005 40,000 options.

Jari Laaninen

Vice President, Treasury and Investor Relations
Secretary of the Executive Board
born 1967, M.Sc. (Econ.)
Joined the company 1999

Responsible for the Group´s finance, investor relations and risk management.

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

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

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

Board of Directors

KARI O. SOHLBERG

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

Member of Perlos´ Board of
Directors since 1986

ANDREAS TALLBERG

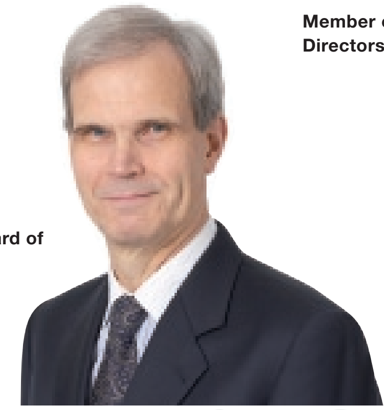
Vice Chairman of the Board of Directors
born 1963
M.Sc. (Econ.)
CEO, G.W. Sohlberg Corporation
(as of Feb. 15, 2007)

Member of Perlos´ Board of
Directors since 2006

TIMO LEINILÄ

born 1950
M.Sc. (Eng.)

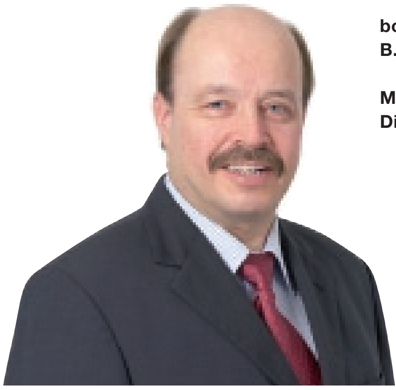
Member of Perlos´ Board of
Directors since 2004



HEIKKI MAIRINOJA

born 1947
M.Sc. (Eng.), B.Sc. (Econ.)
CEO, G.W. Sohlberg Corporation
(until Feb. 15, 2007)

Member of Perlos´ Board of
Directors since 2001



KARI VUORIALHO

born 1952
B.Sc. (Elec.)

Member of Perlos´ Board of Directors since 2006

JUKKA RINNEVAARA

born 1961
M.Sc. (Econ.)
CEO, Teleste Corporation

Member of Perlos´ Board of Directors since 2006

PETTERI WALLDÉN

born 1948
M.Sc. (Eng.)

Member of Perlos´ Board of Directors since 2006

Executive Board

MATTI VIRTANEN

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

Joined the Company
December 1, 2006

JUHA TORNIAINEN

born 1966
M.Sc. (Econ.)
Chief Financial Officer

Joined the Company 2000

JARI VARJOTIE

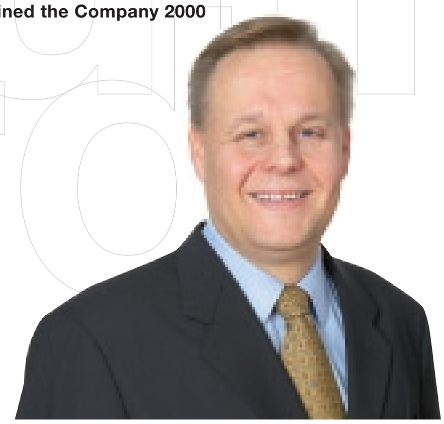
born 1960
M.Sc. (Eng.)
Chief Operating Officer

Joined the Company 2000

TAGE JOHANSSON

born 1959
Master of Laws, eMBA
Chief Development Officer

Joined the Company 1998



EILA MUSTALA

born 1950
BA
Senior Vice President of
Human Resources

Joined the Company 2005

TIMO SEPPÄ

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

Joined the Company 2004

VESA VÄHÄMÖTTÖNEN

born 1966
Lic.Sc. (Tech.)
Senior Vice President,
Global Sales and Marketing

Joined the Company 2006

JARI LAANINEN

born 1967
M.Sc. (Econ.)
Vice President, Treasury and
Investor Relations
Secretary of the Executive Board

Joined the Company 1999

Information on Perlos Shares and Shareholders

GENERAL

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

SHARES AND SHARE CAPITAL

Perlos Corporation's shares (POS1V) are quoted on the Helsinki Stock Exchange, Nordic Exchange list and they are entered in the book-entry system maintained by Finnish Central Securities Depository Ltd.

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

Perlos' registered share capital was EUR 31,762,288.80, or 52,937,148 shares on 31 December, 2006. Each share has a nominal value of EUR 0.60. Each share entitles the bearer to one vote at the general meeting of shareholders. All shares entitle the bearer to a dividend for the financial period that began on 1 January, 2006.

SHARE QUOTATION, PRICE TREND AND TURNOVER

The share price was EUR 3.51 at the end of the year. The highest price of the company's share in trading was EUR 9.67 and the lowest was EUR 3.45. During the financial year, the turnover of Perlos' shares on the Helsinki Stock Exchange amounted to EUR 589 million and 94 million shares, which represents 177% of the shares outstanding. The company's market capitalisation on the last day of the year, as calculated from the closing quotation of EUR 3.51, was EUR 186 million.

OPTIONS

At the end of 2006, Perlos Corporation had two share option programmes.

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

Shares Capital and Shares, as at 31 December

	2006	2005	2004	2003	2002
Chare capital, 1 000 €	31,762	31,762	31,850	32,007	31,439
Number of shares, 1 000	52,937	52,937	53,083	53,346	52,399
Shares held by the company, 1 000	0	0	315	1,168	1,168
Number of registered shareholders [1)]	15,455	15,479	15,037	14,160	13,548

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

be at least the nominal value of the share. At the end of December 2006, the dividend-corrected subscription price was EUR 4.63 with the 2002 A warrant, EUR 5.16 with the 2002 B warrant and EUR 9.54 with the 2002 C warrant. The A warrants of the share option programme are listed on the Main List of the Helsinki Stock Exchange, while the B and C warrants, the subscription period of which begins on 1 April, 2007, have not been listed for the time being.

The A, B and C warrants (options) of the 2005 share option programme entitle their holders to subscribe for a total of 1,000,000 new shares in the period from 1 April, 2007 to 30 May, 2010. The subscription price with the warrants is the trade volume weighted average price of Perlos Corporation's share on the Helsinki Stock Exchange in the August of each year plus 14 per cent. The subscription price with the A warrant was set at EUR 7.17 in August 2005 and the subscription price with the B warrant was set at EUR 6.85 in August 2006. The subscription price of the C warrant will be determined in August 2007. At the end of 2006 the dividend-corrected subscription price was EUR 7.07 with the A warrant and EUR 6.85 with the B warrant. The subscription price will be reduced on the record date of each dividend payment with the amount of dividends paid after the period of determining the subscription price and before the subscription of the shares. However, the subscription price shall always be at least the nominal value of the share. For the time being, the warrants related to the share option programme have not been listed.

AUTHORISATIONS OF THE BOARD

In accordance with the resolutions of the Annual General Meeting held on 28 March, 2006, Perlos' Board of Directors is authorised to (a) decide on increasing the company's share capital in the manner specified in Section 1 of Chapter 4 of the Companies Act (no. 734/1978, including amendments) by a maximum of EUR 6,352,457.40 through a rights issue or by taking out a convertible loan, (b) decide on the acquisition of a maximum of 5,293,714 own shares, and (c) decide on the conveyance of a maximum of 5,293,714 own shares in the company's possession.

COMPOSITION OF THE BOARD OF DIRECTORS AND THE AUDITOR

At Perlos Corporation's Annual General Meeting on 28 March, 2006, Timo Leinilä, Heikki Mairinoja, Jukka Rinnevaara, Kari O. Sohlberg, Andreas Tallberg, Kari Vuorialho and Petteri Walldén were elected as members of the Board of Directors. Kari O. Sohlberg was elected as the Chairman of the Board. Andreas Tallberg was elected as the Vice Chairman of the Board of Directors at the organization meeting of the Board of Directors held after the Annual General Meeting, where the Board also appointed an Audit Committee consisting of the following Board members: Jukka Rinnevaara, Kari O. Sohlberg and Kari Vuorialho.

The company's auditor is Ernst & Young Oy, Authorised Public Accountants, with Harri Pärssinen, Authorised Public Accountant, as chief auditor.

Summary of the Share Option Programmes

	Redemption price € 31 Dec. 2006	Share subscribable	Subscription period begins	Subscription period ends	Dilution effect, %
Option Programme 2002					
A warrants	4.63	190,000	1 Apr., 2005	30 Apr., 2008	0.3
B warrants	5.16	190,000	1 Apr., 2006	30 Apr., 2008	0.3
C warrants	9.54	370,000	1 Apr., 2007	30 Apr., 2008	0.7
Option Programme 2005					
A warrants	7.07	333,000	1 Apr., 2007	30 May, 2010	0.6
B warrants	6.85	333,000	1 Apr., 2008	30 May, 2010	0.6
C warrants	undefined	334,000	1 Feb., 2009	30 May, 2010	0.6
Total		**1,750,000**			**3.2**

Largest Shareholders as of 31 December 2006

		Number of shares and votes	% of shares and votes
1	G.W.Sohlberg Corporation	15,425,000	29.14
2	Ilmarinen Mutual Insurance Company	1,482,080	2.80
3	Evli-Select Equity Fund	733,200	1.39
4	Veikko Laine Plc	431,850	0.82
5	Kaleva Mutual Insurance Company	400,000	0.76
6	Päivikki and Sakari Sohlberg Foundation	369,550	0.70
7	FIM Pankkiiriliike Oy	341,089	0.64
8	State Pension Fund	340,000	0.64
9	Varma Mutual Pension Insurance Company	326,824	0.62
10	Op-Suomi Arvo Mutual Fund	274,100	0.52
11	Sr Arvo Finland Value	255,000	0.48
12	Karo Vesa Jaakko	250,000	0.47
13	Norvestia Plc	237,900	0.45
14	Fides Rahastoyhtiöt	200,310	0.38
15	Suomi Mutual Insurance Company	200,000	0.38
16	Mandatum Suomi Kasvuosake Mutual Fund	189,723	0.36
17	Maijos Plc	181,650	0.34
18	Koskinen Mikko Juhani	173,044	0.33
19	Sampo Eurooppa Yhdistelmä Mutual Fund	165,000	0.31
20	Koivisto Matti Tapio	163,132	0.31
21	Niemistö Kari	150,000	0.28
22	Vps Henkilöstöpalvelu Ky	150,000	0.28
23	Perälä Petri	142,470	0.27
24	Töykkälä Ari-Pekka	138,682	0.26
25	Rautaruukin Eläkesäätiö B-Osasto	125,800	0.24
26	Virala Corporation	111,230	0.21
27	Syrjälä Timo Kalevi	100,000	0.19
28	Etra Invest Plc	100,000	0.19
29	Rantanen Yrjö	100,000	0.19
30	Tapiola Mutual Insurance Company	100,000	0.19
30 major shareholders total		23,357,634	44.12
Nominee registeder		11,393,967	21.52
Other shareholders		18,185,547	34.35
Total		**52,937,148**	**100.00**

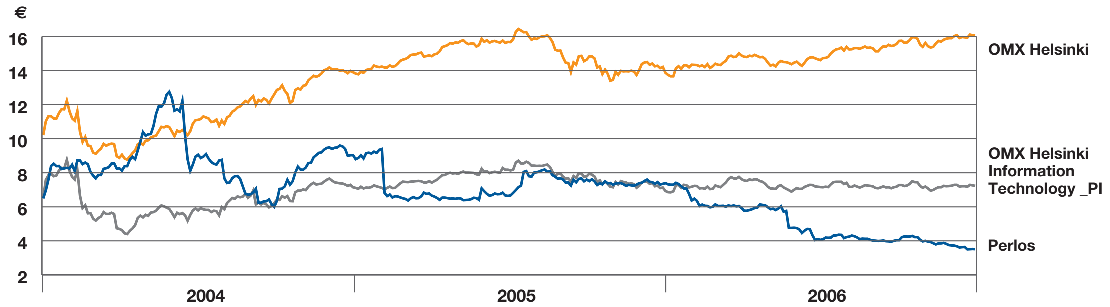
Shareholders by Group as of 31 December 2006

	Number of share-holders	% of share-holders	Number of shares and votes	% shares and votes
Companies	946	6.12	20,417,323	38.57
Financial and insurance institutions	55	0.36	2,571,940	4.86
Public institutions	20	0.13	2,586,474	4.89
Non-profit institutions	70	0.45	738,580	1.40
Householders	14,262	92.34	14,842,981	28.04
Foreign and nominee registered	92	0.60	11,779,850	22.25
Total	**15,445**	**100.00**	**52,937,148**	**100.00**

Breakdown of Share Ownership as 31 December 2006

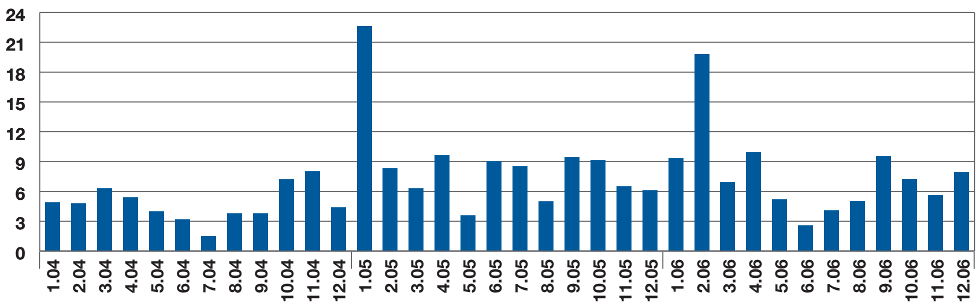
Number of shares	Number of share-holders	% of share-holders	Number of shares and votes	% of shares and votes
1 - 100	4,073	26.37	292,594	0.55
101 - 500	5,940	38.46	1,717,330	3.24
501 - 5,000	4,795	31.05	7,504,650	14.18
5,001 - 100,000	607	3.93	9,244,636	17.46
100,001 - 500,000	24	0.16	5,444,054	10.28
500,001 -	6	0.04	28,733,884	54.28
Total	**15,445**	**100.00**	**52,937,148**	**100.00**

PERLO'S SHARE PERFORMANCE AND RELATIVE INDICES OF REFERENCE 2004–2006



PERLO'S MARKET CAPITALISATION 2004–2006

PERLO'S SHARE TURNOVER 2004–2006
Number of shares, million



Stock Exchange and Press Releases in 2006

Perlos' stock exchange and press releases are listed here. All public releases in 2006 can be found in their entirety at our website: www.perlos.com

FEBRUARY

Feb. 2nd
Publishing of Perlos´ results 2005 on February 7, 2006

Feb. 7th
Perlos establishes a plant in Chennai, India

Feb. 7th
Perlos Continues to rationalise its operations in high-cost countries

Feb. 7th
Financial statement bulletin 2005:
Net Sales growth in line with expectations in 2005

Feb. 8th
Change in the ownership of Perlos Corporation

Feb. 23rd
Press release: Illegal strike at Perlos´ facilities in Finland

MARCH

Mar. 3rd
Perlos seeks admission for option rights 2002/B on the main list

Mar. 3rd
Notice to convene the Annual General Meeting of Shareholders and the proposals of the Board of Directors

Mar. 9th
Proposal regarding the composition of the Board of Directors of Perlos Corporation

Mar. 20th
Perlos´ Annual Report 2005 published

Mar. 28th
Resolutions of the Annual General Meeting of Shareholders of Perlos Corporation

Mar. 31st
Operations at Perlos Ylöjärvi plant wound down in line with plans

APRIL

Apr. 6th
Perlos´ co-determination negotiations are concluded

Apr. 18th
Publishing of Perlos´ first quarter 2006 results on April 25, 2006

Apr. 25th
Financial statement bulletin 2005: Net sales growth in line with expectations in 2005

JUNE

Jun. 2nd
Press release: Rationalisation of Perlos' operations in Finland proceeding according to plan

Jun. 29th
Press release: New diagnostics industry customer for Perlos

JULY

Jul. 14th
Appointment to Perlos' Executive Board

Jul. 17th
Perlos signs a memorandum of understanding with Ratos to establish a joint venture company serving the healthcare industry

Jul. 19th
Publishing of Perlos´ second quarter 2006 results on July 27, 2006

Jul. 19th
Perlos receives permission from National Board of Patents and Registration to decrease the share premium fund

Jul. 27th
Interim Report for January-June 2006: Perlos´ net sales grew profitability improved in the second quarter over the previous year

AUGUST

Aug. 15th
Perlos´ joint venture with Ratos proceeds to signing stage

SEPTEMBER

Sep. 4th
Press release: Update on Perlos´ rationalisation programme in Finland

Sep. 18th
Perlos downgrades its July-September and full-year outlook

Sep. 25th
Press release: Perlos donates assembly automation equipment to educational institutions in Tampere, Finland

Sep. 29th
Perlos' risk exposure regarding BenQ Mobile GmbH et CO OHG

OCTOBER

Oct. 4th
Perlos´ financial information in 2007

Oct. 20th
Press release: Perlos broadens its service offering by partnering with a Malaysian company in metal technology

Oct. 20th
Publishing of Perlos third quarter 2006 results on October 26, 2006

Oct. 26th
Intern report for January-September 2006: Changes in product portfolio and clientele weeken Perlos' profitability

NOVEMBER

Nov. 7th
The head of Perlos´ Nokia account changes

Nov. 8th
Sale of Perlos´ Healthcare business now concluded

Nov. 16th
Matti Virtanen appointed as President and CEO of Perlos Corporation

Analyst Coverage

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ABN AMRO Bank N.V.
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Fax +358 9 2283 2790

Carnegie Investment Bank AB,
Finland Branch
Eteläesplanadi 12, PO Box 36
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Finland
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Fax +358 9 6187 1345

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United Kingdom
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Fax +44 207 621 5101

eQ Bank Limited
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Fax +358 9 6817 8422

Deutsche Bank AG
Kaivokatu 10 A
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Finland
Tel. +358 9 252 5250
Fax +358 9 252 525 85

SEB Enskilda Equities
Eteläesplanadi 12
FI-00100 Helsinki
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Tel. +358 9 6162 8900
Fax +358 9 6162 8090

Evli Securities Plc
Aleksanterinkatu 19 A
FI-00100 Helsinki
Finland
Tel. +358 9 476 690
Fax +358 9 661 387

FIM Securities Ltd.
Pohjoisesplanadi 33 A
FI-00100 Helsinki
Finland
Tel. +358 9 613 4600
Fax +358 9 6134 6360

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Investment Banking
Aleksanterinkatu 11
FI-00100 Helsinki
Finland
Tel. +358 10 44 411
Fax +358 10 444 2299

Kaupthing Bank Oyj
Pohjoisesplanadi 37 A
FI-00100 Helsinki
Finland
Tel. +358 9 478 4000
Fax +358 9 4784 0111

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Eteläesplanadi 8 A,
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Teollisuuskatu 1b
FI-00510 Helsinki
Finland
Tel. +358 10 252 011
Fax +358 10 252 4490

Standard & Poor's AB
Box 1753
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Investor Information in 2007

INTERIM REPORTS

April 26, 2007 Interim report for January–March
July 24, 2007 Interim report for January–June
October 23, 2007 Interim report for January–September

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

ANNUAL GENERAL MEETING

Perlos Corporation's Annual General Meeting will be held on Wednesday, March 28, 2007, from 17:00 onwards in the Helsinki Hall of the Finlandia Hall. The address is Mannerheimintie 13 e, Helsinki.

Shareholders who have been registered by March 16th, 2007, at the latest in the company's Shareholder List, which is kept by Finnish Central Securities Depository Ltd, have the right to attend the Annual General Meeting.

We request participants to register by 12:00 on March 21th, 2007, at the latest by notifying us at: Perlos Corporation, Anne Inberg, P.O. Box 178, FI-01511 Vantaa, Finland, tel. +358 9 2500 7255, fax +358 9 2500 7208, or email: agm2007@perlos.com.

We request that any proxies be sent to the company's address provided above before the registration deadline.

DIVIDEND

The Board of Directors will propose to the Annual General Meeting that no dividend be paid out for 2006.

SHAREHOLDER REGISTER

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

INVESTOR RELATIONS

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

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