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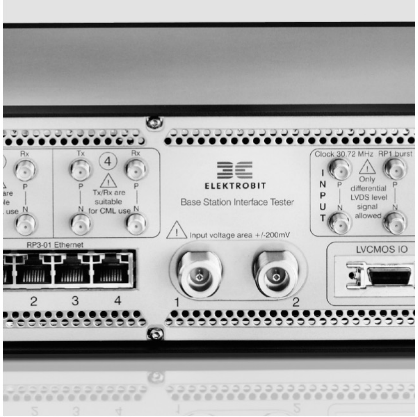
Board of Directors' Report and Financial Statements



Elektrobit Group Plc.
Board of Directors' Report and Financial Statements

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Year 2006 briefly:

- Elektrobit’s strategy was redefined during spring 2006. The new strategy of Elektrobit was formulated as one which focuses on the Wireless Communications Solutions and Automotive Software Business Segments. The former Business Segment was defined to include R&D services, advanced mobile terminal reference designs and mobile WiMAX radio base station business. The Network Test, System Test and Production Solutions Business Units were defined to form the Test and Automation Business Segment and were chosen to be developed separately. It was announced that Elektrobit will be seeking industrial partners to further strengthen the long-term competitiveness of the Test and Automation Business Units, with possibly different long-term solutions for each of them individually.
- Considerable investments in automotive software products, in mobile WiMAX products, in smartphone reference design platform components as well as in production partnering capability were made. In the fourth quarter, Elektrobit decided to withdraw from the 3G smartphone ODPM (Original Design with Partnered Manufacturing) business model.
- The Network Test business was sold.

Elektrobit’s reporting was based on the following segments from July 1, 2006:

BUSINESS SEGMENTS

	Wireless Communications Solutions	**Automotive Software**	**Test and Automation**
Business Units	Mobile Terminal Solutions	Automotive Software	Network Test
			System Test
	Radio Network Solutions		Production Solutions

During the fourth quarter of 2006, Elektrobit sold its Network Test business to Anite Group Plc. According to IFRS5 standard, Elektrobit reports its financial results divided between Discontinued Operations and Continuing Operations. In this Board of Directors’ Report 2006, financial figures of 2006 and 2005 are reported based on Continuing Operations, without Network Test business figures. Discontinued, i.e. Network Test business figures, are reported separately in Financial Statement, after Continuing Operations’ net profit.

The company’s net sales for Continuing Operations for the whole-year 2006 stood at EUR 181.5 million. Earlier, the company estimated the net sales for the year 2006 to be between EUR 180–190 million. The whole-year operating profit was expected to be slightly negative. The Continuing Operations operating loss was EUR -3.0 million, or -1.7% of the net sales. The net profit of the Network Test business sale was EUR 73.2 million.

Consolidated income statement (MEUR)	1–12/2006 12 months	1–12/2005 12 months
Continuing operations		
Net sales	181.5	190.1
Operating profit	-3.0	17.3
Financial income and expenses	-0.4	1.1
Profit before tax	-3.4	18.4
Profit for the year from continuing operations	-3.9	13.0
Profit after tax for the year from discontinued operations	78.2	5.8
Profit for the year	74.2	18.8
Attributable to		
Equity holders of the parent	73.9	19.0
Minority interest	0.3	-0.1
Earnings per share EUR continuing operations	-0.03	0.10
Earnings per share EUR discontinued operations	0.60	0.04
Earnings per share EUR continuing and discontinued operations	0.57	0.15

Comparisons between Continuing Operations figures in the period from January to December 2006 and the figures for the corresponding period a year earlier:

- Net sales amounted to EUR 181.5 million (EUR 190.1 million, a decrease of EUR 8.6 million or 4.5%). The net sales of the Automotive Software Business Segment were EUR 38.9 million (EUR 27.1 million, an increase of EUR 11.8 million or 43.4%). The net sales of Wireless Communications Solutions Business Segment were EUR 66.2 million (EUR 63.1 million, an increase of EUR 3.1 million or 4.9%) and net sales of the Test and Automation Business Segment were EUR 76.2 million (EUR 99.6 million, a decrease of EUR 23.4 million or 23.5%).
- Operating profit/loss amounted to EUR -3.0 million (EUR 17.3 million, a decrease of EUR 20.3 million or 117.3%) and was distributed as follows: the Automotive Software Business Segment operating profit was EUR 2.1 million (EUR 1.5 million; an increase of EUR 0.6 million or 42.9%). The Wireless Communications Solutions Business Segment operating loss was EUR -9.2 million (EUR -0.6 million, a decrease of EUR 8.7 million). The Test and Automation Business Segment operating profit was EUR 4.0 million (EUR 16.5 million, a decrease of EUR 12.5 million or 76.0%), and profit from other businesses was EUR 0.1 million (EUR -0.1 million).
- Net cash flow from operations amounted to EUR -1.4 million (EUR 26.3 million).
- Equity ratio was 72.2% (64.2%).

Quarterly comparisons, continuing operations

The quarterly distribution of the company's Continuing Operations overall net sales and profit:

MEUR	10–12/06	7–9/06	4–6/06	1–3/06	10–12/05
Net sales	45.6	44.0	49.8	42.1	50.0
Operating profit	-5.6	-0.4	4.9	-1.9	2.5
Profit before taxes	-5.4	-0.4	4.1	-1.9	3.2
Net profit	-5.0	-0.4	3.0	-1.6	2.8

The distribution of the Continuing Operations net sales by Business Segment:

MEUR	10–12/06	7–9/06	4–6/06	1–3/06	10–12/05
Wireless Communications Solutions	17.7	13.4	17.9	17.2	16.6
Automotive Software	11.3	10.1	8.8	8.7	10.8
Test and Automation	16.5	20.4	23.1	16.2	22.5
Group Total	**45.6**	**44.0**	**49.8**	**42.1**	**50.0**

The distribution of the Continuing Operations net sales by market area:

MEUR (%)	10–12/06	7–9/06	4–6/06	1–3/06	10–12/05
Asia	5.2 (11%)	8.1 (18%)	9.4 (19%)	4.8 (11%)	11.8 (24%)
Americas	5.9 (13%)	4.7 (11%)	6.1 (12%)	6.4 (15%)	3.6 (7%)
Europe	34.6 (76%)	31.1 (71%)	34.3 (69%)	30.9 (74%)	34.5 (69%)

Net sales (external) and operating profit development by Business Segment and Other businesses of the Continuing Operations were as follows:

MEUR	10–12/06	7–9/06	4–6/06	1–3/06	10–12/05
Wireless Communications Solutions					
Net sales	17.7	13.4	17.9	17.2	16.6
Operating profit	-5.8	-3.6	0.6	-0.3	-0.3
Automotive Software					
Net sales	11.3	10.1	8.8	8.7	10.8
Operating profit	0.9	0.5	0.2	0.5	0.3
Test and Automation					
Net sales	16.5	20.4	23.1	16.2	22.6
Operating profit	-0.6	2.8	3.5	-1.7	2.8
Other businesses					
Net sales	0.1	0.0	0.0	0.0	0.1
Operating profit	0.0	-0.0	0.6	-0.4	-0.4
Eliminations					
Net sales	0.0	0.0	0.0	0.0	0.0
Operating profit	0.0	0.0	0.0	0.0	0.0
Total					
Net sales	45.6	44.0	49.8	42.1	50.0
Operating profit	-5.6	-0.4	4.9	-1.9	2.5

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Whole year 2006 and quarterly figures, discontinued operations

Discontinued Operations (Network Test business) figures from the Year 2006 (January–November) were as follows:

MEUR	10–11/06	7–9/06	4–6/06	1–3/06	1–11/06
Operative business					
Net sales	3.6	4.8	4.8	5.6	18.7
Operating profit	1.1	1.6	1.7	2.2	6.6
Profit before taxes	1.1	1.6	1.7	2.2	6.7
Income tax	-0.3	-0.4	-0.4	-0.5	-1.7
Net profit	0.8	1.1	1.3	1.7	5.0
Sales profit					
Profit of the Discontinued Operations	73.7				73.7
Income tax	-0.5				-0.5
Profit after tax of the Discontinued Operations	73.2				73.2
Network Test business Net profit	**74.0**	**1.1**	**1.3**	**1.7**	**78.2**

The sales price of the Network Test business was EUR 85 million. In addition to the aforementioned sales price, an additional amount, capped at EUR 12 million, is payable in cash upon the achievement of certain financial performance targets for the Network Test business between January 1 and December 31, 2007. This additional amount is not included in the figures above.

Strategy in action in the fourth quarter and in whole 2006

The fourth quarter of 2006 was a very important one for Elektrobit in many respects. In the Test and Automation Business Segment, Elektrobit successfully divested the Network Test Business Unit, a major milestone in the focusing strategy. The other focusing actions in 2006 included the sale of the Space business and R&D sites in Kemi and Ylivieska, reduction of a number of production sites and rationalisation of product development sites.

Within the Wireless Communications Solutions Business Segment, the Mobile Terminal Solutions Business Unit retuned the project portfolio during the fourth quarter towards less risky business models. Particularly, the R&D time schedules involving various horizontal component providers became too tight to guarantee successful timely introduction of an entirely new 3G Symbian S60 smartphone to the market with an adequate feature set. Therefore, Elektrobit decided to withdraw from the ODPM (Original Development with Partnered Manufacturing) business model in this category. The decision was based on continuously increased risk levels that were monitored regularly throughout the development program that was launched in 2005 and reinforced in summer 2006. Consequently, the R&D personnel involved in developing the 3G smartphone ODPM reference design platform components was transferred to various other mobile terminal projects, using the R&D services business model.

All the investments made during 2006 in building the 3G smartphone ODPM reference design platform components have been expensed in the fourth quarter with an extra cost at MEUR 2.1 compared to the original plan, which included a conservative capitalization of R&D expenses. All these costs are included in the Wireless Communications Solutions Business Segment operational result from 2006. It has to be noted, however, that the ODPM business model development efforts themselves, aimed at creating the capability for using partnered manufacturing will be used in other product segments and Business Units, notably in the forthcoming mobile WiMAX module business within the Radio Network Solutions Business Unit.

At the whole year level, the strongly grown operations of the Automotive Software Business Segment confirmed the potential of this market. The lower Year-on-Year growth in the fourth quarter resulted from significantly higher than normal net sales bookings in the fourth quarter of 2005 due to completion of several large projects in that period. In the fourth quarter, Elektrobit continued to invest considerably in the development of new software platform based products.

A major internal achievement during the year was the introduction of the new organization consisting of global Business Units and, in matrix, global support functions that serve the Business Units. This represented a major change from the previous operational model based on a group of independent companies.

Overall, the year served well the new strategy formulated in the spring 2006 as being one that focuses the business operations of Elektrobit and that concentrates on clear growth businesses, without increasing dependence of the cellular mobile terminal market, as it was defined.

Research and development in 2006

During 2006, Elektrobit continued to invest in the development of software platform based products in the Automotive Software Business Unit. The company also continued to invest in the development of 3G smartphone ODPM reference design platform until the fourth quarter. A new important investment area in the Radio Network Solutions Business Unit was the development of IP radio infrastructure products spearheaded by mobile WiMAX (IEEE 802.16e) base station modules.

Elektrobit also increased the investments in the development of the three technical core competence areas defined in the strategy: wireless technologies, embedded computing and system architectures.

The R&D investments in Production Solutions Business Unit focused on improving price competitiveness and updating the product portfolio for back-end automation. In the System Test Business Unit, the application domain was expanded by developing the product portfolio of the Propsim radio channel emulator product family.

Continuing Operations research and development expenses in 2006 amounted to EUR 24.9 million, which is 13.7% of the Continuing Operations net sales compared with EUR 13.1 million (6.9%) in 2005 and with EUR 10.2 million (5.4%) in 2004.

Risks and uncertainties

Elektrobit follows a risk management policy with the objective of covering risks related to business operations, property, agreements, competence, currencies, financing and strategy. The company has identified risks and uncertainties related to such issues as strategy, business operations, personnel, product development, product liability, property and financing. More information on the risks and uncertainties affecting Elektrobit can be found on the company website at www.elektrobit.com/aboutelektrobit.

Automotive Software Business Segment from January to December 2006

The Automotive Software Business Segment consists of in-car software products and R&D services for the automotive industry, with car equipment (Tier 1) suppliers and leading car manufacturers as well as automotive chipset suppliers as customers.

Automotive Software Business Unit from January to December 2006

The Automotive Software Business Unit consists of software products and R&D services for the needs of the automotive industry. The sales of products and associated solutions has grown steadily and accounted for approximately 50 per cent of the Automotive Software Business Unit's net sales at the end of the reporting period. The R&D services business covers in-car infotainment and body control applications.

The products include the Tresos™ product family of HMI (Human Machine Interface) design tools, software components used for the development of electronic control units (ECU) for passenger cars, and StreetDirector, which is a hybrid navigation software for smartphones, Personal Navigation Devices (PND), Personal Digital Assistants (PDA) and in-car navigation.

In August, it was announced that Volkswagen AG, Hella KGaA Hueck & Co., NEC Electronics (Europe) GmbH and Elektrobit's Automotive Software Business Unit had kicked off a project in which the four partners are working together to develop a fully functional Body Control/Comfort ECU for a Volkswagen series-production vehicle that will be furnished with AUTOSAR (Automotive Open System Architecture) compatible software. Elektrobit's Automotive Software Business Unit is a leading supplier of software products based on the AUTOSAR standard.

Elektrobit navigation software solution has been successfully deployed in MEDION's award winning navigation device, a product shipped in high volumes to stores throughout Europe. The small footprint, user-friendly interface with fast and accurate speech output has been ranked number one by the Auto Motor und Sport magazine in Germany.

Net sales during 2006 amounted to EUR 38.9 million (EUR 27.1 million), which represents a growth of 43.4% and the operating profit was EUR 2.1 million (EUR 1.5 million) which included considerable investments in R&D of Elektrobit's automotive software platform products.

Wireless Communications Solutions Business Segment from January to December 2006

The Wireless Communications Solutions Business Segment consists of Mobile Terminal Solutions Business Unit, which is responsible for mobile terminal R&D services and design business, and Radio Network Solutions Business Unit, which is responsible for radio network infrastructure-related R&D services and standard-based products that are sold to telecommunications OEM vendors. Under Wireless Communications Solutions' other businesses, Elektrobit e.g. introduced in November a line of RFID (Radio Frequency Identification) products.

The net sales of the Wireless Communications Solutions Business Segment from January to December 2006 amounted to EUR 66.2 million (EUR 63.1 million) and the operating loss was EUR -9.2 million (EUR -0.6 million). The decline in the profitability was due to the significantly higher investments in product development and creation of manufacturing partnering capabilities, compared to the same period in 2005. This includes EUR 2.1 million of extraordinary expenses due to withdrawal from supplying 3G smartphones using the ODPM business model.

Mobile Terminals Solutions Business Unit from January to December 2006

The Mobile Terminal Solutions Business Unit delivers products and R&D services for mobile terminals, security, defense, industry and other applications.

During 2006, Elektrobit continued to invest in the development of 3G smartphone ODPM reference design platform until the fourth quarter. During the fourth quarter, the Mobile Terminal Solutions Business Unit retuned the project portfolio towards less risky business models. The product development time schedules involving various horizontal component providers became too tight to guarantee successful timely introduction of an entirely new 3G Symbian S60 smartphone to the market with an adequate feature set. Therefore, Elektrobit decided to withdraw from a prospective customer project covered by the earlier Memorandum of Understanding announcement and abandon the ODPM business in this category. The decision was based on continuously increased risk levels that were monitored regularly throughout the development program that was launched in 2005 and reinforced in summer 2006.

In September 2006, Elektrobit divested its Space Business, a part of the Mobile Terminal Solutions Business Unit. The Space Business was sold to SF-Design Oy.

Radio Network Solutions Business Unit from January to December 2006

Radio Network Solutions Business Unit provides radio network infrastructure-related R&D services and develops standard-based products sold to telecommunications OEM vendors. A new important investment area for Elektrobit under this Business Unit is the development of mobile WiMAX (IEEE 802.16e) ODPM base station modules.

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The first Memorandum of Understanding for the supply of mobile WiMAX standard-based module products was signed in July. The actual contract based on the Memorandum of Understanding has been signed.

Elektrobit and Oy L M Ericsson Ab signed an agreement in September to transfer Ericsson's Product Development Center in Turku to Elektrobit on October 1, 2006. As a result, 65 Ericsson employees, mainly software professionals, became employees of Elektrobit. The agreement strengthens the operation of the Radio Network Solutions Business Unit by increasing its competence base in larger-scale telecommunications software systems.

In December, Elektrobit introduced the availability of a suite of mobile WiMAX modules covering both radio and baseband parts. These ODPM products will shorten the time-to-market of new mobile WiMAX base stations and products. The products are targeted at telecommunications OEM vendors.

Elektrobit announced also the availability of CPRI (Common Public Radio Interface) IP Design Blocks in December. The earlier introduced OBSAI (Open Base Station Architecture Initiative) design blocks and CPRI block technologies are aimed for telecommunications OEMs and component vendors who produce OBSAI and CPRI compliant base stations or components. OBSAI and CPRI interfaces provide standard interface and interoperability between units from different vendors. The IP blocks are available for mobile WiMAX and WCDMA technologies.

In December, Elektrobit and Embio signed an agreement according to which Elektrobit's development sites in Kemi and Ylivieska were transferred to Embio. In this context, 42 employees were transferred to Embio with corresponding terms of employment. The activities in Kemi and Ylivieska were a part of the Radio Network Solutions Business Unit. After the transaction, the Business Unit is focusing its operations on the bigger, already existing development sites.

Test and Automation Business Segment from January to December 2006

The Test and Automation Business Segment products and solutions include products for system testing, production testing and automation. They are sold to the manufacturers of mobile terminals and networks, network operators, chipset providers, electronics contract manufacturers and research organisations.

The Test and Automation Business Segment consisted of three Business Units, Network Test, System Test and Production Solutions until the end of November. Elektrobit decided in spring 2006 to develop each of these businesses separately and to continue to make efforts to ensure their performance according to the objectives. At the same time, Elektrobit announced that it is seeking for industrial partners or arrangements to further strengthen the long-term competitiveness of these Business Units.

In order to improve its cost performance, Elektrobit decided to transfer the manufacturing of production automation equipment from Kuopio to China and Estonia and to focus the product development of the System Test Business Unit on the Oulu area. In September, as a result of personnel negotiations, a total of 30 people were laid off from the Production Solutions and System Test Business Units.

In November, the Network Test business was sold to Anite Group Plc. The sale of the business further strengthened Elektrobit's strong balance sheet and gave a good position from which to invest in the focus businesses.

The net sales of the Test and Automation Business Segment amounted to EUR 76.2 million (EUR 99.6 million), and its operating profit stood at EUR 4.0 million (EUR 16.5 million). The decline was mainly due to reduced sales and profitability of the production testing products due to low seasonal deliveries of production automation projects in the first quarter, reduced mobile phone test equipment sales and intensified competition resulting to strong price erosion.

System Test Business Unit from January to December 2006

The products of the System Test Business Unit mostly consist of radio channel emulators and measurement instruments (the Propsim and Propsound products) sold to chipset manufacturers, equipment suppliers, wireless operators and military communications companies. The System Test Business Unit benefited from the MIMO (Multiple Input Multiple Output) development programs of chipset and equipment manufacturers for both cellular and non-cellular applications. The operator market segment for the Propsim radio channel emulator products continued to develop through new deliveries for pre-deployment tests of radio networks.

R&D investments expanding the application domain and the product portfolio of the Propsim radio channel emulator product family continued during 2006. The OBSAI cellular base stations tester was launched, and the first tester orders were received. The terminal pre-conformance test software product achieved the pilot use phase. As a result of active participation in standardisation work, the radio channel model contributed by Elektrobit was included in the 3GPP LTE standard.

Production Solutions Business Unit from January to December 2006

The products and solutions of the Production Solutions Business Unit are mainly sold to the mobile terminal, mobile infrastructure and electronics contract manufacturers. The production solutions consist of production testing equipment for the different stages of manufacturing, as well as automation equipment for processing electronic products on production lines. The product range also covers final assembly systems for mobile terminals.

The volume deliveries of the new high-speed printed circuit board separation machine were launched during the second half of the year. Product development activities were further focused on improving price competitiveness and, in part, updating the product portfolio for back-end automation. The transfer of the material handling equipment production to China was finalised during the third quarter. In addition, negotiations to transfer production from Kuopio to China and Estonia were concluded.

Balance sheet and financing

The figures presented in the balance sheet of December 31, 2006, have been compared with the balance sheet of December 31, 2005 (EUR 1000).

	12/2006	12/2005
Non-current assets	66,315	68,681
Inventories	13,878	17,452
Accounts and other receivables	57,518	46,937
Financing securities, cash and bank deposits	125,091	60,577
Current assets total	196,487	124,966
Total assets	262,803	193,647
Share capital	12,941	12,941
Other equity	173,513	107,249
Minority interest	2,107	1,785
Total shareholders' equity	188,561	121,976
Long-term liabilities	23,728	26,480
Short-term liabilities	50,513	45,191
Total shareholders' equity and liabilities	262,803	193,647

Net cash flow from operations during the period under review was as follows:

+ net profit +/- adjustment of accrual basis items	EUR +10.2 million
- increase in net working capital	EUR -7.4 million
- interest, taxes and dividends	EUR -4.2 million
= cash generated from operations	EUR -1.4 million
- net cash used in investment activities	EUR 78.5 million
- net cash used in financing	EUR -12.6 million
= net change in cash and cash equivalents	EUR 64.5 million

The amount of accounts and other receivables, booked in current receivables, was EUR 57.5 million (EUR 46.9 million on December 31, 2005), while accounts and other payables, booked in interest-free current liabilities, were at EUR 35.3 million (EUR 33.0 million on December 31, 2005).

The amount of non-depreciated consolidation goodwill at the end of the period under review was EUR 8.2 million (EUR 9.2 million on December 31, 2005) and depreciation on business acquisitions during the reporting period amounted to a total of EUR 1.9 million (EUR 1.8 million during the comparable period in 2005).

The amount of net investments in the period under review was EUR 6.5 million, consisting entirely of replacement investments. The total amount of depreciation during the period under review was EUR 9.2 million, including EUR 1.9 million of depreciation owing to business acquisitions.

Elektrobit's other long-term investments include an investment portfolio with a book value of approximately EUR 10.7 million, which mainly consists of long-term bonds. The portfolio is valued at market value on December 31, 2006.

The amount of interest-bearing debt at the end of the reporting period was EUR 32.4 million. The distribution of net financing expenses on the income statement was as follows:

Interest, dividend and other financial income	EUR +2.2 million
Interest expenses	EUR -1.7 million
Foreign exchange gains and losses	EUR -0.9 million

Elektrobit's equity ratio at the end of the period was 72.2% (compared with 64.2% at the end of 2005).

The figures from the period under review do not include any of the statutory reserves stipulated in Chapter 5, section 14 of the Accounting Act.

Elektrobit follows a currency strategy, the objective of which is to ensure the margins of business operations in changing market circumstances by minimising the influence of exchange rates. In accordance with the principles of the currency strategy, the upcoming 12-month net cash flow of the currency in question is hedged. The net cash flow is determined on the basis of sales receivables, payables, the order book and the budgeted net currency cash flow. The hedged foreign currency exposure at the end of the review period was equivalent to EUR 11.9 million.

Environmental factors

Elektrobit's own business operations focus mostly on the design, assembly and marketing of products. This represents only a minor part of the environmental impacts over the entire life cycle of the products. Products manufactured by the company have minor environmental impacts.

Elektrobit has had ISO 14001 certified management systems since 2001. The systems were expanded in 2004 to cover also the company's production units. Elektrobit's company level ISO14001.2004 system certification update is estimated to be finalised by early 2007.

Elektrobit has observed and applied the requirements of the ROHS (use of hazardous substances) and WEEE (recycling of electrical and electronic equipment) directives in design since 2002. Certified environmental management system is being extended to cover those design operations of the Group's subsidiaries that must pay particular attention to the requirements of the ROHS and WEEE directives and the upcoming EUP (energy-using products) directive where applicable.

Elektrobit is monitoring globally the environmental requirements for products and derived national regulations to the extent that they are related to the Group's operations. The imposed requirements will be observed in business operations on a country-specific basis. The company has utilised a global information service monitoring environmental requirements by industry and country since 2005.

Personnel

Elektrobit employed 2 005 people at the end of 2006 (1 633 people at the end of 2005). Compared to the previous year the number increased by 372. Most of the growth in personnel came from Germany.

	2006	2005	2004
Average number of personnel	1 847	1 599	1 342
Salaries and wages (million EUR)	78.1	66.3	55.6

Our personnel have an average age of 34. Product development engineers constitute a significant part of the personnel. Approximately 49.0 per cent of our personnel work for the Wireless Communications Solutions Business Segment, approximately 22.5 per cent work for the Automotive Software Business Segment, approximately 23.3 per cent work for the Test and Automation

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Business Segment, and approximately 5.1 per cent for the support functions.

In 2006 Elektrobit was ranked the third best large organization in Finland on the Great Place to Work® list. The Company also received a special nomination for its HR information systems. Elektrobit was also ranked among the top one-third in the same Great Place to Work® list conducted in Germany.

Changes in group structure

During 2006, the company closed its subsidiary Elektrobit SAS in France and divided Elektrobit Inc's business into two different companies; Elektrobit Inc and Elektrobit Production Solutions Inc.

3Soft GmbH changed its name to Elektrobit Automotive GmbH. During the fourth quarter 2006, Elektrobit Group Plc also agreed to acquire the remaining 20 per cent of the shares from the minority shareholders of Elektrobit Automotive GmbH. The acquisition will be closed on March 30, 2007.

Elektrobit Group Plc. and Anite Group Plc. ("Anite") signed a Share Purchase Agreement on November 2, 2006, under the terms of which Elektrobit agreed to sell its Network Test Business to Anite. This transaction comprised the entire issued share capital of Elektrobit's subsidiaries Nemo Technologies Ltd and Elektrobit Group Pte. Ltd. and certain other related assets. The Network Test Business Unit was part of Elektrobit's Test and Automation Business Segment and employed 39 people in Finland and 22 people abroad, mainly in the USA and Asia.

The cash consideration payable to Elektrobit by Anite as a result of the sale was EUR 85 million, subject to a post-completion adjustment based upon the level of net assets in the Network Test business at closing. In addition to the aforementioned purchase price, an additional amount, capped at EUR 12 million, is payable in cash upon the achievement of certain financial performance targets for the Network Test business between January 1st and December 31st 2007.

The sale of the Network Test business between Elektrobit Group Plc. and Anite was closed on November 30, 2006.

Option rights

I The Annual General Meeting of March 17, 2005 decided that option rights should be granted to Elektrobit Group's management and a subsidiary fully owned by Elektrobit Group Plc. The Board of Directors has exercised its right fully and granted 4,500,000 option rights to Elektrobit Group's management and a subsidiary fully owned by Elektrobit Group Plc.

Subscriptions made using the 2005 option rights may increase the share capital of Elektrobit Group Plc. by a maximum of EUR 450,000 and the number of shares by a maximum of 4,500,000.

II The Annual General Meeting of March 15, 2006 decided that option rights with a commitment to shareholding be granted to Elektrobit Group Plc.'s new directors.

The number of option rights granted totals 1,750,000, of which 750,000 were granted to the Chairman of the Board and 1,000,000 were granted to the CEO.

Subscriptions made using said option rights might increase the share capital of Elektrobit Group Plc. by a maximum of EUR 175,000 and the number of shares by a maximum of 1,750,000 new shares.

Incentive schemes

PERSONNEL FUND

A personnel fund was established on April 27, 2005. The members of the fund include Elektrobit's personnel working in Finland.

A profit-related pay scheme, in accordance with the Act on Personnel Funds, was implemented within Elektrobit at the beginning of 2005, pursuant to which a predetermined proportion of the Group's result will be paid to the personnel fund as a profit-related payment. The Board of Directors will decide upon the grounds for the profit-related pay scheme annually.

STOCK OPTIONS

The Board of Directors of Elektrobit Group Plc. decided on June 23, 2005, authorised by the Annual General Shareholders Meeting, on the distribution of stock options to Elektrobit's managers and to its wholly-owned subsidiary, serving as a reserve company in the stock option scheme. The distributed stock options commit managers to long-term shareholding in the Elektrobit Group. The objective of the scheme is to encourage participating managers to work with a long-term focus in order to increase shareholder value and to commit them further to their employer.

A total of 516,000 2005A stock options and 945,000 2005B stock options were distributed to Elektrobit's management. The rest, 384,000 stock options 2005A, 255,000 stock options 2005B, 1,200,000 stock options 2005C and 1,200,000 stock options 2005D were granted to Elektrobit Technologies Ltd, a wholly-owned subsidiary of Elektrobit Group Plc., to be further distributed to the present and future managers of Elektrobit at a later date. In accordance with the terms and conditions of the stock options, the prerequisite for receiving 2005A stock options was that the participating managers purchase a predetermined number of Elektrobit Group shares, as decided by the Board of Directors. 2005B stock options are subject to preconditions relating to Elektrobit's financial targets. In accordance with the share ownership scheme, associated with this stock option scheme, the participating managers are committed to using a considerable portion of the future income from the distributed stock options for purchasing the company's shares.

The Board of Directors of Elektrobit Group Plc. decided on May 31, 2006, authorised by the Annual General Shareholders Meeting, on the distribution of stock options to Elektrobit Group Plc's Chairman of the Board and CEO. The distributed stock options commit managers to long-term shareholding in the Elektrobit Group. Of the above, 750,000 stock options marked as 2006A were distributed to the Chairman of the Board, while 1,000,000 stock options were distributed to the CEO. In accordance with the terms and conditions of the stock options, the prerequisite for receiving 2006A stock options was that the participating managers purchase, either directly of through companies under their control, a predetermined number of Elektrobit Group shares, as decided by the Annual General Meeting on March 15, 2006 (a minimum of 75,000 shares for the Chairman of the Board and a minimum of 100,000 shares for the CEO).

The authorisations of the Board of Directors at the end of the reporting period

The Board of Directors was authorised by the General Meeting of Shareholders held on March 15, 2006 to decide on a new issue or to take convertible loans in one or more instalments. In the new issue, or taking of convertible loans, the right to subscribe a maximum of 21,332,538 shares, the accounting par value equivalent of which is EUR 0.10 per share, can be given; from these, a maximum of 5,000,000 shares may be used to create incentives for the personnel. On the basis of the authorisation, the share capital may be increased by a maximum of EUR 2,133,253.80. The total proposed amount corresponds to less than 20 per cent of the currently registered share capital and the total voting rights. The authorisation is valid until the next Annual General Shareholders' Meeting, although no later than March 15, 2007.

The authorisation contains the right to deviate from the shareholders' pre-emptive right of subscription for new shares and convertible loans rights set out in Chapter 4, section 2 of the Companies Act, as well as the right to decide on the persons entitled to subscription, the terms of subscription and the terms of the convertible loans. In addition, the authorisation contains the right to decide on subscription prices. Deviation from the shareholders' pre-emptive subscription rights requires that there be an important financial reason for doing so, such as an arrangement connected with the development of the company's business or capital structure or financing acquisitions, or an incentive arrangement for the personnel. A resolution to this effect shall not, however, be made for the benefit of a party belonging to the inner circle of the company as defined in Chapter 1, section 4, subsection 1 of the Companies' Act. When the share capital is increased in a way other than on the basis of a convertible loan, the Board of Directors is authorised to decide that the shares may be subscribed against a contribution in kind by means of set-off or otherwise with specific terms.

The authorisation remains unutilised on the whole.

Notifications in accordance with chapter 2, section 9 of the Securities Market Act

There were no changes in ownership during the period under review that would have caused an obligation of disclosure in accordance with Chapter 2, section 9 of the Securities Market Act.

Board of Directors and auditor

The Annual General Shareholders Meeting held on March 15, 2006 resolved that the Articles of Association be amended to allow the number of Board members to vary between 3 and 7. The meeting also decided that the number of Board members should be six in year 2006. The meeting re-elected Tapio Tammi, Matti Lainema and Juha Sipilä to Elektrobit's Board of Directors and appointed Juha Hulkko (M.Sc.Tech., eMBA), J.T. Bergqvist (Dr.Tech.) and Jukka Harju (M.Sc.Tech., M.Sc.Econ.) as new members of the Board. At its assembly meeting held on March 15, 2006 the Board of Directors elected J.T. Bergqvist as the Chairman of the Board.

The authorized accounting firm Ernst & Young Oy was elected as the company's auditor, with Rauno Sipilä, Authorized Public Accountant, as the primarily responsible auditor.

Dividend from 2005

The Annual General Shareholders Meeting of March 15, 2006 resolved that a total of EUR 9,058,888.30 be distributed for the financial period from January 1 to December 31, 2005 in accordance with the Board of Directors' dividend proposal of EUR 0.07 per share.

The chief executive officer of the group

Pertti Korhonen, M.Sc.Tech., began as the CEO of Elektrobit Group Plc. on June 1, 2006, once the term of office of Juha Hulkko was over.

Business environment

It is expected that the percentage of electronics and software in cars, as well as the use of wireless technologies and the number of infotainment applications, will continue to grow. For reference, the market for automotive software solutions is estimated to have grown in 2006 by more than 15 per cent (Mercer study 2005, The Impact of AUTOSAR on the Auto Software and Tools Market). An additional growth factor for the Automotive Software Business Segment is the growth in the Personal Navigation Device (PND) market, in which the number of mobile GPS navigation solutions is expected to grow with more than 62 per cent of CAGR during 2005-2009 (Canalys).

The delivery volume of mobile devices increased in 2006 to over one billion units (Strategy Analytics). Deliveries of smartphones were estimated to grow over 65 per cent in 2006 when compared to 2005 (Gartner). Going forward, the share of the smartphones is expected to continue to grow also in 2007 (Gartner), yielding a growing market for advanced R&D services.

The growth in the wireless network equipment market was moderate in 2006. Operators are expected to continue investing in network capacity and in new cellular network technologies (WCDMA, HSDPA). The mobile WiMAX infrastructure equipment market is expected to start in the end of 2007, major operators and OEMs (Original Equipment Manufacturers) having their mobile WiMAX implementations planned for late 2007 and 2008.

The system test market is predicted to expand moderately in 2007, as development of new cellular technologies, enhancements to existing technologies (HSDPA, HSUPA, 3GPP LTE, MIMO) and new non-cellular technologies (mobile WiMAX, WiBRO) are generating demand for test system replacements and for new test systems.

The need for production automation solutions is still growing due to the high delivery volumes of mobile devices, but this is offset by price erosion in the market. Delivery lead times in production-related test and automation markets are expected to shorten and cost efficiency is expected to continue to be an essential competitive factor.

Outlook for the first half of 2007

Elektrobit expects the revenue during the first half of 2007 to grow slightly compared to the second half of the 2006 (MEUR 89.6). The company will continue to invest in:

- Software platform based products in the Automotive Software Business Unit.
- Development of mobile WiMAX radio infrastructure products in the Radio Network Solutions Business Unit.
- Expanding the application domain and the product portfolio in the System Test Business Unit.
- Improving the price competitiveness and updating the product portfolio in the Production Solutions Business Unit.
- The technical core competence areas defined in the strategy.

Due to these continued considerable investments, Elektrobit expects the operating profit in the first half of the 2007 to be on the same level or slightly less than during the second half of 2006 (MEUR -5.9), with the start of the year being significantly weaker than the latter part of the half.

Elektrobit Group Plc.
Financial Statements 2006

Consolidated Financial Statements

Parent Company Financial Statement, FAS

Consolidated Income Statement

Continuing operations	Notes	2006 1000 EUR	2005 1000 EUR
NET SALES	1, 4	**181 477**	**190 072**
Other operating income	5	3 667	2 565
Change in work in progress and finished goods		1 462	-156
Work performed by the undertaking for its own purpose and capitalised		348	232
Raw materials		-37 179	-45 039
Personnel expenses	8	-93 678	-80 118
Depreciation	7	-9 154	-9 730
Other operating expenses	6	-49 939	-40 502
OPERATING PROFIT		**-2 996**	**17 325**
Financial income and expenses	10	-439	1 121
PROFIT BEFORE TAX		**-3 435**	**18 446**
Income tax	11	-510	-5 408
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**-3 944**	**13 038**
Profit after tax for the year from discontinued operations	2	78 168	5 782
PROFIT FOR THE YEAR		**74 223**	**18 821**
Attributable to			
Equity holders of the parent		**73 883**	**18 951**
Minority interest		340	-130
Earnings per share from continuing operations, EUR			
Basic earnings per share	12	-0.03	0.10
Diluted earnings per share	12	-0.03	0.10
Earnings per share from discontinued operations, EUR			
Basic earnings per share	12	0.60	0.04
Diluted earnings per share	12	0.60	0.04
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	12	0.57	0.15
Diluted earnings per share	12	0.57	0.15
Average number of shares, 1000 pcs		129 413	129 413

Consolidated Balance Sheet

	Notes	2006 1000 EUR	2005 1000 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	13	32 531	32 210
Goodwill	14	8 179	9 163
Intangible asssets	14	10 577	13 316
Investment properties	15	0	0
Financial assets at fair value throught profit or loss	17	10 702	10 234
Other financial assets	18	81	552
Receivables	18	1 574	0
Deferred tax assets	19	2 671	3 207
		66 315	**68 681**
Current assets			
Inventories	20	13 878	17 452
Trade and other receivables	21	57 518	46 937
Cash and short-term deposits	22	125 091	60 577
		196 487	**124 966**
Total assets		**262 803**	**193 647**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	23		
Share capital		12 941	12 941
Share premium		64 579	64 579
Translation differences		-216	289
Retained earnings		109 150	42 381
		186 455	**120 190**
Minority interest		2 107	1 785
Total equity		**188 562**	**121 976**
Non-current liabilities			
Deferred tax liabilities	19	6 220	8 620
Interest-bearing loans and borrowings (non-current)	27	17 199	17 860
Other liabilities		309	
		23 728	**26 480**
Current liabilities			
Trade and other payables	28	32 782	30 756
Pension obligations	25	798	683
Current tax liabilities		1 749	1 550
Interest-bearing loans and borrowings (current)	27	15 184	12 202
		50 513	**45 191**
Total liabilities		**74 241**	**71 671**
Total equity and liabilities		**262 803**	**193 647**

Consolidated Cash Flow Statement

	Notes	2006 1000 EUR	2005 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the financial year		**73 883**	**18 951**
Adjustments			
Effects of non-cash business activities	31	-64 625	10 081
Finance costs		2 622	3 736
Finance income		-2 183	-4 864
Income tax		510	7 826
Change in net working capital			
Change in short-term receivables		-15 027	1 401
Change in inventories		3 348	-2 042
Change in interest-free short-term liabilities		4 309	-876
Interest paid on operating activities		-1 945	-3 132
Interest received from operating activities		1 789	4 391
Income taxes paid		-4 057	-9 171
Net cash from operating activities		**-1 376**	**26 301**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of business unit		-300	0
Disposal of business unit, net of cash acquired		81 064	0
Purchase of property, pland and equipment		-2 846	-3 335
Purchase of intangible assets		-1 819	-2 114
Purchase of other investments		-6 090	-3 289
Sale of property, pland and equipment		2 859	336
Sale of intangible assets		0	170
Proceeds from sale of other investments		5 625	2 980
Net cash from investing activities		**78 492**	**-5 251**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing		4 187	278
Repayment of borrowing		-4 375	-4 459
Payment of finance lease liabilities		-3 356	-3 616
Dividends paid		-9 059	-7 765
Net cash from financing activities		**-12 602**	**-15 561**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**64 515**	**5 489**
Cash and cash equivalents at 1 January		60 577	55 088
Cash and cash equivalents at 31 December		**125 091**	**60 577**

Consolidated Statement of Changes in Equity

1000 EUR	Share capital	Share premium	Translation difference	Retained earnings	Minority interest	Total equity
	Equity attributable to equity holders of the parent					
Shareholders equity 31.12.2004 (IFRS)	12 941	64 579	-112	31 221	2 271	110 900
Profit for the year				18 951	-130	18 821
Dividend distribution				-7 765		-7 765
Expense of share-based payments				124		124
Translation difference			401		0	401
Other changes				-150	-356	-506
Shareholders equity 31.12.2005	12 941	64 579	289	42 381	1 785	121 976
Profit for the year				73 883		73 883
Dividend distribution				-9 059		-9 059
Expense of share-based payments				873		873
Translation difference			-505		322	-184
Other changes				1 073		1 073
Shareholders equity 31.12.2006	12 941	64 579	-216	109 150	2 107	188 562

Notes to the Consolidated Financial Statements

Corporate Information
Elektrobit specializes in wireless technology, the design and life-cycle testing of electronic products, as well in production automation. In 2006, Elektrobit operated in 13 countries.

The parent company of the Group is Elektrobit Group Plc. The parent company is domiciled in Oulunsalo and its registered address is Automaatiotie 1, 90460 Oulunsalo.

Accounting Principles for the Consolidated Accounts
BASIS OF PREPARATION
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the SIC and IFRIC interpretations in force at December 31st, 2006. The financial statements are presented in thousands of euros.

From the beginning of 2005 the Group adopted IFRS and the adoption was done according to the IFRS 1: First-time Adoption of International Financial Reporting Standards. The transition date was January 1st, 2004.

Consolidation Principles
SUBSIDIARIES
The consolidated financial statements include Elektrobit Group Plc. and its subsidiaries financial statements. Subsidiaries are companies in which the Group has a controlling interest. A controlling interest arises when the Group holds more than half of the voting rights or it otherwise has the power to govern the financial and operating policies of the entity. The existence of potential voting rights is taken into account in assessing the conditions under which control arises whenever instruments conferring potential voting rights can be exercised at the review date.

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control, and divested subsidiaries up to the time when control ceases.

The excess of the acquisition cost of the subsidiary shares over fair value of the net assets acquired is allocated partly to the identifiable assets and liabilities. Any excess is recorded as goodwill. For business combinations that occurred before the implementation of IFRS, in 2004, the carrying amount of the goodwill has been treated according to the Finnish GAAP in accordance with the exemption under IFRS 1. According to IFRS goodwill is not amortized, but tested annually for impairment.

Intra-Group transactions, receivables, liabilities and profits are eliminated in preparation of the consolidated financial statements. Minority interests are presented separately from the net profit and disclosed as a separate item in the equity.

ASSOCIATES
Associates are entities in which the Group has significant influence. A significant influence arises when the Group holds 20–50 per cent of the company's voting rights or when the Group otherwise has a significant influence in the company's operations but does not have control. Investments in associates are included in the consolidated financial statements by using the equity method. The Group's proportionate share of associated companies' net income for the financial year is stated as a separate item in the consolidated income statement. The Group's proportionate share of associated companies' net income for the financial year is stated as a separate item in the consolidated income statement. Each investment includes the goodwill arising from the acquisition less impairment losses.

If the Group's share of losses exceeds the carrying amount, losses in excess of the carrying amount are not consolidated unless the Group has given a commitment to fulfill the obligations.

The Group does not have any associates during the financial year 2005 or 2004.

JOINT VENTURES
Joint ventures are companies in which the Group exercises joint control together with other parties.

The Group does not have any joint ventures during the financial year 2005 or 2004.

FOREIGN CURRENCY TRANSACTIONS
Figures relating to the financial statements of Group entities are measured in the currency that is the currency of each entity's main operating environment ("functional currency"). The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company.

Transactions denominated in foreign currency are recorded in euros using the exchange rate on the date of the transaction. Monetary items denominated in foreign currency are translated to euros using the European Central Bank exchange rates at the balance sheet date. Gains and losses arising from transactions denominated in foreign currency and the translation of monetary items are recorded in the income statement.

Income statements and cash flows of subsidiaries, whose functional and reporting currency is not the euro, are translated into euros at the average exchange rates during the financial period. Their balance sheets are translated at the exchange rates prevailing at the balance sheet date. Translating the profit for the period using different rates in the income statement and the balance sheet leads to a translation difference that is recorded in equity. The translation differences arising from the elimination of the cost of foreign subsidiaries are recorded in equity. When a subsidiary is sold, the cumulative translation differences are entered in the income statement as part of the capital gain or loss.

Cumulative exchange differences arising from the translation of internal long term loans, which are in actual terms net investments in foreign operations, are taken directly to a separate component of equity.

Since 1.1.2004 the goodwill arising from the acquisition of foreign operations as well fair value adjustments made to the carrying amounts of the assets and liabilities of said foreign operations in connection with an acquisition are treated as the assets and liabilities of said foreign operations and translated to euros using the exchange rates at the balance sheet date. The goodwill and fair value adjustments that have occurred before transition to IFRS have been entered in euros.

In accordance with the exemption under IFRS 1 the cumulative translation differences have been entered in to retained earnings. At the time of transition to IFRS the amount of these cumulative translation differences was immaterial.

Property, Plant and Equipment
Property, plant and equipment are measured at historical cost less depreciation and impairment losses. Assets of acquired companies are stated at their fair values at the date of acquisition.

Assets are depreciated using the straight-line or reducing balance method over their useful life. Land areas are not depreciated. The applied depreciation methods according to the Group's accounting policy are as follows: buildings and constructions 4% and 7% of remaining balance, machinery and equipment 3-10 years straight-line depreciation.

The residual value of assets and their useful life are reviewed periodically in connection with each set of financial statements and the interim report and, if necessary, they are adjusted to reflect changes that have occurred in the expectations for the asset's useful life. Ordinary repair and maintenance costs are charged to the income statement during the financial year in which they incurred.

Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in operating profit.

Investment Property

Investment property is property which is held to earn rentals or capital appreciation. Investment properties are accounted as long term investments and they are measured at cost less accumulated depreciation and impairment losses.

Intangible Assets

GOODWILL

After January 1st, 2004 the cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets. The goodwill arising from the business combinations prior to this represents the amount recorded under previous GAAP, which has been used as the as the deemed cost. The classification and accounting treatment of these business combinations has not been adjusted when the Group's opening IFRS balance sheet has been prepared.

Goodwill is tested annually or, if necessary, more frequently to determine any impairment. For this purpose, goodwill has been allocated to cash-generating units. The recoverable amount of a cash generating unit is compared to its carrying amount and an impairment loss is recognized if the carrying amount of the assets exceeds the recoverable amount. An impairment loss is recognized in the income statement.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditures are recorded as an expense as they are incurred. Expenditure on development activities is capitalized if they meet the criteria defined in IAS 38 Intangible Asset. Capitalized development expenses include mainly materials, supplies and direct labor costs. They are amortized on a systematic basis over their expected useful lives.

Capitalized development expenses are reviewed for potential impairment regularly by comparing the carrying amount to their recoverable amount. Significant changes in the technological environment are taken into account. If the carrying amount of the development expenses is greater than the recoverable amount, an impairment loss is recognized immediately.

OTHER INTANGIBLE ASSETS

Purchased patents, trademarks, licenses and other intangible assets having a finite useful life are entered in the balance sheet and the amortized expense is recorded in the income statement over their useful life. If indications on possible impairment exist, the recoverable amount is determined and an impairment loss is recognized if necessary. Intangible assets with an indefinite useful life are not amortized, but are tested annually or if necessary more frequently to determine any impairment.

INVENTORIES

Inventories are stated at the lower of initial cost or net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of sale. The value of raw material inventory is determined using a weighted average cost formula. The initial cost of finished and semi-finished products comprises of raw material, direct labor and other direct expenses as well an appropriate share of fixed and variable production overheads, based on the normal capacity of the production facilities.

BORROWING COSTS

Borrowing costs are recognized in the income statement as they accrue.

GOVERNMENT GRANTS

Government grants are recognized when there is reasonable assurance that Group will comply with the conditions attaching to them and the grant will be received. Government grants received from public corporations are presented as other income in the income statement.

LEASES

When the Group is a lessee, all lease contracts of property, plant and equipment, in which the Group has substantially all the risks and rewards of ownership, are classified as finance leases. A finance lease agreement is recognized in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease obligations are included in interest-bearing liabilities.

When the Group is a lessor, it recognizes assets held under a finance lease as interest-bearing receivables in the balance sheet. During the financial years 2005 and 2004 the Group did not have any finance lease agreements in which it would have been classified as a lessor.

Lease agreements in which the risks and benefits incident to ownership remain with the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight line basis over the lease term.

IMPAIRMENT OF ASSETS

At each balance sheet date (including interim reports) the Group estimates whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is estimated annually regardless of any indication of impairment to the following assets: goodwill, intangible assets with an indefinite useful life and for intangible assets which are not yet ready for use. The recoverable amount is based on the future discounted net cash flows, which are equivalent with the expected cash flows generated by the asset.

An impairment loss is recognized whenever the carrying amount

Notes to the Consolidated Financial Statements

of an asset exceeds its recoverable value. The loss is booked to the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill will under no circumstances be reversed.

Employee Benefits

PENSION LIABILITIES

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. In Finland, the Group has organized pension coverage for its staff through independent pension insurance companies.

The Finnish system under the Employees' Pensions Act and the disability portion are treated as a defined contribution plan. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. After this the Group has no other obligations for additional payment.

The pension arrangements of the foreign subsidiaries have mainly been classified as defined contribution plans. The only significant defined benefit plan relates to a German subsidiary. The present value of the obligation of the defined benefit plan is determined using the projected unit credit method. The pension expenditure calculations required by IAS 19 -standard are prepared by authorized actuaries. The Group does apply the corridor method when recognizing the actuarial gains and losses.

SHARE-BASED PAYMENT

The Group has applied IFRS 2 Share-Based Payment to the share-based scheme which was granted June 23rd, 2005. Expenses of option and share incentive schemes prior to this have not been presented in the income statement. Option rights and shares granted are measured at fair value at the time they are granted and entered as an expense in the income statement in even installments during the vesting period. The expense determined is based on the defined fair value of the stock options and shares as well as on management's estimate of the amount of options or shares to which the employee will be entitled at the end of the vesting period. The fair value of the options is determined on the basis of the Black-Scholes pricing model. The Group updates the assumption concerning the final amount of stock options and shares at each balance sheet date. Changes in the estimates are recorded in the income statement. When options are exercised, the cash payments received on the basis of share subscriptions (adjusted for any transaction expenses) are entered in the share capital (at nominal value) and in the share premium reserve.

PROVISIONS

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realized or cause a financial loss and the amount of the obligation can be estimated reliably. Provisions can arise from restructuring plans, onerous contracts, warranty repairs and allowances and from environmental, litigation or tax risks.

The amount recognized as a provision is the 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.

If a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset when it is virtually certain that the reimbursement will be received.

TAXES

Tax expense in the Group's income statement comprises the current tax and change in deferred taxes of each group company. Current tax is calculated based on the taxable income using the tax rate that is enacted in each country at the balance sheet date.

Deferred tax liability is calculated on the temporary differences between the carrying amounts and the amounts used for taxation purposes. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the tax base which is in force at the time of preparing the financial statements or which has been enacted by the balance sheet date for the following period, has been applied.

REVENUE RECOGNITION

Sales of goods are recognized after the significant risks and rewards that, are connected with ownership, have been transferred to the buyer. Neither the Group retains a continuing managerial involvement to the degree usually associated with ownership, nor effective control of those goods. Revenues from services are recorded when the service has been performed. Sales are presented net of indirect sales taxes and discounts.

Revenue from long-term construction contracts is recognized based on the stage of completion when the outcome of the project can be reliably measured. The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. The stage of completion method is applied to projects that exceed materiality threshold.

ASSETS HELD FOR SALE
AND DISCONTINUED OPERATIONS

The Group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and asset items related to discontinued operations, which are classified as held for sale, are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortization on these asset items is discontinued at the time of classification. Profit after tax and gain on sale of discontinued operation is presented as a separate line item in the consolidated income statement.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has applied IAS 39 Financial Instruments: Recognition and Measurement since January 1st, 2004. Since the beginning of 2004 financial assets and liabilities have been classified in accordance with the revised standard. Group's investment portfolio has been classified as a trade intended investment and it's valued at fair value through profit or loss. Held-to-maturity financial assets and liabilities and other receivables are recognized using the effective interest rate method. Changes in the fair value of available-for-sale financial assets are entered in equity under the revaluation fund taking into account the deferred tax effects. Changes in fair value are transferred from equity to the income statement when the investment is sold or its value has been impaired such that an impairment loss must be recognized on the investment. Unlisted equity securities for which fair value cannot be reliably measured are recognized at cost less impairment, if the impairment is permanent.

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING
The Group treats derivative instruments in the manner defined in the standard IAS 39 Financial Instruments: Recognition and Measurement as from January 1st, 2004. The Group does not apply the hedge accounting defined by IAS 39 -standard. Derivative contracts are recognized at the original cost, which corresponds to their fair value. The fair value of the derivative contracts is recognized through profit or loss. Instruments which are hedged using forward exchange agreements are measured at their fair value at the balance sheet date taking into account the interest difference. Currency options are measured at their fair value at the balance sheet date using Black-Scholes pricing model.

TREASURY SHARES
Purchases of treasury shares, inclusive costs, are deducted directly from equity in the Group's financial statements.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS
The preparation of financial statements requires management to make estimates and assumptions about future that affect the reported amounts. The final results may differ from the made estimates. Management may use judgment when selecting, developing and applying accounting policies.

SEGMENT INFORMATION
Segment information will be shown according to Group's business and geographical segment distribution. Business segments pertain to products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments pertain to products or services within a particular economic environment that is subject to risks and returns that are different from those of segments in other economic environments.

Elektrobit's primary reporting segments are its business segments, namely Wireless Communications Solutions, Automotive Software, Test and Automation and Group's common functions. The revenues, costs, assets and liabilities are allocated to right segment based on the matching principle. Assets and liabilities that can not be allocated to businesses are presented as unallocated assets and liabilities. Pricing of inter-segment transactions are based on current market prices.

Secondary reporting is based on geographical segments, which are Europe, The Americas and Asia. In presenting the geographical segment information, the segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

TRANSITION TO IFRS REPORTING
Elektrobit Group Plc prepared for the first time the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) in FY 2005. Prior the implementation of IFRS, Elektrobit Group's financial reporting was based on Finnish Accounting Standards (FAS).

The transition to IFRSs has adjusted the amounts reported previously in the consolidated financial statements, in the notes to the financial statements and the accounting policies used.

Forthcoming Changes in Accounting Principles
The Group will apply the following standard that IASB published in 2005 and 2006 after January 1st, 2007:

- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statement
- IFRIC 8 Scope of IFRS2
- IFRIC 9
- IFRIC 10 Interim Financial Reporting of Impairment
- IFRIC 12 Service Concession Arrangements

Application of the standards is estimated to have no material impact on Group's financial statements.

Notes to the Consolidated Financial Statements

1. SEGMENT INFORMATION

Segment information is presented in accordance with business and geographical segments. Group's primary reporting segments are its business segments. The business segments are based on Group's internal organizational structure and its system of internal financial reporting. Inter-segment pricing is determined on an arm's length basis.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax and financial assets and expenses and corporate assets and expenses. Segment capital expenditure comprise additions of property, plant and equipment and intangible assets that are expected to be used for more than one period.

Elektrobit Group's business segments consist of Wireless Communications Solutions, Automotive Software and Test and Automation. The Wireless Communications Solutions comprises telecommunications vendors with mobile terminal R&D services and 3G smartphone reference design products, as well as inrastructure-related R&D services and standard-based products. The Automotive Software comprises mainly in-car software products and engineering services for the automotive industry. Test and Automation comprises products for R&D testing, as well as testing tools and material handling and process automation equipmentsmainly for the telecommunications industry.

Business segments 2006 1000 EUR	Wireless Communications Solutions segment	Automotive Software segment	Test and Automation segment	Common functions	Eliminations	Group total
Net sales						
Net sales to external customers	66 173	38 879	76 219	205	0	181 477
Net sales to other segments	4 783	28	791	9 432	-15 033	0
Net sales total	**70 956**	**38 907**	**77 010**	**9 637**	**-15 033**	**181 477**
Operating Profit	**-9 213**	**2 141**	**3 952**	**125**	**0**	**-2 996**
Unallocated expenses						0
Operating profit						-2 996
Profit for the year from continuing operations						-2 996
Profit for the year from discontinued operations						78 168
Unallocated expenses						-1 289
Profit for the year						**73 883**
Assets and liabilities						
Segments assets	27 184	32 614	39 406	56 110	-20 117	135 197
Unallocated assets						127 606
Total assets	**27 184**	**32 614**	**39 406**	**56 110**	**-20 117**	**262 803**
Segment liabilities	13 618	10 104	25 580	10 795	-20 117	39 980
Unallocated liabilities						34 261
Total liabilities	**13 618**	**10 104**	**25 580**	**10 795**	**-20 117**	**74 240**
Capital expenditure						
Tangible assets	1 396	1 874	1 130	4 157		8 558
Intangible assets	660	7	968	150		1 784
Investments	496	55	1	5 452		6 004
Goodwill						0
Depreciation	-2 169	-2 664	-1 295	-3 027		-9 154

Business segments 2005 1000 EUR	Wireless Communications Solutions segment	Automotive Software segment	Test and Automation segment	Common functions	Eliminations	Group total Continuing operations
Net sales						
Net sales to external customers	63 090	27 110	99 629	243	0	190 072
Net sales to other segments	10 626	66	356	5 413	-16 461	0
Net sales total	**73 717**	**27 176**	**99 985**	**5 655**	**-16 461**	**190 072**
Operating Profit	**-552**	**1 497**	**16 459**	**-79**	**0**	**17 325**
Unallocated expenses						0
Operating profit						17 325
Profit for the year from continuing operations						17 325
Profit for the year from discontinued operations						5 782
Unallocated expenses						-4 157
Profit for the year						**18 951**
Assets and liabilities						
Segments assets	39 662	27 143	33 841	46 163	-15 142	131 666
Unallocated assets						61 981
Total assets	**39 662**	**27 143**	**33 841**	**46 163**	**-15 142**	**193 647**
Segment liabilities	13 102	10 461	23 213	8 012	-15 142	39 646
Unallocated liabilities						32 025
Total liabilities	**13 102**	**10 461**	**23 213**	**8 012**	**-15 142**	**71 671**
Capital expenditure						
Tangible assets	2 220	1 350	1 766	1 809		7 145
Intangible assets	919	45	803	53		1 821
Investments	53		0	2 844		2 897
Goodwill	18					18
Depreciation	-2 313	-2 557	-2 089	-3 524		-10 482

Notes to the Consolidated Financial Statements

GEOGRAPHICAL SEGMENTS

The secondary reporting segments are geographical and based on the main areas where Elektrobit has activities and sales i.e. Europe, The Americas and Asia. In presenting the geographical segment information, the segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical segments 2006 1000 EUR	Europe	The Americas	Asia	Eliminations	Group total
Net sales					
Sales to external customers	130 929	23 097	27 452		181 477
Net sales to other segments	16 007	9 473	1 092	-26 572	0
Net sales total	**146 936**	**32 570**	**28 544**	**-26 572**	**181 477**
Segments assets	146 174	8 095	3 274	-22 345	135 197
Unallocated assets					127 605
Investment in associate					
Total assets					**262 803**
Capital expenditure					
Tangible assets	8 038	155	365		8 558
Intangible assets	1 256	51	477		1 784
Investments	6 004				6 004
Goodwill	0				0

Geographical segments 2005 1000 EUR	Europe	The Americas	Asia	Eliminations	Group total
Net sales					
Sales to external customers	130 517	28 687	30 874		190 077
Net sales to other segments	23 542	983	5 972	-30 497	0
Net sales total	**154 059**	**29 670**	**36 845**	**-30 497**	**190 077**
Segments assets	130 699	4 498	2 814	-6 346	131 666
Unallocated assets					61 981
Investment in associate					
Total assets					**193 647**
Capital expenditure					
Tangible assets	6 565	328	253		7 145
Intangible assets	1 643	178	0		1 821
Investments	2 897				2 897
Goodwill	18				18

2. DISCONTINUED OPERATIONS

Elektrobit Group Plc. and Anite Group Plc. (“Anite”) signed a Share Purchase Agreement on November 2, 2006, under the terms of which Elektrobit agreed to sell its Network Test Business to Anite. This transaction comprised the entire issued share capital of Elektrobit’s subsidiaries Nemo Technologies Ltd and Elektrobit Group Pte. Ltd. and certain other related assets. The Network Test business was part of Elektrobit’s Test and Automation Business Segment and employed 39 people in Finland and 22 people abroad, mainly in the USA and Asia.

The cash consideration payable to Elektrobit by Anite as a result of the sale was EUR 85 million, subject to a post-completion adjustment based upon the level of net assets in the Network Test business at closing. In addition to the aforementioned purchase price, an additional amount, capped at EUR 12 million, is payable in cash upon the achievement of certain financial performance targets for the Network Test business between January 1st and December 31st 2007.

The sale of the Network Test business between Elektrobit Group Plc. and Anite was closed on November 30, 2006.

	2006 1000 EUR	2005 1000 EUR
Income statement, discontinued operations:		
Net sales	18 742	22 425
Expenses	-12 073	-14 225
Profit before tax	6 668	8 200
Income tax	-1 714	-2 418
Profit after tax for the year	4 954	5 782
Profit before tax for the year from discontinued operations	73 687	0
Income tax	-474	0
Profit after tax for the year from discontinued operations	73 213	0
Profit after tax for the year from discontinued operations, total	78 168	5 782
Cash flow satement from discontinued operations		
Net cash from operating activities	4 930	6 493
Net cash from investing activities	80 392	-385
Net cash from financing activities	-10 630	-6 187
Net change in cash and cash equivalents	74 692	-79

Notes to the Consolidated Financial Statements

3. ACQUISITIONS

During the financial year 2006 the Group has not acquired any new businesses.

4. CONSTRUCTION CONTRACTS

The contract revenue is recognized in the income statement in proportion to the stage of completion of the contract. The stage of completion is defined as the ratio of costs incurred to total estimated costs.

	2006 1000 EUR	2005 1000 EUR
Income recognized as sales based on the stage of completion of long-term construction contracts	35 441	36 584
Revenue recognized from long-term construction contracts in progress amounted to	1 388	243
Advances received from long-term construction contracts recognized in the balance sheet amounted to	824	1 929
Receivables recognized from long-term construction contracts amounted to	1 544	2 738

5. OTHER OPERATING INCOME

Profit of property, plant and equipment	579	387
Government grants	1 912	1 612
Other income	1 177	566
Total	3 667	2 565

6. OTHER OPERATING EXPENSES

Loss of property, plant and equipment	0	-24
Direct operating expenses arising on rental-earning investment properties	0	-33
External services	-13 842	-8 862
Voluntary staff expenses	-4 411	-3 469
Premises expenses	-6 674	-5 433
Travel expenses	-7 966	-6 793
Other expenses	-17 046	-15 888
Total	-49 939	-40 502

7. DEPRECIATIONS AND IMPAIRMENTS

	2006 1000 EUR	2005 1000 EUR
Depreciations		
Intangible assets		
Capitalized development expenditure	-11	-70
Intangible rights	-2 341	-2 278
Other intangible assets	-28	0
Other capitalized long-term expenditures	-187	-801
Tangible assets		
Buildings and constructions	-942	-1 065
Machinery and equipment	-5 637	-5 504
Other tangible assets	-8	-13
Total	**-9 154**	**-9 730**

8. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL

Number of personnel		
Average number of personnel during the fiscal period		
Wireless Communications Solutions	889	875
Automotive Software	409	301
Test and Automation	511	405
Common Functions	38	18
Total	**1 847**	**1 599**
Number of personnel at the year end	2 005	1 633
Personnel expenses 1000 EUR		
Personnel expenses		
Management salaries	-1 684	-1 995
Board of directors	-309	-110
Expense of share-based payments	-873	-124
Other salaries and wages	-75 221	-64 060
	-78 087	**-66 288**
Pension expenses, defined contribution plans	-7 728	-6 588
Pension expenses, defined benefit plans	-114	-215
Other personnel expenses	-7 749	-7 026
Total	**-93 678**	**-80 118**

Pension commitments for the management

The pension coverage of some group directors has been supplemented with voluntary pension plans that allow for retirement at the age of 58–60.

9. RESEARCH AND DEVELOPMENT EXPENSES

The expensed research and development costs recongized in the income statement amounted to	24 943	13 082

Notes to the Consolidated Financial Statements

10. FINANCIAL EXPENSES (NET)	2006 1000 EUR	2005 1000 EUR
Interest expenses	-1 239	-1 404
Interest income	843	468
Dividend income	2	5
Exchange gains and losses	-879	761
Change of financial assets at fair value through profit or loss	-140	726
Other financial expenses	-50	-171
Other financial incomes	1 024	736
Total	**-439**	**1 121**

11. INCOME TAXES

Income taxes, current year	-2 301	-3 906
Income taxes, previous years	118	-67
Deferred taxes	1 673	-1 435
Total	**-510**	**-5 408**

A reconciliation between the effective tax rate and domestic tax rate (26%) of the Group:

Profit before taxes	**-3 435**	**17 562**
Tax at the domestic tax rate 26%	893	-4 566
Effect of tax rates of foreign subsidiaries	-1 163	551
Taxes for prior years	118	-67
Tax free income	46	0
Non-deductible expenses	-85	0
Temporary difference between carrying amounts and tax base	-274	-1 378
Changes in the carrying amounts of deferred tax assets from unused tax losses	0	66
Others	-45	-14
Income taxes in the consolidated income statement	**-510**	**-5 408**

12. EARNINGS PER SHARE

Basic

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

	2006	2005
Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	-4 285	13 169
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	78 168	5 782
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	73 883	18 951
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Basic earnings per share, continuing operations, EUR	-0.03	0.10
Basic earnings per share, discontinued operations, EUR	0.60	0.04
Basic earnings per share, continuing and discontinued operations, EUR	0.57	0.15

Diluted

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Group has a share-based payment scheme (23.6.2005 and 15.3.2006) which has a diluting effect, when the exercise price is lower than the closing share price.

The exercise price of the stock options at 31 December 2006 is higher than the closing share price, hence he stock options do not have dilutive effect.

Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	-4 285	13 169
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	78 168	5 782
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	73 883	18 951
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Effect of dilution (1000 PCS)	0	0
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Diluted earnings per share, continuing operations, EUR	-0.03	0.10
Diluted earnings per share, discontinued operations, EUR	0.60	0.04
Diluted earnings per share, continuing and discontinued operations, EUR	0.57	0.15

13. PROPERTY, PLANT AND EQUIPMENT

The Group has not revalued property, plant and equipment, hence the Group has not recognized any impairment losses directly to equity or recorded any reversals of those.

	2006 1000 EUR	2005 1000 EUR
Land		
Acquisition cost Jan. 1	434	1 290
Disposals during the period	0	-856
Acquisition cost Dec. 31	434	434
No revaluations done		
Buildings and constructures		
Acquisition cost Jan. 1	24 195	27 697
Translation differences		15
Additions during the period	199	252
Disposals during the period	-921	-3 785
Transfer to assets	75	15
Acquisition cost Dec. 31	23 548	24 195
Accumulated depreciations Jan. 1	-4 209	-3 030
Translation differences	2	-15
Depreciation for the period	-942	-1 163
Carrying amount Dec. 31	18 399	19 986
No revaluations or capitalizations of the interest costs have been done.		
Machinery and equipment		
Acquisition cost Jan. 1	30 000	24 764
Translation differences	-294	483
Additions during the period	8 781	6 280
Disposals during the period	-1 664	-668
Transfer to assets	2	548
Acquisition cost Dec. 31	36 826	31 407
Accumulated depreciations Jan. 1	-18 581	-14 479
Translation differences	217	-368
Depreciations on disposals	640	526
Depreciation for the period	-5 728	-5 627
Carrying amount Dec. 31	13 374	11 458
Advance payments		
Acquisition cost Jan. 1	12	64
Translation differences	-1	
Additions during the period	13	612
Disposals during the period	-11	0
Transfer to assets		-665
Acquisition cost Dec. 31	12	12

	2006 1000 EUR	2005 1000 EUR
Other tangible assets		
Acquisition cost Jan. 1	359	359
Additions during the period	17	
Disposals during the period	-17	
Acquisition cost Dec. 31	359	359
Accumulated depreciations Jan. 1	-39	-26
Depreciation for the period	-8	-13
Carrying amount Dec. 31	312	320
Property, plant and equipment total		
Acquisition cost Jan. 1	55 000	54 174
Translation differences	-295	499
Additions during the period	9 010	7 145
Disposals during the period	-2 613	-5 309
Transfer to assets	77	-102
Acquisition cost Dec. 31	61 179	56 407
Accumulated depreciations Jan. 1	-22 829	-17 536
Translation differences	219	-384
Depreciations on disposals	640	526
Depreciation for the period	-6 678	-6 803
Carrying amount Dec. 31	32 531	32 210

Finance leases

The Group had the following amounts of property, plant and equipment acquired by finance leases:

	2006 1000 EUR	2005 1000 EUR
Machinery and equipment		
Acquisition cost Jan. 1	17 271	11 581
Accumulated depreciations	-9 634	-6 176
Carrying amount Dec. 31	7 637	5 404

Additions of property, plant and equipment include assets acquired by finance leases of 5 854 TEUR in 2006 (3 673 TEUR 2005).

Notes to the Consolidated Financial Statements

14. INTANGIBLE ASSETS	2006 1000 EUR	2005 1000 EUR
Capitalized development expenditure		
Acquisition cost Jan. 1	44	3 836
Acquisition cost Dec. 31	44	3 836
Accumulated depreciations Jan. 1	-23	-3 745
Depreciation for the period	-11	-70
Carrying amount Dec. 31	10	21
Intangible rights		
Acquisition cost Jan. 1	21 530	19 981
Translation differences	-0	13
Additions during the period	1 062	1 528
Disposals during the period	-1 451	-161
Transfer to assets	-2	169
Acquisition cost Dec. 31	21 139	21 530
Accumulated depreciations Jan. 1	-8 684	-5 828
Translation differences	-15	-13
Depreciations on disposals	8	6
Depreciation for the period	-2 941	-2 849
Carrying amount Dec. 31	9 507	12 845
Other intangible assets		
Acquisition cost Jan. 1	0	0
Additions during the period	336	0
Acquisition cost Dec. 31	336	0
Accumulated depreciations Jan. 1	0	0
Depreciation for the period	-28	0
Carrying amount Dec. 31	308	0

	2006 1000 EUR	2005 1000 EUR
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	3 368	4 303
Translation differences	-47	56
Additions during the period	664	293
Disposals during the period	-32	-365
Transfer to assets	-75	-67
Acquisition cost Dec. 31	3 878	4 220
Accumulated depreciations Jan. 1	-2 918	-3 371
Translation differences	27	-33
Depreciations on disposals	14	364
Depreciation for the period	-249	-730
Carrying amount Dec. 31	752	449
Intangible assets total		
Acquisition cost Jan. 1	24 941	28 119
Translation differences	-47	70
Additions during the period	2 062	1 821
Disposals during the period	-1 482	-526
Transfer to assets	-77	102
Acquisition cost Dec. 31	25 397	29 585
Accumulated depreciations Jan. 1	-11 625	-12 944
Translation differences	12	-46
Depreciations on disposals	22	370
Depreciation for the period	-3 229	-3 649
Carrying amount Dec. 31	10 577	13 316
Goodwill		
Goodwill has been allocated to cash generating unist as follows:		
Wireless Communications Solutions segment	1 483	1 501
Automotive Software segment	6 696	6 696
Test and Automation segment	0	965
Total	8 179	9 163

The value in use is determined by reference to discounted future net cash flows expected to be generated by the cash generating unit. Cash flow estimates which were used in these calculations were based on continuing use of assets and on most recent 5-year financial forecasts by business management.

The parameters used when determining the discount rate are: risk free interest rate 4,5%, market risk premium 5,0%, industry beta 1,5, cost of debt 5,0% and target capital structure. Amount of debt from total capital is 20%.

The impairment test did not reveal any need for impairment charges.

15. INVESTMENT PROPERTIES	2006 1000 EUR	2005 1000 EUR
Acquisition cost Jan. 1	0	850
Disposals during the period	0	-850
Acquisition cost Dec. 31	0	0
Accumulated depreciations Jan. 1	0	-56
Depreciations on disposals	0	86
Depreciation for the period	0	-30
Carrying amount Dec. 31	0	0

16. INVESTMENTS IN AN ASSOCIATES

The Group does not have any associates.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS

Balance sheet value on Jan. 1	10 234	9 125
Additions during the period	5 426	2 844
Disposals during the period	-5 268	-2 803
Changes in fair-value	-440	865
Profits/losses in income statement	750	203
Balance sheet value on Dec. 31	10 702	10 234

The investments made in financial assets at fair value through profit or loss consist mainly of long-term bonds. The investment portfolio is measured at market value. On Dec. 31, 2006 the market value amounted to 10.7 milj. euros (Dec. 31, 2005 to 10.2 milj. euros). Profit and loss recognized from available-for-sale investments amounted to 0.8 milj. euros (0.2 milj. euros in 2005).

18. OTHER FINANCIAL ASSETS

At 1 January	552	952
Additions	524	53
Disposals	-995	-453
At 31 December	81	552

19. DEFERRED TAX LIABILITES AND ASSETS

1000 EUR	Jan. 1, 2006	Recognized in the income statement	Recognized in equity	Translation differences	Acquisitions and disposals of subsidiaries	Dec. 31, 2006
Deferred tax assets						
Internal stock margin	27	-13				14
Tax losses	1 254	556				1 810
Other items	1 926	-1 079				847
Total	**3 207**	**-536**	**0**	**0**	**0**	**2 671**
Deferred tax liabilities						
Cumulative depreciation difference	34	-21				13
Fair-value of other investments	356	-225				131
Fair-value of derivatives	0	9				9
Goodwill	5 192	-1 510				3 682
Other items	3 039	-462			-191	2 386
Total	**8 620**	**-2 209**	**0**	**0**	**-191**	**6 220**

1000 EUR	Jan. 1, 2005	Recognized in the income statement	Recognized in equity	Translation differences	Acquisitions and disposals of subsidiaries	Dec. 31, 2005
Deferred tax assets						
Internal stock margin	26	1				27
Tax losses	0	1 254				1 254
Other items	2 825	-899				1 926
Total	**2 850**	**357**	**0**	**0**	**0**	**3 207**
Deferred tax liabilities						
Cumulative depreciation difference	11	23				34
Fair-value of other investments	233	123				356
Fair-value of derivatives	72	-72				0
Other items	7 680	550				8 230
Total	**7 997**	**623**	**0**	**0**	**0**	**8 620**

Notes to the Consolidated Financial Statements

20. INVENTORIES	2006 1000 EUR	2005 1000 EUR
Raw materials and supplies	4 783	7 194
Work in progress	5 073	5 784
Finished products	3 993	4 218
Other inventories	29	256
Total	**13 878**	**17 452**

21. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	41 533	37 767
Receivables from construction contracts	1 544	2 738
Prepaid expenses and accrued income	11 665	4 820
Receivables from derivatives	0	0
Other receivables	2 777	1 613
Total	**57 518**	**46 937**

Receivables are valued at nominal value or probable value, whichever is lower.

22. CASH AND SHORT-TERM DEPOSITS

Cash at banks and in hand	106 951	42 223
Other short-term deposits	18 140	18 353
Total	**125 091**	**60 577**
Cash and cash equivalents at cosolidated cash flow statement consist of:		
Cash at banks, in hand and certificates of deposits	125 091	60 577
Total	**125 091**	**60 577**

Fair value of cash and cash equivalents does not significantly differ from the carrying amount.

23. ISSUED CAPITAL AND RESERVES

	Shares 1000 PCS	Share premium 1000 EUR	Premium fund 1000 EUR	Treasury shares 1000 EUR	Total 1000 EUR
At 1 January 2005	129 413	12 941	64 579		77 521
At 31 December 2005	129 413	12 941	64 579		77 521
At 31 December 2006	129 413	12 941	64 579	0	77 521

According to the Articles of Association, the maximum number of shares is 1000 million. The accounting par value of a share is 0.10 euro and the maximum share capital is 20 million euro. All issued shares are fully paid.

Translation differences
The translation reserve copmrises all foreign exhange differences arising from the transition of the financial statements of foreign subsidiaries.

Dividends
After the balance sheet date the Board of Directors has proposed divident of 0.11 euro / share.

24. SHARE-BASED PAYMENT PLANS

The Board of Directors of Elektrobit Group Plc. decided on June 23, 2005 on the distribution of stock options to Elektrobit Group Plc's Group managers and to its wholly-owned subsidiary, serving as a reserve company in the stock option plan. The distributed stock options commit managers to long-term shareholding in the Elektrobit Group. The objective of the new plan is to encourage participating managers to work with a long-term focus to increase shareholder value and to commit them further to their employer.

A total of 612,000 2005A-stock options were distributed to Group management. The rest, 288.000 stock options 2005A, 1,200,000 stock options 2005B, 1,200,000 stock options 2005C and 1,200,000 stock options 2005D were granted to Elektrobit Technologies Ltd, a wholly-owned subsidiary of Elektrobit Group Plc., to be further distributed to the present and future managers of the Group at a later date. In accordance with the terms and conditions of the stock options, the prerequisite for receiving 2005A-stock options was that the participating managers purchase a predetermined number of Elektrobit Group shares, as decided by the Board of Directors.

The Board of Directors has on 14 February 2006 agreed to propose to the Annual General Meeting of Shareholders to be held on 15 March 2006 that stock options, which commit their recipients to long-term shareholding in the Company, be issued to the new Chairman of the Board of Directors of Elektrobit Group Plc. to be elected after the Meeting of Shareholders, as well as to the new CEO of Elektrobit Group Plc.

The maximum total number of stock options issued shall be 1,750,000. All of the stock options shall be marked with the symbol 2006A. The Chairman of the Board shall be granted 750,000 stock options and the CEO shall be granted 1,000,000 stock options, free of charge.

Share-option plan 2005A	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	6/23/2005
Number of instruments granted (1000 PCS)	516
Exercise price, EUR	2.54
Share price at the grant date, EUR	2.53
Contractual life of the options (years)	4.9
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	46%
Expected contractual life of the options (years)	4.9
Risk-free interest rate (%)	2.70%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2006	Number of options 2005
Outstanding at the beginning of the year	606	0
Granted during the year	0	612
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	-90	-6
Outstanding at the end of the year	516	606
Exercisable at the end of the year	0	0

Share-option plan 2005B	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	5/31/2006
Number of instruments granted (1000 PCS)	945
Exercise price, EUR	2.47
Share price at the grant date, EUR	2.34
Contractual life of the options (years)	5.0

Vesting conditions		
Settlement method	Shares	
Expected volatility (%)	43%	
Expected contractual life of the options (years)	5.0	
Risk-free interest rate (%)	3.69%	
Dividend yield (%)	0	
Expected early exercise (at grant date)	0	
Market conditions (at grant date)		
Fair-value of the options at the grant date		
Option pricing model	Black-Scholes	

	Number of options 2006	Number of options 2005
Outstanding at the beginning of the year	0	0
Granted during the year	945	0
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	945	0
Exercisable at the end of the year	0	0

Share-option plan 2006A	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	3/15/2006
Number of instruments granted (1000 PCS)	1750
Exercise price, EUR	2.32
Share price at the grant date, EUR	2.34
Contractual life of the options (years)	6.3
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	44%
Expected contractual life of the options (years)	6.3
Risk-free interest rate (%)	3.34%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2006	Number of options 2005
Outstanding at the beginning of the year	0	0
Granted during the year	1 750	0
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	1 750	0
Exercisable at the end of the year	0	0

Notes to the Consolidated Financial Statements

25. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS	2006 1000 EUR	2005 1000 EUR
Benefit pension plan liability consists of following items:		
Present value of funded obligations	1 177	1 091
Fair value of plan assets	-216	-198
Unrecognized actuarial gains (+) / losses (-)	-163	-209
Net liability	798	683
Net periodic pension cost in income statement:		
Unrecognized net liability on Jan. 1	0	181
Current service cost	82	60
Interest cost	46	39
Expected return on plan assets	-8	-7
Recognized net actuarial gains and losses	4	
Employee contributions	-10	-10
Total	**114**	**262**
Balance sheet reconciliation:		
Net liability on Jan. 1	683	421
Net periodic pension cost in income statement	114	262
Net liability on Dec. 31	798	683
Principal actuarial assumptions:		
Europe		
Discount rate	4.50	4.25
Expected return on plan assets	3.50	4.00

26. PROVISIONS

The Group does not have any provisions.

27. INTEREST-BEARING LOANS AND BORROWINGS

	2006 1000 EUR	2005 1000 EUR
Non-current loans		
Bank loans	12 459	14 762
Finance lease liabilities	4 740	3 098
Total	**17 199**	**17 860**
Current loans		
Bank loans	10 330	7 330
Finance lease liabilities	3 097	2 442
Repayments of long-term bank loans	1 757	2 430
Total	**15 184**	**12 202**
Repayment schedule of long-term loans:		
2006	0	2 430
2007	5 180	4 525
2008	3 342	2 611
2009	1 870	2 112
2010	1 826	1 915
2011	1 957	
Later	4 780	6 696
Total	**18 956**	**20 291**

Loans and borrowings have mainly floating interest rates, from which 6.8 million euro loan principal has been changed into fixed interest rate loan by using SWAP agreement.

	2006	2005
The interest-bearing non-current loans are distributed by currency as follows:		
EUR	17 160	17 779
USD	39	81
Total	**17 199**	**17 860**
The interest-bearing current loans are distributed by currency as follows:		
EUR	15 184	12 159
USD	0	43
Total	**15 184**	**12 202**
Maturities of the finance lease liabilities:		
Finance lease liabilities – minimum lease payments	8 333	5 917
Within one year	3 370	2 645
After one year but no more than five years	4 895	3 271
After five years	68	0
Finance lease liabilities – present value of minimum lease payments	7 837	5 540
Within one year	3 097	2 442
After one year but no more than five years	4 679	3 098
After five years	61	
Future finance charges	496	376
Total amount of finance lease liabilities	8 333	5 917

Notes to the Consolidated Financial Statements

28. TRADE AND OTHER PAYABLES	2006 1000 EUR	2005 1000 EUR
Current liabilities		
Trade liabilities	11 736	8 586
Accrued liabilities, deferred income	16 831	16 225
Liabilities based on derivates	33	143
Other liabilities	6 729	8 035
Total	**35 329**	**32 988**

Material of accrued expenses and deferred income consist of personnel expenses and interest expense accruals of loans.

Fair value of the other liabilities than derivatives don't significantly differ from the initial carrying value, because the impact on discounting is not significant when taking into account the maturities of the loans.

29. FINANCIAL RISK MANAGEMENT

Elektrobit Group Plc is exposed to several financing risks in its standard business operations. The main financial risks consist of exchange rate, default and liquidity risk. The main objective of the Group's financial risk management is to reduce the impacts of price fluctuations in financial markets and other factors of uncertainty on earnings, cash flows and balance sheet, as well as to ensure sufficient liquidity. The Group uses in its risk management financial instruments such as forward exchange agreements, currency options and interest rate swaps.

The Board of Directors approves the general principles of Group's risk management and its parent company is responsible for implementation of the financial risk management procedures. The parent company evaluates and identifies the risks and obtains the instruments needed for hedging in close co-operation with the operative units. The operations and funding programs executed in the financial markets are mainly concentrated into the parent company. The Group's parent raises most of the Group's interest-bearing debt centrally and the subsidiaries are mainly funded through intra-company loans.

Group's financial risks consist of market, default and liquidity risk.

Market risks

Market risks are caused by changes in exchange and interest rates, as well in changes in security prices. These changes may impact on Group's profit, cash flow and balance sheet.

Exchange rate risk

The Group operates globally and is exposed to currency risks caused by foreign exchange positions. Exchange rate risk arises when the net currency flows denominated in currencies other than the domestic currency are translated in the functional currency of the parent company. The Group's most significant currencies are euro and US dollar. Currency risk is caused by commercial activities, balance sheet's monetary items and net investments in foreign subsidiaries. Group's functional currency (EUR, USD) or business environments functional currency is used as invoicing currency.

The Group follows a foreign exchange strategy, which aims at securing the margin of the business activities by minimizing the effects of the exchange rate changes. According to the strategy principles will the forecasted foreign currency net cash flow's be hedged for the coming 12 months. The net cash flow is defined based on the net position of the trade receivables, trade payables, order intake and budgeted net currency flow. The Group has used dynamic hedging model i.e. acute risks have been hedged and the interpretation of the hedging has been wide. A minimum of 30% and a maximum of 100% of the forecasted yearly net position have been hedged. At the end of the financial period the counter value of the hedged net position was 11.95 million euros.

The Group has hedged for its income statement related translation risk and has not hedged for the balance sheet equity related translation risk. The total value of Group's foreign subsidiaries and associated companies non-euro-denominated equity was EUR 18.8 million on December 31, 2006 (2005: EUR 17.6 million). On December 31, the Group had the following outstanding foreign exchange derivative contract nominal amounts outstanding (the nominal amounts do not represent the amounts exchanged by the parties, and those amounts may also include positions, which have been closed off):

Nominal value of currency derivatives	2006 1000 EUR	2005 1000 EUR
Foreign exchange forwards		
Market value	-33	-131
Nominal value	9 450	16 976
Purchased currency options		
Market value	32	96
Nominal value	2 500	6 100
Sold currency options		
Market value	-32	-108
Nominal value	5 000	12 200

Interest rate risk
Elektrobit Group's short term money market investments are exposed to interest rate risk, but theirs impact is non-significant. Group's revenues and operative cash flows are mainly independent from the market rate interest changes.

At the end of 2006, most of the Group's loan portfolio was tied-up to short term reference rate interest. Interest rate swaps are used for minimizing the cash flow risk caused by changes in interest rates. On December 31, the Group had the following interest rate swap amounts outstanding:

	2006	2005
Interest rate swaps (1000 EUR)	6.800	13.370

Securities price risk
The Group is exposed to market price volatility risk caused by quoted shares in it's business operations. In accordance with the Group's principles are cash management related investments allocated to liquid low risk money market instruments. Hence there has not been need for hedging activities.

Default risk
The Group Policy defines the used investment principles and as well the customer, investment transaction and derivate contracts counterparties credit standing requirements. The Group's accounts receivables are generated by a large number of customers worldwide. The Group seeks to minimize its counterparty risk by crediting only customers that have a good credit standing and are well known, also letter of credits are used. Accordingly the Group is not exposed to major receivables related credit risk. In financial year 2006 the amount of the recognized credit losses was non-significant. The Group enters into derivative contracts only with banks which have good credit standing.

Liquidity risk
The Group evaluates and follows continuously the amount of liquid funds needed for business operations, in order to secure the needed funding for business operations and loan repayments. The Group's parent company raises most of the Group's interest-bearing debt. The availability and flexibility of the financing is pursued to assure by Group's strong financial position and by liquid investments. Ordinary covenants accede to Group's loan agreements.

30. DERIVATE CONTRACTS AND HEDGE ACCOUNTING

The Group does not apply the hedge accounting.

31. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES

	2006 1000 EUR	2005 1000 EUR
Business transactions without payments		
Depreciations	9 154	10 482
Employee benefits	873	124
Impairments	0	73
Change in minority interest	340	-130
Profit and loss from sale of property, plant and equipment	-73 568	-363
Other adjustments	-1 425	-105
Total	**-64 625**	**10 081**

Notes to the Consolidated Financial Statements

32. OPERATING LEASE AGREEMENTS	2006 1000 EUR	2005 1000 EUR

The Group as lessee
The total of future minimum lease payments under non-cancelable operating leases for each of the following periods:

Not later than one year	4 042	3 159
Later than one year and not later than five years	4 400	4 703
Later than five years		

The Group has rented most of its facilities. In average the maturities of the lease agreements are from 0.1 to 10 years and normally they include an option to extend the rental period from originally agreed end date.

The Group as lessor
The Group has leased the excess office and production facilities with lease agreements valid until further notice.

33. SECURITIES AND CONTINGENT LIABILITIES

Against own liabilities		
Floating charges	28 807	28 807
Mortgages	17 984	19 666
Pledges	7 134	7 481
Rental liabilities		
Falling due in the next year	4 042	3 159
Falling due after one year	4 400	4 703
Total	**62 368**	**63 816**
Mortgages are pledged for liabilities totalled		
Loans from financial institutions	20 685	22 342
Other liabilities	0	659
Total	**20 685**	**23 001**
Repurchase commitments	604	1 076

34. RELATED PARTY DISCLOSURES

The Group has the following structure:

	County of incorporation	Owned by Parent, %	Owned by Group, %
Parent			
Elektrobit Group Plc.	Finland		
Subsidiaries			
Elektrobit Production Solutions Oy	Finland	100.00	100.00
OÜ JOT Eesti	Estonia	0.00	100.00
JOT Automation UK Ltd.	Great Britain	100.00	100.00
JOT Automation Italia S.r.l	Italy	0.00	100.00
Elektrobit Hungary Kft.	Hungary	0.00	100.00
S.C. Elektrobit S.R.L	Romania	0.00	100.00
JOT Automation Korea Ltd.	South Korea	0.00	100.00
JIG Hardware GmbH	Germany	100.00	100.00
Elektrobit Technologies (Beijing) Ltd.	China	100.00	100.00
Elektrobit Technologies Oy	Finland	100.00	100.00
Kiinteistö Oy Automaatiotie 1	Finland	100.00	100.00
Elektrobit Automotive GmbH	Germany	79.92	79.92
Elektrobit Microwave Oy	Finland	79.65	100.00
Elektrobit AG	Switzerland	0.00	100.00
Elektrobit GmbH	Germany	0.00	100.00
Elektrobit Inc	USA	0.00	100.00
Elektrobit Nippon KK	Japan	0.00	100.00
Elektrobit Wireless Communications Oy	Finland	0.00	100.00
Elektrobit System Test Oy	Finland	0.00	100.00
Kiinteistö Oy Tutkijantie 8	Finland	0.00	100.00
Elektrobit da Amazonia Ltda	Brasil	10.00	100.00
Elektrobit Production Solutions Inc.	USA	0.00	100.00

	2006 1000 EUR	2005 1000 EUR
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Pertti Korhonen 1.6.–31.12.2006	204	
Juha Hulkko 1.1.–31.5.2006 and 17.3.–31.12.2005	66	102
Juha Sipilä 1.1.–17.3.2005	0	43
Total	**270**	**144**
Members of the board of the parent		
J.T. Bergqvist 15.3.–31.12.2006	120	
Juha Hulkko 1.6.–31.12.2006 and 1.1.–17.3.2005	12	14
Eero Halonen 2005 and 17.3.–31.12.2004	5	20
Jukka Harju 1.6.–31.12.2006	12	
Matti Lainema	20	20
Juha Sipilä 2006 and 17.3.–31.12.2005	22	35
Tapio Tammi	20	20
Total	**212**	**110**
There have not been any business transactions or open balances between the related parties.		
Members of the group executive board	**1 232**	**1 264**
To the members of the group executive board distributed 1,195,000 stock options in 2006.		
Loans and guarantees to related party		
There are no loans or guarentees granted between the related parties.		

Notes to the Consolidated Financial Statements

35. EVENTS AFTER BALANCE SHEET DATE

The Group management is not aware of any significant events after balance sheet date, that would have had impact on the consolidated financial statements.

36. KEY RATIOS

	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003 Official	FAS 2002 Pro forma
Income statement, (MEUR)					
Net sales, (MEUR)	181.5	190.1	190.0	138.2	128.7
Net sales change, %	-4.5	0.0	37.5	7.3	n/a
Operating profit/loss, (MEUR)	-3.0	17.3	n/a	n/a	n/a
% of net sales	-1.7	9.1	n/a	n/a	n/a
Profit/loss for continuing operations before taxes, (MEUR)	-3.4	18.4	n/a	n/a	n/a
% of net sales	-1.9	9.7	n/a	n/a	n/a
Profit for the year from continuing operations, (MEUR)	-3.9	13.0	n/a	n/a	n/a
% of net sales	-2.2	6.9	n/a	n/a	n/a
Profit after tax for the year from discontinued operations, (MEUR)	78.2	5.8	n/a	n/a	n/a
% of net sales	43.1	3.0	n/a	n/a	n/a
Profit for the year attributalble to equity holders of the parent, (MEUR)	73.9	19.0	n/a	n/a	n/a
% of net sales	40.7	10.0	n/a	n/a	n/a
Balance sheet, (MEUR)					
Non-current assets	66.3	68.7	74.7	47.1	59.3
Inventories	13.9	17.5	15.4	12.3	14.9
Current assets	182.6	107.5	104.2	82.9	67.4
Shareholders' equity	188.6	122.0	110.9	82.3	74.2
Long-term liabilities	23.7	26.5	34.7	21.2	28.9
Short-term liabilities	50.5	45.2	48.7	38.9	38.5
Balance sheet total	262.8	193.6	194.3	142.3	141.6
Profitability and other key figures					
Return on equity, % (ROE)	-2.5	11.2	n/a	n/a	n/a
Return on investment, % (ROI)	-1.2	13.1	n/a	n/a	n/a
Interest-bearing net liabilities, (MEUR)	-92.7	-30.5	-14.7	1.9	20.3
Net gearing, %	-49.2	-25.0	-13.2	2.3	27.4
Equity ratio, % (nominal, net of deferred taxes)	72.2	64.2	58.1	58.6	53.4
Gross investments, (MEUR)	16.4	12.5	n/a	n/a	n/a
Gross investments, % of net sales	9.0	6.6	n/a	n/a	n/a
R&D costs, (MEUR)	24.9	13.1	n/a	n/a	n/a
R&D costs, % of net sales	13.7	6.9	n/a	n/a	n/a
Average personnel during the period	1847	1599	1342	1073	n/a

	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003 Official	FAS 2002 Pro forma
Stock-related financial ratios*					
Earnings per share from continuing operations, (EUR)					
Basic earnings per share	-0.03	0.10	n/a	n/a	n/a
Diluted earnings per share	-0.03	0.10	n/a	n/a	n/a
Earnings per share from discontinued operations, (EUR)					
Basic earnings per share	0.60	0.04	n/a	n/a	n/a
Diluted earnings per share	0.60	0.04	n/a	n/a	n/a
Earnings per share from continuing and discontinued operations, (EUR)					
Basic earnings per share	0.57	0.15	0.21	0.06	-0.01
Diluted earnings per share	0.57	0.15	0.21	0.06	-0.01
Equity per share, (EUR)	1.44	0.93	0.84	0.64	0.57
Dividend per share, (EUR)**	0.11	0.07	0.06	0.05	
Dividend per earnings, %	-332.2	68.8	n/a	n/a	
P/E ratio	-62.2	18.4	n/a	n/a	
Effective dividend yield, %	5.3	3.7	n/a	n/a	
Market values of shares, (EUR)					
Highest	2.56	3.15	3.45	3.30	3.40
Lowest	1.82	1.82	2.15	1.35	1.25
Average	2.18	2.53	2.85	2.22	2.03
At the end of period	2.06	1.87	2.80	2.55	1.45
Market value of the stock, (MEUR)	266.6	242.0	362.4	321.6	182.9
Trading value of shares					
MEUR	72.4	117.2	79.9	50.1	41.1
1000 PCS	33 206	46 374	28 071	22 544	20 197
Related to average number of shares, %	25.7	35.8	21.9	17.9	16.4
Adjusted number of the shares at the end of the period (1000 PCS)	129 413	129 413	129 413	126 105	126 105
Adjusted number of the shares average for the period (1000 PCS)	129 413	129 413	128 289	126 105	123 277
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	129 413	129 413	128 289	126 105	122 796

* The figures have been transformed to correpond with the number of shares after the combination of shares performed during the year 2005.

** According to Board of Director's proposal, year 2006.

Notes to the Consolidated Financial Statements

CALCULATION OF KEY RATIOS

Return on equity % (ROE)	=	Profit before extraordinary items - taxes × 100 / Equity + minority interest + appropriations less deferred taxes (average)
Return on investment % (ROI)	=	Profit before extraordinary items + financial expenses × 100 / Balance sheet total - interest-free liabilities (average)
Net gearing, %	=	Interest-bearing liabilities - cash and deposits and short-term investments × 100 / Equity + minority interest + appropriations less deferred taxes
Equity ratio, %	=	Equity + minority interest + appropriations less deferred taxes × 100 / Balance sheet total - advances received
Earnings per share	=	Profit before extraordinary items taxes +/- minority interest / Share issue adjusted number of the shares average for the period
Equity per share	=	Equity + minority interest + appropriations less deferred taxes / Share issue adjusted number of the shares at the end of the period
Dividend per share	=	Dividend for the period (Board's proposal) per share / Adjustment coefficient of post-fiscal share issues
Dividend per earnings, %	=	Dividend per share × 100 / Earnings per share
P/E ratio	=	Share issue adjusted share price at the end of the period / Earnings per share
Effective dividend yield, %	=	Dividend per share / Share issue adjusted share price at the end of the period

37. SHAREHOLDINGS AND SHARES

Brakedown of shares by shareholding, December 31, 2006

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1–100	14 814	45.3%	713 657	0.6%
101–500	9 737	29.8%	2 577 910	2.0%
501–1000	3 505	10.7%	2 739 629	2.1%
1001–5000	3 624	11.1%	8 171 229	6.3%
5001–10000	520	1.6%	3 983 631	3.1%
10001–50000	407	1.2%	9 009 154	7.0%
50001–100000	52	0.2%	3 678 316	2.8%
100001–500000	49	0.1%	11 659 588	9.0%
500001–999999999999	20	0.1%	86 879 576	67.1%
	32 728	**100.0%**	**129 412 690**	**100.0%**
nominee-registered	12		2 258 507	1.7%

Brakedown of shareholders by shareholder type, December 31, 2006

Shareholdes by shareholder type	Number of shareholders	Percentage of shareholders	Percentage of shares and votes
Companies	1 232	3.8	13.4
Financial institutes and insurance companies	40	0.1	5.6
Public corporations	9	0.0	2.4
Non-profit organizations	93	0.3	0.7
Private investors	31 201	95.3	75.6
Foreign owned	141	0.4	2.3
nominee-registered	12	0.0	2.3
	32 728	**100.0**	**100.0**

Largest shareholders, December 31, 2006	Number of shares	Percentage of shares and votes
Number of shares total	129 412 690	100.0
Hulkko Juha	27 564 097	21.3
Hilden Kai	10 831 316	8.4
Veikkolainen Erkki	9 388 719	7.3
Halonen Eero	8 784 259	6.8
Harju Jukka	7 642 730	5.9
Sipilä Juha ja Fortel-yhtiöt*	7 480 444	5.8
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2 273 140	1.8
Laine Seppo	2 220 051	1.7
Nordea Pankki Suomi Oyj	1 956 424	1.5
Sampo Suomi Osake Sijoitusrahasto**	1 242 279	1.0
	79 383 459	**61.3**
Others (includes nominee-registered)	50 029 231	38.7

* Includes the shares owned by the companies controlled by Juha Sipilä.
** nominee-registered

Income Statement, Parent Company

	Notes	2006 1000 EUR	2005 1000 EUR
NET SALES	1, 2	**7 933**	**3 974**
Other operating income	3	5 633	0
Personnel expenses	4	-3 206	-1 882
Depreciation and reduction in value	5	-32	-54
Other operating expenses		-7 362	-3 300
OPERATING PROFIT		**2 966**	**-1 261**
Financial income and expenses	6	1 767	15 261
PROFIT BEFORE EXTRAORDINARY ITEMS		**4 733**	**14 000**
Extraordinary items	7	316	2 000
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**5 048**	**16 000**
Income tax	8	-86	-684
NET PROFIT FOR THE FINANCIAL YEAR		**4 963**	**15 317**

Balance Sheet, Parent Company

	Notes	2006 1000 EUR	2005 1000 EUR
ASSETS			
Non-current assets			
Intangible assets	9	72	51
Tangible assets	10	293	258
Investments	11	74 940	78 439
Non-current assets total		75 305	78 748
Current assets			
Receivables			
Long-term receivables	12	159	159
Short-term receivables	13	36 796	28 205
Receivables total		36 956	28 364
Short-term investments		5 500	5 500
Cash and bank deposits		91 572	24 387
Current assets total		134 027	58 251
Total assets		**209 333**	**137 000**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	14		
Share capital		12 941	12 941
Share issue premium		64 579	64 579
Retained earnings		32 511	26 355
Net profit for the year		4 963	15 317
Shareholders' equity total		114 994	119 192
Liabilities			
Short-term liabilities	15	94 338	17 808
Liabilities total		94 338	17 808
Shareholders' equity and liabilities total		**209 333**	**137 000**

Cash Flow Statement, Parent Company

	2006 1000 EUR	2005 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before extraordinary items	4 733	14 000
Adjustments:		
Depreciation according to plan	32	54
Financial income and expenses	-1 767	-15 261
Operating incomes and expenses booked in unrestricted equity	-102	1 235
Cash flow before change in net working capital	2 896	28
Change in net working capital		
Change in interest-free short-term receivables	-2 332	-1 190
Change in inventories		
Change in interest-free short-term payables	2 290	56
Cash flow before financing activities	**2 855**	**-1 106**
Interest paid	-1 344	-173
Dividends received	508	13 538
Interest received	2 603	1 896
Income taxes paid	-86	-684
Cash flow before extraordinary items	4 536	13 472
Net cash flow from extraordinary items	316	2 000
Net cash from operating activities	**4 851**	**15 472**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-88	-53
Proceeds from sale of tangible and intangible assets		
Purchase of investments	-6 093	-1 083
Proceeds from sale of investments	9 593	604
Loan granted	-5 820	-6 524
Proceeds from repayments of loans	6 336	2 134
Interest received from investments		
Dividends received investments		
Net cash used in investing activities	**3 927**	**-4 921**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Change in interest-free short-term receivables in Group	-6 775	3 164
Change in interest-free short-term payables in Group	74 241	-12 123
Repayment of long-term borrowings	0	-1 535
Dividends paid	-9 059	-7 765
Net cash used in financial activities	**58 407**	**-18 259**
NET CHANGE IN CASH AND CASH EQUIVALENTS	67 185	-7 708
Cash and cash equivalents at beginning of period	29 887	37 595
Cash and cash equivalents at end of period	97 072	29 887
Change in cash and cash equivalents in balance sheet	67 185	-7 708

Notes to the Financial Statements of the Parent Company

ACCOUNTING PRINCIPLES FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Finnish Accounting Act.

Valuation Principles

VALUATION OF NON-CURRENT ASSETS

Non-current assets are capitalized in the balance sheet at the original acquisition cost deducted by accumulated depreciation. Depreciations according to the plan is calculated either using the straight-line method or the reducing balance method, taking into consideration of the useful life of assets. The depreciation periods are:

Intangible assets	3–5 years
Tangible assets	3–7 years

Valuation of Financial Securities

Financial securities are valued at acquisition cost.

Pensions

Company has organized pension coverage for its personnel through independent pension insurance companies. The pension insurance expenditures are included into personnel expenses.

Leasing Agreements

Leasing agreements and fixed-term rental agreements are reported as contingent liabilities off the balance sheet.

Income Tax

Taxes of the financial year have been reported in the income statement as income taxes. Deferred tax or liabilities or receivables has not been recorded on the financial statement.

Foreign Currency Items

The transactions in the income statement have been converted into euro using the exchange rate of the transaction date. Receivables and payables denominated in foreign currency have been converted into euro by using the exchange rate of the European Central Bank at the balance sheet date.

Net Sales

Sales of goods is recorded when goods have been handed over to the customer or the services have been rendered. Sales are shown net of indirect sales taxes and discounts.

Extraordinary Items

Extraordinary items includes Group contributions and compared year loss from dissolution of a subsidiary.

Notes to the Financial Statements of the Parent Company

	2006 1000 EUR	2005 1000 EUR
1. NET SALES BY SEGMENTS		
Common functions	7 933	3 974
Total	**7 933**	**3 974**
2. NET SALES BY MARKET AREAS		
Europe	7 933	3 974
Total	**7 933**	**3 974**
3. OTHER OPERATING INCOME		
Other operating income	5 633	0
Total	**5 633**	**0**
5. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel during the fiscal period		
Common functions	38	17
Total	**38**	**17**
Number of personnel at year end	102	18
Personnel expenses		
Management salaries	270	144
Board of directors	212	110
Other salaries and wages	2 130	1 296
	2 611	**1 551**
Pension expenses	470	196
Other social expenses	125	135
Total	**3 206**	**1 882**
6. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	0	0
Other capitalized long-term expenditures	30	52
Machinery and equipment	2	1
Total	**32**	**54**

	2006 1000 EUR	2005 1000 EUR
6. FINANCIAL INCOME AND EXPENSES		
Income from investments		
From Group companies	508	13 538
From affiliated companies		
Total	**508**	**13 538**
Other interest and financial income		
From Group companies	740	507
From others	1 863	1 389
Total	**2 603**	**1 896**
Other interest and financial expenses		
To Group companies	-473	-298
To others	-871	125
Total	**-1 344**	**-173**
Net financial income and expenses	**1 767**	**15 261**
Net financial income and expenses includes exchange gains and losses	-574	701
7. EXTRAORDINARY ITEMS		
Extraordinary income		
Group contributions	316	2 000
Total	**316**	**2 000**
Extraordinary expenses		
Other extraordinary expenses	0	0
Total	**0**	**0**
Net extraordinary items	**316**	**2 000**
8. INCOME TAX		
For operations	-86	-684
For extraordinary items		
Total	**-86**	**-684**

Notes to the Financial Statements of the Parent Company

	2006 1000 EUR	2005 1000 EUR
9. INTANGIBLE ASSETS		
Intangible rights		
Acquisition cost Jan. 1	0	0
Acquisition cost Dec. 31	**0**	**0**
Accumulated depreciations Jan. 1	-0	-0
Depreciation for the period	-0	-0
Book value Dec. 31	**0**	**0**
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	2 215	2 162
Investments during the period	51	53
Acquisition cost Dec. 31	**2 267**	**2 215**
Accumulated depreciations Jan. 1	-2 164	-2 112
Depreciation for the period	-30	-52
Book value Dec. 31	**72**	**51**
Intangible assets total		
Acquisition cost Jan. 1	2 216	2 163
Investments during the period	51	53
Acquisition cost Dec. 31	**2 267**	**2 216**
Accumulated depreciations Jan. 1	-2 165	-2 112
Depreciation for the period	-30	-52
Book value Dec. 31	**72**	**51**
10. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost Jan. 1	1 212	1 212
Investments during the period	37	
Acquisition cost Dec. 31	**1 249**	**1 212**
Accumulated depreciations Jan. 1	-1 211	-1 210
Depreciation for the period	-2	-1
Book value Dec. 31	**36**	**1**
Other tangible assets		
Acquisition cost Jan. 1	257	257
Acquisition cost Dec. 31	**257**	**257**
Book value Dec. 31	**257**	**257**
Tangible assets total		
Acquisition cost Jan. 1	1 469	1 469
Investments during the period	37	0
Acquisition cost Dec. 31	**1 506**	**1 469**
Accumulated depreciations Jan. 1	-1 211	-1 210
Depreciation for the period	-2	-1
Book value Dec. 31	**293**	**258**

	2006 1000 EUR	2005 1000 EUR
11. INVESTMENTS		
Investments in subsidiaries		
Acquisition cost Jan. 1	69 522	69 075
Investments during the period		546
Disposals during the period	-4 407	-100
Acquisition cost Dec. 31	**65 115**	**69 522**
Investments in other shares		
Acquisition cost Jan. 1	8 888	8 844
Investments during the period	5 426	3 236
Disposals during the period	-4 518	-3 192
Acquisition cost Dec. 31	**9 796**	**8 888**
Other long-term receivables		
Acquisition cost Jan. 1	30	41
Disposals during the period		-12
Acquisition cost Dec. 31	**30**	**30**
Investments total		
Acquisition cost Jan. 1	78 439	77 961
Investments during the period	5 426	3 782
Disposals during the period	-8 925	-3 304
Acquisition cost Dec. 31	**74 940**	**78 439**
12. LONG-TERM RECEIVABLES		
Loan receivables		
From Group companies	159	159
Total	**159**	**159**
Long-term receivables total	**159**	**159**
13. SHORT-TERM RECEIVABLES		
Accounts receivable		
From Group companies	4 454	3 515
From others	40	15
Total	**4 494**	**3 530**
Loan receivables		
From Group companies	17 175	17 691
Total	**17 175**	**17 691**
Other receivables		
From Group companies	13 018	6 243
From others	298	492
Total	**13 316**	**6 735**
Prepaid expenses and accrued income		
From Group companies	0	0
From others	1 810	249
Total	**1811**	**249**
Short-term receivables total	**36 796**	**28 205**

Notes to the Financial Statements of the Parent Company

		2006 1000 EUR		2005 1000 EUR
14. SHAREHOLDERS' EQUITY				
Share capital at the beginning of the period	1.1.	12 941	1.1.	12 941
Share issue		0		0
Share capital at the end of the period	**31.12.**	**12 941**	**31.12.**	**12 941**
Share premium fund at the beginning of the period	1.1.	64 579	1.1.	64 579
Issue premiums		0		0
Share premium fund at the end of the period	**31.12.**	**64 579**	**31.12.**	**64 579**
Retained earnings at the beginning of period	1.1.	41 672	1.1.	32 885
Dividend payment		-9 059		-7 765
Adjustment in prior period		-102		1 235
Net profit for the period		4 963		15 317
Retained earnings at the end of period	**31.12.**	**37 474**	**31.12.**	**41 672**
Distributable earnings at the end of the period	31.12.	37 474	31.12.	41 672
Shareholders' equity total	**31.12.**	**114 994**	**31.12.**	**119 192**
15. SHORT-TERM LIABILITIES				
Accounts payable				
To Group companies		500		295
To others		1 794		319
Total		**2 293**		**613**
Other short-term liabilities				
To Group companies		90 319		16 294
To others		452		367
Total		**90 770**		**16 661**
Accrued expenses and deferred income				
To Group companies		234		17
To others		1 041		515
Total		**1 274**		**533**
Short-term liabilities total		**94 338**		**17 808**

	2006 1000 EUR	2005 1000 EUR
16. SECURITIES AND CONTINGENT LIABILITIES		
On behalf of Group companies		
Guarantees	5 336	6 364
Other direct and contingent liabilities		
Leasing liabilities		
Falling due in the next year	3 441	1 847
Falling due after one year	5 427	2 293
Rental liabilities		
Falling due in the next year	530	137
Falling due after one year	884	
Repurchasing liabilities		
Falling due in the next year		
Falling due after one year		
Total	**15 618**	**10 641**
Mortgages are pledged for liabilities totalled		
Loans from financial institutions	0	0
Total	**0**	**0**
17. NOMINAL VALUE OF CURRENCY DERIVATES		
Foreign exchange forwards		
Market value	-33	-108
Nominal value	9 450	14 276
Purchased currency options		
Market value	32	96
Nominal value	2 500	6 100
Sold currency options		
Market value	-32	-108
Nominal value	5 000	12 200

Notes to the Financial Statements of the Parent Company

	Owned by Parent, %	Owned by Group, %	Book value 1000 EUR
18. SHARES AND HOLDINGS			
Subsidiaries			
Elektrobit Production Solutions Oy	100.00	100.00	4 813
JOT Automation UK Ltd.	100.00	100.00	0
JIG Hardware GmbH	100.00	100.00	0
Elektrobit Technologies (Beijing) Ltd.	100.00	100.00	808
Elektrobit Technologies Oy	100.00	100.00	39 749
Kiinteistö Oy Automaatiotie 1	100.00	100.00	3 600
Elektrobit Automotive Gmbh	79.92	79.92	14 518
Elektrobit Microwave Oy	79.65	100.00	1 624
Elektrobit da Amazonia Ltda	10.00	100.00	2
Other holdings by Parent			
Oulun Golf Oy			7
Oulun Puhelin Oy			1
Visual Components Oy	16.49	16.49	15
Oulu Innovation Oy			0
Other holdings by subsidiaries			
Others			9 772

Board of Directors' Proposal to Distribute Profits

According to the parent company's balance sheet the distributable funds are EUR 37,473,785.00 of which EUR 4,962,625.00 is the profit for the financial period. There have been no material changes in the company's financial situation since the financial year end. The liquidity of the company is adequate. According to the Board of Directors' view, the proposal to distribute profits does not risk the liquidity of the company.

The company's Board of Directors proposes to the Annual General Shareholders Meeting that a dividend of EUR 0.11 per share, a total of EUR 14,235,395.90, shall be paid from the distributable funds, and that the rest of the distributable assets shall be left in unrestricted shareholders' equity. According to the proposal the record date shall be March 19, 2007 and the dividend shall be paid on March 26, 2007.

In Oulunsalo, February 6, 2007
Elektrobit Group Plc., the Board of Directors

J.T. Bergqvist
Chairman of the Board

Jukka Harju
Member of the Board

Juha Hulkko
Member of the Board

Matti Lainema
Member of the Board

Juha Sipilä
Member of the Board

Tapio Tammi
Member of the Board

Pertti Korhonen
CEO

Auditor's Report

To the shareholders of Elektrobit Group Plc.

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Elektrobit Group Plc. for the period 1.1.–31.12.2006. The Board of Directors and the CEO 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 CEO 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 CEO 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.

In Oulu, February 6, 2007

Ernst & Young Oy
Authorized Public Accountant Firm

Rauno Sipilä
Authorized Public Accountant

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