Annual Report 2005

ELEKTROBIT

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Elektrobit

Elektrobit

Elektrobit is a leading supplier of R&D, testing and production automation solutions for the telecommunications and automotive industries. The focal points of our business include testing of mobile communications devices and mobile phone networks, development and integration of smart phones, and software for infotainment systems used in passenger cars. We provide solutions based on our own products, product platforms and product development services. We also have customers in the defense, space, industrial automation and medical equipment industries. Our operations are based on strong expertise in wireless technologies and automotive software.

Elektrobit Group's business segments include the Service and Product Businesses

Elektrobit Group's Service business segment comprises:

- the Contract R&D business, which mainly includes product development services for the telecommunications industry, and
- the Automotive business, which mainly includes software development services for the automotive industry.

In 2005 Elektrobit Group's Product business segment comprised:

- the Testing business, which mainly includes testing equipment required for the product development, production and network operation of telecommunications devices, as well as
- the Automation Solutions business, which includes equipment for the automation of production lines for telecommunications and other electronic devices.

In June Elektrobit Group announced that the Testing and Automation Solutions business units included in the Products business segment would be combined to create a new business unit called Test and Automation. Elektrobit Group Plc. reported sales for the Testing and Automation Solutions units separately until the end of 2005. In this review, the Testing and Automation Solutions businesses are combined.

Contract R&D

The Contract R&D business unit works as a product development partner for companies that use wireless technologies and need high-tech solutions and outsourcing services. The basic idea of the business unit is to provide product development services for businesses that engage in the product business and have their own marketing and distribution organizations.

The Contract R&D business comprises design services and wireless products for mobile terminals and base stations, Security & Defense, industrial and other applications.

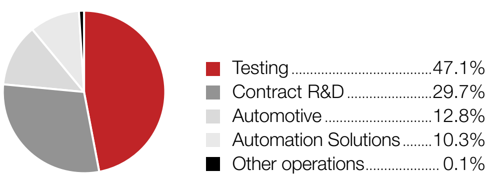
Design and expert services are offered in the following sectors, among others:

- smart phones and other mobile terminals,
- base stations for mobile phone networks,
- industrial wireless solutions, and
- telecommunications systems for the security, defense and space industries.

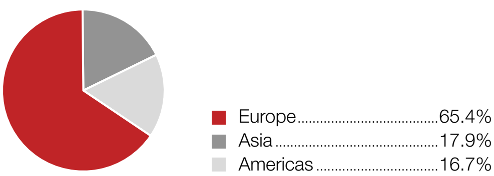
Automotive Industry

The Automotive business unit provides design services for embedded software serving the needs of the automotive industry, medical electronics and industrial automation. Most of the business comprises product development services for automotive infotainment and body control applications.

Net sales by business unit



Net sales by market area



The products include design tools and software components associated with our Tresos™ product range, used in the development of electrical control units (ECU) for passenger cars, as well as Street Director, a hybrid navigation system for smart phones and PDAs. Product development solutions offered to our clients often combine our products, product platforms and design services.

The Automotive business unit's fields of know-how include:

- embedded standard software for electronic control units,
- development of interactive user interfaces,
- navigation technologies,
- voice recognition systems,
- image processing, and
- software development and project management.

Test and Automation

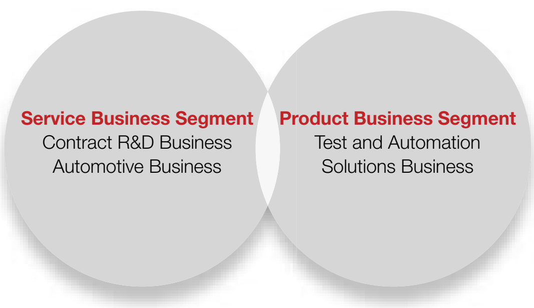
The Test and Automation business unit offers testing equipment for telecommunications equipment product development and network operation, as well as production testing and automation solutions. Principal clients include companies developing and manufacturing mobile communications devices and base stations for mobile networks, as well as network operators. Production automation products are also sold to the automotive industry. The business also includes services related to the product offering, such as the design of testing for mobile phones and base stations, measurement services related to mobile phone networks, and maintenance and support services for production equipment.

The unit aims to improve the quality, speed and cost-efficiency of the client's testing processes during the life cycle of their products. The production testing and automation solutions are particularly well suited to high-volume production comprising several product models.

The products of the Test and Automation business include:

- radio channel simulators and measurement instruments for system testing (PropSim™ and PropSound™ product families),
- measurement, analysis and optimization products for network testing conducted by network operators (Nemo product family), and
- production testing equipment, as well as printed circuit board handling and processing equipment and assembly systems sold under the JOT Automation name.

Elektrobit Group



2005 in Brief

Net sales increased and operating profit decreased on 2004

Net sales amounted to 212.5 million euro (202.6 million euro, increase 4.9%) and the operating profit stood at 25.5 million euro (34.4 million euro, decrease 8.9 million euro).

The funding structure strengthened

The equity ratio at year-end 2005 was 64.2 per cent. Net gearing was -24.5 per cent. Cash flow from operations stood at 26.3 million euro.

Long-term development and continuity was secured

The Group continued to add resources to sales, marketing and competence development, as well as to research and development in accordance with its established targets.

Development of the Group structure was continued

The structure of Elektrobit Group was made clearer by combining the Test and Automation businesses.

The share price decreased

Elektrobit Group Plc.'s share price quoted on Helsinki Exchanges decreased by 33.2 per cent during the period under review, the trading volume was bigger and the company's market value at the end of 2005 was 242.0 million euro (362.4 million euro).

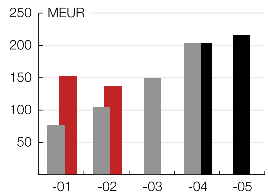
The Board of Directors proposes distribution of profit

The Board of Directors of Elektrobit Group Plc. proposes that a dividend of 0.07 euro per share, total 9 058 888.30 euro, shall be paid.

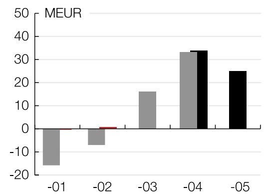
Key Figures

	2005	2004	Change %
Net sales, MEUR	212.5	202.6	4.9%
Operating profit, MEUR	25.5	34.4	
Operating profit, % of net sales	12.0	17.0	
Profit before taxes, MEUR	26.6	33.9	
Net profit, MEUR	19.0	26.4	
Equity total, MEUR	122.0	110.9	10.0%
Balance sheet total, MEUR	193.6	194.3	-0.4%
Cash flow from operations, MEUR	26.3	47.6	
Personnel at the period end	1684	1536	9.6%
Return on investment % (ROI)	20.0	28.8	
Interest-bearing net liabilities, MEUR	-29.8	-14.7	
Net gearing, %-	-24.5	-13.2	
Equity ratio, %	64.2	58.1	
Earnings per share, EUR	0.15	0.21	

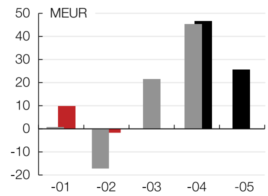
Net sales



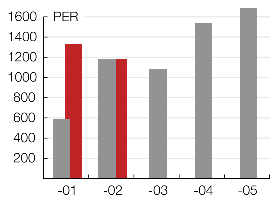
Operating profit



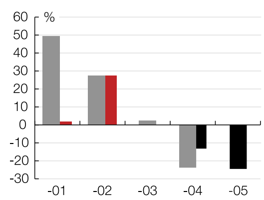
Cash flow from operations



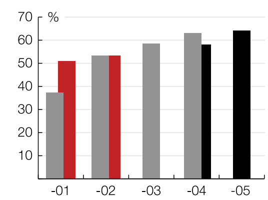
Personnel



Net gearing



Equity ratio



Official, FAS
Pro forma, FAS
IAS

Operating Environment

The Mobile Device R&D Market was Challenging

The sales volume of the mobile devices increased by more than 20% in 2005 to some 800 million units. The downward trend in the average price of mobile devices and a shorter time-to-market imposed challenges on the improvement of equipment manufacturers' product development efficiency. The Contract R&D market was under intense competition and difficult to predict. The poor availability of commercial 3G phone platforms slowed market development.

Wireless Network Infrastructure Market Continued to Increase

The number of mobile communications network subscribers exceeded 2 billion. Operators invested in network capacity and new network technologies, and the optimization of networks increased, particularly in developed markets. The market for wireless network testing equipment developed very favorably in 2005.

Cost Efficiency was a Crucial Competitive Factor for Production

Delivery times in production-related testing and automation markets became shorter and cost efficiency remained a crucial competitive factor.

The Share of Electronics and Software in Cars Continued to Increase

The share of electronics and software in cars continued to increase. The market for automotive software solutions is expected to grow at an annual rate of 15%.

According to the strategy updated during the period under review, Elektrobit Group's long-term targets include:

- To grow faster than the telecommunications industry on average;
- To expand the customer base in telecommunications, automotive and other industries;
- To enhance product development services based on our special competence and offer more extensive productization service packages
- To pursue a leading position among smartphone development partners through the company's ODE business model and, together with partners, through the ODM business model and by offering reference phones;
- To pursue a leading position in testing mobile phone devices and networks by widening the product and technology offering;
- To strengthen the market position in automotive infotainment applications, in real-time operating systems for body control applications and in electronic production automation;
- To strengthen the company through acquisitions and strategic alliances.

Contract R&D

Net sales decreased to 63.1 million euro (72.0 million euro). Focal points included the development of smart phone platforms and associated projects and design services.

The business environment for Contract R&D, particularly with regard to mobile terminals, was very turbulent and under intense competition compared to 2004. Poor availability of advanced 3G smart phone platforms made it difficult to respond to market needs. This was reflected in issues such as extended periods of contract negotiations and added marketing effort for the sales of product development projects. The volume of product development associated with mobile phone base stations increased on the previous year.

Elektrobit carried out its strategy by continuing its effort in the development and marketing of Series 60 platforms. In February Elektrobit announced that it would be the first design house to offer a range of smart phones based on its Series 60 reference design targeted at Series 60 licensees. Elektrobit offers the phones in accordance with the ODE (Original Design and Engineering) principle with optional contract manufacturing services. The reference phones change the environment of mobile phone development by reducing development costs and time-to-market for new products.

Automotive

Net sales increased to 27.1 million euro (16.8 million euro from March to December 2004), and the number of personnel increased to 354 (243). Business operations developed according to plan.

The main efforts during 2005 focused on boosting sales to existing and new customers and expanding personnel resources. Internationalization measures initiated in Japan and the USA resulted in the first design projects commissioned by clients from those countries. Our own navigation software product, StreetDirector, was launched and efforts were made in the development of software compliant with the AutoSAR standard. Automotive products and solutions generated about 30 per cent of net sales. The Automotive business unit has operated as an independent business unit within Elektrobit Group since the beginning of 2005.

Test And Automation

Combined net sales from test and automation solutions increased to 122.1 million euro (113.5 million euro). Net sales from the testing business increased to 100.2 million euro

(88.3 million euro), while net sales from Automation Solutions decreased to 21.9 million euro (25.1 million euro).

The sales of network testing equipment (Nemo product family) increased strongly, and new products were introduced to the market: the portable instrument Nemo Handy™, as well as 3GPP support and a database product for the Nemo Outdoor™ Drive Test tool.

The sales of production testing equipment continued at a good level, and seasonal deliveries focused on the second and third quarters. The sales of system testing products (the PropSim™ and PropSound™ product families) exceeded the sales figures for the comparison period. Deliveries of the new PropSim™ FE radio channel simulator started.

The focus of the automation business shifted from customized projects to the sales of standard products and customer projects utilizing Elektrobit Group's testing and automation platforms. The sales of material handling equipment remained at the previous year's level, but system deliveries for the final assembly of mobile terminals decreased. Among other products, we introduced equipment for handling plastic covers and other components for mobile terminals, laser markers and circuit board cutting systems. Central Europe remained our most important market area. The production of a few equipment was started in China.

In June the company announced that the Testing and Automation Solutions business units included in the Products business segment would be combined to create a new business unit called Test and Automation. Combining the business units strengthens the Products business and enables the units to serve their common customers more comprehensively.

Personnel

2005 was the 20th year of Elektrobit Group's operations. The personnel celebrated the anniversary under the theme Together 2005. During the year, matters associated with job satisfaction, pleasure at work and personnel competence were emphasised through various events and theme days.

Personnel Structure

Elektrobit Group employed 1 684 people at the end of 2005. Compared with the previous year, the number increased by 148. Most of the growth was seen in Germany.

Our personnel have an average age of 34. Product development engineers constitute a significant part. Approximately one half of the personnel work in the Contract R&D business unit, approx. 21% in the Automotive business unit and approx. 29% in the Test and Automation business unit.

Approximately one half of the Group's personnel work at nine locations in Finland. Some 89 per cent of the personnel work in Europe, six per cent in the Americas and five per cent in Asia.

Elektrobit Spirit

The Elektrobit Spirit personnel survey is part of annual planning. It was carried out during the first quarter in all the Group companies. The Elektrobit Spirit personnel survey communicates the values and guiding principles of the company. It comprises four parts, including values and principles guiding operations, future outlook, management and supervisory work, and an atmosphere survey.

According to the survey carried out in 2005, Elektrobit employees are proud of their work, trust the high quality of their work and competence, and are committed to performing their work well. A significant part of the personnel also feel they can be themselves at work and present their own opinions. The results of the Elektrobit Spirit personnel survey will be utilized for internal development.

Management Training Program

63 people took part in the Management Training Program last year. Those involved work in various business management positions or the corporate support functions. A crucial objective of the training program was to focus on the development of Elektrobit Group's management system. Training was carried out using our own personnel as well as third-party experts. A new training program for supervisors was launched in 2005.

CEO's review

In 2005 Elektrobit Group's turnover increased by about five percent compared with the previous year. However, net sales were 212.6 million euro, which fell short of our target. The Automotive and Testing business units grew, while the net sales of the Contract R&D and Automation business units diminished. At 25.5 million euro, Elektrobit Group's operating profit was at a healthy level of 12.0 percent, but it clearly decreased from 2004 (34.4 million euro and 17.0 percent of net sales).

In 2005 we continued the company's efforts towards long-term development and continuity by adding resources to sales, marketing and competence development as well as research and product development. Compared with 2004, the group's R&D investments increased by some 3 million euro to more than 15 million euro. The number of companies within the group has decreased from 42 to 27 due to actions to develop corporate structures.

Elektrobit Group is in great financial shape. A strong balance sheet provides a sound basis for building the future.

I would like to thank our customers for their loyalty and our stockholders for their continued support of the long-term development of our company.

It has been great to get first-hand experience of the knowledge and skills of our personnel and the tremendous potential of the entire company. My heartfelt thanks to the entire staff of Elektrobit for a job well done in 2005!

This year, we are going to benefit from a new level of knowledge and experience in the management of our company. I am delighted that the Board has selected Pertti Korhonen as my successor from June 1, 2006. I wish Pertti every success in his new role as CEO of Elektrobit Group.

Juha Hulkko, CEO

"Elektrobit Group is in great financial shape. A strong balance sheet provides a sound basis for building the future."

Elektrobit Group Plc.
Financial Statements for 2005

Consolidated Financial Statements, IFRS

Parent Company Financial Statements, FAS

Report by the Board of Directors

Elektrobit Group's objective for 2005 was to continue its efforts towards long-term development by adding resources to sales, marketing and competence development, as well as to research and development.

Comparisons Between Year 2005 and 2004:

- Net sales amounted to 212.5 million euro (202.6 million euro: an increase of 9.9 million euro or 4.9%). The net sales of the Testing business unit 100.2 million euro (88.3 million euro; an increase of 11.8 million euro or 13.4%) and the net sales of the Automotive business unit 27.1 million euro (16.8 million euro for the period March 8 – December 31, 2004; an increase of 10.3 million euro or 61.2%) increased from the level of 2004. The net sales of the Automation Solutions business unit 21.9 million euro (25.1 million euro; a decrease of 3.3 million euro or 13.0%), and the net sales of the Contract R&D business unit 63.1 million euro (72.0 million euro; a decrease of 8.9 million euro or 12.4%) decreased from the level of 2004.
- Operating profit amounted to 25.5 million euro (34.4 million euro). The operating profit of the Service business segment amounted to 0.9 million euro (9.2 million euro) and of the Product business segment amounted to 24.7 million euro (26.7 million euro)
- Cash flow from operations amounted to 26.3 million euro (47.6 million euro)
- The equity ratio was 64.2% (58.1%).

Business Environment

The predictable period in the business environment remained short during 2005. The sales volume of the mobile devices on the global market is estimated to have increased 20% during 2005. The downward trend in the average price of mobile devices and a shorter time-to-market imposed challenges on the improvement of product development efficiency. The amount of product development based on different product platforms is expected to have increased due to faster time-to-market and reduction of product development expenses. On the other hand, new product features and the introduction of 3G equipment are anticipated to have had an increasing impact on product development in 2005. The deliveries of smart phones grew and the growth is expected to continue during 2006.

The growth of the wireless network equipment business is expected to have been under 10% during 2005, and growth is expected to be slowing down in 2006. During 2005 the operators invested in network capacity and new network technologies and increased network optimization especially on developed markets. The positive developments in the wireless network testing equipment market is expected to continue also during 2006.

Delivery times in production-related testing and automation markets became shorter and cost efficiency remained as the main competitive factor. The share of electronics and software in cars grew, as well as the use of wireless technologies and the number of infotainment applications.

According to the strategy updated during 2005, Elektrobit Group's long-term targets include:

- To grow faster than the telecommunications industry on average;
- To expand the customer base in telecommunications, automotive and other industries;
- To enhance product development services based on our special competence and offer more extensive productization service packages
- To pursue a leading position among smart phone development partners through the company's ODE business model and, together with partners, through the ODM business model and by offering reference phones;

The quarterly distribution of the Group's overall net sales and profit was the following:

	10–12/05	7–9/05	4–6/05	1–3/05	10–12/04
Net sales MEUR	54.9	54.9	58.1	44.6	60.2
Operating profit MEUR	4.4	9.4	7.2	4.5	10.1
Profit before taxes MEUR	5.1	9.6	7.4	4.6	10.2
Net profit MEUR	4.0	6.6	5.2	3.2	7.2

Net sales by business unit have developed as follows:

	10–12/05	7–9/05	4–6/05	1–3/05	10–12/04
Contract R&D MEUR	16.6	13.4	15.9	17.2	21.4
Automotive MEUR	10.8	6.2	5.8	4.4	6.9
Services business total MEUR	27.4	19.6	21.7	21.6	28.3
Testing MEUR	22.6	29.9	31.0	16.7	25.9
Automation Solutions MEUR	4.8	5.4	5.4	6.3	5.9
Products business total MEUR	27.5	35.2	36.3	23.0	31.8
Group Total	**54.9**	**54.9**	**58.1**	**44.6**	**60.2**

Net sales by market area were as follows:

	10–12/05	7–9/05	4–6/05	1–12/05	1–12/04
Asia MEUR (%)	13.5 (25%)	12.4 (23%)	7.2 (12%)	37.9 (18%)	26.4 (13%)
Americas MEUR (%)	4.5 (8%)	12.6 (23%)	12.9 (22%)	35.5 (17%)	36.8 (18%)
Europe MEUR (%)	36.9 (67%)	29.9 (54%)	38.0 (65%)	139.1 (65%)	139.4 (69%)

Net sales (external) and earnings development by the business segment were the following during 2005 (figures for the year 2004 in brackets):

	Service business	Product business	Common functions	Group total
Net sales, external	90.2 (88.8)	122.1 (113.5)	0.2 (0.3)	212.5 (202.6)
Operating profit	0.9 (9.2)	24.7 (26.7)	-0.1 (-1.5)	25.5 (34.4)

Report by the Board of Directors

- To pursue a leading position in testing of mobile devices and networks by widening the product and technology offering;
- To strengthen the market position in automotive infotainment applications, in real-time operating systems for body control applications and in electronic production automation;
- To strengthen the company through acquisitions and strategic alliances.

In February, Elektrobit announced that it will be the first design house to offer a range of smart phones based on its Series 60 reference design targeted at Series 60 licensees. Elektrobit offers the phones in accordance with the ODE (Original Design and Engineering) principle with optional contract manufacturing services. The reference phones change the environment of mobile phone development by reducing development costs and time-to-market of new products. With industrial designs and optional modifications to the mechanical design and the Series 60 Platform, mobile handset vendors can offer differentiated products based on Elektrobit's reference smart phones.

In June it was announced that the business units operating within the Product business segment; the Testing business unit and the Automation Solutions business unit, will be merged into a new Test and Automation business unit. The combining of the business units will strengthen the product business and enable the units to serve their common customers more comprehensively.

The development of the business environment supports our objective of continuing on a track of moderate net sales growth also in 2006. The expectation of growth is subject to uncertainties caused by the cost reduction pressures and increasing competition among suppliers of production test solution providers due to lowering average product prices of mobile devices, and by the sustaining high competition and difficult to predict contract R&D market environment. On the other hand, the outlook on the automotive and network and system test markets is good. The cost reduction pressures and high competition in our mobile devices related markets and the growing investments in research and development, do not support achieving the relative profitability level of 2005 in 2006. Net sales in 2005 fell short of and profitability almost met the targets set for January to December 2005.

Research and Development in 2005

During 2005 the Elektrobit Group continued to invest in the practical application of future technologies, in the adoption of new technologies and the development of Series 60 platforms in the Contract R&D business, as well as in the development of new products in the Automotive, Automation Solutions and Testing businesses. Research and development expenses in 2005 amounted to 15.0 million euro which is 7.1% of the net sales (compared with 12.0 million euro (5.9%) in 2004 and 9.8 million euro (6.6%) in 2003).

Risks and Uncertainties

Elektrobit Group observes a risk management policy with the objective of covering risks related to business operations, property, agreements, competence, currencies, financing and strategy. The group has identified risks and uncertainties associated with factors such as strategy, business operations, personnel, product development, product liability, assets and financing. More information related to this is presented under the heading ”Estimate of operational risks and uncertainties”.

Service Business Segment in 2005

Elektrobit's service business comprises:

- the Contract R&D business that mainly consists of product development services for the telecommunications industry, and
- the Automotive business that mainly consists of software development services for the automotive industry. The core of the Automotive business is 3SOFT GmbH, which became a part of the Group through acquisition in March 2004.

Net sales of the service business in 2005 amounted to 90.2 million euro (88.8 million euro) and the operating profit stood at 0.9 million euro (9.2 million euro).

Contract R&D Business 2005

The Contract R&D business comprises design services and wireless products for mobile terminals and base stations, Security & Defence, industrial and other application areas. Product sales constitute less than 10% of the net sales of the Contract R&D business.

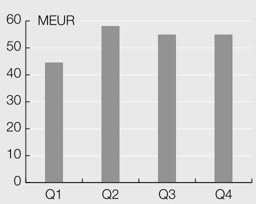
The business environment of Contract R&D, particularly with regard to mobile terminals, was very turbulent and under intense competition when compared to the corresponding period in 2004. Poor availability of advanced 3G smart phone platforms has made it difficult to respond to market needs. This has reflected in issues such as extended periods of contract negotiations and added marketing efforts for the sale of product development projects. Net sales during 2005 amounted to 63.1 million euro (72.0 million euro), which was below the target.

During 2005, Elektrobit carried out its strategy by continuing its effort in the development and marketing of Series 60 Platforms. During 2005, Elektrobit also released its own reference smart phone targeted at Series 60 licensees. Customer projects based on the Symbian operating system were carried out within the framework of the Symbian IDH (Independent Design House) contract.

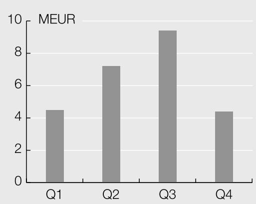
Focal points during 2005 included the development of smart phone platforms and associated project and design services. The volume of product development associated with mobile phone base stations increased in comparison to the previous year.

Elektrobit Ltd., a subsidiary of Elektrobit Group Plc., and Procomp Solutions Ltd. signed an agreement transferring Elektrobit Ltd's former Contract

Net sales/ quarterly



Operating profit/ quarterly



R&D operations in Kuopio and Varkaus to Procomp Solutions Ltd. as of October 10, 2005. A total of 33 Elektrobit Ltd. employees transferred to Procomp Solutions Ltd. as continuing employees. The agreement did not involve the transfer of any customer commitments and had no impact on the Automation Solutions business based in Kuopio.

Automotive Business 2005

The Automotive business comprises design services for embedded software serving the needs of the automotive industry, medical electronics and industrial automation. Most of the business consists of development services for infotainment and body control applications.

The products include design tools and software components associated with our Tresos™ product range, used in the development of electrical control units (ECU) for passenger cars, as well as Street Director, a hybrid navigation system for smart phones and PDA devices. Product sales and related solutions constitute app. 30% of the net sales of the Automotive business in 2005.

The Automotive business unit has been operating independently within the Elektrobit Group from the beginning of 2005. The main efforts during 2005 focused on boosting sales to existing and new customers and expanding employee resources. Internationalization measures initiated in Japan and the USA have resulted in the first design projects commissioned by clients in these countries.

Generally, the market for automotive software solutions is expected to grow at an annual rate of 15% (Mercer study 2005, Impact of AUTOSAR on the Auto Software and Tools Market). This growth stems from safety and driver support systems, electronics designed to enhance comfort, in-vehicle communications networks, and the improvements in the quality of electronic vehicle components. Diagnostics is estimated to also provide considerable growth potential.

Net sales in 2005 amounted to 27.1 million euro (16.8 million euro) and on the whole, business operations developed according to plan. The net sales figure for the comparison period in 2004 only includes 3SOFT GmbH's net sales as of March 2004, as Elektrobit acquired an 80% holding in 3SOFT GmbH in March 2004.

Product Business Segment 2005

Elektrobit's product business comprises:

- the Testing business that mainly includes testing equipment for the product development, production and network operation of telecommunications devices, as well as
- the Automation Solutions business that includes equipment for the automation of production lines for telecommunications and other electronic devices.

In June, the Elektrobit Group announced that the Testing and Automation Solutions business units included in the Products business segment will be combined to create a new business unit called Test and Automation.

Elektrobit Group reported sales for the Testing and Automation Solutions unit separately during 2005.

Net sales of the products business amounted to 122.1 million euro (113.5 million euro), and the operating profit stood at 24.7 million euro (26.7 million euro).

Testing Business 2005

The Testing business comprises equipment for production testing, system testing and network testing, which are developed, manufactured and sold mainly to the manufacturers of mobile terminals and networks, network operators, electronics contract manufacturers and research organizations. The products include production testing equipment, radio channel simulators and measuring instruments for system testing (PropSim and PropSound product families), as well as measuring, analysis and optimization products for network operators for network testing purposes (Nemo product family). The Testing business also includes services related to the product offering, such as the design of testing for mobile phones and base stations, as well as measurement services related to mobile phone networks.

Net sales of the Testing business unit during 2005 amounted to 100.2 million euro (88.3 million euro), and exceeded our target. The higher than targeted growth was mainly contributed by the strong sales of network testing equipment (Nemo product family) in comparison to the sales figure of the year 2004. The sales of system testing equipment (mainly PROPSim product family) was also well above the sales of the year 2004, even though it did not reach the target figure. The sales of production testing equipment remained essentially at the same level as in 2004 thus exceeding the target.

The net sales in the fourth quarter amounted to 22.6 million euro (25.9 million euro). The sales of network testing and optimization equipment continued at essentially the same level as in the last quarter of 2004, the Asian market showing good progress. The sales of system testing equipment resulted in a significantly higher figure than during the same period 2004, and development was good especially in Japan, but the total sales target was not reached. The sales of production testing equipment in the last quarter experienced a decline and was below the figure of the corresponding period of 2004.

The R&D investments grew significantly during the year 2005. A number of new products were launched in Network testing: NemoHandy™, the portable cellular network measurement instrument based on the Symbian operating system, and extensions for new technologies such as 3GPP HSDPA in the Nemo Outdoor drive test tool. Deliveries of the new database based extension of Nemo Analyse post-processing tool for network measurements started during the last quarter of 2005. The sales of the new PropSim FE radio channel simulator started in the second quarter and the product opened us a new market segment in the digital TV broadcasting applications. Pilot deliveries of new functional production testing devices started in the third quarter, and continued with customer evaluations during the fourth quarter. Product development investments continued in the domain of production testers for mobile phones, expansion of the radio channel simulator product range, as well as the development of measurement and analysis products for all key mobile phone network standards during the last quarter.

Automation solutions business 2005

The Automation Solutions business consists of two parts: BAS (Board Assembly Systems) and FAS (Final Assembly Systems). BAS focuses on circuit board processes for automotive, consumer and industrial electronics and comprises both project sales and standard equipment sales. The most significant market area is Central Europe. FAS mainly comprises assembly systems for the telecommunications equipment industry. It focuses on selected key accounts on a global level and typically delivers complete systems as projects.

Net sales during 2005 amounted to 21.9 million euro (25.1 million euro) and fell of our targets. The business environment remained challenging, and the industry is still under intense competition and cost pressure. The sales of board assembly systems was essentially at the same level as in the year 2004, while the sales of final assembly systems decreased significantly. Progress in sales was made with board assembly products concerning European key accounts, and new customers were acquired in the Americas region.

The net sales in the fourth quarter amounted to 4.8 million euros that was lower than the sales of the corresponding period of the year 2004.

Deliveries of new material handling equipment, consisting of a tray handler, tray cleaning device and IMD film cleaning device, started in the third quarter. The material processing product portfolio was complemented by a new laser marker cell and a new high-speed de-panelling cell during the fourth quarter. The focus of business shifted from customized projects to the sales of standard products, and customer projects utilizing Elektrobit's testing and automation platforms. In the fourth quarter, manufacturing of a set of material handling products was started in China.

Balance Sheet and Financing

The figures presented in the balance sheet of December 31, 2005, have been compared with the balance sheet of December 31, 2004 (1000 euro).

	12/2005	12/2004
Non current assets	68 681	74 680
Inventories	17 452	15 410
Accounts and other receivables	46 937	49 137
Financing securities, cash and bank deposits	60 577	55 088
Current assets total	124 966	119 634
Total assets	**193 647**	**194 314**
Share capital	12 941	12 941
Other equity	107 249	95 688
Minority interest	1 785	2 271
Total shareholders' equity	121 976	110 900
Long term liabilities	26 480	34 733
Short term liabilities	45 191	48 680
Total shareholder's equity and liabilities	**193 647**	**194 314**

Cash flow from operations during 2005 was as follows:

+ net profit +/- adjustment on accrual basis	+35.7 MEUR
- increase in net working capital	-1.5 MEUR
- interest, taxes and dividends	-7.9 MEUR
= cash generated from operations	+26.3 MEUR
- net cash used in investing activities	-5.3 MEUR
- net cash used in financing activities	-15.6 MEUR
= net change in cash and cash equivalents	**+5.5 MEUR**

The amount of accounts and other receivables, booked in current receivables, was 46.9 million euro (49.1 million euro on December 31, 2004), while accounts and other payables, booked in interest free current liabilities, stood at 32.3 million euro (35.0 million euro on December 31, 2004).

The amount of non-depreciated consolidation goodwill at the end of year 2005 was 9.2 million euro (9.1 million euro on December 31, 2004), and depreciation on business acquisitions during 2005 amounted to a total of 2.0 (5.6 million euro during 2004).

The amount of net investments in 2005 was 2.9 million euro, consisting entirely of replacement investments. The amount of net investment was reduced by 4.6 million euro due to a property arrangement in Germany. The total amount of depreciation during 2005 was 10.5 million euro, including 2.0 million euro of depreciation owing to business acquisitions

The Group's other long-term investments include an investment portfolio with a book value of approximately 10.2 million euro that mainly consists of long-term bonds. The portfolio is valuated at market value on December 31, 2005.

The amount of interest-bearing debt at the end of 2005 was 30.7 million euro. The distribution of net financing expenses on the income statement was the following:

interest, dividend and other financial income	+4.2 million euro
interest expenses	-3.7 million euro
foreign exchange gains and losses	+0.7 million euro

The company's equity ratio at the end of 2005 was 64.2% (compared with 58.1% at the end of 2004).

Year 2005 figures do not include any statutory reserves referred to in Chapter 5, Section 14 of the Accounting Act.

The Group follows a currency strategy, the objective of which is to ensure the margins of business operations in changing market circumstances, by minimizing the influence of exchange rates. In accordance with the principles of the currency strategy, the incoming 12-month net cash flow of the currency in question will be 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 2005 was equivalent to 22.5 million euro.

Environmental Factors

Elektrobit Group'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 span of products. Products manufactured by the group have minor environmental impacts. The group has had ISO 14001 certified management systems since 2001. The systems were expanded in 2004 to cover production units.

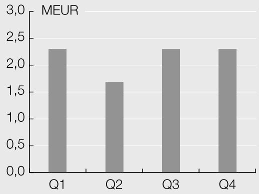
Personnel

Elektrobit Group employed 1 684 people at the end of 2005 (1 536 people in 2004). Product development engineers constitute a significant part of this number. Approximately one half of the personnel work in the Contract R&D business unit, approximately 21% in the Automotive business unit and approximately 29% in the Test and Automation business unit.

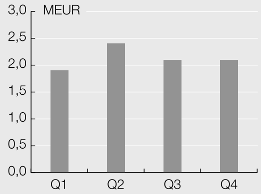
Transition to International Financial Reporting Standards (IFRS)

Elektrobit adopted the International Financial Reporting Standards as of the beginning of 2005, and this financial statement bulletin has been prepared in accordance with the said standards. The exceptions allowed in the IFRS1 first-time adoption standard with regard to retroactive application of individual standards have been utilized in the transition. The IFRS information presented has been prepared in accordance with the IFRS standards valid at the time of preparation. The transition to IFRS regula-

Gross investments quarterly (excluding acquisitions and financial assets)



Depreciation quarterly (excluding acquisitions)



tions reduced Elektrobit Group's consolidated shareholders' equity on the opening balance sheet January 1, 2004, by approximately 1.8 million euro (2.1%) and increased the balance sheet total by approximately 3.5 million euro (2.4%). More information and the detailed specifications of the effects of the transition on the balance sheet and financial reporting were provided in a bulletin released by the company on March 9, 2005. The bulletin is available on Elektrobit Group's Web site www.elektrobit.com.

Changes in Group Structure
During 2005, the Group acquired all the shares in Elektrobit SAS, the company responsible for the Group's operations in France. The share purchase agreement was signed on January 21, 2005.

The steps to merge Ylinen Electronics Ltd with Elektrobit Microwave Ltd were completed during 2005. The merger became effective as of June 30, 2005.

The two Group companies located in the United States, JOT Automation Inc. and Nemo Technologies Inc., were merged with Elektrobit Inc. on April 1, 2005.

A wholly owned subsidiary, Elektrobit DA Amazonia Ltda, was established in Brazil on June 6, 2005.

During 2005, the Group acquired all the shares in Elektrobit AG, the company responsible for the Group's operations in Switzerland. The share purchase agreement was signed on September 14, 2005.

The merger of Elektrobit Automation Ltd. and Elektrobit Testing Ltd. has been completed on December 30, 2005.

Combination of Shares
On March 17, 2005, the General Meeting of Shareholders of Elektrobit Group Plc. passed a resolution to reduce the number of shares in the company by combining five existing shares into one new share. The changes were reported to the Trade Register on April 9, 2005. Currently, the total number of shares in the Elektrobit Group Plc. is 129 412 690, the accounting par value equivalent of each share being 0.10 euro.

Changes in the Group Executive Board
Eero Tervo, B.Sc. (Engineering), was appointed to the Group Executive Board as Executive Vice President, Logistics and Information Management, starting on February 1, 2005.

Juha Hulkko, M.Sc. (Engineering), eMBA, was appointed as CEO as of March 17, 2005. The areas of responsibility of corporate executives reporting to the CEO were regrouped in connection with this.

Chief Operating Officer Jukka Harju, M.Sc. (Engineering), M.Sc. (Economics) is responsible for operational business. He continues to be responsible for the Group's mergers and acquisition activities as well. Executive Vice Presidents responsible for the Group's business units (Contract R&D, Testing, Automation Solutions and Automotive) report to Mr. Harju.

The sphere of responsibility of Seppo Laine, Chief Financial Officer, Authorized Public Accountant, was extended as of March 17, 2005, to include the Group's support functions with the exception of human resources. The directors responsible for these support functions report to Mr. Laine. Ritva-Liisa Niskanen, LLM, trained on the bench, was appointed Executive Vice President, Human Resources. Ms. Niskanen, Mr. Harju and Mr. Laine report to Mr. Hulkko.

Johann Haas, M.Sc. (Engineering) was as of March 17, 2005, appointed to the Group Executive Board as Executive Vice President responsible for the Automotive business.

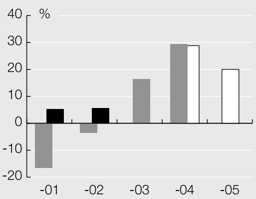
General Counsel Päivi Vasankari is on child-care leave up until July 31, 2006. Mr. Mikko Vartia, LLM, will serve as her replacement.

As of March 17, 2005, the members of the Group Executive Board have included Juha Hulkko as Group CEO, Arto Pietilä as Executive Vice President responsible for the Contract R&D business, Hannu Hakalahti as Executive Vice President responsible for the Test and Automation business, Johann Haas as Executive Vice President responsible for the Automotive business, Eero Tervo as Executive Vice President responsible for Logistics and Information Management, Jukka Harju as Chief Operating Officer responsible for operational business, Seppo Laine as Chief Financial Officer, Ritva-Liisa Niskanen as Executive Vice President responsible for Human Resources, Päivi Vasankari as Executive Vice President responsible for legal affairs, and Juha Reinikka, as Executive Vice President responsible for Integrated Test and Automation Solutions business area, until October 31, 2005 when his employment at Elektrobit Group ended.

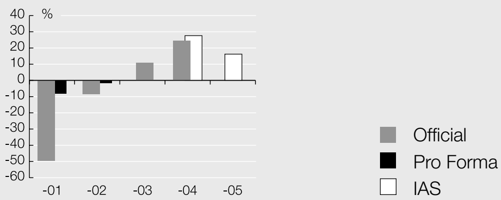
Board of Directors' Authorizations by the End of 2005
The Board of Directors was authorised March 17, 2005 by the General Meeting of Shareholders to decide on a new issue or to take convertible loans, in one or more instalments. In the new issue or taking of convertible loans a right can be given to subscribe for a maximum total of 126,105,100 shares, the accounting par value equivalent of which is EUR 0.02 per share, and from which 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 2 522 102. The total proposed amount corresponds to approximately 20 per cent of the currently registered share capital and the total voting rights. The authorisation is valid until the next following Annual General Shareholders' Meeting, however not later than until March 17, 2006.

The authorisation contains a right to deviate from the shareholders preemptive right of subscription of new shares and convertible loans rights set out in Chapter 4, Section 2 of the Companies Act as well as a 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 a right to decide on subscription prices. Deviation from the shareholders' pre-emptive subscription rights requires that there is a weighty financial reason for this such as arrangement connected with development of the Company's business or capital structure or financing acquisitions or to encouragement of the personnel. Resolution to this effect shall not, however, be made for the benefit of a party belonging to the inner circle

Return on investment, %



Return on equity, %



Report by the Board of Directors

of the company as defined in Chapter 1, Section 4, Subsection 1 of the Companies' Act. When the share capital is increased in another way 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 Board of Directors does not have authorization to repurchase the Company's shares or to transfer such repurchased shares.

Further to the authorization granted by the General Meeting of Shareholders on March 17, 2005, the Board of Directors passed a resolution on April 29, 2005 to revise the said authorization to reflect the current number of shares in the company now decimated to one fifth.

Following the amendment the Board of Directors is authorised 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 a right can be given to subscribe for a maximum total of 21 332 538 shares, the accounting par value equivalent of which is EUR 0.10 per share, and from which a maximum of 1 000 000 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 approximately 20 per cent of the currently registered share capital and the total voting rights. The authorization remains wholly unexercised.

OPTION PROGRAM

The Board of Directors was authorized March 17, 2005 by the General Meeting of Shareholders to decide on the granting of options. In accordance with the authorization the Board of Directors has on April 29, 2005 amended the authorization to correspond the new reduced number (5 shares to 1) of shares of Elektrobit Group Plc.

Following the amendment the Board of Directors is authorized to grant a maximum of 4 500 000 option rights, based on which, the share capital of Elektrobit Group Plc. may increase by a maximum of 450 000 euro and the number of shares may increase by a maximum of 4 500 000 new shares. Other terms of the option program remain unchanged.

Incentive Schemes

PERSONNEL FUND

A personnel fund was established on April 27, 2005. In the first stage the members of the fund will consist of the Group's personnel working in Finland, but the intention is that as many Elektrobit Group employees as possible could belong to the personnel fund in the future. The Group's top management will not belong to the fund.

A profit-related pay scheme, in accordance with the Act on Personnel Funds, was implemented in the Elektrobit Group in 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 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.

In accordance with the share ownership plan, associated with this stock option plan, the participating managers are committed to acquire further company's shares with a considerable portion of the future income from the distributed stock-options.

Notifications in Accordance with Chapter 2, Section 9 of the Securities Market Act

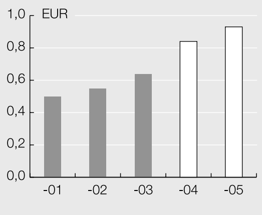
There were no changes in ownership during 2005 that would have caused an obligation of disclosure in accordance with Chapter 2, Section 9 of the Securities Market Act.

Board of Directors and Auditor

The Annual General Shareholders' Meeting was held on March 17, 2005. The meeting re-elected Tapio Tammi, Eero Halonen and Matti Lainema to the company's Board of Directors and appointed Juha Sipilä, M.Sc (Eng.) as a new member of the Board. The Board of Directors elected on its assembly meeting held on March 17, 2005 Juha Sipilä as Chairman of the Board.

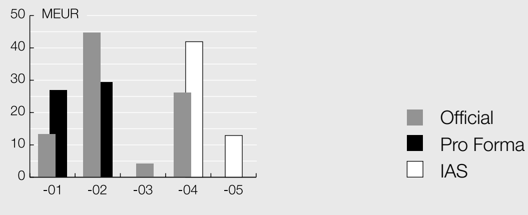
The authorized accounting firm Ernst & Young Oy was elected as the company's auditor, with Rauno Sipilä, Authorized Public Accountant, as the primarily responsible auditor.

Shareholders' equity / share



The figures have been transformed to correspond with the number of shares after the combination of shares performed during the accounting period.

Gross investments



Shares and Share Capital, Shareholders and Shareholdings by the Board of Directors and CEO
Information regarding shares, share capital, shareholders and the shareholdings by the Board of Directors and the CEO is presented separately under Shares and Shareholders.

Dividend in 2004
The Shareholders' Meeting, held on March 17, 2005, resolved that in accordance with the Board of Directors' proposal dividend of EUR 0.012 per share, i.e a total of EUR 7 764 761.40 be distributed for the financial period of 2004.

Events After 2005
As of January 1, 2006, Mr. Edvard Krogius, Director of Investor Relations, transferred to the position of Key Account Director within Elektrobit Group's Testing and Automation Solutions business unit. Ms. Maija-Liisa Fors, M.Sc. (Econ.), has been appointed as Elektrobit Group's new Director of Investor Relations. She will assume her new position March 6, 2006. Until then, Investor Relations will be an additional responsibility of Mr. Seppo Laine, the Group's CFO.

Outlook for the Financial Year 2006 and its First Quarter
The overall business environment in 2006 is expected to be similar to 2005. The most significant factors affecting the Contract R&D business environment are the number of new smart phone models, the competitive success of mobile phone models based on the Series 60 software platform and the Symbian OS operating system, the amount of outsourced R&D and competition among the companies providing SW development services, complete mobile device R&D services and reference phones. The increasing volume of low-end mobile phones requires improvement of operational efficiency in product development as well as in production testing and automation. The growth in the volume of software and electronics in vehicles is expected to continue. This will probably have a positive effect on the development of the automotive software business. The main factors affecting the production testing business environment are the number of new phone models and the degree of automation in testing solutions. The business environment associated with mobile networks is expected to remain good. The business environment for Automation Solutions is expected to remain similar to that of 2005, while replacement investments and product-specific automation solutions will dominate the demand.

The development of the business environment supports our objective of continuing on a track of moderate net sales growth also in 2006. The expectation of growth is subject to uncertainties caused by the cost reduction pressures and increasing competition among suppliers of production test solution providers due to lowering average product prices of mobile devices, and by the sustaining high competition and difficult to predict contract R&D market environment. However, the outlook on the automotive and network and system test markets is good. The cost reduction pressures and high competition in our mobile devices related markets and the growing investments in research and development, do not favor achieving the relative profitability level of 2005 in 2006. Net sales in 2005 fell short of and profitability almost met the targets set for January to December 2005.

Due to the nature of the group's business, major fluctuations are still to be expected between quarters. The group estimates that the distribution of net sales in 2006 will be similar to 2005. Due to investments, the accumulation of operating profit will be focused on the latter half of 2006. The group expects net sales in the first quarter of 2006 to increase somewhat on the 2005 level. Operating profit in the first quarter of 2006 is expected to be slightly negative.

Consolidated Income Statement

	Notes	2005 1000 EUR	2004 1000 EUR
NET SALES	1, 4	**212 497**	**202 608**
Other operating income	5	2 565	3 138
Change in work in progress and finished goods		-156	721
Work performed by the undertaking for its own purpose and capitalised		232	288
Raw materials and services		-51 580	-48 306
Personnel expenses	8	-83 504	-69 795
Depreciation	7	-10 482	-11 493
Impairment of goodwill		0	-3 014
Other operating expenses	6	-44 054	-39 729
OPERATING PROFIT		**25 519**	**34 418**
Financial income and expenses	10	1 128	-401
Share of profit of an associate	16	0	-131
PROFIT BEFORE TAX		**26 646**	**33 886**
Income tax	11	-7 826	-7 472
PROFIT FOR THE YEAR		**18 821**	**26 414**
Attributable to			
Equity holders of the parent		**18 951**	**26 430**
Minority interests		-130	-16
Earnings per share EUR			
Basic earnings per share	12	0.15	0.21
Diluted earnings per share	12	0.15	0.21
Average number of shares, 1000 pcs		129 413	128 289

Consolidated Balance Sheet

	Notes	2005 1000 EUR	2004 1000 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	13	32 210	36 638
Goodwill	14	9 163	9 145
Intangible asssets	14	13 316	15 176
Investment properties	15	0	794
Financial assets at fair value through profit and loss	17	10 234	9 125
Other financial assets	18	552	952
Deferred tax assets	19	3 207	2 850
		68 681	**74 680**
Current assets			
Inventories	20	17 452	15 410
Trade and other receivables	21	46 937	49 137
Cash and short-term deposits	22	60 577	55 088
		124 966	**119 634**
Total assets		**193 647**	**194 314**
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		289	-112
Retained earnings		42 381	31 221
		120 190	**108 629**
Minority interests		1 785	2 271
Total equity		**121 976**	**110 900**
Non-current liabilities			
Deferred tax liabilities	19	8 620	7 997
Interest-bearing loans and borrowings (non-current)	27	17 860	26 736
		26 480	**34 733**
Current liabilities			
Trade and other payables	28	30 756	31 488
Pension obligations	25	683	602
Current tax liabilities		1 550	3 499
Interest-bearing loans and borrowings (current)	27	12 202	13 091
		45 191	**48 680**
Total liabilities		**71 671**	**83 414**
Total equity and liabilities		**193 647**	**194 314**

Consolidated Cash Flow Statement

	Notes	2005 1000 EUR	2004 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the financial year		**18 951**	**26 430**
Adjustments			
Effects of non-cash business activities	31	10 081	14 653
Finance costs		3 736	5 644
Finance income		-4 864	-5 243
Income tax		7 826	7 472
Change in net working capital			
Change in short-term receivables		1 401	-3 097
Change in inventories		-2 042	-2 542
Change in interest-free short-term liabilities		-876	14 082
Interest paid on operating activities		-3 132	-5 138
Interest received from operating activities		4 391	4 860
Income taxes paid		-9 171	-9 526
Net cash from operating activities		**26 301**	**47 596**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired		0	-17 313
Purchase of property, pland and equipment		-3 335	-3 537
Purchase of intangible assets		-2 114	-3 426
Purchase of other investments		-3 289	-3 220
Sale of associate companies		0	725
Sale of property, pland and equipment		336	329
Sale of intangible assets		170	310
Proceeds from sale of other investments		2 980	2 291
Dividends received		0	0
Net cash from investing activities		**-5 251**	**-23 841**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		0	10 055
Proceeds from borrowing		278	3 768
Repayment of borrowing		-4 459	-10 964
Payment of finance lease liabilities		-3 616	-2 299
Dividends paid		-7 765	-6 411
Net cash from financing activities		**-15 561**	**-5 851**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**5 489**	**17 903**
Cas and cash equivalents at 1 January		55 088	37 184
Cash and cash equivalents at 31 December		**60 577**	**55 088**

Consolidated Statement of Changes in Equity

1000 EUR	Equity attributable to equity holders of the parent Share capital	Share premium	Translation difference	Retained earnings	Minority interest	Total equity
Shareholders equity 31.12.2003 (FAS)	12 611	54 855		12 907	1 943	82 316
Effects of adopting IFRS				-1 537	-227	-1 764
Shareholders equity 1.1.2004 (IFRS)	12 611	54 855		11 371	1 717	80 553
Shareholders equity 1.1.2004 (IFRS)	12 611	54 855		11 371	1 717	80 553
Increase of share capital	331	9 724				10 055
Profit for the year				26 430	-16	26 414
Dividend distribution				-6 411		-6 411
Translation difference			-112	0	0	-112
Other changes				-169	571	401
Shareholders equity 31.12.2004 (IFRS)	12 941	64 579	-112	31 221	2 271	110 900
Increase of share capital						0
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

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 2005, Elektrobit operated in 15 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, 2005. 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.

The differences arising from the transition to IFRS are explained in the reconciliations that are included in note: 36. Explanation of transition to IFRS reporting. Comparative figures for FY 2004 have been restated to comply with IFRS.

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 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. In 2004 the payment obligation relating to disability portion of the Pension Act plan was defined to be composed of, when the incident that led to a disability happened. At the end of the year 2004 the Pension Act arrangement was changed so that that the disability pensions arranged in insurance companies can be defined to be defined contribution plans.

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 recor-

Notes to the Consolidated Financial Statements

ded 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 (revised 2004) 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 service segment, product segment 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 after January 1st, 2007:

- IFRS 7 Financial Instruments: Disclosures

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

05

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 service segment and product segment. The service business comprises contract R&D business, mainly including R&D services provided to the telecommunications sector, and automotive business, mainly including software development services for the automotive industry. The product business comprises testing business, mainly including manufacturing and test solutions for the electronics industry, system test tools and radio channel products and wireless network measurement systems for the telecommunication customers, as well as research, development and implementation services for these systems. Automation solutions business consists of machinery and equipments used for automation of the production lines of the telecommunications industry.

2005 1000 EUR	Service segment	Product segment	Common functions	Eliminations	Group total
BUSINESS SEGMENTS					
Net sales					
Net sales to external customers	90 200	122 054	243	0	212 497
Net sales to other segments	10 692	356	5 413	-16 461	0
Net sales total	**100 893**	**122 410**	**5 655**	**-16 461**	**212 497**
Operating Profit	**945**	**24 652**	**-79**	**0**	**25 519**
Profit/(Loss) before tax, finance costs and finance revenue					25 519
Profit/(Loss) before tax and minority interest					25 519
Unallocated expenses					-6 568
Profit for the year					**18 951**
Assets and liabilities					
Segments assets	66 804	33 841	46 163	-15 142	131 666
Unallocated assets					61 981
Total assets	**66 804**	**33 841**	**46 163**	**-15 142**	**193 647**
Segment liabilities	23 563	23 213	8 012	-15 142	39 646
Unallocated liabilities					32 025
Total liabilities	**23 563**	**23 213**	**8 012**	**-15 142**	**71 671**
Capital expenditure					
Tangible assets	3 570	1 766	1 809		7 145
Intangible assets	965	803	53		1 821
Investments	53	0	2 844		2 897
Goodwill	18				18
Depreciation	-4 870	-2 089	-3 524		-10 482

Notes to the Consolidated Financial Statements

2004 1000 EUR	Service segment	Product segment	Common functions	Eliminations	Group total
BUSINESS SEGMENTS					
Net sales					
Net sales to external customers	88 805	113 497	306		202 608
Net sales to other segments	4 369	580	5 820	-10 769	0
Net sales total	**93 174**	**114 077**	**6 126**	**-10 769**	**202 608**
Operating profit	**9 191**	**26 714**	**-1 487**	**0**	**34 418**
Share of profit of an associate					-131
Profit/(Loss) before tax and minority interest					34 288
Unallocated expenses					-7 858
Net profit for the year					**26 430**
Assets and liabilities					
Segments assets	74 870	52 567	49 778	-37 988	139 227
Investment in associate					0
Unallocated assets					55 088
Total assets	**74 870**	**52 567**	**49 778**	**-37 988**	**194 314**
Segment liabilities	34 191	28 279	29 631	-37 988	54 113
Unallocated liabilities					29 301
Total liabilities	**34 191**	**28 279**	**29 631**	**-37 988**	**83 414**
Capital expenditure					
Tangible assets	8 481	1 053	2 542		12 076
Intangible assets	14 857	2 399	49		17 305
Investments	634		2 289		2 923
Goodwill	9 662				9 662
Depreciation and impairment	-7 576	-1 901	-5 029		-14 507

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.

2005 1000 EUR	Europe	The Americas	Asia	Eliminations	Group total
Net sales					
Sales to external customers	139 064	35 486	37 948		212 497
Net sales to other segments	23 547	983	5 972	-30 502	0
Net sales total	**162 611**	**36 469**	**43 919**	**-30 502**	**212 497**
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

2004 1000 EUR	Europe	The Americas	Asia	Eliminations	Group total
Net sales					
Sales to external customers	139 437	36 767	26 405		202 608
Net sales to other segments	10 026	18 567	3 730	-32 323	0
Net sales total	**149 463**	**55 334**	**30 135**	**-32 323**	**202 608**
Segments assets	137 711	4 915	1 463	-4 941	139 149
Unallocated assets					55 166
Investment in associate					0
Total assets					**194 314**
Capital expenditure					
Tangible assets	11 814	162	100		12 076
Intangible assets	17 284		21		17 305
Investments	2 923				2 923
Goodwill	9 662				9 662

2. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Elektrobit Group has neither non-current assets held for sale nor discontinued operations.

Notes to the Consolidated Financial Statements

3. ACQUISITIONS
During the financial year 2005 the Group has not acquired any new businesses.

Acquired minorities:
Based on the contract of sale signed on 21 January 2005, the Group acquired the rest of the shares of Elektrobit SAS, which is in charge of the operations in France.

Based on the contract of sale signed on 14 September 2005, the Group acquired the rest of the shares of Elektrobit AG, which is in charge of the operations in Switzerland.

The acquired minorities have been recognized to financial statements equally with subsidiary acquisitions. The excess of the acquisition cost of the minority interest's shares over fair value of the net assets acquired is allocated partly to the identifiable assets and liabilities. Any excess is recorded as goodwill.

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.

	2005 1000 EUR	2004 1000 EUR
Income recognized as sales based on the stage of completion of long-term construction contracts	36 584	38 555
Revenue recognized from long-term construction contracts in progress amounted to	243	7 968
Advances received from long-term construction contracts recognized in the balance sheet amounted to	1 929	1 545
Receivables recognized from long-term construction contracts amounted to	2 738	9 243

	2005 1000 EUR	2004 1000 EUR
5. OTHER OPERATING INCOME		
Profit of property, plant and equipment	387	1
Government grants	1 612	1 265
Other income	566	1 872
Total	**2 565**	**3 138**

	2005 1000 EUR	2004 1000 EUR
6. OTHER OPERATING EXPENSES		
Loss of property, plant and equipment	-24	-78
Direct operating expenses arising on rental-earning investment properties	-33	-88
External services	-9 351	-8 915
Voluntary staff expenses	-3 840	-3 188
Premises expenses	-5 633	-4 846
Travel expenses	-7 545	-6 309
Other expenses	-17 628	-16 305
Total	**-44 054**	**-39 729**

	2005 1000 EUR	2004 1000 EUR
7. DEPRECIATIONS AND IMPAIRMENTS		
Depreciations		
Intangible assets		
Capitalized development expenditure	-70	-743
Intangible rights	-2 849	-3 536
Other intangible assets	0	-232
Other capitalized long-term expenditures	-859	-887
Tangible assets		
Buildings and constructions	-1 065	-1 189
Machinery and equipment	-5 627	-4 894
Other tangible assets	-13	-12
Total	**-10 482**	**-11 493**

	2005 1000 EUR	2004 1000 EUR
8. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL		
Number of personnel		
Average number of personnel during the fiscal period		
Service segment	1 186	875
Product segment	461	511
Total	**1 647**	**1 386**
Number of personnel at the year end	1 684	1 536
Personnel expenses		
Personnel expenses		
Management salaries	-1 995	-2 560
Board of directors	-110	-126
Expense of share-based payments	-124	0
Other salaries and wages	-66 880	-55 217
	-69 109	**-57 903**
Pension expenses, defined contribution plans	-6 920	-6 256
Pension expenses, defined benefit plans	-215	-54
Other personnel expenses	-7 259	-5 581
Total	**-83 504**	**-69 795**

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.

	2005 1000 EUR	2004 1000 EUR
9. RESEARCH AND DEVELOPMENT EXPENSES		
The expensed research and development costs recongized in the income statement amounted to	15 013	11 987

	2005 1000 EUR	2004 1000 EUR
10. FINANCIAL EXPENSES (NET)		
Interest expenses	-1 411	-1 592
Interest income	541	520
Dividend income	5	7
Exchange gains and losses	678	286
Change of financial assets at fair value through profit or loss	726	200
Other financial expenses	-171	-394
Other financial incomes	760	570
Total	**1 128**	**-401**

Notes to the Consolidated Financial Statements

	2005 1000 EUR	2004 1000 EUR
11. INCOME TAXES		
Income taxes, current year	6 379	9 357
Income taxes, previous years	69	-0
Deferred taxes	1 378	-1 885
Total	**7 826**	**7 472**
A reconciliation between the effective tax rate and domestic tax rate (26%) of the Group:		
Profit before taxes	**26 646**	**33 886**
Tax at the domestic tax rate 26% (2004, 29%)	6 928	9 827
Effect of tax rates of foreign subsidiaries	-502	646
Taxes for prior years	69	0
Tax free income		
Non-deductible expenses		9
Temporary difference between carrying amounts and tax base	1 378	-1 380
Impairment of goodwill		874
Changes in the carrying amounts of deferred tax assets from unused tax losses	-66	-2 080
Others	19	-424
Income taxes in the consolidated income statement	**7 826**	**7 472**

12. EARNINGS PER SHARE 2005 2004

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.

	2005	2004
Profit attributable to the equity holders of the parent (1000 EUR)	18 951	26 430
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	128 289
Basic earnings per share	0.15	0.21

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) 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 2005 is higher than the closing share price, hence he stock options do not have dilutive effect.

	2005	2004
Net profit attributable to ordinary equity holders of the parent (1000 EUR)	18 951	26 430
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	128 289
Effect of dilution (1000 PCS)	0	0
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	128 289
Net profit attributable to ordinary equity holders of the parent for diluted earnings per share calculation (EUR/share)	0.15	0.21

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.

	2005 1000 EUR	2004 1000 EUR
Land		
Acquisition cost Jan 1	1 290	434
Translation differences		
Additions during the period		856
Disposals during the period	-856	
Transfer to assets		
Acquisition cost Dec 31	434	1 290
No revaluations done		
Buildings and constructions		
Acquisition cost Jan 1	27 697	25 005
Translation differences	15	-12
Additions during the period	252	4 354
Disposals during the period	-3 785	-0
Transfer to assets	15	-50
Acquisition cost Dec 31	24 195	29 297
Accumulated depreciations Jan 1	-3 030	-3 149
Translation differences	-15	9
Depreciations on disposals		
Depreciation for the period	-1 163	-1 490
Carrying amount Dec 31	19 986	24 666
No revaluations or capitalizations of the interest costs have been done.		
Machinery and equipment		
Acquisition cost Jan 1	24 764	18 877
Translation differences	483	-224
Additions during the period	6 280	6 801
Disposals during the period	-668	-689
Transfer to assets	548	0
Acquisition cost Dec 31	31 407	24 765
Accumulated depreciations Jan 1	-14 479	-10 128
Translation differences	-368	181
Depreciations on disposals	526	366
Depreciation for the period	-5 627	-4 899
Carrying amount Dec 31	11 458	10 285
Advance payments		
Acquisition cost Jan 1	64	92
Translation differences		
Additions during the period	612	64
Disposals during the period	0	0
Transfer to assets	-665	-92
Acquisition cost Dec 31	12	64

Notes to the Consolidated Financial Statements

	2005 1000 EUR	2004 1000 EUR
Other tangible assets		
Acquisition cost Jan 1	359	358
Translation differences		
Additions during the period		0
Disposals during the period		
Transfer to assets		0
Acquisition cost Dec 31	359	359
Accumulated depreciations Jan 1	-26	-14
Translation differences		
Depreciations on disposals		
Depreciation for the period	-13	-12
Carrying amount Dec 31	320	333
Property, plant and equipment total		
Acquisition cost Jan 1	54 174	44 766
Translation differences	499	-236
Additions during the period	7 145	12 076
Disposals during the period	-5 309	-689
Transfer to assets	-102	-142
Acquisition cost Dec 31	56 407	55 775
Accumulated depreciations Jan 1	-17 536	-13 290
Translation differences	-384	190
Depreciations on disposals	526	366
Depreciation for the period	-6 803	-6 402
Carrying amount Dec 31	32 210	36 638
Finance leases		
The Group had the following amounts of property, plant and equipment acquired by finance leases:		
Land		
Acquisition cost Jan 1	0	856
Carrying amount Dec 31	0	856
Buildings		
Acquisition cost Jan 1	0	4 148
Accumulated depreciations	0	-189
Carrying amount Dec 31	0	3 960
Machinery and equipment		
Acquisition cost Jan 1	11 581	7 908
Accumulated depreciations	-6 176	-2 547
Carrying amount Dec 31	5 405	5 360

Additions of property, plant and equipment include assets acquired by finance leases of 3 673 000 euros in 2005 (9 611 000 euros 2004).

	2005 1000 EUR	2004 1000 EUR
14. INTANGIBLE ASSETS		
Capitalized development expenditure		
Acquisition cost Jan 1	3 836	3 820
Translation differences	0	
Additions during the period	0	16
Disposals during the period		
Transfer to assets		
Acquisition cost Dec 31	3 836	3 836
Accumulated depreciations Jan 1	-3 745	-3 001
Translation differences	0	
Depreciations on disposals	0	
Depreciation for the period	-70	-743
Carrying amount Dec 31	21	91
Intangible rights		
Acquisition cost Jan 1	19 981	3 260
Translation differences	13	-7
Additions during the period	1 528	16 794
Disposals during the period	-161	-78
Transfer to assets	169	21
Acquisition cost Dec 31	21 530	19 990
Accumulated depreciations Jan 1	-5 828	-2 323
Translation differences	-13	7
Depreciations on disposals	6	15
Depreciation for the period	-2 849	-3 536
Carrying amount Dec 31	12 845	14 153
Other intangible assets		
Acquisition cost Jan 1	0	465
Translation differences	0	
Additions during the period	0	
Disposals during the period	0	
Transfer to assets	0	0
Acquisition cost Dec 31	0	465
Accumulated depreciations Jan 1	0	-232
Translation differences	0	
Depreciations on disposals		
Depreciation for the period	0	-232
Carrying amount Dec 31	0	0

	2005 1000 EUR	2004 1000 EUR
Other capitalized long-term expenditures		
Acquisition cost Jan 1	4 303	3 713
Translation differences	56	-16
Additions during the period	293	495
Disposals during the period	-365	-10
Transfer to assets	-67	121
Acquisition cost Dec 31	4 220	4 303
Accumulated depreciations Jan 1	-3 371	-2 854
Translation differences	-33	12
Depreciations on disposals	364	
Depreciation for the period	-730	-529
Carrying amount Dec 31	449	932
Intangible assets total		
Acquisition cost Jan 1	28 119	11 258
Translation differences	70	-23
Additions during the period	1 821	17 305
Disposals during the period	-526	-88
Transfer to assets	102	142
Acquisition cost Dec 31	29 585	28 593
Accumulated depreciations Jan 1	-12 944	-8 411
Translation differences	-46	19
Depreciations on disposals	370	15
Depreciation for the period	-3 649	-5 040
Carrying amount Dec 31	13 316	15 176
Goodwill		
Goodwill has been allocated to cash generating unist as follows:		
Service segment	8 197	8 179
Product segment	965	965
Total	9 163	9 145

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.

	2005 1000 EUR	2004 1000 EUR
15. INVESTMENT PROPERTIES		
Acquisition cost Jan 1	850	850
Translation differences		0
Additions during the period		0
Disposals during the period	-850	0
Transfer to assets		0
Acquisition cost Dec 31	0	850
Accumulated depreciations Jan 1	-56	0
Translation differences		0
Depreciations on disposals	86	0
Depreciation for the period	-30	-56
Carrying amount Dec 31	-0	794

Investment properties are measured at cost less accumulated depreciation and impairment losses. The fair values of the investment properties amounted to 0.0 milj. euros at Dec 31, 2005 (0.8 milj. euros at Dec 31, 2004)

Sale of investment property realized 24 000 euros loss for the financial year 2005.

	2005 1000 EUR	2004 1000 EUR
Finance leases		
Investments properties include assets financed by finance leases by following:		
Land		
Acquisition cost Jan 1	0	50
Book value Dec 31	0	50
Buildings		
Acquisition cost Jan 1	0	800
Accumulated depreciations	0	-56
Book value Dec 31	0	744

	2005 1000 EUR	2004 1000 EUR
16. INVESTMENTS IN AN ASSOCIATES		
Historical cost on Jan1	0	951
Share of results of associated companies	0	-131
Dividend received	0	-44
Disposals during the period	0	-777
Historical cost on Dec 31	0	0

Carrying value of investments in associated companies on Dec 31
Elektrobit Microwave Oy, Oulu, change to a subsidiary in 2004.
Formeca Oy, Lahti, sale of the 49% share of the shares in March 2004.

	2005 1000 EUR	2004 1000 EUR
17. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS		
Balance sheet value on Jan 1	9 125	8 591
Additions during the period	2 844	2 271
Disposals during the period	-2 803	-2 242
Changes in fair-value	865	247
Profits/losses in income statement	203	257
Balance sheet value on Dec 31	10 234	9 125

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, 2005 the market value amounted to 10.3 milj. euros (Dec 31, 2004 to 9,1 milj. euros). Profit and loss recognized from available-for-sale investments amounted to 0.2 milj. euros (0.3 milj. euros in 2004)

	2005 1000 EUR	2004 1000 EUR
18. OTHER FINANCIAL ASSETS		
At 1 January 2005	952	470
Additions	53	652
Disposals	-453	-170
At 31 December 2005	552	952

	Dec 31, 2004	Recognized in the income statement	Recognized in equity	Translation differences	Acquisitions and disposals of subsidiaries	Dec 31, 2005
19. DEFERRED TAX LIABILITES AND ASSETS						
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**

	Jan 1, 2004	Recognized in the income statement	Recognized in equity	Translation differences	Acquisitions and disposals of subsidiaries	Dec 31, 2004
Deferred tax assets						
Internal stock margin	25	0				26
Tax losses	261	-261				0
Other items	1 509	1 316				2 825
Total	**1 795**	**1 055**	**0**	**0**	**0**	**2 850**
Deferred tax liabilities						
Cumulative depreciation difference	69	-58				11
Fair-value of other investments	174	59				233
Fair-value of derivatives	72					72
Other items	1 402	2 606			3 672	7 680
Total	**1 718**	**2 607**	**0**	**0**	**3 672**	**7 997**

	2005 1000 EUR	2004 1000 EUR
20. INVENTORIES		
Raw materials and supplies	7 194	6 246
Work in progress	5 784	6 401
Finished products	4 218	2 741
Other inventories	256	22
Total	**17 452**	**15 410**

	2005 1000 EUR	2004 1000 EUR
21. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	37 767	32 126
Receivables from construction contracts	2 738	9 243
Prepaid expenses and accrued income	4 820	4 535
Receivables from derivatives	0	461
Other receivables	1 613	2 772
Total	**46 937**	**49 137**

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

	2005 1000 EUR	2004 1000 EUR
22. CASH AND SHORT-TERM DEPOSITS		
Cash at banks and in hand	42 223	49 591
Other short-term deposits	18 353	5 497
Total	**60 577**	**55 088**
Cash and cash equivalents at cosolidated cash flow statement consist of:		
Cash at banks, in hand and certificates of deposits	60 577	55 088
Total	**60 577**	**55 088**

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

	Shares 1000 PCS	Share premium 1000 EUR	Premium fund 1000 EUR	Treasury shares 1000 EUR	Total 1000 EUR
23. ISSUED CAPITAL AND RESERVES					
Figures have converted to meet the situation after combination of the shares.					
At 1 January 2004	126 105	12 611	54 855		67 466
Increase of share capital	3 308	331	9 724		10 055
At 31 December 2004	129 413	12 941	64 579		77 521
At 31 December 2005	129 413	12 941	64 579	0	77 521

According to the Articles of Association, the maximum number of shares is 200 million. The accounting par value of a share is 0.1 euro (0.2 euro in 2004) and the maximum share capital is 20 million euro (20 million euro in 2004). All issued shares are fully paid.

Translation differences

The translation reserve comprises 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 0.07 euro / share

Distributable equity	**2005**
Non-restricted equity	23 719
Profit for the year	18 951
Untaxed reserves in equity	-96
Translation differences	-289
Distributable equity	42 284

Untaxed reserves	
Cumulative depreciation difference	130
Deferred tax liability of untaxed reserves	-34
Untaxed reserves in equity	96

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.

Share-option plan	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	6/23/05
Number of instruments granted (1000 PCS)	606
Exercise price, EUR	2.54
Share price at the grant date, EUR	2.53
Contractual life of the options (years)	4.9
Vesting conditions	
Settle 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
Option pricing model	Black-Scholes

	Number of options 2005	Number of options 2004
Outstanding at the beginning of the year	3 000	3 000
Granted during the year	612	0
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	-3 006	0
Outstanding at the end of the year	606	3 000
Exercisable at the end of the year	0	0

Notes to the Consolidated Financial Statements

	2005 1000 EUR	2004 1000 EUR
25. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS		
Benefit pension plan liability consists of following items:		
Present value of funded obligations	1 091	733
Fair value of plan assets	-198	-181
Unrecognized actuarial gains (+) / losses (-)	-209	-131
Net liability*	683	421
Net periodic pension cost in income statement:		
Unrecognized net liability on Jan 1	181	0
Current service cost	60	63
Interest cost	39	36
Expected return on plan assets	-7	-7
Recognized net actuarial gains and losses		-28
Employee contributions	-10	-10
Total	**262**	**54**
Balance sheet reconciliation:		
Net liability on Jan 1	421	0
Net periodic pension cost in income statement	262	54
Acquisitions of subsidiaries		367
Net liability on Dec 31*	683	421
Principal actuarial assumptions:		
Europe		
Discount rate	4.25	5.25
Expected return on plan assets	4.00	4.00

* Pension plan liability in 2004 is presented in the balance sheet as a gross amount and in the notes to the financial statement as net amount.

26. PROVISIONS

The Group does not have any provisions.

	2005 1000 EUR	2004 1000 EUR
27. INTEREST-BEARING LOANS AND BORROWINGS		
Non-current loans		
Bank loans	14 762	17 424
Finance lease liabilities	3 098	9 313
Total	**17 860**	**26 736**
Current loans		
Bank loans	7 330	8 004
Pension loans	683	602
Finance lease liabilities	2 442	1 868
Repayments of long-term bank loans	2 430	3 821
Total	**12 886**	**14 296**

	2005 1000 EUR	2004 1000 EUR
Repayment schedule of long-term loans:		
2005		3 821
2006	2 430	6 197
2007	4 525	2 700
2008	2 611	2 492
2009	2 112	2 217
2010	1 915	2 061
Later	6 696	11 069
Total	**20 291**	**30 557**

Loans and borrowings have mainly floating interest rates, from which 13.4 million euro loan principal has been changed into fixed interest rate loan by using SWAP agreement.

	2005 1000 EUR
The interest-bearing non-current loans are distributed by currency as follows:	
EUR	17 779
USD	81
Total	**17 860**
The interest-bearing current loans are distributed by currency as follows:	
EUR	12 159
USD	43
Total	**12 202**

	2005 1000 EUR	2004 1000 EUR
Maturities of the finance lease liabilities:		
Finance lease liabilities – minimum lease payments	5 917	15 314
Within one year	2 645	2 384
After one year but no more than five years	3 271	5 923
After five years	0	7 007
Finance lease liabilities – present value of minimum lease payments	5 540	11 181
Within one year	2 442	1 868
After one year but no more than five years	3 098	4 586
After five years		4 727
Future finance charges	376	4 132
Total amount of finance lease liabilities	5 917	15 314

	2005 1000 EUR	2004 1000 EUR
28. TRADE AND OTHER PAYABLES		
Current liabilities		
Trade liabilities	8 586	9 624
Accrued liabilities, deferred income	14 819	15 311
Liabilities based on derivates	143	0
Other liabilities	7 208	6 553
Total	**30 756**	**31 488**

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 22.5 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 17.6 million on December 31, 2005 (2004: EUR 10.2 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 currecy derivates	2005 1000 EUR	2004 1000 EUR
Foreign exchange forwards		
Market value	-131	461
Nominal value	16 976	17 101
Purchased currency options		
Market value	96	
Nominal value	6 100	
Sold currency options		
Market value	-108	
Nominal value	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 2005, 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:

	2005 1000 EUR	2004 1000 EUR
Interest rate swaps	13 370	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 2005 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 defined by IAS 39 -standard.

	2005 1000 EUR	2004 1000 EUR
31. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES		
Business transactions without payments		
Depreciations	10 482	11 493
Employee benefits	124	0
Impairments	73	3 014
Change in minority interest	-130	-16
Profit and loss from sale of property, plant and equipment	-363	0
Share of profit of an associate	0	131
Other adjustments	-105	32
Total	**10 081**	**14 653**

32. OPERATING LEASE AGREEMENTS

The Group as lessee

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

	2005 1000 EUR	2004 1000 EUR
Not later than one year	3 159	1 757
Later than one year and not later than five years	4 703	2 675
Later than five years		

The Group has rented most of its facilities. The maturities of the lease agreements are from one month 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.

	2005 1000 EUR	2004 1000 EUR
33. SECURITIES AND CONTINGENT LIABILITIES		
Against own liabilities		
Floating charges	28 807	29 816
Mortgages	19 666	19 666
Pledges	7 481	7 602
Rental liabilities		
Falling due in the next year	3 159	1 757
Falling due after one year	4 703	2 675
Total	**63 816**	**61 517**
Mortgages are pledged for liabilities totalled		
Loans from financial institutions	22 342	25 305
Other liabilities	659	818
Total	**23 001**	**26 123**
Repurchase commitments	1 076	1 333

34. RELATED PARTY DISCLOSURES The Group has the following structure:	Country of incorporation	Owned by Parent %	Owned by Group %
Parent			
Elektrobit Group Plc.	Finland		
Subsidiaries			
Elektrobit Testing Oy	Finland	100.00	100.00
OÜ JOT Eesti	Estonia	51.00	100.00
JOT Automation UK Ltd.	Great Britain	100.00	100.00
JOT Automation Asia Pacific Ltd.	Hong Kong	99.00	100.00
JOT Automation Italia S.r.l	Italy	100.00	100.00
JOT Automation Hungary Kft.	Hungary	100.00	100.00
S.C. Elektrobit S.R.L	Romania	100.00	100.00
JOT Automation Korea Ltd.	South Korea	100.00	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
3Soft 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 Oy	Finland	0.00	100.00
Elektrobit Group Pte. Ltd.	Singapore	0.00	100.00
Elektrobit S.A.S	France	0.00	100.00
Elektrobit UK Ltd.	Great Britain	0.00	80.00
Extrabit Oy	Finland	0.00	100.00
Kiinteistö Oy Tutkijantie 8	Finland	0.00	100.00
Nemo Technologies Oy	Finland	0.00	100.00
Elektrobit da Amazonia Ltda	Brazil	10.00	100.00

There have not been any business transactions or open balances between the related parties.

	2005 1000 EUR	2004 1000 EUR
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Juha Sipilä 1.1.–17.3.2005 and 2004	43	119
Juha Hulkko 17.3.2005–31.12.2005	102	
Total	**144**	**119**
Members of the board of the parent		
Juha Hulkko 1.1.–17.3.2005 and 2004	14	66
Eero Halonen 2005 and 17.3.–31.12.2004	20	16
Mika Kettula 1.1.–17.3.2004		3
Matti Lainema	20	20
Juha Sipilä 17.3.–31.12.2005	35	
Tapio Tammi	20	20
Total	**110**	**126**
Members of the group executive board	**1 264**	**848**

To the members of the group executive board distributed 168 000 stock options in 2005.

Loans and guarantees to related party

There are no loans or guarentees granted between the related parties

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. TRANSITION TO IFRS FINANCIAL STATEMENTS

As it is stated in notes under Preparation Basis titel, this is Elektrobit Group Plc's first financial statements prepared by the IFRS principles. Elektrobit used to prepare its consolidated financial statements in accordance with Finnish Accounting Standards (FAS). The transition to IFRS financial statements has changed the calculation method of financial statements, its notes and preparing principles compared to prior financial statements.

In note's section Preparation Basis shown preparing principles has been adapted in preparing of financial year 2005 closing statements, comparision numbers and opening IFRS balance of Jan 1, 2004. Later shown balance calculation and explanatory notes describe the changes of IFRS financial statements in comparison with the Finnish Accounting Standards from 2004 and IFRS transition date Jan 1, 2004.

Shareholders' Equity Balance Calculation Jan 1, 2004 and Dec 31, 2004	FAS Dec 31, 2003	IFRS transition effect	IFRS Jan 1, 2004	FAS Dec 31, 2004	IFRS transition effect	IFRS Dec 31, 2004
ASSETS						
Non-current assets						
Property, plant and equipment	27 656	3 499	31 155	26 015	10 623	36 638
Goodwill	5 256	-2 522	2 734	16 188	-7 043	9 145
Intangible assets	3 322	-154	3 167	2 956	12 219	15 176
Investment properties	0	850	850	0	794	794
Shares in associated companies	951		951	0		0
Other investment	8 484	505	8 989	9 682	395	10 077
Receivables	72		72	0		0
Deferred tax assets	1 366	429	1 795	1 122	1 728	2 850
	47 107	**2 606**	**49 713**	**55 963**	**18 717**	**74 680**
Current assets						
Inventories	12 297	571	12 868	15 410		15 410
Accounts receivable and other receivables	45 761	278	46 039	48 558	578	49 137
Liquid assets	37 184		37 184	55 088		55 088
	95 242	**849**	**96 091**	**119 056**	**578**	**119 634**
Total assets	**142 350**	**3 455**	**145 804**	**175 019**	**19 295**	**194 314**
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity						
Share capital	12 611		12 611	12 941		12 941
Share issue premium	54 855		54 855	64 579		64 579
Retained earnings	12 907	-1 537	11 371	29 710	1 398	31 109
	80 373	**-1 537**	**78 836**	**107 231**	**1 398**	**108 629**
Minority interests	1 943	-227	1 717	869	1 402	2 271
Total shareholders' equity	82 316	-1 764	80 553	108 100	2 800	110 900
Long-term liabilities						
Deferred tax assets	69	1 718	1 787	2 612	5 385	7 997
Interest-bearing liabilities	21 085	1 933	23 018	17 424	9 313	26 736
Other liabilities						
	21 154	**3 651**	**24 805**	**20 036**	**14 698**	**34 733**
Short-term liabilities						
Accounts payable and other liabilities	20 905		20 905	34 987		34 987
Short-term interest-bearing liabilities	17 974	1 568	19 542	11 896	1 797	13 693
	38 879	**1 568**	**40 447**	**46 883**	**1 797**	**48 680**
Total liabilities	**60 033**	**5 218**	**65 252**	**66 919**	**16 495**	**83 414**
Total shareholders' equity and liabilities	**142 350**	**3 455**	**145 804**	**175 019**	**19 295**	**194 314**

Notes to the Consolidated Financial Statements

	FAS Dec 31, 2004	IFRS transition effect	IFRS Jan 1,– Dec 31, 2004
PROFIT BALANCE CALCULATION FROM THE FINANCIAL YEAR OF JAN 1, – DEC 31, 2004			
Net sales	**202 608**	**0**	**202 608**
Other operating income	3 138	0	3 138
Variation in stocks of finished goods and in work in progress	1 146	-424	721
Work performed for its own purpose and capitalised	288	0	288
Raw materials and expenses	-48 063	-243	-48 306
Staff expenses	-69 795	0	-69 795
Depreciation and amortization according to plan	-13 304	1 811	-11 493
Impairtment of assets	0	-3 014	-3 014
Depreciation of goodwill			
Other operating expenses	-42 664	2 935	-39 729
Operating profit	**33 354**	**1 064**	**34 418**
Net financial income	-277	-124	-401
Income from participating interests	-131	0	-131
Profit before taxes	**32 946**	**940**	**33 886**
Income taxes	-9 526	2 053	-7 472
Profit for the financial year	**23 420**	**2 994**	**26 414**
Distribution			
Shareholders' of the parent company	**23 326**	**3 104**	**26 430**
Minority owners	94	-110	-16
Profit/share EUR			
Diluted	0.18		0.21
Undiluted	0.18		0.21
The average number of shares, 1000 pc.	**128 289**		**128 289**

NOTES FOR SHAREHOLDERS' EQUITY
JAN 1, 2004 AND DEC 31, 2004 AND FINANCIAL YEAR 2004
PROFIT BALANCE CALCULATIONS

Tangible assets

FINANCIAL LEASE LIABILITIES

According to FAS financial leases were treated as other leasing contracts. In transition to the IFRS financial statements have several leases been classified as financial lease agreements. Assets accrued through a financial lease agreement's decreased with depreations, by 3.1 MEUR Jan 1, 2004 and by 10.2 MEUR, has been capitalized to material assets. These items will be depreciated as planned to the material assets during the assets economical lifetime. Agreement based liabilities will be accounted to interest-bearing liabilities. The reminding part of changes are due to different kind of grouping of assets between FAS and IFRS and it relates to rented properties' reconstructions expenses.

Goodwill

The IFRS adjustment includes a impairment of 3.0 MEUR booked on the basis of impairment testing in accordance with IAS 36. The remaining amount of the change is attributable to regrouping the asset items on the FAS balance sheet to comply with the method of presentation called for by the IFRS standards and concerns product rights, which have been transferred to other intangible assets.

Intangible assets

The changes made to the FAS accounting balance arise entirely from regrouping the asset items to comply with the method of presentation called for by the IFRS standards. The changes include the transfer of modernization expenses on rental properties 0.4 MEUR to tangible fixed assets, as well as the transfer of product rights 0.2 MEUR from goodwill to intangible assets.

Investment properties
The book values of real estate categorized as investment properties in accordance with IAS 40 have been transferred from other investments to this balance sheet item. At the same time,in accordance with default acquisition cost as referred to in IFRS 1, the properties have been valuated at fair value at the time of IFRS transition.

Other investments
Most of the IFRS adjustment is attributable to valuating the Group's equity portfolio at fair value in accordance with IAS 39. The change in the valuation principle of the equity portfolio increased the book value of the asset item by 0.9 MEUR. The remaining part of the adjustment is caused by the transfer of a real estate investment owned through an equity holding 0.3 MEUR to constitute a part of the book value of an investment property and of pension fund adjustment on 0.2 MEUR.

Deferred tax assets
Deferred tax receivables have been recognized for all tax-deductible temporary differences between consolidated balance sheet value and taxable value for which a deferred tax receivable can probably be utilized in upcoming accounting periods. The introduction of the IAS 12 standard increased deferred tax receivables by 1.7 MEUR.

Accounts receivables and other receivables
The increase in the value of this balance sheet item, 0.6 MEUR, is attributable to the valuation 0f derivative instruments at fair value, 0.5 MEUR, in accordance with IAS 39 and of an IFRS based posting difference, 0.1 MEUR.

Retained earnings
The book value of retained earnings increased by 1.4 MEUR, mainly due to the combined effect of the following standards:

	Jan 1, 2004	Transition	Dec 31, 2004
IFRS3 Consolidation of business operations	0.0	4.6	4.6
IAS39 Financial instruments	1.0	0.4	1.4
IAS2 Inventories	0.6	-0.7	-0.1
IAS17 Leases	0.2	-0.5	-0.3
IAS36 Impairment of assets	-2.3	-3.0	-5.3
IAS40 Investment properties	0.0	-0.1	-0.1
IAS12 Deferred taxes	-1.3	2.1	0.8
IAS11 Long-term investments	0.0	0.1	0.1
Others	0.2	0.1	0.3
Total	**-1.5**	**3.0**	**1.4**

Minority interest of shareholders' equity is transferred to be presented as separate item in shareholders' equity as adviced in IAS 1. While in the FAS it was presented separately from parent company's shareholder's equity belonging to parent company's shareholders.

Transition differences
The transition differences caused by foreing entities, which occurred before IFRS implementation, are not presented as a separate item of shareholders' equity. This matter does not have an effect on Group's consolidated net assets or earnings.

Pension expenses and employment benefits expenses
While the Group prepared its financial statements according to FAS was Group's pension expenses accounted according to local standards.

After IFRS implementation has all pension expenses been devided to payment and benefit based pensions and all benefit based pensions have been classified as it's stated in IAS 19. In the profit and loss statement accounted retirement expenses in financial year 2004 have increased with 0.1 MEUR because of the change in standard considering benefit-based retirement arrangement.

Interest-bearing liabilities and other liabilities
The increase in the balance sheet item arises entirely from the recognition of finance lease liabilities on the balance sheet and it increased long-term liabilities by 2.0 MEUR Jan 1, 2004 and by 1.9 MEUR Dec 31, 2004 and the short-term liabilites by 1.6 MEUR Jan 1, 2004 and by 1.9 MEUR Dec 31, 2004.

Deferred tax liabilites and income tax
The implementation of the IFRS standard increased deferred tax liabilities by 1.1 MEUR Jan 1, 2004 and by 3.7 MEUR Dec 31, 2004.

Depreciation and impairment
The applying of IFRS 3 concidering consolidation of business' leade to a increase of fixed and immaterial assets' balance value and to increase of depreacionts by 2.6 MEUR. Comparing to FAS the depreactions increased by 2.8 MEUR along with the recognition of finacn lease liabilities and other fixed assets in the balance. According to IFRS 3, the consolidated business values are not depreciated regularly. Instead the possible impairment of assets is tested yearly according to IAS 36. The cancellation of write-offs regarding these items increased the IFRS profit by 7.2 MEUR and the reduction of business value will reduce the IFRS-related profit by 3.0 MEUR for the financial year 2004.

Other operating expenses
The decrease of other operating expenses is caused by the rental contracts that are handled as financial lease agreements. The accounted rental costs were 2.9 MEUR according to FAS. In the IFRS financial statements, these expenses are divided into interest expenditures presented in financial items and to redemptions that reduce the financial leasing liabilities in the balance sheet.

Financial income and expenses
The change in financial expenses is due to a change in preparation basis of financial lease agreements, 0.5 MEUR. The change in financial income is caused by the assess of the share portfolio to its present value 0.2 MEUR and by the assess of financial instruments to their present value 0.2 MEUR.

Notes to the Consolidated Financial Statements

	IFRS 2005	IFRS 2004	FAS 2003 Official	FAS 2002 Pro forma	FAS 2001 Comparable
37. KEY RATIOS					
Income statement					
Net sales, (MEUR)	212.5	202.6	148.6	136.5	151.8
Net sales, % increased from previous year	4.9	36.4	8.9	-10.1	
Operating profit/loss, (MEUR)	25.5	34.4	16.1	0.7	-0.4
Operating profit/loss, % of net sales	12.0	17.0	10.8	0.5	-0.3
Profit/loss before taxes, (MEUR)	26.6	33.9	13.8	-0.9	-0.3
Profit/loss before taxes, % of net sales	12.5	16.7	9.3	-0.6	-0.2
Net profit, (MEUR)	19.0	26.4	8.1	-1.1	-6.0
Net profit, % of net sales	8.9	13.0	5.5	-0.8	-3.9
Balance sheet (MEUR)					
Non-current assets	68.7	74.7	47.1	59.3	37.9
Inventories	17.5	15.4	12.3	14.9	16.9
Current assets	107.5	104.2	82.9	67.4	75.4
Shareholders' equity	122.0	110.9	82.3	74.2	64.8
Long-term liabilities	26.5	34.7	21.2	28.9	19.9
Short-term liabilities	45.2	48.7	38.9	38.5	45.6
Balance sheet total	193.6	194.3	142.3	141.6	130.3
Profitability and other key figures					
Return on equity % (ROE)	16.2	27.6	10.8	-1.7	-8.3
Return on investment % (ROI)	20.0	28.8	16.4	5.4	5.3
Interest-bearing net liabilities, (MEUR)	-29.8	-14.7	1.9	20.3	1.3
Net gearing, %	-24.5	-13.2	2.3	27.4	1.9
Equity ratio, % (nominal, net of deferred taxes)	64.2	58.1	58.6	53.4	51.0
Gross investments, (MEUR)	11.9	27.5	4.2	29.4	27.0
Gross investments, % of net sales	5.6	13.6	2.8	21.6	17.8
R&D costs, (MEUR)	15.0	12.0	9.8	14.4	
R&D costs, % of net sales	7.1	5.9	6.6	10.5	
Average personnel during the period	1647	1385	1112	1278	1397
Stock-related financial ratios*					
Earnings per share, (EUR)	0.15	0.21	0.06	0.01	0.05
Stock option diluted earnings per share, EUR	0.15	0.21	0.06	0.01	0.05
Equity per share, EUR (nominal, net of deferred taxes)	0.93	0.84	0.64	0.57	0.51
Dividend per share EUR**	0.07	0.06	0.05		
Dividend per earnings, %	47.8	29.12	77.62		
P/E ratio	12.8	13.6	39.6		
Effective dividend yield, %	3.7	2.1	2.0		
Market values of shares (EUR)					
Highest	3.15	3.45	3.30	3.40	13.75
Lowest	1.82	2.15	1.35	1.25	1.55
Average	2.53	2.85	2.22	2.03	5.19
At the end of period	1.87	2.80	2.55	1.45	2.40
Market value of the stock, (MEUR)	242.0	362.4	321.6	182.9	85.6
Trading value of shares					
MEUR	117.2	79.9	50.1	41.1	250.6
1000 PCS	46 374.2	28 071.3	22 544.0	20 197.4	48 305.0
Related to average number of shares %	35.8	21.9	17.9	16.4	40.2
Adjusted number of the shares at the end of the period (1000 PCS)	129 412.7	129 412.7	126 105.1	126 105.1	120 305.1
Adjusted number of the shares average for the period (1000 PCS)	129 412.7	128 289.2	126 105.1	123 276.6	120 019.0
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	129 412.7	128 289.2	126 105.1	122 796.0	120 213.8

* The figures have been transformed to correspond with the number of shares after the combination of shares performed during accounting period.
** According to Board of Director's proposal, year 2005

CALCULATION OF KEY RATIOS

Return on equity % (ROE)

$$= \frac{\text{Profit before extraordinary items - taxes} \times 100}{\text{Equity + minority interest + appropriations less deferred taxes (average)}}$$

Return on investment % (ROI)

$$= \frac{\text{Profit before extraordinary items + financial expenses} \times 100}{\text{Balance sheet total - interest-free liabilities (average)}}$$

Net gearing, %

$$= \frac{\text{Interest-bearing liabilities - cash and deposits and short-term investments} \times 100}{\text{Equity + minority interest + appropriations less deferred taxes}}$$

Equity ratio, %

$$= \frac{\text{Equity + minority interest + appropriations less deferred taxes} \times 100}{\text{Balance sheet total - advances received}}$$

Earnings per share

$$= \frac{\text{Profit before extraordinary items taxes +/- minority interest}}{\text{Share issue adjusted number of the shares average for the period}}$$

Equity per share

$$= \frac{\text{Equity + minority interest + appropriations less deferred taxes}}{\text{Share issue adjusted number of the shares at the end of the period}}$$

Dividend per share

$$= \frac{\text{Dividend for the period (Board's proposal) per share}}{\text{Adjustment coefficient of post-fiscal share issues}}$$

Dividend per earnings, %

$$= \frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$$

P/E ratio

$$= \frac{\text{Share issue adjusted share price at the end of the period}}{\text{Earnings per share}}$$

Effective dividend yield, %

$$= \frac{\text{Dividend per share}}{\text{Share issue adjusted share price at the end of the period}}$$

38. SHARES AND SHAREHOLDERS

Brakedown of shares by shareholders, December 31, 2005

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1–100	16 662	44.83	807 750	0.62
101–500	11 195	30.12	2 957 070	2.29
501–1000	4 012	10.80	3 105 825	2.40
1001–5000	4 174	11.23	9 383 010	7.25
5001–10000	619	1.67	4 670 784	3.61
10001–50000	388	1.04	8 240 888	6.37
50001–100000	51	0.14	3 513 734	2.72
100001–500000	44	0.12	10 766 601	8.32
500001–	19	0.05	85 967 028	66.43
	37 164	**100.00**	**129 412 690**	**100.00**

Largest shareholders, December 31, 2005

	Percentage of shares and votes
Hulkko Juha, CEO	21.6
Hilden Kai	8.4
Veikkolainen Erkki	7.3
Halonen Eero	6.8
Sipilä Juha, Chairman of the Board*	6.1
Harju Jukka	5.9
Laine Seppo	1.7
Ilmarinen Mutual Pension Insurance Company	1.5
Sampo Suomi Osake, Investment fund	1.5
Mandatum Suomi Kasvuosake, Investmend fund	0.9
Other (incl. nominee-registered shares)	38.3
	100.0

* Includes the shares owned by the companies controlled by Juha Sipilä.

Brakedown of shareholders by shareholder type, December 30, 2005

Shareholdes by shareholder type	Number of shareholders	Percentage of share-holders	Percentage of shares and votes
Companies	1 502	4.0	11.7
Financial institutes and insurance companies	60	0.2	5.5
Public corporations	18	0.0	2.2
Non-profit organizations	117	0.3	0.9
Private investors	35 302	95.0	75.8
Foreign owned	154	0.4	2.9
Nominee-registered shares	11	0.0	1.0
	37 164	**100.0**	**100.0**

Source: The Finnish Central Securities Deposit Ltd, December 30, 2005

Income Statement, Parent Company

	Notes	2005 1000 EUR	2004 1000 EUR
NET SALES	1, 2	**3 974**	**4 449**
Other operating income	3	0	189
Personnel expenses	4	-1 882	-1 731
Depreciation and reduction in value	5	-54	-152
Other operating expenses		-3 300	-7 169
OPERATING PROFIT		**-1 261**	**-4 415**
Financial income and expenses	6	15 261	10 988
PROFIT BEFORE EXTRAORDINARY ITEMS		**14 000**	**6 573**
Extraordinary items	7	2 000	1 629
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**16 000**	**8 202**
Income tax	8	-684	-2 285
NET PROFIT FOR THE FINANCIAL YEAR		**15 317**	**5 918**

Balance Sheet, Parent Company

	Notes	2005 1000 EUR	2004 1000 EUR
ASSETS			
Non-current assets			
Intangible assets	9	51	51
Tangible assets	10	258	260
Investments	11	78 439	77 961
Non-current assets total		78 748	78 271
Current assets			
Receivables			
Long-term receivables	12	159	159
Short-term receivables	13	28 205	25 789
Receivables total		28 364	25 949
Short-term investments		5 500	5 496
Cash and bank deposits		24 387	32 099
Current assets total		58 251	63 544
Total assets		**137 000**	**141 815**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	14		
Share capital		12 941	12 941
Share issue premium		64 579	64 579
Retained earnings		26 355	26 967
Net profit for the year		15 317	5 918
Shareholders' equity total		119 192	110 405
Liabilities			
Short-term liabilities	15	17 808	31 409
Liabilities total		17 808	31 409
Shareholders' equity and liabilities total		**137 000**	**141 815**

Cash Flow Statement, Parent Company

	2005 1000 EUR	2004 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before extraordinary items	14 000	6 573
Adjustments:		
Depreciation according to plan	54	152
Unrealised foreign exchange wins and losses		
Other non-cash items		
Share of results of associated companies		
Reduction in value in non-current assets		
Financial income and expenses	-15 261	-10 988
Operating incomes and expenses booked in unrestricted equity	1 235	
Cash flow before change in net working capital	28	-4 263
Change in net working capital		
Change in interest-free short-term receivables	-2 416	482
Change in inventories		0
Change in interest-free short-term payables	-12 067	11 322
Cash flow before financing activities	**-14 455**	**7 541**
Interest paid	-173	-810
Dividends received	13 538	10 447
Interest received	1 896	1 351
Income taxes paid	-684	-2 285
Cash flow before extraordinary items	123	16 244
Net cash flow from extraordinary items	2 000	1 629
Net cash from operating activities	**2 123**	**17 873**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-53	-9
Proceeds from sale of tangible and intangible assets		0
Purchase of investments	-1 083	-23 763
Proceeds from sale of investments	604	12 344
Loan granted		
Proceeds from repayments of loans		
Interest received from investments		
Dividends received investments		
Net cash used in investing activities	**-531**	**-11 428**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Proceeds from issuance of share capital	0	10 055
Purchase of own shares		
Proceeds from sale of own shares		
Proceeds from short-term borrowings		993
Repayment of short-term borrowings		-993
Proceeds from long-term borrowings		0
Repayment of long-term borrowings	-1 535	-1 535
Dividends paid	-7 765	-6 305
Net cash used in financial activities	**-9 300**	**2 215**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-7 708**	**8 660**
Cash and cash equivalents at beginning of period	37 595	28 935
Cash and cash equivalents at end of period	29 887	37 595
Change in cash and cash equivalents in balance sheet	-7 708	8 660

Notes to the Financial Statement of the Parent Company

ACCOUNTING PRINCIPLES OF THE PREPARATION OF FINANCIAL STATEMENTS

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

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.

	2005 1000 EUR	2004 1000 EUR
1. NET SALES BY SEGMENTS		
Service business segment	1 689	1 953
Product business segment	2 285	2 496
Total	**3 974**	**4 449**
2. NET SALES BY MARKET AREAS		
Europe	3 974	4 269
Asia		180
Total	**3 974**	**4 449**
3. OTHER OPERATING INCOME		
Other operating income	0	189
Total	**0**	**189**
4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel during the fiscal period		
Service business segment	6	6
Product business segment	11	12
Total	**17**	**18**
Number of personnel at year end	18	19
Personnel expenses		
Management salaries	144	119
Board of directors	110	126
Other salaries and wages	1 296	1 166
	1 551	**1 410**
Pension expenses	196	193
Other social expenses	135	128
Total	**1 882**	**1 731**
5. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	0	0
Other capitalized long-term expenditures	52	131
Machinery and equipment	1	21
Total	**54**	**152**

	2005 1000 EUR	2004 1000 EUR
6. FINANCIAL INCOME AND EXPENSES		
Income from investments		
From Group companies	13 538	7 500
From affiliated companies		30
Total	**13 538**	**7 531**
Other interest and financial income		
From Group companies	507	445
From others	1 389	3 823
Total	**1 896**	**4 267**
Other interest and financial expenses		
To Group companies	-298	-318
To others	125	-492
Total	**-173**	**-810**
Net financial income and expenses	**15 261**	**10 988**
Net financial income and expenses includes exchange gains and losses	701	-390
7. EXTRAORDINARY ITEMS		
Extraordinary income		
Group contributions	2 000	7 000
Total	**2 000**	**7 000**
Extraordinary expenses		
Other extraordinary expenses	0	-5 371
Total	**0**	**-5 371**
Net extraordinary items	**2 000**	**1 629**
8. INCOME TAX		
For operations	-684	-1 812
For extraordinary items		-472
Total	**-684**	**-2 285**

	2005 1000 EUR	2004 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	2 162	2 153
Investments during the period	53	9
Acquisition cost Dec 31	**2 215**	**2 162**
Accumulated depreciations Jan 1	-2 112	-1 981
Depreciation for the period	-52	-131
Book value Dec 31	**51**	**50**
Intangible assets total		
Acquisition cost Jan 1	2 163	2 153
Investments during the period	53	9
Acquisition cost Dec 31	**2 216**	**2 163**
Accumulated depreciations Jan 1	-2 112	-1 981
Depreciation for the period	-52	-132
Book value Dec 31	**51**	**50**
10. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost Jan 1	1 212	1 212
Acquisition cost Dec 31	**1 212**	**1 212**
Accumulated depreciations Jan 1	-1 210	-1 189
Depreciation for the period	-1	-21
Book value Dec 31	**1**	**2**
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
Acquisition cost Dec 31	**1 469**	**1 469**
Accumulated depreciations Jan 1	-1 210	-1 189
Depreciation for the period	-1	-21
Book value Dec 31	**258**	**260**

Notes to the Financial Statement of the Parent Company

	2005 1000 EUR	2004 1000 EUR
11. INVESTMENTS		
Investments in subsidiaries		
Acquisition cost Jan 1	69 075	56 349
Investments during the period	546	21 392
Disposals during the period	-100	-8 666
Acquisition cost Dec 31	**69 522**	**69 075**
Investments in affiliated companies		
Acquisition cost Jan 1		1 592
Disposals during the period		-1 592
Acquisition cost Dec 31	**0**	**-0**
Investments in other shares		
Acquisition cost Jan 1	8 844	8 560
Investments during the period	3 236	2 371
Disposals during the period	-3 192	-2 087
Acquisition cost Dec 31	**8 888**	**8 844**
Other long-term receivables		
Acquisition cost Jan 1	41	41
Disposals during the period	-12	
Acquisition cost Dec 31	**30**	**41**
Investments total		
Acquisition cost Jan 1	77 961	66 542
Investments during the period	3 783	23 763
Disposals during the period	-3 304	-12 344
Acquisition cost Dec 31	**78 439**	**77 961**
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	3 515	1 487
From others	15	3
Total	**3 530**	**1 490**
Loan receivables		
From Group companies	17 691	13 301
Total	**17 691**	**13 301**
Other receivables		
From Group companies	6 243	9 386
From others	492	1 502
Total	**6 735**	**10 887**
Prepaid expenses and accrued income		
From Group companies	0	21
From others	249	90
Total	**249**	**111**
Short-term receivables total	**28 205**	**25 789**

		2005 1000 EUR		2004 1000 EUR
14. SHAREHOLDERS' EQUITY				
Share capital at the beginning of the period	1.1.	12 941	1.1.	12 611
Share issue		0		331
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.	54 855
Issue premiums		0		9 724
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.	32 884	1.1.	33 272
Dividend payment		-7 765		-6 305
Adjustment in prior period		1 235		
Net profit for the period		15 317		5 918
Retained earnings at the end of period	**31.12.**	**41 672**	**31.12.**	**32 884**
Distributable earnings at the end of the period	31.12.	41 672	31.12.	32 884
Shareholders' equity total	**31.12.**	**119 192**	**31.12.**	**110 405**
15. SHORT-TERM LIABILITIES				
Loans				
From financial institutions				1 535
Total		**0**		**1 535**
Accounts payable				
To Group companies		295		549
To others		319		305
Total		**613**		**854**
Other short-term liabilities				
To Group companies		16 294		28 420
To others		367		37
Total		**16 661**		**28 457**
Accrued expenses and deferred income				
To Group companies		17		14
To others		515		549
Total		**533**		**563**
Short-term liabilities total		**17 808**		**31 409**

	2005 1000 EUR	2004 1000 EUR
16. SECURITIES AND CONTINGENT LIABILITIES		
On behalf of Group companies		
guarantees	6 364	6 993
Other direct and contingent liabilities		
Leasing liabilities		
falling due in the next year	1 847	216
falling due after one year	2 293	95
Rental liabilities		
falling due in the next year	137	100
Repurchasing liabilities		
falling due in the next year		68
falling due after one year		479
Total	**10 641**	**7 951**
Mortgages are pledged for liabilities totalled		
Loans from financial institutions	0	1 535
Total	**0**	**1 535**
17. NOMINAL VALUE OF CURRENCY DERIVATES		
Foreign exchange forwards		
Market value	-108	395
Nominal value	14 276	14 551
Purchased currency options		
Market value	96	
Nominal value	6 100	
Sold currency options		
Market value	-108	
Nominal value	12 200	

	Owned by Parent %	Owned by Group %	Book value 1000 EUR
18. SHARES AND HOLDINGS			
Subsidiaries			
Elektrobit Testing Oy	100.00	100.00	4 813
JOT Automation, Inc.	100.00	100.00	0
OÜ JOT Eesti	51.00	100.00	184
JOT Automation GmbH	100.00	100.00	0
JOT Automation UK Ltd.	100.00	100.00	0
JOT Automation Asia Pacific Ltd.	99.00	100.00	0
JOT Automation Italia S.r.l	100.00	100.00	3 771
JOT Automation Hungary Kft.	100.00	100.00	20
S.C. Elektrobit S.R.L.	100.00	100.00	0
JOT Automation Korea Ltd.	100.00	100.00	433
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
3Soft GmbH	79.92	79.92	14 518
Elektrobit Microwave Oy	79.65	100.00	1 624
Elektrobit AG	0.00	100.00	
Elektrobit GmbH	0.00	100.00	
Elektrobit Inc.	0.00	100.00	
Elektrobit Nippon KK	0.00	100.00	
Elektrobit Oy	0.00	100.00	
Elektrobit Group Pte. Ltd.	0.00	100.00	
Elektrobit S.A.S	0.00	100.00	
Elektrobit UK Ltd.	0.00	80.00	
Extrabit Oy	0.00	100.00	
Kiinteistö Oy Tutkijantie 8	0.00	100.00	
Nemo Technologies Oy	0.00	100.00	
Nemo Technologies Inc.	0.00	100.00	
Ylinen Electronics Oy	0.00	100.00	
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
Other holdings by subsidaries			
Others			8 895

Board of Directors’ Proposal to Distribute Profits

According to the consolidated balance sheet on December 31, 2005, the Group’s unrestricted shareholders’ equity is 42 669 827 of which 42 284 329 euro is distributable funds. The parent company’s unrestricted shareholders’ equity according to the balance sheet on December 31, 2005, is 41 671 563 euro, of which 41 671 563 euro is distributable funds.

In Oulunsalo, February 14, 2006
Elektrobit Group Plc., The Board of Directors

The Company’s Board of Directors proposes to the Annual General Shareholders’ Meeting that dividends of 0.07 euro per share, a total of 9 058 888.30 euro, shall be paid from the distributable funds, and that the rest of the distributable assets shall be booked as an increase in equity. According to the proposal the record date shall be March 20, 2006 and the dividends shall be paid on March 27, 2006.

Juha Sipilä	Eero Halonen	Matti Lainema	Tapio Tammi	Juha Hulkko
Chairman of the Board	Member of the Board	Member of the Board	Member of the Board	CEO

Auditor's report

To the shareholders of Elektrobit Group Oyj

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

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the 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 referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

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

Oulu, February 14, 2006

ERNST & YOUNG OY
Authorized Public Accounting Firm

Rauno Sipilä

Corporate Governance

General

The Elektrobit Group applies its Articles of Association, the Finnish Companies Act, Securities Market Act, the Corporate Governance Recommendation for Listed Companies which came into force on July 1, 2004 and other applicable regulation concerning public companies. The principles set forth herein are supplementary to such regulation. The statutory governing bodies of the Elektrobit Group Plc. are Shareholders' meeting, Board of Directors, President and the Auditor. In addition to the President the Group Executive Board is responsible for the operative management of the Group.

Shareholders' Meeting

Shareholders Meeting is the ultimate authority in which the shareholders use their voting power. The most important tasks of the Shareholders' Meeting are among others the election of the Board of Directors and the adoption of the Annual Accounts. Other tasks of the Shareholders' Meeting appear from the Articles of Association of the Company and from the Finnish Companies Act.

The Board of Directors

The Board of Directors consisting of three to five (3–5) members shall be responsible for the company's governance and proper organization of the operations. In addition the Board of Directors may have one to three (1–3) deputy members. The Annual General Meeting of Shareholders shall elect the members of the Board of Directors for the term, which expires at the end of the following Annual General Meeting of Shareholders. The number of terms for the members of the Board of Directors is not limited. The Board of Directors selects a Chairman among its members. The task of the Board of Directors is to implement the decisions of the Shareholders' Meeting. The Board of Directors supervises the operations and management and makes decisions on the Group's guiding principles for operation, strategy and budget. Further the Board decides on mergers and acquisitions and other strategic alliances as well as significant investments and significant matters regarding organization and finance. The Board of Directors supervises the Group companies' duly organized accounting and financial management. The Board of Directors appoints the President and possible Vice Presidents as well as approves the company's organization structure. There is no separate remuneration for Board members employed by the Company and for external members of the Board of Directors the remuneration has been 1 700 euros per month starting from December 1, 2000. In 2005 the Chairman of the Board has been remunerated 2 500 euros per month. Travelling expenses will be remunerated in accordance with the travelling policy of the company. The Board of Directors convenes regularly once a month.

The President, CEO

In the Company there is a President elected by the Board of Directors. The President acts also as a Chief Executive Officer of the Company. The Board of Directors defines and approves the essential terms of the service of the President in a form of a written agreement. The President is in charge of the operative management in accordance with the Finnish Companies Act and the Articles of Association as well as the instructions and orders given by the Board of Directors. The President is responsible for preparation of the Board meetings and implementation of any decisions made therein. The President is responsible for ensuring that the Company's accounting methods comply with the applicable law and that the financial matters are being handled in a reliable manner. Further the President prepares strategy, long-term planning, investments, mergers and acquisitions, financing and makes decisions thereof to the extent such decisions are not tasks of the Board. Further the President is responsible for financial planning, the Group's communications and investor relations.

Group Executive Board

The Group Executive Board supports the President and CEO in his tasks. The President and CEO act as the Chairman to the Group Executive Board. In addition to the CEO, members of the Group Executive Board include Executive Vice Presidents responsible for each Business Unit; Chief Operating Officer; Executive Vice President, Human Resources; Executive Vice President, Logistics and Information Management; Chief Financial Officer and Executive Vice President, Legal. The Group Executive Board supports the President and CEO in operative management, implementation and follow-up in the President's competence area. The Group Executive Board convenes once a month or at need.

The Insider Guidelines

Elektrobit Group Plc. has during the year 2000 adopted the Guidelines for Insiders issued by Helsinki Exchanges and confirmed Restrictions on Trading applicable to whole personnel. The statutory insiders include the members of the Board of Directors, the President as well as the Auditor. Insiders by definition are persons in certain positions defined by the Board of Directors.

Financial Information

Elektrobit Group Plc. prepared and published its financial statement and interim reports in accordance with the International Financial Reporting Standards (IFRS/IAS) as of the beginning of 2005. The company has one auditor approved by the Central Chamber of Commerce and if such auditor is not an auditing entity defined by the law, one deputy auditor shall be elected. Fees paid to the company's auditor and companies belonging to the same chain totalled approximately 184 000 euro in 2005 (about 245 000 euro in 2004). Fees for non-audit services paid to the company auditor and companies belonging to the same chain amounted to 116 000 euro (about 274 000 euro in 2004). Other services consisted mainly of tax consultation and services related to the mergers and acquisitions.

Estimate of Operational Risks and Uncertainties

Risk Management

Elektrobit Group follows a risk management policy approved by the company's Board of Directors. The objective of risk management is to cover risks related to business operations, property, agreements, competence, currencies, financing and strategy. Risk management aims to predict and identify uncertainties and subsequently develop the prediction of risks and the measures called for.

Risk management aims to systematically identify and recognize business-related risks and to ensure that such risks are appropriately managed and monitored. The company's risk management supports the achievement of strategic targets and ensures the continuity of business. In addition, it helps to ensure the safety of the personnel, products and services, and to fulfil statutory obligations.

During 2005 the Group developed risk management to specify the Group's risk management policy, areas of responsibility and everyday management in more detail with regard to risk identification, prevention, measurement and associated instructions.

Strategic and Business Risks

The Group's identified risks and uncertainties include factors associated with Group strategy and associated assumptions, as well as issues related to business development. Risks associated with business include market development in a rapidly changing industry, as well as increasing competition, which, through potential decreases in market shares and prices, may have a negative impact on the development of the company's business, earnings and financial position.

In accordance with its strategy, Elektrobit Group aims to match or exceed the industry's average growth. However, the Group's profitability and strong balance sheet position will not be put at risk. The Group aims to achieve organic growth as well as growth through acquisitions. Growth achieved through acquisitions will cause separate risks associated with the takeover of the acquired business. If the company fails to successfully manage its growth, this may have an adverse effect on the development of the company's business, its earnings and financial position. The implementation of the growth strategy will also require investments in fixed assets and operating capital, and no guarantee can be given on the availability of additional third-party financing.

Operational and Personnel Risks

The Group's operational risks mainly comprise content risks, quality risks and financial risks associated with the design and delivery of products and projects. Elektrobit Group's success depends on the Group's management and experts employed by the Group, as well as its ability to recruit and retain competent personnel. The loss of executive management or other key people may have an adverse effect on the business development, earnings and financial position of the company.

Product Development Risks

Elektrobit Group's product development and design services often concern technologically complex products and systems. Product development and design work carried out by Group companies may include errors or omissions in programming or design that, despite testing carried out by the company or its clients, will only be detected once the product is on the market. There is no guarantee that errors in programming or design will not be found in software or systems designed by the Group in the future, and no guarantee that the detection of such errors will not weaken the company's own or its client's market position. Any error may also have an effect on the client relationship in question and the ability to attract new clients. Even though the Group has aimed to restrict its liability through contract procedures, a programming or design error might also lead to claims for damages. If realized, these factors could have a negative effect on the business development, earnings and financial position of the Group.

Product Liability Risks

It can be expected that claims related to product liability and typical of companies in similar industries could be made against Elektrobit Group. Insurance policies have been taken out to cover any related claims for damages. The aim is to reduce product liability risks by developing the safety of products through, among other things, product development investments, client training and precise terms and conditions of sales contracts. The current insurance cover is estimated to be sufficient to cover any liability risks. However, the Group may have to compensate damages that exceed the insurance cover.

Property and Liability Risks

Elektrobit Group has taken out global insurance schemes to prepare for property, interruption, transport and liability risks (conventional risks, product liability, management's liability). The insurance cover comprises property, transport and liability insurance schemes and their local applications. Deductibles are dimensioned with the risk-bearing capacity of the entire Group in mind.

Raw Materials, Suppliers and Subcontractors

The development of the global economy or sudden delivery problems with subcontractors may affect the price and availability of components used in Elektrobit Group's products. This may affect business operations through increased purchase prices or extended delivery times. Global business operations and a comprehensive network of subcontractors reduce the effect of local disturbances. Elektrobit Group aims to use long-term procurement agreements to reduce the effects of short-term price fluctuations and availability problems. The aim is to survey alternative suppliers to the extent possible in order to better manage risks associated with individual suppliers. However, this is not always possible.

Changes in the prices of energy, oil and metals may also have indirect adverse effects on Elektrobit Group's operations if price fluctuations reduce the investment appetite of the client industries. Group companies purchase most of the components for their products from subcontractors, and alternative suppliers are not necessarily found quickly. Disturbances in deliveries by subcontractors may also impact on Elektrobit Group's client relationships and business operations.

Intellectual Property Risks

Elektrobit Group mostly protects its intellectual property rights through copyrights, trademark registrations, business secrets and non-disclosure agreements. However, there is no complete certainty that the Group's actions to protect intellectual property will be sufficient in all cases.

Financing Risks

Elektrobit Group is exposed to several financing risks during the normal course of its business. The primary financing risks comprise currency, interest rate and credit risks. The objective of managing the Group's financing risks is to reduce the effects on earnings, the balance sheet and cash flow caused by price fluctuations and other factors of uncertainty, as well as to ensure adequate solvency. The Group uses forward exchange agreements, currency options and interest rate swaps for risk management. However, in spite of actions to manage financial risks, it cannot be guaranteed that currency, interest rate and credit risks will not have adverse effects on the business development, earnings and financial position of the Group.

Political, Economical and Legislative Changes in Emerging Countries

The business operations of Elektrobit Group, and particularly its clients, is geographically diversified. The Group has manufacturing facilities and suppliers in emerging countries. The demand for new devices is increasingly concentrated in Asia. Sudden political, economical and/or legislative changes in these countries may have an adverse effect on business operations. The risk associated with emerging countries is reduced by the extensive geographical scope of Elektrobit Group's business operations, the variety of client industries and more stable aftermarket business operations in Europe and North America.

Environmental Factors

Elektrobit Group's own business operations mostly focus 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 Group have minor environmental impacts.

The Group has had ISO 14001 certified management systems since 2001. The systems were expanded in 2004 to cover Elektrobit Group and the Group's production units. The Group's environmental requirements for suppliers were updated during the year in connection with new supplier requirements.

The Group has observed the requirements of the ROHS (use of hazardous substances) and WEEE (recycling of electrical and electronic equipment) directives in design since 2002.
The Group's 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. The environmental management manual applicable to design operations will be completed in 2006.

The Group will globally monitor 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 Group has joined a global information service monitoring environmental requirements by industry and country during 2005.

Membership of producers' organizations is a method of managing the Group's producer's liability. With regard to electrical and electronic waste, the Group has joined the Pirkanmaa Environment Center organization in Finland, and membership of other producers' organizations is being considered on a country-specific basis within the framework of local legislative requirements.

As the Group mostly operates within the business-to-business segment of product operations, with a high degree of updating and recycling of products, the Group has fairly limited producer's liability.

Shares and Shareholders

Shares and the Share Capital

The shares of Elektrobit Group Plc. are quoted on the Helsinki Exchanges. The Group has one series of shares. All the shares entitle to dividends of equal value. Each share has one vote. The share does not have a nominal value. The Company's shares have been entered into the Finnish Central Securities Depository Ltd's book-entry securities system. In accordance with the Elektrobit Group Plc.'s articles of association the minimum share capital is 2 million euros and the maximum share capital is 20 million euros. Between these limits the share capital can be increased or decreased without changing the articles of association.

On March 17, 2005, the General Meeting of Shareholders of Elektrobit Group Plc. passed a resolution to reduce the number of shares in the company by combining five existing shares into one new share. The changes were reported to the Trade Register on April 9, 2005.

At the end of the financial period the fully paid share capital of the Company entered into the Finnish Trade Register was 12 941 269.00 euros and the total number of the shares was 129 412 690. The accounting par value of the Company's share is 0.10 euro. The company is not in the posession of its own shares.

Share Prices and Trading Volumes

The closing price of the Elektrobit Group Plc's share was 1.87 euro in 2005, the share reached a high of 3.15 euro and a low of 1.82 euro. During the year, a total of 46.4 million shares with a value of 117.2 million euros changed hands. This is 35.8 per cent of the share capital. Elektrobit Group Plc.'s market capitalization at the end of 2005 was 242.0 million euro.

Dividence Policy

Elektrobit Group Plc. follows a dividend policy that takes into account the Group's net income, financial situation, need for capital and financing of growth. The Board of Directors of Elektrobit Group Plc. proposes that a dividends of 0.07 euro / share, a total of 9 058 888.30 euro shall be paid.

Trading codes

Elektrobit Group Plc's is listed on the Helsinki Stock Exchange since 1998. Trading codes and trading lot:

HEX	EBG1V
Reuters	EBG1V.HE
Bloomberg	EBG1VFH
Trading lot	100 shares

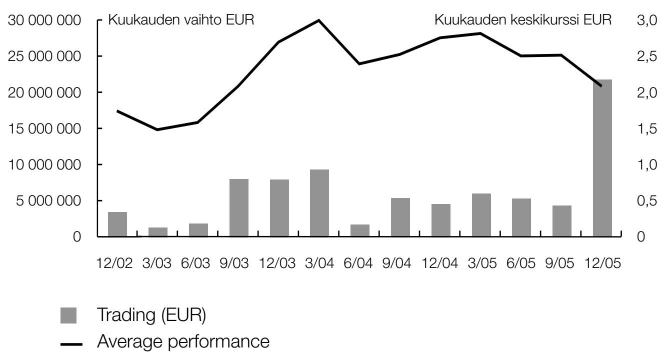
Shareholders

At the end of 2005, Elektrobit Group Plc. had 37 164 shareholders. The ten largest shareholders owned 61.7% of the shares. Private ownership was 75.8%. The percentage of foreign and nominee-registered shareholders was 3.9% at the end of 2005.

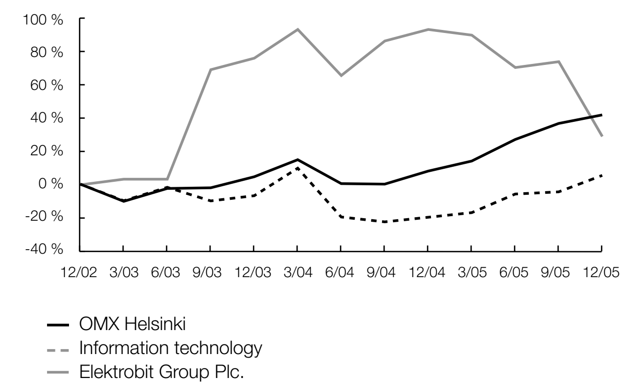
Shareholding of the Board of Directors and CEO

Shareholding of the Board of Directors, CEO and the companies controlled by them was 34.5 per cent corresponding 44 632 940 shares.

Trading and average performance 2003–2005



Share performance in Helsinki Stock Exchange 2003–2005



Source: The Finnish Central Securities Deposit Ltd, December 30, 2005

Information for Shareholders

Financial Reports 2006

Elektrobit Group Plc. reports its financial development quarterly. In 2006 Elektrobit will publish financial reports as follows:

February 15.	Financial Statements Bulletin 2005
May 3.	Interim Report, January-March
August 2.	Interim Report, January-June
November 1.	Interim Report, January-September

The financial reports will be published simultaneously in Finnish and in English at 8.00 am. on the Elektrobit Group Plc.'s Internet pages www.elektrobit.com/investors. Company holds press and telephone conferences regarding the reports on a date to be later specified.

Silent Period

Elektrobit Group Plc. will observe Silent Period prior to announcing its results. The Silent Periods in 2006 are as follows:

January 25.–February 15, 2006
April 12.–May 3, 2006
July 12.–August 2, 2006
October 11.–November 1, 2006

Elektrobit Group Plc.'s Annual General Shareholders' Meeting

Elektrobit Group Plc.'s shareholders are convened to the Annual General Shareholders' Meeting to be held on Wednesday, March 15, 2006, at 13:00 pm. in Oulunsalo House in Oulunsalo, Finland. A shareholder has the right to attend the Annual General Shareholders' Meeting if he/she has been entered as a shareholder in the Company's shareholder register maintained by the Finnish Central Securities Depository Ltd. on March 3, 2006. Holders of nominee-registered shares intending to participate in the Annual General Shareholders' Meeting must notify their custodian well in advance of their intention and comply with the instructions provided by the custodian. The registration in the shareholder register must be valid on March 3, 2006.

A shareholder wishing to participate in the Annual General Shareholders' Meeting must notify the company of the intention to participate no later than 13:00 pm. on March 10, 2006, either by mail (address: Elektrobit Group Plc., Annual General Shareholders' Meeting, P.O. Box 45, 90461 Oulunsalo, Finland), by phone (+ 358 40 344 3322), by telefax (+358 8 570 1304) or on the Company's websites at http://www.elektrobit.com/shareholders_meeting_2006.

The notification of participation must arrive before the closing of the registration period. Shareholders are requested to submit any proxies to the company before the closing of the registration period. The Board of Directors has decided to propose to the Annual General Shareholders' Meeting that a dividend of 0.07 euro per share be distributed for the year 2005. The dividend will be paid to those shareholders who are recorded in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. on March 20, 2006, which is the record date for the dividend. The Board of Directors proposes to the Annual General Shareholders' Meeting that the dividend be paid on Wednesday, March 27, 2006.

www.elektrobit.com/investors

Press releases, reports, earnings estimates, share price ticker, contact details of analysts and other current investor material can be found on the Company's Internet pages. E-mail based subscription service for press releases and publications can be found on the Internet pages as well.

Subscription for Press Releases and Publications

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MAINONNAN TYÖMAA