

Free for publication on November 3, 2004 at 8.00 a.m.

**ELEKTROBIT GROUP PLC'S INTERIM REPORT JANUARY TO SEPTEMBER 2004**

(unaudited)

Elektrobit Group's primary objective for 2004 is to ensure long-term development and continuity. During the reporting period the Group added resources to sales, marketing, competence development and to research and development in accordance with its established targets. In addition to this the Group aims for a moderate increase in net sales and profitability in 2004.

The third quarter of 2004 was exceptionally strong. Both net sales and operating profit outperformed the targets that had been set. The strong quarter will not affect the setting of the Company's long-term objectives, and the Company has not made any upward adjustments to its long-term growth and profitability targets. Net sales in the third quarter amounted to 57.8 million euro (36.0 million euro) and the operating profit stood at 11.9 million euro (5.1 million euro).

Comparisons between the figures of the third quarter of 2004 and the figures for the corresponding period a year earlier:

- § Net sales amounted to 57.8 million euro (36.0 million euro; representing an increase of 21.8 million euro or 60.4%). Net sales of the Testing, Contract R&D and Automation Solutions business units increased from the previous year's level. The level of net sales exceeded the targets set, particularly thanks to strong growth in the Testing business unit. The strong growth of the Testing business unit is in part a result of a shift of business volume from the fourth quarter to the third quarter. Net sales in comparison with the previous year were also improved by the consolidation of 3SOFT GmbH and the CIM Technologies Group with Elektrobit Group as of March 2004. The third-quarter net sales of these companies amounted to 4.4 million euro, which, in accordance with earlier statements, has not had any significant effect on the level of the consolidated operating profit.
- § Operating profit amounted to 11.9 million euro (5.1 million euro; an increase of 6.8 million euro or 134.9%), which outperformed set targets. Increased profitability was particularly affected by an increased share of the product business of total net sales, the strong period of the Testing business and an increased level of profitability in the Automation Solutions business.

Comparisons between the period from January to September 2004 and the figures for the corresponding period a year earlier:

- § Net sales amounted to 142.5 million euro (105.3 million euro; an increase of 37.1 million euro or 35.3%). The net sales of the Contract R&D business unit 60.8 million euro (41.9 million euro; an increase of 18.9 million euro or 45.1%) and the net sales of the Testing business unit 62.4 million euro (46.6 million euro; an increase of 15.8 million euro or 33.9%) and the net sales of the Automation Solutions business unit 19.3 million euro (16.8 million euro; an increase of 2.4 million euro or 14.5%) increased from the level of the corresponding period in 2003. Of the acquisitions completed in the first quarter, 3SOFT GmbH has been consolidated with Elektrobot Group's figures since March 8, 2004, and CIM-Technologies Group has been consolidated since March 1, 2004. 11.8 million euro of the net sales of these companies was booked in for the period under review, which, in accordance with earlier statements, this has not had any significant effect on the operating profit.
- § Operating profit amounted to 22.8 million euro, including non-recurring income due to a change in the valuation of inventories of 0.7 million euro (10.3 million euro; an increase of 12.5 million euro or 122.3%; excluding the change in the valuation of inventories, the increase is 11.8 million euro or 115.4%).
- § The equity ratio was 60.0% (57.7%).
- § Cash flow from operating activities amounted to 26.9 million euro (8.6 million euro).
- § During the period under review the company acquired a majority shareholding in 3SOFT GmbH (80%) and the entire stock of CIM-Tech Oy, as well as entered into a preliminary agreement stating that Elektrobot Group will acquire approximately 80% of the stock of PJ Microwave Ltd, turning the latter into a wholly-owned subsidiary of Elektrobot Group. In accordance with its strategy, Elektrobot Group aims to outperform the average growth of the telecommunications industry, for example by expanding its clientele in both telecommunications and other industries.

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

MEUR	7-9/04	4-6/04	1-3/04	10-12/03	7-9/03
Net sales	57.8	48.0	36.7	43.3	36.0
Operating profit	11.9	6.4	4.6	5.8	5.1
Profit before taxes	11.6	6.2	4.7	4.8	4.7
Net profit	8.2	4.5	3.5	2.5	3.7

Operating profit for the first quarter of 2004 includes 0.4 million euro, for the second quarter of 2004 0.3 million euro and for the third quarter 0.0 million, totaling 0.7 million euro of non-recurring profit improvement due to inventory valuation principles during the reporting period. The third quarter includes a non-recurring write-off of 1.5 million euro for the remaining goodwill in the CMS business acquired in the spring of 2001.

Net sales by business unit have developed as follows:

MEUR	7-9/04	4-6/04	1-3/04	10-12/03	7-9/03
Contract R&D	19.1	24.3	17.3	17.0	12.1
Testing	29.2	18.3	14.9	21.3	17.8
Automation Solutions	9.4	5.4	4.5	5.0	6.1
Total	57.8	48.0	36.7	43.3	36.0

The net sales by market area were as follows:

MEUR (%)	7-9/04	4-6/04	1-3/04	10-12/03	1-12/03
Asia	8.3 (14%)	4.1 (9%)	4.9 (13%)	4.5 (10%)	21.3 (14%)
Americas	16.2 (28%)	9.1 (19%)	4.0 (11%)	4.4 (10%)	23.7 (16%)
Europe	33.3 (58%)	34.8 (73%)	27.7 (76%)	34.4 (79%)	103.6 (70%)

## BUSINESS ENVIRONMENT

The business environment has remained challenging during the period under review and market visibility is short. The sales volume of the global mobile phone market is generally estimated to increase to some 600 - 630 million units in 2004. The simultaneous downward trend in average prices for mobile phones will cause challenges with regard to the improvement of product development efficiency. The number of new players in the mobile phone sector, as well as the number of mobile terminal models and variations, are going to continue to increase during 2004. The number of smart phone models, their delivery volume and the number of models under development have increased during the period under review compared to the corresponding period last year.

The Network business has seen a change of trend to incipient growth. Operators are boosting their investments in network capacity in the Western world, as well as making new investments in the developing markets of Latin America and Asia.

The share of electronics and software in cars is increasing, as is the use of several wireless technologies and the number of entertainment and communications (Infotainment) applications. Navigation services are an example of new automotive applications built on smart phone platforms.

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

- § To grow faster than the telecommunications industry on average;
- § To expand the customer base in telecommunications and other industries by offering productization solutions with product development services as the spearhead;
- § To pursue the leading position among smart phone development partners through the company's ODE business model and, together with partners, through the ODM business model;
- § To pursue a leading position in testing mobile phone terminals and networks by strengthening the product offering, technology and customer base;
- § 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 by investing in new products and competence, both through acquisitions and strategic alliances.

During the period under review Elektrobit expanded and deepened its Series 60 software platform partnership with Nokia (the Series 60 Boutique business model), announced its participation in the development of a new smart phone product platform with Nokia and Texas Instruments Incorporated, and expanded its Symbian OS™ partnership to cover the Symbian Independent Design House (IDH) concept.

The acquisition of the CIM Technologies Group strengthened and supplemented Elektrobit Group's software competence, particularly in the expanding areas of smart phones and production testing. The acquisition of a majority holding in 3SOFT GmbH makes it possible for 3SOFT GmbH and Elektrobit Group to achieve a more significant position in the expanding productization service market for the automotive industry.

In September Elektrobit Group Plc. entered into a preliminary share purchase agreement according to which it shall purchase approximately 80 per cent of PJ Microwave Ltd's shares. As a result of the acquisition PJ Microwave Ltd shall become a wholly-owned subsidiary of Elektrobit Group. The core competences of PJ Microwave Ltd; development of microwave based instruments for process industry, adaptive antenna systems, RFID applications and communication and sensor systems for defence forces will add to Elektrobit Group's know how in the respective areas.

Elektrobit Group's primary objective for 2004 is to ensure long-term development and continuity. During the reporting period the Group added resources to sales, marketing, competence development and research and development in accordance with its established targets. The aim of research and development operations has been to concentrate competence at the Group level, creating a synergy advantage. The development of the business environment supports our objective of continuing on a track of moderate net sales growth in 2005 as well. Increased competition and turbulent market conditions, particularly within Contract R&D, as well as added investments in product development and marketing, are not favorable when aiming for the relative profitability level of 2004 in 2005. Compared with the corresponding period last year, the positive development of net sales and profitability in the period under review outperformed the set targets.

#### CONTRACT R&D BUSINESS OPERATIONS FROM JANUARY TO SEPTEMBER 2004

The Contract R&D business segment comprises design services associated with mobile phone terminals and base stations, and design services in the Automotive, Security, Defence and Wellness areas, as well as wireless products. Product sales make up less than 10% of the net sales of the Contract R&D business unit.

The business environment of the Contract R&D business unit has seen a recovery in comparison with the corresponding period in 2003. Among other things, this was reflected in the continued positive development in the Americas. Net sales during the period amounted to 60.8 million euro (41.9 million euro), which was in line with the targets. Net sales in comparison with the previous year were also improved by the consolidation of 3SOFT GmbH and the CIM Technologies Group with the business unit in March 2004.

During the period under review Elektrobit exercised, according to its strategy, Series 60 software platform co-operation with Nokia. During the period under review Elektrobit continued its effort in the

development of smart phone platforms and associated business and R&D processes. Customer projects based on the Symbian OS operating system were carried out within the framework of the Symbian Independent Design House (IDH) agreement. The acquisition of a majority holding in 3SOFT GmbH makes it possible for 3SOFT GmbH and Elektrobit Group to achieve a better position in the expanding software market for the automotive industry. At the end of the period under review, Elektrobit Group employs more than 700 software experts, of whom more than 200 are Symbian specialists.

The Contract R&D business is dominated by the sales of product development services and total solutions associated with mobile phone terminals. The focus area during the period under review was smart phones and associated engineering services. The volume of product development related to mobile phone base stations increased slightly compared to the corresponding period last year. Sales in the Security, Defence and Wellness areas increased as planned. The Automotive software business developed according to plan as well.

#### TESTING BUSINESS OPERATIONS FROM JANUARY TO SEPTEMBER 2004

The Testing business segment mainly consists of the development, manufacture and sales of testing equipment for mobile phones and mobile phone networks, associated software development, and service business related to testing. Elektrobit Group develops and manufactures testing equipment for mobile phone production testing, maintenance, field testing and radio channel simulation, as well as for mobile phone network testing and optimization. The service business comprises testing design for mobile phones and base stations, and field testing and measurement services mainly associated with mobile phone networks. During the period under review all businesses increased in volume and especially the yearly seasonality in production testing has affected the net sales. Net sales amounted to 62.4 million euro (46.6 million euro). The development of net sales exceeded set targets.

The demand for testing and simulation equipment for product development saw significant growth in comparison with the corresponding period in 2003. The deliveries of product-specific production solutions increased compared to the corresponding period in 2003. The demand for testing and optimization equipment for mobile phone networks were slightly above the level of the corresponding period in 2003. Service business operations associated with testing developed as planned.

Product development investments in testing equipment and software increased on the 2003 comparison period. The focal point of R&D investments in the area of production testing was in the development of new types of testing products. These include, among other things, mobile phone testing within maintenance and product-specific production testing. In the relation to testing and simulation equipment for product development, and mobile phone network testing, R&D efforts focused on extending the current product ranges.

Unlike previous years, the peak period with regard to the demand for production testing equipment had already started at the end of the second quarter and the third quarter was very strong. The net sales of production test equipment during the last quarter will remain on a lower level than that of the third quarter.

#### AUTOMATION SOLUTIONS BUSINESS OPERATIONS FROM JANUARY TO SEPTEMBER 2004

The Automation Solutions business unit comprises two business segments: BAS (Board Assembly Systems) and FAS (Final Assembly Systems). The BAS business segment focuses on circuit board processes for automotive, consumer and industrial electronics. The BAS business includes both project sales and standard equipment sales. The most important market is Central Europe, managed through the Group's Italian, German and Hungarian companies.

The FAS business consists mainly of assembly systems for the telecommunication industry. FAS focuses on selected key accounts on a global level and typically delivers complete automation systems as projects. The knowledge centre of the business segment is located in Finland, and it operates in close partnership with Group companies in Asia, Europe and the US.

During the period under review, the units of the Automation Solutions business segment regrouped, and started sales and marketing efforts in accordance with their new roles, focusing on mutually agreed accounts and products. Sales during the period amounted to 19.3 million euro (16.8 million euro). The operating environment remained difficult and oversupply means that price competition in the industry is still intense, even though there were weak signs of a favorable turn.

During the reporting period the Group globally launched a new generation of circuit board cutters and laser markers and made the first equipment deliveries to customers. The rights to these products, as well as associated responsibilities for maintenance and development, were transferred from Germany

to the Kuopio knowledge centre. In addition, the Group's holding in the German company JOT Automation LET GmbH was sold to the active management of the company. At the same time, a comprehensive subcontracting and partnership agreement was signed with the company. From now on, sales to Germany will be the responsibility of a Group unit operating in Munich. The operations of the Hungarian unit were strengthened, and its scope of responsibility was extended to cover all sales and maintenance operations in the central part of Eastern Europe (Poland, the Czech Republic, Slovakia, Romania). According to the chosen strategy, sales, maintenance and some project engineering will be located closer to the customer. The knowledge centres in Kuopio and Estonia develop basic products and technology, and the units create related applications for their own customers. The Automation Solutions business performed better than planned in the third quarter. Net sales in the fourth quarter will probably fall short of the third quarter.

#### BALANCE SHEET AND FINANCING

The figures presented in the balance sheet of September 30, 2004, have been compared with the balance sheet of December 31, 2003 (1000 euro).

	9/2004	12/2003
Non current assets	57 259	45 741
Inventories	17 939	12 297
Deferred tax receivables	130	1 366
Receivables	55 920	45 761
Short term investments	1	1
Cash and bank deposits	37 456	37 183
Total assets	168 705	142 350
Share capital	12 875	12 611
Other equity	85 581	67 762
Total equity	98 456	80 373
Minority interest	993	1 943
Deferred tax liabilities	18	69
Long term liabilities	19 893	21 085
Short term liabilities	49 344	38 879
Shareholders' equity and liabilities	168 705	142 350
total		



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

+ net profit + depreciations	+ 24.7 million euro
+ minority interest	- 0.0 million euro
+ decrease in working capital	+ 2.0 million euro
+ share of results of associated companies	+ 0.2 million euro
= net cash from operating activities	+ 26.9 million euro
- net cash used in investing activities	- 20.2 million euro
- net cash used in financial activities	- 5.3 million euro
- change in minority interest and translation differences	- 1.1 million euro
= change in cash and cash equivalents	+ 0.3 million euro

The amount of accounts receivable, booked in current receivables, was 42.5 million euro (38.2 million euro on December 31, 2003), while accounts payable, booked in current liabilities, stood at 11.3 million euro (6.8 million euro on December 31, 2003).

The amount of non-depreciated consolidated goodwill at the end of the period under review was 17.7 million euro (5.0 million euro on December 31, 2003) and goodwill depreciations during the period under review totaled 4.6 million euro. Goodwill was re-tested in connection with the structural arrangements carried out in the Automation Solutions business unit, and the remaining goodwill in the CMS business acquired earlier, amounting to 1.5 million euro, was written off in full.

The amount of net investments during the period was 20.2 million euro, investments in corporate acquisitions amounted to 18.1 million euro and replacement investments amounted to 2.1 million euro. Total depreciation during the period under review stood at 8.5 million euro, which included non-recurring goodwill depreciations of 1.9 million euro (6.5 million euro during the corresponding period in 2003).

The Group's other long-term investments include an investment portfolio with a book value of approximately 8.0 million euro that mainly consists of long-term bonds. The portfolio's market value at the end of the financial year was approximately 0.9 million euro higher than its book value.

The amount of interest-bearing debt at the end of the reporting period was 31.8 million euro. The distribution of net financing expenses on the income statement was the following:

interest, dividend and other financial income	+ 0.6 million euro
interest expenses	- 0.9 million euro
foreign exchange gains and losses	+ 0.1 million euro

The company's equity ratio at the end of the period was 60.0% (compared with 58.6% at the end of 2003).

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 the review period was equivalent to 21.5 million euro. The market value of the hedged position at the end of the period was 0.3 million euro.

#### CHANGES IN GROUP STRUCTURE

The Company acquired a majority shareholding in the automotive electronics software company 3SOFT GmbH on March 8, 2004. The purchase price for the 3SOFT GmbH was paid by issuing 8,421,951 new Elektrobit Group Plc. shares and in addition by paying 9,066,667.07 euro. The new shares were issued to 3SOFT GmbH's shareholders in a directed issue, which was approved by the Board of Directors of Elektrobit Group Plc. on the basis of the authorisation given to the Board of Directors by the Annual General Meeting on March 25, 2003. The new shares will be subject to transfer restrictions, which shall expire with regard to approximately 25 per cent in 2005, with regard to approximately 25 per cent in 2006, with regard to approximately 25 per cent in 2007 and with regard to approximately 25 per cent in 2008.

Determination of the acquisition price is based on the negotiated outcome, which the parties reached concerning the value of the companies' shares outstanding. As a result of the acquisition Elektrobit Group Plc. owns approximately 80 percent of the shares and votes in 3SOFT GmbH while the remaining 20 per cent of the shares are owned by the two managing directors of 3SOFT GmbH. The shares received by Elektrobit Group Plc. in connection with the acquisition have been recorded at current value in the accounts. According to the parties' agreement Elektrobit Group Plc. has a right and on the other hand also an obligation to purchase the remaining 20 per cent of the shares in

3SOFT GmbH within certain periods of time during the years 2007, 2008 and 2009, however, in any case not later than on June 30, 2009. The purchase price for the option shall be determined based on a substance value component and on the other hand the profit producing ability of 3SOFT GmbH defined in more detail by the calculation principles agreed by the parties.

The Company acquired all shares in the software company CIM-Tech Oy. The acquisition price for the CIM-Tech Oy was paid by issuing 4.799.987 new Elektrobit Group Plc. shares. The new shares were issued to CIM-Tech Oy's shareholders in a directed issue, approved by the Board of Directors of Elektrobit Group Plc. on the basis of the authorisation given to the Board of Directors by the Annual General Meeting on March 25, 2003. Determination of the acquisition price is based on the negotiated outcome, which the parties reached concerning the value of the companies' shares outstanding. 50 per cent of the new shares are subject to transfer restrictions, which shall expire with regard to 25 per cent of the shares in 2006 and with regard to 25 per cent of the shares in 2007. As a result of the acquisition CIM-Tech Oy became a wholly-owned subsidiary of Elektrobit Group Plc. The shares received by Elektrobit Group Plc. in connection with the acquisition will be recorded at current value in the accounts.

The Company sold its 70% holding in JOT Automation LET GmbH to the active management of the company through a transaction closed on 28 July, 2004.

On September 15, 2004, Elektrobit Group Plc. signed a preliminary share purchase agreement according to which it shall purchase approximately 80 per cent of PJ Microwave Ltd's shares. As a result of the acquisition PJ Microwave Ltd shall become a wholly-owned subsidiary of Elektrobit Group. As PJ Microwave Ltd owns 30 per cent of the shares in Ylinen Electronics Oy the share holding of Elektrobit Group increases in Ylinen Electronics to 90 per cent.

As a result of above mentioned corporate acquisitions, the total amount of Group companies has increased. The Company has started means to create a structure that would be clearer from a business point of view. As a result of this, the total amount of Group companies will decrease during 2004. The master company in the Automation Solutions business changed its name to Elektrobit Automation Ltd, and the master company in the Testing business changed its name to Elektrobit Testing Ltd.

During the period under review, JOT Automation Sweden AB was dissolved, JOT Automation CMS Ltd, JOT Automation CMS Holding Ltd and Softbit Ltd were merged and procedures were initiated to

merge or dissolve DNT Consulting Oy, Teraflops Ltd and the companies within the CIM-Technologies subgroup. Measures to develop the Group structure and decrease the number of companies will continue during the current year.

In January 2004 Elektrobit Technologies Ltd acquired all the minority holdings in Nemo Technologies Ltd and in Elektrobit Inc. from key persons and currently holds the companies on a 100% basis. Ownership of 49% in the affiliated company Formeca Oy was sold during the period under review.

#### CHANGES IN THE GROUP EXECUTIVE BOARD

Doctor of Engineering Hannu Hakalahti has been appointed Executive Vice President and member of the Executive Board of the Elektrobit Group Plc. responsible for the Testing business unit. In addition to Mr. Hakalahti members of the Group Executive Board include Juha Sipilä, CEO, Arto Pietilä, Executive Vice President, Contract R&D business unit, Juha Reinikka, Executive Vice President, Automation Solutions business unit, Jukka Harju, Executive Vice President, Business Development, Seppo Laine, Chief Financial Officer, Ritva-Liisa Niskanen, Executive Vice President, Strategic Resources and Päivi Vasankari, Executive Vice President, Legal.

#### BOARD OF DIRECTORS' AUTHORIZATIONS BY THE END OF THE REPORTING PERIOD

The Board of Directors were authorised on March 12, 2004 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 11, 2005.

The authorisation contains a right to deviate from the shareholders pre-emptive 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 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.

#### NOTIFICATIONS IN ACCORDANCE WITH CHAPTER 2, SECTION 9 OF THE SECURITIES MARKET ACT

There were no changes in ownership during the reporting period 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 12, 2004. The meeting re-elected Juha Hulkko, Tapio Tammi and Matti Lainema to the company's Board of Directors and appointed Eero Halonen, M.Sc (Eng.) as a new member of the Board. Following the appointment Halonen ended his operational tasks within the Company. Halonen had been on sabbatical since June 1, 2003.

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

## DIVIDEND

The Shareholders' Meeting, held on March 12, 2004, resolved that in accordance with the Board of Directors' proposal dividend of EUR 0.01 per share, i.e a total of EUR 6,305,256 be distributed for the financial period of 2003.

## EVENTS AFTER THE REPORTING PERIOD

After the reporting period Elektrobit Group Plc. entered into a preliminary share purchase agreement according to which it shall purchase approximately 80 per cent of PJ Microwave Ltd shares. Resulting from the signed purchase agreement, dated November 2, 2004, PJ Microwave Ltd becomes a wholly owned subsidiary of Elektrobit Group and obtains the name Elektrobit Microwave Ltd. The value of the transaction amounts to approximately 1.6 million euro and was paid by issuing 3,315,924 new Elektrobit Group Plc. shares in a targeted share issue to the share holder of PJ Microwave Ltd. Two thirds of the 50 per cent of the new shares, issued to the prior major share holder, shall be subject to a transfer restriction. As regards one third the restriction shall cease 2005 and as regards one third the restriction shall expire 2006. Through the transaction Elektrobit Group's shareholding in Ylinen Electronics Oy increased from 60 per cent to 90 per cent.

At its meeting held on November 2, 2004, the Company's Board of Directors decided to prepare a proposal to the Annual General Meeting suggesting that the number of shares in the company should be reduced by combining existing shares; the total number of shares would decrease by one-fifth.

## Board of directors' authorizations

The authorisation granted by the Annual General Meeting to the Board of Directors to decide on a new issue, to grant option rights or to take convertible loans in one or more installments has been exercised after the period under review. According to the Board of Directors' decision on November 2, 2004, the company has issued 3,315,924 new shares in connection with the acquisition of shares in PJ Microwave Ltd, increasing the share capital by 66,318.48 euro. The unused part of the authorisation can still be used to issue a maximum of 122,789,176 new shares and increase the share capital by a maximum of 2,455,783.60 euro.

#### TRANSITION TO IFRS/IAS REPORTING

The Group is making preparations to comply with the International Financial Reporting Standards (IFRS/IAS) from the beginning of 2005 and onwards. In connection with preparations for the transition to IFRS/IAS-compliant reporting, the Group has transferred to a procedure where the acquisition cost of inventories would include the fixed costs of acquisition and manufacturing. The new valuation principle has been adopted since the beginning of 2004. The change in the valuation principle amounted to 0.7 million euro, which was seen as an increase in the earnings during the reporting period ending June 30, 2004.

In 2005 Elektrobit Group Plc. will publish its interim reports and financial statements in accordance with the IFRS/IAS standards. The Group will internally prepare quarterly data for 2004 in accordance with IFRS/IAS and publish these for comparison in connection with the 2005 interim reports.

In addition to the change in the valuation of inventories, the most substantial IFRS/IAS effects, which have already been implemented are attributable to the recognition of imputed tax liabilities and receivables, the recognition of financial instruments at fair value, as well as the inclusion of assets acquired by finance lease in the balance sheet. The current estimate is that the grand total of the opening IFRS/IAS balance sheet will be somewhat greater in comparison to the balance sheet prepared in accordance with Finnish accounting standards. IFRS/IAS will not bring any essential changes to consolidated shareholders' equity.

In segment reporting the primary reporting format will be based on business segments, the division of which will be the following:

- Services, divided into
  - 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
- Products, divided into
  - Testing business and
  - Automation Solutions business

In addition to the data required for segment reporting, the Group will present its net sales information separately for the Services business itemised into Contract R&D and Automotive business, as well as for the Products business itemised into Testing and Automation Solutions business. The secondary reporting format will be based on geographical segments, including Europe, Americas and Asia.

#### OUTLOOK FOR THE FINANCIAL YEAR 2004 AND PRELIMINARY OUTLOOK FOR THE FINANCIAL YEAR 2005

The market visibility is short and assessing the development of operations is, therefore, still very difficult. The Group carried out extensive reorganization of operations in 2002 and 2003. Thanks to the measures taken, the company can now better focus on long-term development in accordance with its values. The company's primary objective for 2004 is to ensure long-term development and continuity by adding resources to sales, marketing, competence development and to research and development. In addition to this, the company aims for a moderate increase in net sales and profitability in 2004. Additional company acquisitions made during the period under review will increase the consolidated net sales, but are not estimated to have any significant effect on the level of consolidated operating profit. Thanks to the strong third quarter, the net sales and operating profit growth targets set for 2004 will be exceeded.

Increased profitability is based on the efficiency improvement measures taken in 2002 and 2003, as well as the continuing improvement and development of our operations after these measures. Our growth target is based on new customer relationships in the Contract R&D business unit and on new business opportunities and products in the Testing business unit. The company estimates that the business environment for the Automation Solutions business unit and the business associated with mobile phone networks will slightly improve in comparison with the previous year.

Owing to the nature of the company's business, fluctuations are still to be expected between quarters. The Group estimates that net sales in the fourth quarter of 2004 will be clearly higher than the net sales in the fourth quarter of 2003 and at the same level with the net sales in the third quarter of 2004. Operating profit in the fourth quarter of 2004 is estimated to be clearly higher than the operating profit in the fourth quarter of 2003, but in line with earlier estimates, it will be clearly lower than the operating profit in the third quarter of 2004. The net sales and operating profit for the second half of 2004 will clearly outperform the targets set earlier.



The results to be achieved in the second half of the financial year 2004 will not affect the setting of the company's long-term targets. The company aims for moderate growth in net sales in 2005 and intends to maintain its good level of profitability and strong balance sheet. However, operating profit for 2005 is estimated to fall short of the level achieved in 2004. It is estimated that the accumulation of both net sales and operating profit will allocate to the second half of the year even more than in 2004.

In Oulunsalo, November 3, 2004

Elektrobit Group Plc.  
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Distribution:

Helsinki Stock Exchanges  
Main media offices

INVITATION TO PRESS AND TELEPHONE CONFERENCE

PRESS CONFERENCES

The Company will hold press conferences for media, analysts, and institutional investors on November 3, 2004 as follows:

Press Conference in Oulunsalo: at 8.00 am (EET)

Elektrobit Group Plc.  
Automaatitietie 1  
Oulunsalo

Press Conference in Helsinki: at 1.00 pm (EET)

Ravintola Savoy  
Eteläesplanadi 14  
Salikabinetit 2 and 3, 7th floor  
Helsinki

The material presented during the press conferences (pdf-file) will be available on November 3, 2004 at 8.00 am on the company's website, [www.elektrobit.com/investors](http://www.elektrobit.com/investors)

TELEPHONE CONFERENCE

A telephone conference regarding the result release will be held on November 3, 2004 at 3.00 pm (EET). To participate in the conference please call +358 203 65955. The direct webcasting from the event and its recording can be seen at <http://elektrobit.esitykset.net>

FINANCIAL STATEMENT 2004

The financial statement for the year 2004 will be published on February 16, 2005 at 8.00 am (EET).

<b>ELEKTROBIT GROUP INCOME STATEMENT (MEUR)</b>	<b>Official</b>	<b>Official</b>	<b>Official</b>
	<b>1-9/2004</b>	<b>1-9/2003</b>	<b>1-12/2003</b>
	<b>9 months</b>	<b>9 months</b>	<b>12 months</b>
NET SALES	142.5	105.3	148.6
Change in work in progress and finished goods	3.9	-0.1	-1.0
Other operating income	2.4	1.7	2.0
Expenses	-117.4	-90.1	-123.7
Depreciation	-8.5	-6.5	-9.7
OPERATING PROFIT	22.8	10.3	16.1
Financial income and expenses	-0.3	-1.3	-2.3
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES	22.5	9.0	13.8
Extraordinary income and expenses	0.0	0.0	0.0
PROFIT BEFORE TAXES	22.5	9.0	13.8
Income tax	-6.3	-3.5	-5.3
Minority interest	0.0	0.1	-0.3
NET PROFIT	16.2	5.6	8.1
<b>ELEKTROBIT GROUP BALANCE SHEET (MEUR)</b>	<b>Official</b>	<b>Official</b>	<b>Official</b>
	<b>30.9.2004</b>	<b>30.9.2003</b>	<b>31.12.2003</b>
<b>ASSETS</b>			
Non-current assets	57.3	47.3	45.7
Current assets			
Inventories	17.9	13.5	12.3
Receivables	56.1	52.4	47.1
Short-term investments	0.0	0.0	0.0
Cash and bank deposits	37.5	27.7	37.2
TOTAL ASSETS	168.7	140.9	142.3
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Share capital	12.9	12.6	12.6
Other equity	85.6	65.3	67.8
Total equity	98.5	77.9	80.4

Minority interest	1.0	2.6	1.9
Deferred tax liabilities	0.0	0.0	0.1
Long term liabilities	19.9	23.0	21.1
Short term liabilities	49.3	37.4	38.9
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>168.7</b>	<b>140.9</b>	<b>142.3</b>

<b>ELEKTROBIT GROUP CASH FLOW (MEUR)</b>	<b>Official 1-9/2004 9 months</b>	<b>Official 1-9/2003 9 months</b>	<b>Official 1-12/2003 12 months</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before extraordinary items	22.5	9.0	13.8
Adjustments			
Depreciation according to plan	8.5	6.5	9.7
Share of results of associated companies	0.2	0.2	0.1
Financial income and expenses	0.3	1.3	2.3
Operating incomes and expenses booked in unrestricted equity			
Cash flow before change in net working capital	31.5	17.0	26.0
Change in net working capital			
Change in interest-free short-term receivables	-8.9	-2.2	3.1
Change in inventories	-5.6	1.4	2.6
Change in interest-free short-term payables	16.6	-2.9	-2.4
Cash flow before financing activities	33.5	13.3	29.2
Interest paid	-3.0	-4.1	-5.8
Dividends received	0.0	0.0	0.0
Interest received	2.7	2.8	3.6
Income taxes paid	-6.3	-3.5	-5.3
Cash flow before extraordinary items	26.9	8.6	21.6
<b>Net cash from operating activities</b>	<b>26.9</b>	<b>8.6</b>	<b>21.6</b>

**CASH FLOW FROM INVESTING ACTIVITIES**

Purchase of tangible and intangible assets	-20.8	-2.0	-3.9
Proceeds from sale of tangible and intangible assets	0.6	0.4	0.8
Purchase of investments	-1.6	-0.0	-0.2
Proceeds from sale of investments	1.6	0.1	0.2
<b>Net cash used in investing activities</b>	<b>-20.2</b>	<b>-1.5</b>	<b>-3.2</b>

**CASH FLOW FROM FINANCIAL ACTIVITIES**

Proceeds from issuance of share capital	8.5		
Proceeds from short-term borrowings	2.5	0.9	3.0
Repayment of short-term borrowings	-6.8	-0.7	-1.9
Proceeds from long-term borrowings	0.5	0.0	2.9
Repayment of long-term borrowings	-3.5	-4.2	-9.0
Dividends paid	-6.4		-0.2
<b>Net cash used in financial activities</b>	<b>-5.3</b>	<b>-4.0</b>	<b>-5.1</b>

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

	1.4	3.1	13.4
Cash and cash equivalents at beginning of period	37.2	23.7	23.7
Cash and cash equivalents at end of period	37.5	27.7	37.2
Change in cash and cash equivalents in balance sheet	0.3	4.0	13.5
Difference in change in cash and cash equivalents	-1.1	0.9	0.1
Change in minority interest	-1.0	-0.2	-1.2
Translation differences in non-current assets	-0.0	0.2	0.3
Translation differences in shareholders' equity and group structure	-0.1	0.9	1.0

<b>ELEKTROBIT GROUP QUARTERLY FIGURES (MEUR)</b>	<b>Official 7-9/2004 3 months</b>	<b>Official 4-6/2004 3 months</b>	<b>Official 1-3/2004 3 months</b>	<b>Official 10-12/ 2003 3 months</b>	<b>Official 7-9/2003 3 months</b>
NET SALES	57.8	48.0	36.7	43.3	36.0
Change in work in progress and finished goods	2.3	0.6	1.0	-0.9	0.1
Other operating income	0.9	0.8	0.7	0.4	0.6
Expenses	-44.8	-40.7	-31.8	-33.6	-29.3
Depreciation	-4.2	-2.4	-2.0	-3.2	-2.4
OPERATING PROFIT	11.9	6.4	4.6	5.8	5.1
Financial income and expenses	-0.3	-0.2	0.2	-1.0	-0.4
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES	11.6	6.2	4.7	4.8	4.7
Extraordinary income and expenses	0.0	0.0	0.0	0.0	0.0
PROFIT BEFORE TAXES	11.6	6.2	4.7	4.8	4.7
Direct taxes	-3.3	-1.7	-1.3	-1.9	-1.1
Minority interest	-0.1	0.1	0.0	-0.4	0.2
NET PROFIT	8.2	4.5	3.5	2.5	3.7

<b>ELEKTROBIT GROUP BALANCE SHEET (MEUR)</b>	<b>Official 30.9.2004</b>	<b>Official 30.6.2004</b>	<b>Official 31.3.2004</b>	<b>Official 31.12.2003</b>	<b>Official 30.9.2003</b>
ASSETS					
Non-current assets	57.3	61.1	62.9	45.7	47.3
Current assets					
Inventories	17.9	16.1	13.1	12.3	13.5
Receivables	56.1	48.9	38.6	47.1	52.4

Short-term investments	0.0	0.0	0.2	0.0	0.0
Cash and bank deposits	37.5	30.4	34.5	37.2	27.7
<b>TOTAL ASSETS</b>	<b>168.7</b>	<b>156.7</b>	<b>149.3</b>	<b>142.3</b>	<b>140.9</b>

**LIABILITIES AND  
SHAREHOLDERS' EQUITY**

Share capital	12.9	12.9	12.9	12.6	12.6
Other equity	85.6	77.4	72.8	67.8	65.3
Total equity	98.5	90.3	85.7	80.4	77.9
Minority interest	1.0	0.9	1.2	1.9	2.6
Deferred tax liabilities	0.0	0.0	0.1	0.1	0.0
Long term liabilities	19.9	20.5	20.4	21.1	23.0
Short term liabilities	49.3	45.0	42.0	38.9	37.4
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>168.7</b>	<b>156.7</b>	<b>149.3</b>	<b>142.3</b>	<b>140.9</b>

**ELEKTROBIT GROUP FINANCIAL PERFORMANCE  
RELATED RATIOS**

<b>Official</b>	<b>Official</b>	<b>Official</b>
<b>1-9/2004</b>	<b>1-9/2003</b>	<b>1-12/2003</b>
<b>9 months</b>	<b>9 months</b>	<b>12 months</b>

**INCOME STATEMENT, (MEUR)**

Net Sales	142.5	105.3	148.6
Operating profit	22.8	10.3	16.1
Operating profit, % of net sales	16.0	9.7	10.8
Profit before extraordinary items	22.5	9.0	13.8
Profit before extraordinary items, % of net sales	15.8	8.5	9.3
Profit before taxes	22.5	9.0	13.8
Profit before taxes, % of net Sales	15.8	8.5	9.3
Net profit	16.2	5.6	8.1

**PROFITABILITY AND OTHER KEY FIGURES**

Return on equity % (ROE)	23.7	9.5	10.8
Return on investment % (ROI)	26.9	14.6	16.4
Interest-bearing net liabilities, (MEUR)	-5.7	12.3	1.9
Net gearing, %	-5.7	15.3	2.3

Equity ratio, % (nominal, net of deferred taxes)	60.0	57.7	58.6
Gross investments, (MEUR)	22.4	2.0	4.2
Gross investments, % of net sales	15.7	1.9	2.8
Average personnel during the period	1337	1121	1112
Personnel at the period end	1459	1076	1088

<b>ELEKTROBIT GROUP NUMBER OF SHARES (1000 PCS)</b>	<b>Official 30.9.2004</b>	<b>Official 30.9.2003</b>	<b>Official 31.12.2003</b>
At the end of period	643 748	630 526	630 526
Average for the period	640 032	630 526	630 526

<b>ELEKTROBIT GROUP STOCK-RELATED FINANCIAL RATIOS (EUR)</b>	<b>Official 1-9/2004 9 months</b>	<b>Official 1-9/2003 9 months</b>	<b>Official 1-12/2003 12 months</b>
Earnings per share	0.0253	0.0089	0.0129
Equity per share (nominal, net of deferred taxes)	0.1529	0.1235	0.1275

<b>ELEKTROBIT GROUP MARKET VALUES OF SHARES (EUR)</b>	<b>Official 1-9/2004</b>	<b>Official 1-9/2003</b>	<b>Official 1-12/2003</b>
Highest	0.69	0.50	0.66
Lowest	0.43	0.27	0.27
Average	0.57	0.35	0.44
At the end of period	0.54	0.49	0.51
Market value of the stock, (MEUR)	347.6	309.0	321.6
Trading value of shares, (MEUR)	55.6	20.1	50.1
Number of shares traded, (1000 PCS)	97 990	57 737	112 720
Related to average number of shares %	15.3	9.2	17.9



<b>ELEKTROBIT GROUP SECURITIES AND CONTINGENT LIABILITIES (MEUR)</b>	<b>Official 30.9.2004</b>	<b>Official 30.9.2003</b>	<b>Official 31.12.2003</b>
<b>AGAINST OWN LIABILITIES</b>			
Floating charges	29.9	30.9	29.8
Mortgages	19.7	19.7	19.7
Pledges	11.3	6.7	10.2
Mortgages are pledged for liabilities totaled	27.6	36.4	34.6
<b>ON BEHALF OF OTHERS</b>			
Guarantees	0.0	0.0	0.2
<b>OTHER DIRECT AND CONTINGENT LIABILITIES</b>			
<b>Leasing liabilities</b>			
Falling due in the next year	3.9	1.8	2.0
Falling due after one year	3.9	1.7	1.8
<b>Rental liabilities</b>			
Falling due in the next year	1.8	0.1	0.8
Falling due after one year	2.1	0.3	1.0
<b>Repurchasing liabilities</b>			
Falling due in the next year	0.1	0.1	0.1
Falling due after one year	0.5	0.6	0.5
Repurchase commitments	1.3	1.8	1.7
<b>ELEKTROBIT GROUP NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)</b>			
<b>Foreign exchange forward contracts</b>			
Market value	0.3	0.1	0.3
Nominal value	21.5	7.0	12.6

Purchased currency options

Market value	0.0	0.1	0.0
Nominal value	0.0	4.0	0.0

Sold currency options

Market value	0.0	-0.1	0.0
Nominal value	0.0	8.0	0.0