



Elektrobit Group Plc.

Interim Report 1-3 / 2004

May 5, 2004

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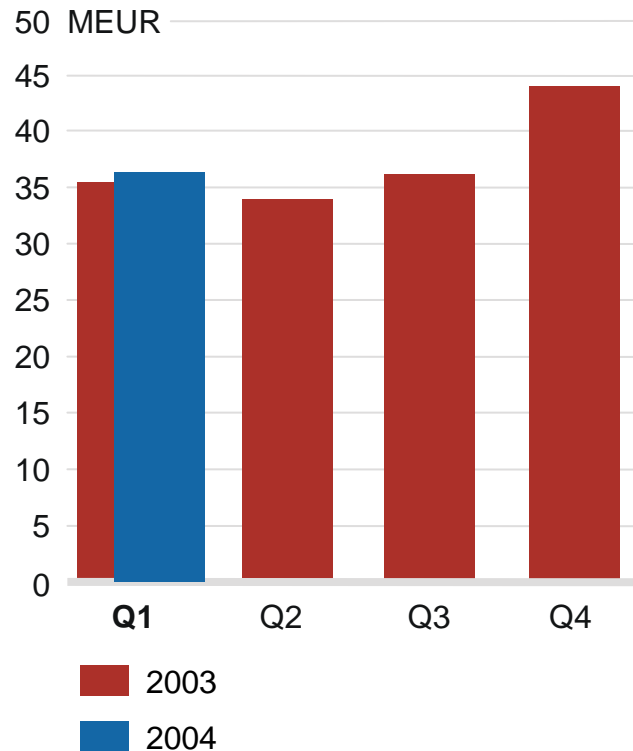
Review of the Operating Period 1-3/2004

- **The primary objective for 2004 is to ensure long-term development and continuity**
 - Resources were added to sales, marketing and competence development, as well as research and development
 - The Group aims for a moderate increase in net sales and profitability in 2004
- **Net sales and operating profit increased from the level of corresponding period in 2003**
 - Net sales 36.7 MEUR (35.4 MEUR)
 - Operating profit 4.6 MEUR (3.6 MEUR)
- **According to strategy, growth was recorded by expanding its clientele in both telecommunications and other industries**
 - Shareholding majority was acquired in automotive electronics software company 3SOFT GmbH (80%)
 - Software company CIM-Tech was entirely acquired
- **Elektrobit expanded and deepened its smart phone partnerships**
 - Nokia, Series 60 Boutique
 - Symbian Independent Design House
 - Nokia - Texas Instruments reference implementation
- **Stronger balance sheet**
 - Equity ratio 59.0 %, net gearing 3.8 %, cash flow from operations 16,8 MEUR
- **Targets were achieved**
 - Growth in Contract R&D according to plan, Testing according to plan and net sales of Automation Solutions decreased on the previous year's level



Development of Net Sales and Profitability

NET SALES Q1/03 - Q1/04

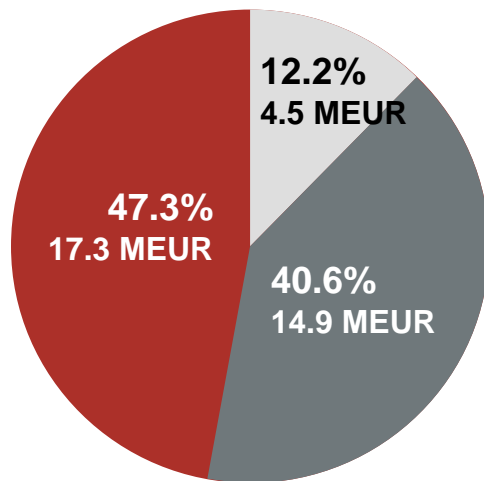


OPERATING PROFIT Q1/02 - Q1/04



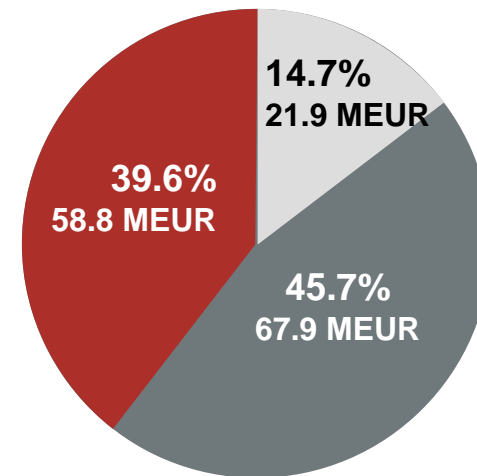
Net Sales by Business Unit

Jan. - March/2004

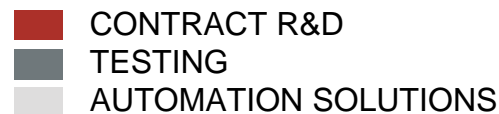


Net Sales 36.7 MEUR

Jan. - Dec./2003

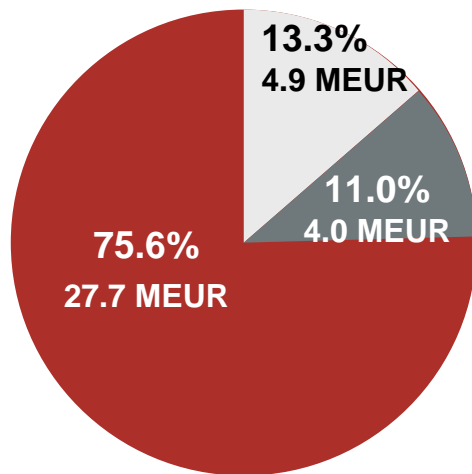


Net Sales 148.6 MEUR



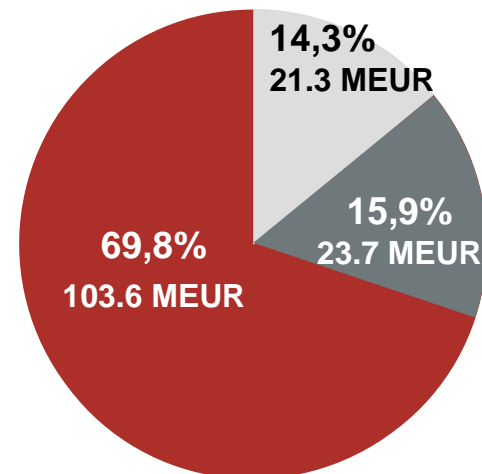
Net Sales by Market Area

Jan. - March/2004



Net Sales 36.7 MEUR

Jan. - Dec./2003



Net Sales 148.6 MEUR



Updated Strategy

Elektrobit Group's long-term targets include:

- Grow faster than the telecommunications industry on average;
- Expand the customer base in telecommunications and other industries by offering productization solutions with product development services as the spearhead;
- 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;
- Pursue the leading position in testing mobile phone terminals and networks by strengthening its product offering, technology and clientele;
- Pursue the leading position in testing mobile phone terminals and networks by strengthening the product offering, technology and customer base;
- Strengthen the market position in automotive infotainment applications, in real-time operating systems for body control applications and in electronic production automation;
- Strengthen the company by investing in new products and competence, both through acquisitions and strategic alliances.



Review of the Operating Environment

- **Business environment remained challenging**
 - Market visibility is short, assessing the development of operations was difficult
- **Rapid changes in technologies and customers' operating environment**
 - Customers invest in research and development
 - Customers operating environment characterized by complex technologies and business models
- **Customers seeking cost-efficient solutions**
 - Efficiency through outsourcing of new areas (R&D)
- **Number of mobile devices increased, estimates for 2004 up to +10%**
 - Particularly the number of new phone models and the share of smart phones in total volume increased
 - The leading operating system for smart phones is Symbian, and one of the world leading software platforms is Series 60
- **Customers continue to have excessive production capacity**
 - Keeps the volume of investment in automation low
 - Customers focus on enhancing their existing production capacity



Contract R&D

- **Business environment has seen a slight recovery in comparison to corresponding period 2003**
 - Net sales 17.3 MEUR (13.9 MEUR) according to plan
 - Positive development in the Americas
- **Business Units**
 - 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
- **Elektrobit expanded and deepened its smart phone partnerships**
 - Nokia, Series 60 Boutique
 - Symbian Independent Design House
 - Nokia - Texas Instruments reference implementation
- **According to strategy, growth was recorded by expanding its clientele in both telecommunications and other industries**
 - Shareholding majority was acquired in automotive electronics software company 3SOFT GmbH (80%)
 - Software company CIM-Tech was entirely acquired



Testing

- **Development according to plan**
 - Net sales 14.9 MEUR (15.5 MEUR)
- **Business units**
 - Product business: testing equipment for mobile phone production testing, maintenance, field testing and radio channel simulation, as well as mobile phone network testing and optimization
 - Service business: testing design for mobile phones and base stations, and field testing and measurement services mainly associated with mobile phone networks
- **Demand for testing and simulation equipment for product development picked up in comparison with the 2003 level**
 - As expected, the deliveries of product-specific production solutions fell short of the second half of 2003 due to periodic fluctuation
 - The demand for testing and optimization equipment for mobile phone networks was slightly lower than expected. Service business operations associated with testing developed as planned



Automation Solutions

- **Net sales fell short of target**
 - Net sales 4.5 MEUR (6,0 MEUR) less than expected
 - The operating environment remained difficult and oversupply indicates that price competition in the industry is still intense
- **Business Units**
 - BAS (Board Assembly Systems): circuit board processes for automotive, consumer and industrial electronics
 - FAS (Final Assembly Systems): assembly systems for the telecommunication industry
- **First quarter after the regrouping of the Automation Solutions business**
 - First new generation circuit board cutters (routers) and laser markers from Germany to end customers were delivered
 - Maintenance and some project engineering will be taken close to the customer
 - The centers of excellence in Kuopio, Estonia and Germany develop basic products and technology, and the units create related applications for their own customers



The Main Targets for The Financial Year 2004

- **Ensuring of long term development and continuity**
 - Adding resources to sales, marketing and competence development, as well as research and development
- **Moderate increase in net sales and profitability**



Outlook for The Financial Year 2004 and The 2nd Quarter 2004



Contract R&D business unit's growth targets are based on winning new customer relations



Testing business unit's growth targets are based on new business opportunities and products



The outlook for the Automation Solutions business unit in 2004 is slightly better than the outlook for 2003

- The operating environment is expected to remain similar to that of 2003
- The market visibility is short
- Fluctuations between quarters are characteristic of the business
- **The Group expects net sales and operating profit to be on a higher level in the second quarter of 2004 compared to the second quarter of 2003**

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January - March, 2004

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Net Sales and Operating Profit Quarterly

| MEUR *Pro forma | Jan. - Mar. Q1/2004 | Oct. - Dec. Q4/2003 | Jul. - Sep. Q3/2003 | Apr. - Jun. Q2/2003 | Jan. - Mar. Q1/2003 | Jan. - Dec. 2003 | Jan. - Dec. 2002* |
|----------------------------|--------------------------------|------------------------|------------------------|------------------------|------------------------|---------------------|----------------------|
| Net sales | 36.7 | 43.3 | 36.0 | 33.9 | 35.4 | 148.6 | 136.5 |
| Operating profit | 4.6 | 5.8 | 5.1 | 1.6 | 3.6 | 16.1 | 0.7 |
| Profit before taxes | 4.7 | 4.8 | 4.7 | 1.2 | 3.1 | 13.8 | -0.9 |
| Net profit | 3.5 | 2.5 | 3.7 | 0.2 | 1.7 | 8.1 | -1.1 |

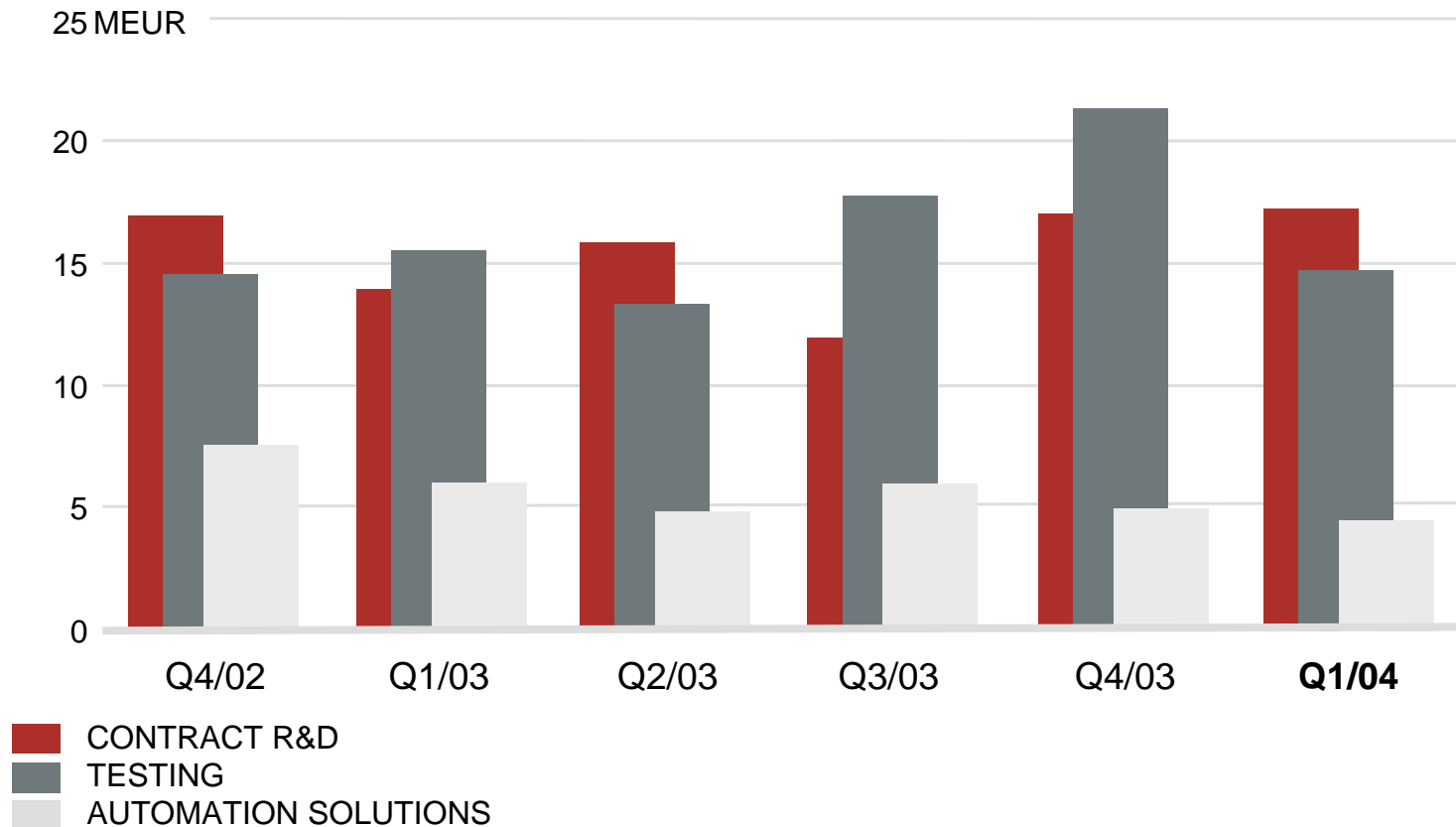


Net Sales by Business Units Quarterly

| MEUR *Pro forma | Jan. - Mar. Q1/2004 | Oct. - Dec. Q4/2003 | Jul. - Sep. Q3/2003 | Apr. - Jun. Q2/2003 | Jan. - Mar. Q1/2003 | Jan. - Dec. 2003 | Jan. - Dec. 2002* |
|-----------------------------|--------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Contract R&D | 17.3 | 17.0 | 12.1 | 15.8 | 13.9 | 58.8 | 61.3 |
| Testing | 14.9 | 21.3 | 17.8 | 13.3 | 15.5 | 67.9 | 44.6 |
| Automation Solutions | 4.5 | 5.0 | 6.1 | 4.8 | 6.0 | 21.9 | 30.6 |
| Total | 36.7 | 43.3 | 36.0 | 33.9 | 35.4 | 148.6 | 136.5 |

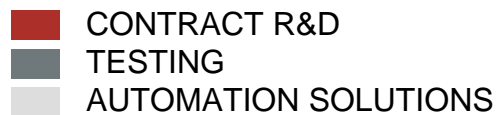
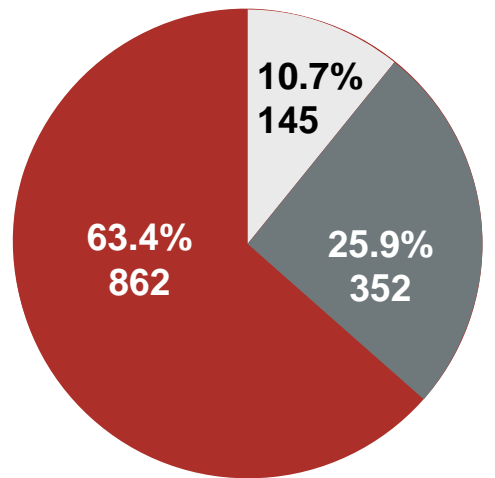


Net Sales by Business Units Q4/02 – Q1/04

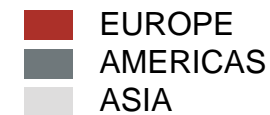
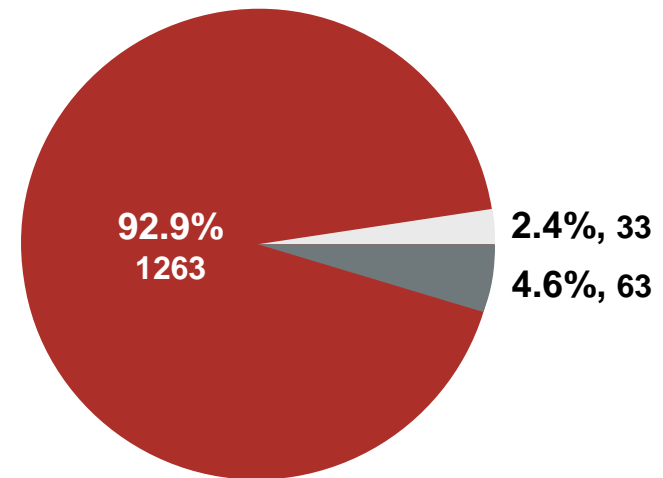


Personnel March 31, 2004

BY BUSINESS UNITS



BY MARKET AREAS



Total 1 359



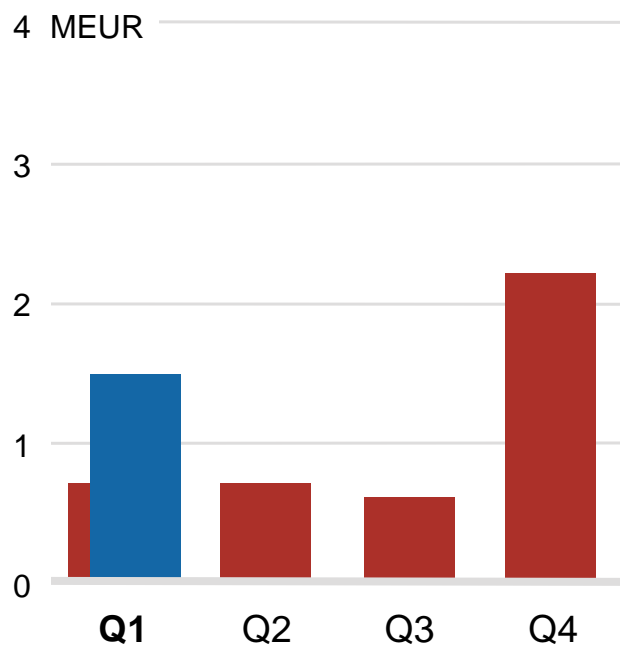
Income Statement Quarterly

| MEUR *Pro forma | Jan. - Mar. Q1/2004 | Oct. - Dec. Q4/2003 | Jul. - Sep. Q3/2003 | Apr. - Jun. Q2/2003 | Jan. - Mar. Q1/2003 | Jan. - Dec. 2003 | Jan. - Dec. 2002* |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Net sales | 36.7 | 43.3 | 36.0 | 33.9 | 35.4 | 148.6 | 136.5 |
| Change in work in progress and finished goods | 1.0 | -0.9 | 0.1 | -1.3 | 1.1 | -1.0 | 0.0 |
| Other operating income | 0.7 | 0.4 | 0.6 | 0.8 | 0.3 | 2.0 | 3.3 |
| Expenses | -31.8 | -33.6 | -29.3 | -29.7 | -31.1 | -123.7 | -128.5 |
| Depreciation and reduction in value | -2.0 | -3.2 | -2.4 | -2.1 | -2.1 | -9.7 | -10.7 |
| Operating profit | 4.6 | 5.8 | 5.1 | 1.6 | 3.6 | 16.1 | 0.7 |
| Financial income and expenses | 0.2 | -1.0 | -0.4 | -0.4 | -0.5 | -2.3 | -1.5 |
| Profit before extraordinary items | 4.7 | 4.8 | 4.7 | 1.2 | 3.1 | 13.8 | -0.9 |
| Extraordinary items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit before taxes | 4.7 | 4.8 | 4.7 | 1.2 | 3.1 | 13.8 | -0.9 |
| Income tax | -1.3 | -1.9 | -1.1 | -1.0 | -1.3 | -5.3 | 0.0 |
| Minority interest | 0.0 | -0.4 | 0.2 | 0.0 | -0.1 | -0.3 | -0.3 |
| Net profit | 3.5 | 2.5 | 3.7 | 0.2 | 1.7 | 8.1 | -1.1 |

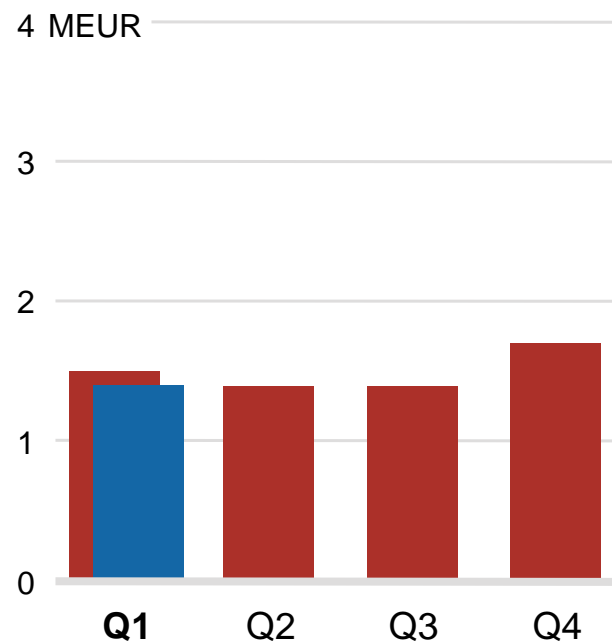


Gross Investments and Depreciation Q1/03 – Q1/04

GROSS INVESTMENTS
(excluding properties and acquisitions)



DEPRECIATION
(excluding goodwill)



■ 2003 ■ 2004



Depreciations vs. Investments

| MEUR | Depreciations Q1/2004 | Increase Q1/2004 | Book value 31.03.2004 | |
|----------------------------|--------------------------|---------------------|--------------------------|--------------------------------------|
| Development expenditure | 0.1 | 0.0 | 0.8 | |
| Intangible rights | 0.2 | 1.9 | 0.9 | Patents, software licenses |
| Goodwill | 0.0 | 0.0 | 0.2 | |
| Group goodwill | 0.5 | 16.2 | 20.6 | |
| Long term expend. | 0.2 | 0.1 | 1.4 | Elementary capital improvements etc. |
| Intangible total | 1.0 | 18.2 | 25.7 | |
| Tangible total | 0.9 | 1.1 | 27.8 | |
| Investments | 0.0 | 0.8 | 9.4 | |
| TOTAL | 2.0 | 20.1 | 62.9 | |
| Liquidations | - | -0.8 | - | |
| Net investments | - | 19.3 | - | |



Balance Sheet

Q4/02 - Q1/04

| MEUR *Pro forma | March 31, 2004 | Dec. 31, 2003 | Sep. 30, 2003 | June 30, 2003 | March 31, 2003 | Dec. 31, 2002* |
|---|-------------------|------------------|------------------|------------------|-------------------|-------------------|
| Assets | | | | | | |
| Non-current assets | 62.9 | 45.7 | 47.3 | 49.3 | 51.0 | 52.8 |
| Current assets | 86.3 | 96.6 | 93.5 | 87.4 | 92.3 | 88.8 |
| Total assets | 149.3 | 142.3 | 140.9 | 136.7 | 143.3 | 141.6 |
| Shareholders' equity and liabilities | | | | | | |
| Share capital | 12.9 | 12.6 | 12.6 | 12.6 | 12.6 | 12.6 |
| Total equity | 85.7 | 80.4 | 77.9 | 74.1 | 73.9 | 71.4 |
| Minority interest | 1.2 | 1.9 | 2.6 | 2.7 | 2.8 | 2.8 |
| Long term liabilities | 20.4 | 21.1 | 23.0 | 27.5 | 28.3 | 28.8 |
| Short term liabilities | 42.0 | 38.9 | 37.4 | 32.4 | 38.1 | 38.5 |
| Shareholders' equity and liabilities total | 149.3 | 142.3 | 140.9 | 136.7 | 143.3 | 141.6 |



Cash Flow

| MEUR | Jan. - March 2004 | Jan. - March 2003 | Jan. - Dec. 2003 |
|--|--------------------------|-------------------|------------------|
| Profit before extraordinary items | 4.7 | 3.1 | 13.8 |
| Depreciations | 2.0 | 2.1 | 9.7 |
| Share of results of associated companies | 0.1 | 0.1 | 0.1 |
| Financial income and expenses | -0.2 | 0.5 | 2.3 |
| Total | 6.7 | 5.8 | 26.0 |
| Change in net working capital | 11.2 | -5.8 | 3.3 |
| Interests and taxes | -1.1 | -1.8 | -7.5 |
| Operational cash flow | 16.8 | -1.8 | 21.6 |
| Net cash used in investing activities | -19.3 | -0.3 | -3.2 |
| Net cash used in financial activities | 1.0 | -1.7 | -5.1 |
| Net change in cash and cash equivalents | -1.5 | -3.9 | 13.4 |



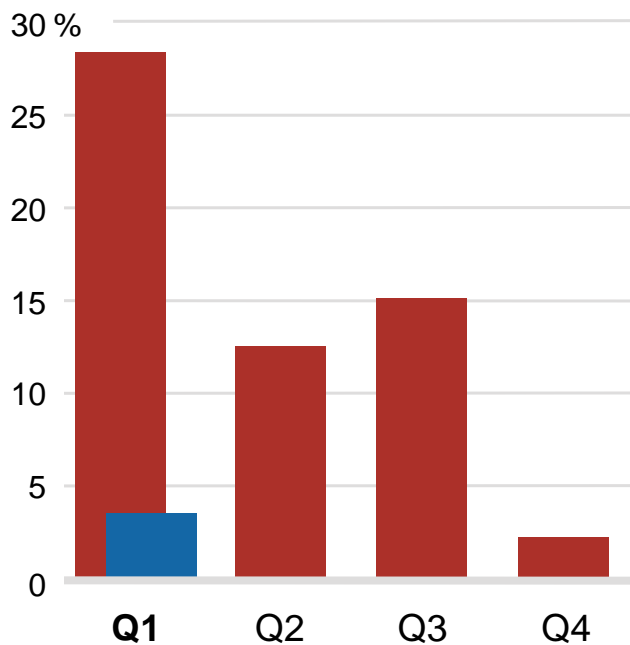
Key Figures

| *Pro forma | Jan. - March, 2004 | Jan. - March, 2003 | Change % | Jan. - Dec. 2003 |
|---|---------------------------|--------------------|-------------|---------------------|
| Net sales, MEUR | 36.7 | 35.4 | 3.6 | 148.6 |
| Operating profit, MEUR | 4.6 | 3.6 | 27.1 | 16.1 |
| Operating profit, % of net sales | 12.4 | 10.1 | | 10.8 |
| Profit before taxes, MEUR | 4.7 | 3.1 | 52.2 | 13.8 |
| Net Profit, MEUR | 3.5 | 1.7 | 100.3 | 8.1 |
| Equity, MEUR | 85.7 | 73.9 | 16.0 | 80.4 |
| Balance sheet total, MEUR | 149.3 | 143.3 | 4.1 | 142.3 |
| Personnel at the period end | 1 359 | 1 159 | 17.3 | 1 088 |
| Return on investment -% (ROI) | 18.8 | 14.5 | | 16.4 |
| Interest bearing net liabilities, MEUR | 3.3 | 21.7 | -84.8 | 1.9 |
| Net gearing, % | 3.8 | 28.3 | | 2.3 |
| Equity ratio, % | 59.0 | 54.8 | | 58.6 |
| Earnings per share, EUR | 0.0055 | 0.0027 | | 0.0129 |

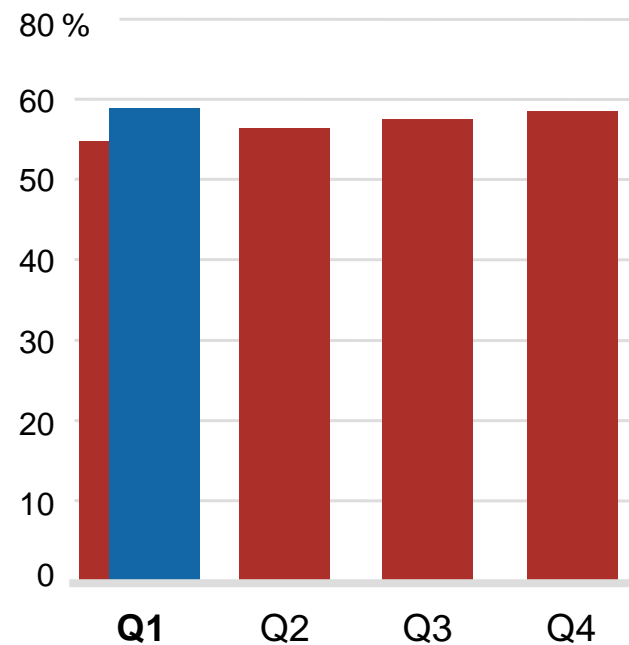


Net Gearing and Equity Ratio Q1/03 - Q1/04

NET GEARING



EQUITY RATIO

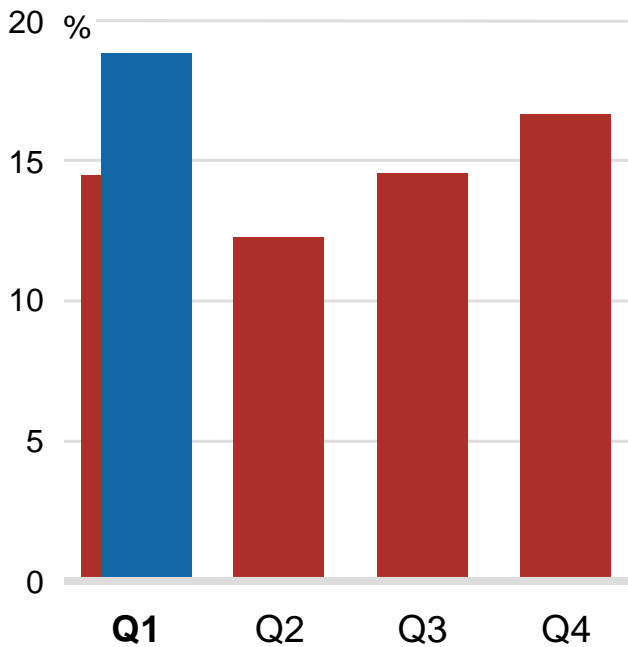


■ 2003 ■ 2004

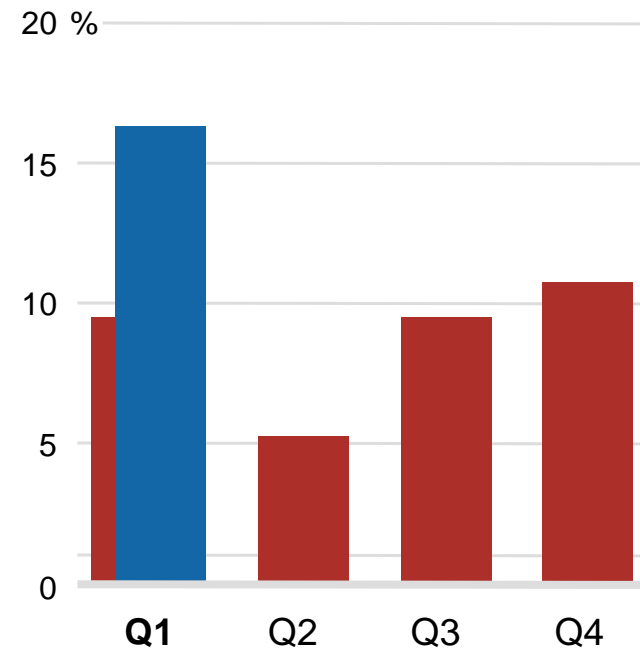


Return on Investment and Equity Q1/03 - Q1/04

RETURN ON INVESTMENT
(ROI)



RETURN ON EQUITY
(ROE)



■ 2003

■ 2004



Appendix

[Shareholders](#)

[Breakdown of Shareholders by Shareholding](#)

[Share Development](#)

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[Contacts](#)



Shareholders

March 31, 2004

| Shareholder | Number of shares | % of Shares and Votes |
|--|--------------------|-----------------------|
| 1. Hulkko Juha, hallituksen puheenjohtaja | 139 520 884 | 21,7 |
| 2. Hildén Kai | 54 156 898 | 8,4 |
| 3. Veikkolainen Erkki | 54 116 898 | 8,4 |
| 4. Halonen Eero, hallituksen jäsen | 48 411 077 | 7,5 |
| 5. Juha Sipilä, toimitusjohtaja - ja Fortel-yhtiöt* | 44 361 481 | 6,9 |
| 6. Harju Jukka | 38 198 372 | 5,9 |
| 7. Head Invest Oy | 15 700 000 | 2,4 |
| 8. Laine Seppo | 11 576 321 | 1,8 |
| 9. Irish Life International | 7 957 000 | 1,2 |
| 10. Keskinäinen eläkevakuutusyhtiö Ilmarinen | 5 515 700 | 0,9 |
| 11. Placeringsfonden Gyllenberg Finlandia | 3 000 000 | 0,5 |
| 12. Kettula Mika | 2 847 940 | 0,4 |
| 13. Fössel Otto | 2 807 317 | 0,4 |
| 14. Haas Johann | 2 807 317 | 0,4 |
| 15. Göttlicher Rainer | 2 807 317 | 0,4 |
| 16. Investment Fund OP-Suomi Kasvu | 2 418 700 | 0,4 |
| 17. FIM Fenno sijoitusrahasto | 2 129 100 | 0,3 |
| 18. Saastamoinen Jouni | 2 000 000 | 0,3 |
| 19. Keskinäinen vakuutusyhtiö Tapiola | 1 993 500 | 0,3 |
| 20. Hakalahti Hannu | 1 986 527 | 0,3 |
| Other (incl. administrative registered shareholders) | 199 435 177 | 31,2 |
| Total | 643 747 526 | 100,0 |



Breakdown of Shareholders by Shareholding March 31, 2003

| Breakdown of Shareholders | Number of Shareholders | % of Shareholders | % of Shares and Votes |
|--|------------------------|-------------------|-----------------------|
| Private companies and housing associations | 1 850 | 4.3 | 12.2 |
| Financial institutions and insurance companies | 72 | 0.2 | 2.8 |
| Public companies and corporations | 26 | 0.1 | 1.5 |
| Non-profit organizations | 134 | 0.3 | 0.8 |
| Private investors | 41 038 | 94.8 | 78.7 |
| Foreign owned | 162 | 0.4 | 2.9 |
| Administrative registered | 9 | 0.0 | 1.1 |
| Total | 43 291 | 100.0 | 100.0 |



Share Development June 3, 2002 - April 19, 2004



(C) KauppaLehti Online

Turnover January - March, 2004

| | |
|-------------------------------|--------|
| - Number of shares, 1000 pcs. | 56 918 |
| - MEUR | 35.3 |

Market capitalization March 31, 2004

| | |
|--------|-----|
| - MEUR | 360 |
|--------|-----|

Share price (EUR)

| | |
|-----------|------|
| - Highest | 0.65 |
| - Lowest | 0.55 |

Share capital and shares

| | |
|----------------------|-------------|
| - Share capital MEUR | 12.9 |
| - Number of shares | 643 747 526 |



Information for Investors

Financial Reports 2004

Elektrobit Group Plc. reports its financial development quarterly. In 2004 Elektrobit Group Plc. will publish three Interim Reports as follows:

| | |
|------------|-------------------------------------|
| May 5 | Interim Report, January - March |
| August 4 | Interim Report, January - June |
| November 3 | Interim Report, January - September |

Investor Relations

Edvard Krogius, Director, Investor Relations

Tel. +358 40 344 2000, Fax +358 8 570 1304, investor.relations@elektrobit.com



Contacts



- Elektrobit Group Oyj
- **PL 45 90461 (Automaatitietie 1) OULUNSALO**
- **Puh. 040 344 2000**
- **Fax 08 570 1301**
- www.elektrobit.com