Elektrobit

Financial Statements 2004

ELEKTROBIT

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Key Ratios

	Official Group 2004	Official Group 2003	Pro forma Group 2002	Official Group 2002	Comperable Group 2001	Official Group 2001	Official Group 2000
INCOME STATEMENT, (MEUR)							
Net sales	202.6	148.6	136.5	105.0	151.8	76.1	140.1
Net sales, % increased from previous year	36.4	8.9	-10.1	38.0	-	-46	41
Operating profit	33.2	16.1	0.7	-7.0	-0.4	-15.8	14.1
Operating profit, % of net sales	16.4	10.8	0.5	-6.7	-0.3	-20.7	10.0
Profit before extra ordinary items	32.9	13.8	-0.9	-8.1	-0.3	-15.8	13.1
Profit before extra ordinary items, % of net sales	16.3	9.3	-0.6	-7.8	-0.2	-20.8	9.4
Net profit	**23.3**	**8.1**	**-1.1**	**-4.5**	**-6.0**	**-16.3**	**9.5**
BALANCE SHEET, (MEUR)							
Non current assets	54.8	45.7	52.8	52.8	37.9	19.9	13.5
Inventories	15.4	12.3	14.9	14.9	16.9	11.8	13.1
Receivables	49.7	47.1	50.2	50.2	40.1	21.1	32.7
Cash and bank deposits	49.6	37.2	23.7	23.7	35.4	20.8	23.4
Share capital	12.9	12.6	12.6	12.6	12.0	3.6	3.5
Other shareholders‘ equity	94.3	67.8	58.7	58.7	48.8	22.7	35.4
Minority interest	0.9	1.9	2.8	2.8	4.0	0.3	0.1
Long-term liabilities	17.4	21.1	28.8	28.8	19.8	17.4	18.7
Short-term liabilities	46.9	38.9	38.5	38.5	45.6	29.7	25.0
Balance sheet total	**175.0**	**142.3**	**141.6**	**141.6**	**130.3**	**73.6**	**82.6**
PROFITABILITY AND OTHER KEY FIGURES							
Return on equity % (ROE)	24.6	10.8	-1.7	-8.6	-8.3	-49.6	28.2
Return on investment % (ROI)	29.4	16.4	5.4	-3.7	5.3	-16.6	29.5
Interest-bearing net liabilities, (MEUR)	-25.8	1.9	20.3	20.3	1.3	13.1	4.3
Net gearing, %	-23.8	2.3	27.4	27.4	1.9	49.5	11.2
Equity ratio, %	63.0	58.6	53.4	53.4	51	37.3	47.5
(nominal, net of deferred taxes)							
Gross investments, (MEUR)	26.2	4.2	29.4	44.8	27	13.4	6.9
Gross investments, % of net sales	12.9	2.8	21.6	42.6	17.8	17.6	4.9
R&D costs, (MEUR)	12.0	9.8	14.4	9.3	-	5.3	7.9
R&D costs, % of net sales	5.9	6.6	10.5	8.8	-	7.0	5.6
Average personnel during the period	1 385	1 112	1 278	1 295	1 397	695	714
Personnel at the period end	1 536	1 088	1 179	1 179	1 330	588	746
STOCK-RELATED FINANCIAL RATIOS							
Earnings per share, EUR	0.0364	0.0129	0.00	-0.01	-0.01	-0.09	0.06
Stock option diluted earnings per share, EUR					-0.01	-0.09	0.06
Equity per share, EUR	0.1657	0.1275	0.11	0.11	0.10	0.15	0.22
(nominal, net of deferred taxes)							
Dividend per share EUR *)	0.012	0.01					0.01
Dividend per earnings, %	33.0	77.62					17.6
P/E ratio	15.4	39.59		-28.78		-5.20	45.5
Effective dividend yield, %	2.14	1.96					0.39
Market values of shares							
• Highest	0.69	0.66		0.68		2.75	13.11
• Lowest	0.43	0.27		0.25		0.31	2.20
• Average	0.57	0.44		0.41		1.04	6.90
• At the end of period	0.56	0.51		0.29		0.48	2.58
Market value of the stock, MEUR	362.4	321.6		182.9		85.6	448.3
Trading value of shares							
• MEUR	79.9	50.1		41.1		250.6	1 609.7
• 1000 pcs	140 356	112 720		100 987		241 525	233 141
• Related to average number of shares %	21.9	17.9		22.8		136.6	135.8
Adjusted number of the shares at the end of the period (1000 PCS)	647 053	630 526	630 526	630 526	601 526	178 252	173 751
Adjusted number of the shares average for the period (1000 PCS)	641 446	630 526	616 383	442 435	600 095	176 821	171 665
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)					601 069	177 795	176 351

*) According to Board of Director‘s proposal, year 2004

Calculation of Key Ratios

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

Shareholdings and Shares

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 euro and the maximum share capital is 20 million euro. Between these limits the share capital can be increased or decreased without changing the articles of association. 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 647 063 450. The accounting par value of the Company's share is 0.02 euro.

Share Prices and Trading Volumes

The closing price of the Elektrobit Group Plc.'s share was 0.56 euro in 2004, the share reached a high of 0.69 euro and a low of 0.43 euro. During the year, a total of 140.4 million shares with a value of 79.9 million euros changed hands. This is 21.9 per cent of the share capital. Elektrobit Group Plc.'s market capitalization at the end of 2004 was 362.4 million euro.

Dividence Policy

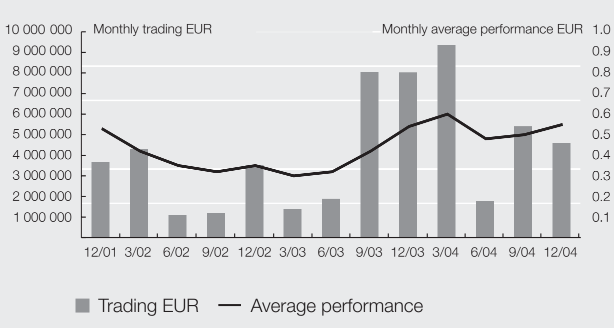
Elektrobit Group Plc. follows a dividend policy that takes into account the Group's net income, financial situation, need for capital and financing of growth. The Board of Directors of Elektrobit Group Plc. proposes that dividends of 0.012 euro per share, a total of 7 764 761.40 euro shall be paid.

Trading codes

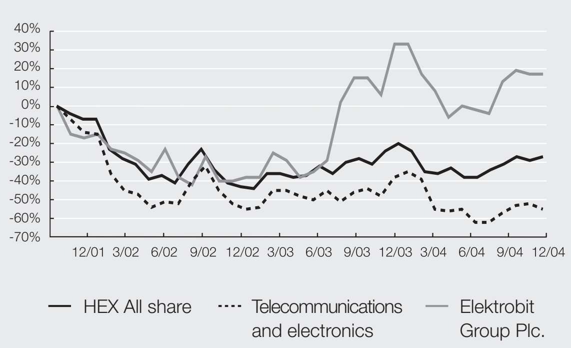
Elektrobit Group Plc. is listed on the Helsinki Stock Exchange since 1998. Trading codes and trading lot:

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

Trading and average performance 2002–2004



Share performance in Helsinki Stock Exchanges 2002–2004



Shareholders

At the end of 2004, Elektrobit Group Plc. had 41 543 shareholders. The ten largest shareholders owned 64.1 per cent of the shares. Private ownership was 78.1 per cent. The percentage of foreign and nominee-registered shareholders was 4.7 per cent at the end of the reporting period.

Shareholding of the Board of Directors and CEO

Shareholding of the Board of Directors, CEO and the companies controlled by them was 36.0 per cent corresponding 232 787 142 shares.

Brakedown of shares by shareholding, December 31, 2004

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1–50	1 325	3.19	45 289	0.01
51–100	4 386	10.56	421 827	0.07
101–500	12 661	30.48	4 009 046	0.62
501–1 000	6 643	15.99	5 733 784	0.89
1 001–5 000	10 972	26.41	29 031 691	4.49
5001–10000	2 811	6.77	22 107 786	3.42
10 001–50 000	2 301	5.54	49 730 370	7.69
50 001–500 000	380	0.91	50 256 950	7.77
500 001–	64	0.15	485 726 707	75.07
	41 543	**100.00**	**647 063 450**	**100.00**

Largest shareholders, December 31, 2004

	Percentage of shares and votes
Hulkko Juha, Chairman of the Board	21.6
Hilden Kai	8.4
Veikkolainen Erkki	8.1
Halonen Eero	7.5
Sipilä Juha, CEO *	6.9
Harju Jukka	5.9
Laine Seppo	1.8
Head Invest Oy	1.4
Irish Life	1.3
Ilmarinen Mutual Pension Insurance Company	0.9
Other (incl. nominee-registered shares)	36.2
	100.0

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

Brakedown of shareholders by shareholder type, December 31, 2004

Shareholders by shareholder type	Number of shareholders	Percentage of share-holders	Percentage of shares and votes
Companies and housing corporations	1 729	4.2	11.2
Financial institutions and insurance companies	74	0.2	3.0
Public corporations	28	0.1	1.6
Non-profit organizations	142	0.3	1.4
Private investors	39 404	94.9	78.1
Foreign owned	156	0.4	3.3
Nominee-registered shares	10	0.0	1.4
	41 543	**100.0**	**100.0**

Source: The Finnish Central Securities Deposit Ltd, December 31, 2004

Report by the Board of Directors

Elektrobit Group's primary objective for 2004 was to ensure long-term development and continuity. During 2004 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 aimed for a moderate increase in net sales and profitability in 2004.

Financial year 2004 compared with 2003:

- Net sales amounted to 202.6 million euro (148.6 million euro; an increase of 54.0 million euro or 36.4%). The net sales of the Contract R&D business unit 89.1 million euro (58.8 million euro; an increase of 30.3 million euro or 51.5%) and the net sales of the Testing business unit 88.3 million euro (67.9 million euro; an increase of 20.4 million euro or 30.1%) and the net sales of the Automation Solutions business unit 25.1 million euro (21.9 million euro; an increase of 3.3 million euro or 15.1%). Of the acquisitions completed in the first quarter, 3SOFT GmbH has been consolidated with Elektrobit Group's figures since March 8, 2004, and CIM Technologies Group has been consolidated since March 1, 2004. 19.1 million euro of the net sales of these companies was booked in for the year 2004, which, in accordance with earlier statements, has not had any significant effect on the operating profit.
- Operating profit amounted to 33.2 million euro, including non-recurring income due to a change in the valuation of inventories of 0.9 million euro (16.1 million euro; an increase of 17.1 million euro or 106.5%; excluding the change in the valuation of inventories, the increase is 16.2 million euro or 100.7%).
- The equity ratio was 63.0% (58.6%).
- Cash flow from operating activities amounted to 45.3 million euro (21.6 million euro).
- During 2004 the company acquired a majority shareholding in 3SOFT GmbH (80%) and the entire stock of CIM-Tech Oy, as well as approx. 80% of the stock of PJ Microwave Ltd, turning the latter into a wholly-owned subsidiary of Elektrobit Group. In accordance with its strategy, Elektrobit 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 (table 1):

Table 1	10-12/04	7-9/04	4-6/04	1-3/04	10-12/03
Net sales MEUR	60.2	57.8	48.0	36.7	43.3
Operating profit MEUR	10.4	11.9	6.4	4.6	5.8
Profit before taxes MEUR	10.5	11.6	6.2	4.7	4.8
Net profit MEUR	7.2	8.2	4.5	3.5	2.5

Operating profit for the first quarter of 2004 includes 0.4 million euro, for the second quarter of 2004 0.3 million euro, for the third quarter of 2004 0.0 million euro and for the fourth quarter of 2004 0.2 million euro, totaling 0.9 million euro of non-recurring profit improvement due to inventory valuation principles during 2004. During the second half of the year write-offs regarding investments in corporate acquisitions have been re-evaluated. As a consequence, the third quarter includes a non-recurring write-off of approx. 1.5 million euro and the fourth quarter a non-recurring write-off of approx. 1.9 million euro.

Net sales by business unit have developed as follows (table 2):

Table 2	10-12/04	7-9/04	4-6/04	1-3/04	10-12/03
Contract R&D MEUR	28.4	19.1	24.3	17.3	17.0
Testing MEUR	25.9	29.2	18.3	14.9	21.3
Automation Solutions MEUR	5.9	9.4	5.4	4.5	5.0
Total MEUR	**60.2**	**57.8**	**48.0**	**36.7**	**43.3**

The net sales by market area were as follows (table 3):

Table 3	10-12/04	7-9/04	4-6/04	1-12/04	1-12/03
Asia MEUR (%)	9.1 (15%)	8.3 (14%)	4.1 (9%)	26.4 (13%)	21.3 (14%)
Americas MEUR (%)	7.4 (12%)	16.2 (28%)	9.1 (19%)	36.8 (18%)	23.7 (16%)
Europe MEUR (%)	43.6 (73%)	33.3 (58%)	34.8 (72%)	139.4 (69%)	103.6 (70%)

Review of the Operating Environment and Business Operations in 2004

The predictable period is short and therefore assessing the development of operations was difficult for the entire year. The sales volume of the global mobile devices market increased by approximately 29% during 2004. The growth is expected to slow down to an approximate level of 10% in 2005. 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 continued to increase during 2004. The number of smartphone models, their delivery volume and the number of models under development increased substantially compared to 2003.

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 smartphone platforms.

According to the updated strategy, 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 smartphone 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 February 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 smartphone 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 in March strengthened and supplemented Elektrobit Group's software competence, particularly in the expanding areas of smartphones 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 the fourth quarter Elektrobit Group Plc. executed a transaction regarding the shares of PJ Microwave Oy in accordance with the preliminary agreement signed in September. This turned PJ Microwave Oy into a wholly owned subsidiary of Elektrobit Group. The core competences of PJ Microwave Oy; 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 was to ensure long-term development and continuity. During 2004 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. The increase of net sales and profitability in 2004 outperformed the set targets.

Research and Development in 2004

During 2004 the Elektrobit Group continued to invest in the practical application of future technologies in the field of radio channel research in particular, in the adoption of new technology in the Contract R&D business, and in the development of new products in the Automation Solutions and Testing business. The research and development expenses in 2004 amounted to 12.0 million euro (compared with 9.8 million euro in 2003). No research and development expenses have been capitalized.

Contract R&D Business Operations in 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 2003. Net sales in 2004 amounted to 89.1 million euro (58.8 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 (net sales of the companies in 2004 amounted to 19.1 million euro). The business unit's proportion of the consolidated net sales (44.0%) increased clearly in comparison with 2003 (39.6%).

During 2004 Elektrobit exercised, according to its strategy, Series 60 software platform co-operation with Nokia. Elektrobit continued its effort in the development of smartphone 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 2004, 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 2004 was smartphones 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.

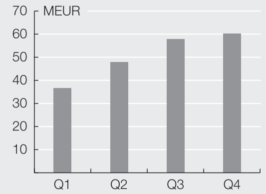
Testing Business Operations in 2004

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.

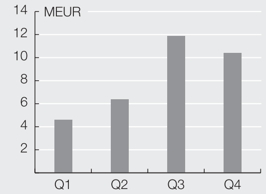
The Testing business unit continued to develop favourably in 2004. Net sales in 2004 amounted to 88.3 million euro (67.9 million euro). The net sales of testing equipment for production, as well as product development, were substantially up from the 2003 level. The net sales of mobile phone network testing and optimization equipment also increased significantly on the previous year. The business unit's proportion of the consolidated net sales (43.6%) decreased slightly in comparison with 2003 (45.7%). The growth of net sales was stronger than expected.

Net sales in the fourth quarter amounted to 25.9 million euro (21.3 million euro). Deliveries of product-specific production testing solutions continued at a healthy level, but the seasonal nature of the business was evident as an anticipated downtrend towards the end of the year. Seasonal deliveries of production testing

Net sales quarterly



Operating profit quarterly



Report by the Board of Directors

equipment were made in the third and fourth quarters, and these are expected to continue at a substantially lower level in the first half of 2005. The sales of mobile phone network testing and optimization equipment were at a significantly higher level than in the other quarters of the year. The sales of testing and simulation equipment for product development increased on the previous quarter, and demand increased.

Product development investments in testing equipment and software increased in comparison with 2003. 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.

Automation Solutions Business Operations in 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 2004, 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. Net sales in 2004 amounted to 25.1 million euro (21.9 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. The business unit's proportion of the consolidated net sales (12.4%) decreased slightly in comparison with 2003 (14.7%).

During 2004 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). The production operations of the unit in Italy were closed down and the unit assumed responsibility of sales and maintenance in the region. At the same time the operations of the company were adjusted to match the new role. Sales and maintenance responsibility in France was transferred from a reseller to a Group company already operating in the region. 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 measures called for by this strategy in Europe were completed. As expected, the realized figures of the Automation Solutions business were weaker in the fourth quarter than in the third quarter.

Balance Sheet and Financing

The figures presented in the balance sheet of December 31, 2004, have been compared with the balance sheet of December 31, 2003 (1 000 euro).

	12/2004	12/2003
Non current assets	54 841	45 741
Inventories	15 410	12 297
Deferred tax receivables	1 122	1 366
Receivables	48 558	45 761
Short-term investments	5 497	1
Cash and bank deposits	49 591	37 183
Total assets	**175 019**	**142 350**
Share capital	12 941	12 611
Other equity	94 290	67 762
Total equity	107 231	80 373
Minority interest	869	1 943
Deferred tax liabilities	2 612	69
Long-term liabilities	17 424	21 085
Short-term liabilities	46 883	38 879
Shareholders' equity and liabilities total	**175 019**	**142 350**

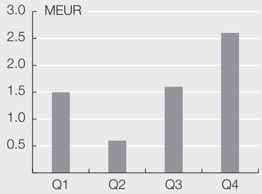
Cash flow from operations during the period under review was as follows:

+ net profit + depreciations	+36.6 MEUR
+ minority interest	+0.1 MEUR
+ decrease in working capital	+8.4 MEUR
+ share of results of associated companies	+0.1 MEUR
= net cash from operating activities	+45.3 MEUR
- net cash used in investing activities	-22.6 MEUR
- net cash used in financial activities	-3.6 MEUR
- change in minority interest and translation differences	-1.2 MEUR
= change in cash and cash equivalents	**+17.9 MEUR**

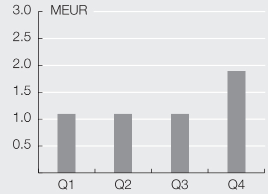
Cash flow from operations was affected by an earlier peak in production testing equipment deliveries in 2004 compared with 2003; the outcome was that the amount of funds tied up in working capital on December 31, 2004, was lower than in the previous year.

The amount of accounts receivable, booked in current receivables, was 32.1 million euro (38.2 million euro on December 31, 2003), while accounts payable, booked in current liabilities, stood at 9.6 million euro (6.8 million euro on December 31, 2003).

Gross investments quarterly (excluding properties and aquisitions)



Depreciation quarterly (excluding properties and goodwill)



The amount of non-depreciated consolidated goodwill at the end of 2004 was 16.2 million euro (5.0 million euro on December 31, 2003) and goodwill depreciations during 2004 totaled 7.2 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 during the third quarter. Remaining goodwill of 1.5 million euro in the CIM Technologies Group was written off in full in the fourth quarter.

The amount of net investments during the period was 22.6 million euro, investments in corporate acquisitions amounted to 19.4 million euro and replacement investments amounted to 3.2 million euro. Total depreciation during the period under review stood at 13.3 million euro, which included non-recurring goodwill depreciations of 3.4 million euro (9.7 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 8.2 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 29.3 million euro. The distribution of net financing expenses on the income statement was the following:

interest, dividend and other financial income	+1.1 MEUR
interest expenses	-1.5 MEUR
foreign exchange gains and losses	+0.1 MEUR

The company's equity ratio at the end of the period was 63.0% (compared with 58.6% at the end of 2003).

The financial statements dated December 31, 2004, 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 the review period was equivalent to 17.1 million euro. The market value of the hedged position at the end of the period was 0.5 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 per cent 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 on March 8, 2004 all shares in the software company CIM-Tech Oy.

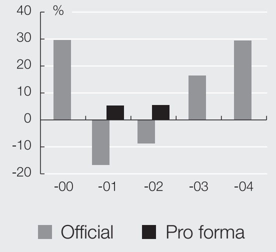
The acquisition price for the CIM-Tech Oy was paid by issuing 4 799 987 new Elektrobit Group Plc. shares. The new shares were issued to CIM-Tech Oy's shareholders in a directed issue, approved by the Board of Directors of Elektrobit Group Plc. on the basis of the authorisation given to the Board of Directors 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.

The Company sold the UK related business to its active management through a transaction closed on September 15, 2004.

The Company acquired approximately 80 per cent of PJ Microwave Oy's shares through a transaction closed on November 2, 2004. As a result of the acquisition PJ Microwave Oy became a fully-owned subsidiary of Elektrobit Group and changed its name to Elektrobit Microwave Oy. The value of the purchased shares amounts to approximately EUR 1.6 million. The purchase price was paid by issuing 3 315 924 new Elektrobit Group Plc. shares to the shareholders of PJ Microwave Oy in a directed issue. Such directed issue was approved by the Board of Directors of Elektrobit Group Plc. on the basis of the authorisation given by the Annual General Meeting on March 12, 2004. Two thirds of the 50 per cent of the

Return on investment, %



Return on equity, %

Report by the Board of Directors

new shares, issued to the present 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. As a result of the acquisition the shareholding of the Elektrobit Group in Ylinen Electronics Oy increased from 60 per cent to 90 per cent and through a minority acquisition on November 18, 2004 to 100 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 decreased 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, Softbit Ltd and Teraflops Ltd were merged. DNT Consulting Oy was dissolved and the companies within the CIM Technologies subgroup were either dissolved or merged with Elektrobit Ltd.

In 2004 Elektrobit Technologies Ltd acquired all the minority holdings in Nemo Technologies Ltd and in Elektrobit Inc. from the key personnel and currently is the shareholder of all the shares of both companies. Ownership of 49% in the affiliated company Formeca Oy was sold during 2004. Minority shareholdings in Teraflops Ltd. were acquired prior to the commencing of the merger of the company.

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 2004

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.

BOARD OF DIRECTORS' AUTHORIZATIONS

The authorisation granted by the Annual General Meeting to the Board of Directors to resolve on a new issue, to grant option rights or to take convertible loans in one or more installments has been exercised during 2004 in the acquiring of the shares of CIM Technologies Group, 3SOFT GmbH and PJ Microwave Oy. The authorization has not been exercised in full and it still enables the Board of Directors to issue a maximum of 122 789 176 new shares and increase the share capital by a maximum of 2 455 783.60 euro.

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

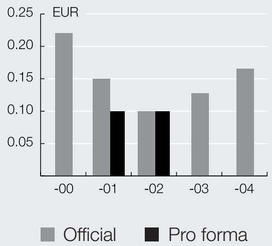
There were no changes in ownership during the reporting period that would have caused an obligation of disclosure in accordance with Chapter 2, Section 9 of the Securities Market Act.

Share Option Rights

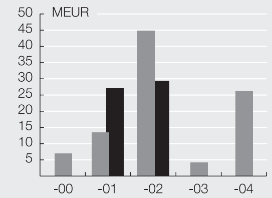
Based on the authorization granted by the Extraordinary Shareholders' Meeting, held on October 1, 1999, the Board of Directors resolved in its meetings held on April 26, 2000 and September 4, 2000, to issue option rights to a maximum of 800 persons employed by the Company or its group companies. A maximum amount of 3 000 000 option rights were issued, which entitle to subscribe for a maximum of 3 000 000 shares in Elektrobit Group Plc. The subscription period for the warrants expired on January 31, 2001. As a result of the subscriptions the share capital of the Company may be increased by a maximum of 52 965.34 euro.

For the warrant C, the subscription period for shares commenced on February 28, 2001 and for the warrant D on February 28, 2002 and for the warrant E on February 28, 2003. For all warrants, the share subscription period for shares will end on March 31, 2005. The

Shareholders' equity / share



Gross investments



subscription price of the share is 5.60 euro per share reduced by the amount of dividends to be paid prior to the subscription of the shares. In accordance with the terms and conditions of the option rights, persons who resigned from the employment of the Company prior to February 28, 2003, have had to return, without remuneration, any warrants, for which the subscription period had not begun at the time of the termination of their employment.

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.

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 Shareholdings and Shares.

Dividend in 2003

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 2004 actions have been initiated to merge Ylinen Electronics Ltd into Elektrobit Microwave Oy. The intention is to complete the merger by June 30, 2005.

After 2004 the Group has acquired the entire stock of Elektrobit SAS, the company responsible for the Group's operations in France. The sales contract was signed on January 21, 2005.

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.

Transition to IFRS/IAS Reporting

The Group reports in accordance 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 0.9 million euro, which was seen as an increase in the earnings during the reporting period ending December 31, 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.

The Group will present a summary of the effects of the IFRS/IAS transition on financial reporting in connection with the publication of the Annual Report in week 10.

Outlook for the Financial Year 2005 and Its First Quarter

The overall business environment is expected to be similar to the year 2004 for the entire duration of the current year. The most significant factor affecting the Contract R&D business environment is the number of new smartphone models, as well as the competitive success of mobile phone models based on the Series 60 software platform and the Symbian OS operating system. The growth in the volume of software and electronics in cars 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 phone networks is expected to improve slightly. The business environment for Automation Solutions is expected to remain similar to that of 2004, while replacement investments and product-specific automation solutions dominate the demand.

The Group is aiming for moderate growth in net sales in 2005 and intends to maintain its good level of profitability and strong balance sheet. However, the operating profit for 2005 is expected to fall short of the level achieved in 2004. Both the accumulation of net sales and operating profit are estimated to focus on the second half of the year even more than in 2004. The company will continue its efforts towards long-term development and continuity by adding resources to sales, marketing and competence development, as well as research and development.

Owing to the nature of the Group's business, major fluctuations are still to be expected between quarters. As previously disclosed, both the accumulation of net sales and operating profit are estimated to focus on the second half of the year even more than in 2004. The Group estimates that net sales in the first quarter of 2005 will be clearly higher than in the first quarter of 2004. The operating profit in the first quarter of 2005 is expected to be slightly lower than in the first quarter of 2004. The decline in relative profitability in the first quarter, compared with the previous year, is due to the increased product development effort and the addition of resources to match the net sales level corresponding to the targeted growth.

Owing to the transition to the IFRS/IAS standards, depreciation on completed business acquisitions in 2005 will be somewhat lower than the corresponding depreciation according to Finnish accounting practice in 2004. The reduction in the amount of depreciation is taken into account in the forward-looking statements above.

Income Statement

		Official Group 2004	Official Group 2003	Official Parent company 2004	Official Parent company 2003
		1.1-31.12. 12 months 1000 EUR	1.1-31.12. 12 months 1000 EUR	1.1-31.12. 12 months 1000 EUR	1.1-31.12. 12 months 1000 EUR
NET SALES	1,2	**202 608**	**148 584**	**4 449**	**4 384**
Change in work in progress and finished goods		1 146	-1 014		
Other operating income	3	3 426	2 006	189	20
Raw materials and services	4	-53 907	-42 889		
Personnel expenses	5	-69 795	-52 234	-1 731	-1 432
Depreciation and reduction in value	6	-13 304	-9 739	-152	-357
Other operating expenses		-36 950	-28 624	-7 169	-2 555
OPERATING PROFIT		**33 223**	**16 090**	**-4 415**	**61**
Financial income and expenses	7	-277	-2 305	10 988	17 457
PROFIT BEFORE EXTRA ORDINARY ITEMS		**32 946**	**13 785**	**6 573**	**17 518**
Extra ordinary items	8	0	0	1 629	11 437
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**32 946**	**13 785**	**8 202**	**28 955**
Income tax	9	-9 526	-5 346	-2 285	-3 905
Minority interest		-94	-316		
NET PROFIT FOR THE FINANCIAL YEAR		**23 326**	**8 123**	**5 918**	**25 050**

Balance Sheet

		Official Group 31.12.2004 1000 EUR	Official Group 31.12.2003 1000 EUR	Official Parent company 31.12.2004 1000 EUR	Official Parent company 31.12.2003 1000 EUR
ASSETS					
Non-current assets					
Intangible assets	10	19 144	8 578	50	173
Tangible assets	11	26 015	27 656	260	280
Investments	12,13	9 682	9 508	77 961	66 542
Non-current assets total		54 841	45 741	78 271	66 995
Current assets					
Inventories	14	15 410	12 297		
Receivables					
• Deferred tax receivables	19	1 122	1 366		
• Long-term receivables	15			159	573
• Short-term receivables	16	48 558	45 761	25 789	25 857
• Receivables total		49 680	47 127	25 949	26 430
Short-term investments		5 497	1	5 496	
Cash and bank deposits		49 591	37 183	32 099	28 935
Current assets total		120 178	96 609	63 544	55 365
Total assets		**175 019**	**142 350**	**141 815**	**122 360**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	17				
Share capital		12 941	12 611	12 941	12 611
Share issue premium		64 579	54 855	64 579	54 855
Retained earnings		6 385	4 784	26 967	8 222
Net profit for the year		23 326	8 123	5 918	25 050
Shareholders' equity total		107 231	80 373	110 405	100 738
Minority interest		869	1 943		
Liabilities					
Deferred tax liabilities	19	2 612	69		
Long-term liabilities	20	17 424	21 085		1 535
Short-term liabilities	21	46 883	38 879	31 409	20 088
Liabilities total		66 919	60 033	31 409	21 623
Shareholders' equity and liabilities total		**175 019**	**142 350**	**141 815**	**122 360**

Cash Flow

	Official Group 2004 1.1-31.12. 12 months 1000 EUR	Official Group 2003 1.1-31.12. 12 months 1000 EUR	Official Parent company 2004 1.1-31.12. 12 months 1000 EUR	Official Parent company 2003 1.1-31.12. 12 months 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before extra ordinary items	32 946	13 785	6 573	17 518
Adjustments:				
Depreciation according to plan	13 304	9 739	152	357
Share of results of associated companies	131	140		
Reduction in value in non-current assets	0	48		
Financial income and expenses	277	2 257	-10 988	-17 457
Cash flow before change in net working capital	46 657	25 968	-4 263	417
Change in net working capital				
Change in interest-free short-term receivables	-2 553	3 089	482	-2 285
Change in inventories	-3 113	2 606	0	0
Change in interest-free short-term payables	14 082	-2 429	11 322	14 208
Cash flow before financing activities	55 073	29 234	7 541	12 341
Interest paid	-5 138	-5 814	-810	-1 302
Dividends received	257	6	10 447	16 965
Interest received	4 603	3 551	1 351	1 794
Income taxes paid	-9 526	-5 346	-2 285	-3 905
Cash flow before extra ordinary items	45 270	21 631	16 244	25 893
Net cash flow from extra ordinary items			1 629	11 437
Net cash from operating activities	**45 270**	**21 631**	**17 873**	**37 330**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of tangible and intangible assets	-23 014	-3 945	-9	-290
Proceeds from sale of tangible and intangible assets	634	813	0	342
Purchase of investments	-3 220	-245	-23 763	-12 341
Proceeds from sale of investments	3 016	220	12 344	626
Net cash used in investing activities	**-22 585**	**-3 156**	**-11 428**	**-11 663**
CASH FLOW FROM FINANCIAL ACTIVITIES				
Proceeds from issuance of share capital	10 055	0	10 055	
Proceeds from short-term borrowings	3 217	3 011	993	0
Repayment of short-term borrowings	-6 874	-1 854	-993	-1 530
Proceeds from long-term borrowings	550	2 930		0
Repayment of long-term borrowings	-4 090	-9 021	-1 535	0
Dividends paid	-6 411	-156	-6 305	
Net cash used in financial activities	**-3 552**	**-5 089**	**2 215**	**-1 530**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**19 133**	**13 386**	**8 660**	**24 136**
Cash and cash equivalents at beginning of period	37 184	23 678	28 935	4 799
Cash and cash equivalents at end of period	55 088	37 184	37 595	28 935
Change in cash and cash equivalents in balance sheet	17 903	13 507	8 660	24 136
Difference in change in cash and cash equivalents	-1 230	120	0	0
Change in minority interest	-1 168	-1 213		
Translation differences in non-current assets	50	285		
Translation differences in shareholders' equity and group structure	-112	1 048		

Accounting Principles for the Preparation of Financial Statements

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

Consolidated Financial Statements

STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

Elektrobit Group Plc., located in Oulunsalo, is the parent company of all of the companies belonging to the Elektrobit Group. The consolidated financial statements include all the Group companies. Subsidiaries acquired during the financial period are included in the Group's earnings as of the acquisition date. Subsidiaries and affiliated companies of the Group are listed in detail in the notes to the financial statements under the section Holdings in Group Undertakings.

CONSOLIDATION PRINCIPLES

Consolidated financial statements are compiled by consolidating the financial statements of the Group companies. Inter-company transactions, receivables and payables, any unrealized margins on the inventories and capital assets, as well as any mutual shareholdings have been eliminated in the consolidated financial statements.

Mutual shareholding has been eliminated by using the acquisition method. The difference between the acquisition price and the equity of subsidiaries at the acquisition date is presented as consolidated goodwill, except in cases where it can be allocated to buildings, structures or shares in real estate companies.

Minority interest has been separated from the Group's equity and net profit and is presented separately in the consolidated income statement and balance sheet.

The financial statements of foreign subsidiaries have been adjusted to correspond to the accounting principles of the parent company. The balance sheets have been converted into euro by using the average exchange rate of the European Central Bank on the period ending date. The income statements have been converted into euro by using the average exchange rates for 2004 indicated in statistics compiled by the Bank of Finland. The conversion difference arising from the exchange rates has been recorded in shareholders' equity. The conversion difference arising from the elimination of equities has been recorded in unrestricted shareholders' equity.

Affiliated companies have been consolidated by using the equity method. Thus, the portion of the affiliated company's earnings corresponding to the Group's ownership is included in the consolidated income statement adjusted by the depreciation of the acquisition goodwill during the financial period. The acquisition cost of the shares adjusted by the share of income during ownership and the depreciation of the acquisition goodwill is presented as the value of the shares in the balance sheet. The Group had no affiliated companies on the period ending date. The Group's interest in the affiliated companies' net earnings is presented under Other Operating Expenses.

Valuation Principles

VALUATION OF NON-CURRENT ASSETS

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

Capitalized development expenditure	5 years
Other capitalized expenditure	3 to 4 years
Buildings	4% and 7% of remaining balance
Machinery and equipment	3 to 10 years
Goodwill	5 to 10 years

VALUATION OF CURRENT ASSETS

Inventories are valued at acquisition cost or probable sales price, whichever is lower. The value of inventories has been defined using an average price. The acquisition cost for work in progress and finished products includes variable and fixed costs arising from the procurement and manufacturing of goods.

Financial securities, cash and bank deposits are valued at acquisition cost or probable sales price, whichever is lower.

RESEARCH AND DEVELOPMENT COSTS AND CAPITALIZED EXPENDITURE

During 2004, research and development costs have been recognized as expenses. Previously capitalized research and development costs and long-term expenditures are being depreciated according to plan.

Pensions

Pension coverage in each Group company has been organized differently depending on the appropriate country's pension legislation and practices. In Finland, the Group has organized pension coverage for its staff through independent pension insurance companies. In the consolidated financial statements the pension insurance expenditures are included in staff costs.

Donations

Donations offered by public entities for research and development activities are presented under other operating income.

Leasing Agreements

Leasing agreements and fixed-term rental agreements are mainly reported as contingent liabilities off the balance sheet. An insignificant amount of the rental agreements have been capitalized and recorded as non-current assets and as long-term liabilities in the foreign companies.

Deferred Taxes

Deferred tax liabilities or assets have been calculated from the temporary difference between taxation and accounting using the future tax rates confirmed on the financial statement date. The balance sheet includes the deferred tax liability in full. The deferred tax asset of 6.5 million euro recorded in 2002, corresponding to confirmed losses, no longer exists at the end of the financial year. 1.1 million euro of deferred tax assets and 2.6 million euro of deferred tax liabilities have been recorded on the basis of temporary differences.

Comparability of Earnings

JOT Automation Group and Elektrobit Group were combined on May 31, 2002. The official financial statements for 2003 and 2004 are mutually comparable. The acquisition cost for work in progress and finished products recognized as inventories includes variable and fixed costs arising from the procurement and manufacturing of goods since the beginning of 2004. The earnings effect of the changed accounting principle is 0.9 million euro.

Foreign Currency Items

Any receivables and payables denominated in foreign currency have been converted into euro at the exchange rate quoted on the period ending date. The Group enters into currency derivative contracts to hedge against exchange rate risks. The instruments applied are forward exchange contracts and currency options. The realized exchange rate differences have been used to adjust the exchange rate differences of the hedged items.

Revenue Recognition for Projects

In the Automation Solutions business area revenue is recognized in conjunction with delivery, and the amount recognized as revenue is the proportion of total sales corresponding to the proportion of accumulated costs incurred by the delivery date in total costs. The residual amount will be recorded as revenue after the completion of installation work after the delivery date.

In the Contract R&D business area the percentage of completion method has been adopted for any long-term design projects that exceed one million euro in revenue as instructed by the Finnish Accounting Standards Board's general guideline dated September 4, 2000. The degree of completion has been calculated on the basis of accumulated costs and estimated total costs. Projects included in the backlog of orders that are expected to be unprofitable have been recognized as expenses to their full value.

Notes to the Financial Statements

	Official Group 2004 1.1-31.12. 12 months 1000 EUR	Official Group 2003 1.1-31.12. 12 months 1000 EUR	Official Parent company 2004 1.1-31.12. 12 months 1000 EUR	Official Parent company 2003 1.1-31.12. 12 months 1000 EUR
1. NET SALES BY SEGMENTS				
Contract R&D (CRD)	89 111	58 822	1 953	1 710
Testing	88 350	67 910	1 943	2 017
Automation Solutions (AS)	25 148	21 852	553	658
Total	**202 608**	**148 584**	**4 449**	**4 384**
2. NET SALES BY MARKET AREAS				
Europe	139 437	103 639	4 269	4 384
Americas	36 767	23 656		
Asia	26 405	21 289	180	
Total	**202 608**	**148 584**	**4 449**	**4 384**
3. OTHER OPERATING INCOME				
Work performed by the undertaking for its own purpose	288	223		
Other operating income	3 138	1 784	189	20
Total	**3 426**	**2 006**	**189**	**20**
4. RAW MATERIALS AND SERVICES				
Materials, supplies and goods				
Purchase during the financial period	-49 515	-26 010		
Change in inventories	1 451	-1 192		
Materials total	**-48 063**	**-27 202**		
External services	-5 844	-15 687		
Total	**-53 907**	**-42 889**		

	Official Group 2004 1.1-31.12. 12 months 1000 EUR	Official Group 2003 1.1-31.12. 12 months 1000 EUR	Official Parent company 2004 1.1-31.12. 12 months 1000 EUR	Official Parent company 2003 1.1-31.12. 12 months 1000 EUR
5. NUMBER OF PERSONNEL				
AND PERSONNEL EXPENSES				
Average number of personnel during the fiscal period				
Contract R&D (CRD)	875	646	6	5
Testing	369	299	6	5
Automation Solutions (AS)	141	167	6	5
Total	**1 385**	**1 112**	**18**	**15**
Number of personnel at year end	1 536	1 088	19	16
Personnel expenses				
Management salaries	2 560	2 063	119	
Board of directors	127	145	127	133
Other salaries and wages	55 216	41 370	1 165	995
	57 903	**43 577**	**1 410**	**1 129**
Pension expenses	6 256	4 729	193	172
Other social expenses	5 636	3 928	128	130
Total	**69 795**	**52 234**	**1 731**	**1 432**
No bonus paid to the Board of Directors or the President				
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.				
6. DEPRECIATION AND REDUCTION IN VALUE				
Capitalized development expenditure	743	394		
Intangible rights	950	815	0	0
Goodwill	232	46		
Other capitalized long-term expenditures	887	870	131	261
Buildings and constructures	944	927		
Machinery and equipment	2 347	2 608	21	95
Other tangible assets	12	3		
Investments		289		
	6 116	**5 952**	**152**	**357**
Group goodwill	7 188	3 787		
Total	**13 304**	**9 739**	**152**	**357**

Notes to the Financial Statements

	Official Group 2004	Official Group 2003	Official Parent company 2004	Official Parent company 2003
	1.1-31.12. 12 months 1000 EUR	1.1-31.12. 12 months 1000 EUR	1.1-31.12. 12 months 1000 EUR	1.1-31.12. 12 months 1000 EUR
7. FINANCIAL INCOME AND EXPENSES				
Income from investments				
From Group companies			7 500	12 000
From affiliated companies			30	45
From others	257	6		
Total	**257**	**6**	**7 531**	**12 045**
Other interest and financial income				
From Group companies			445	403
From others	4 603	3 551	3 823	6 311
Total	**4 603**	**3 551**	**4 267**	**6 714**
Reduction in value of investments held as non-current assets				
Group companies				
Others	0	-48		
Total	**0**	**-48**		
Other interest and financial expenses				
To Group companies			-318	-294
To others	-5 138	-5 814	-492	-1 008
Total	**-5 138**	**-5 814**	**-810**	**-1 302**
Net financial income and expenses	**-277**	**-2 305**	**10 988**	**17 457**
Net financial income and expenses includes exchange gains and losses	101	-439	-390	-26
8. EXTRA ORDINARY ITEMS				
Extra ordinary income				
Group contributions			7 000	11 437
Total			**7 000**	**11 437**
Extra ordinary expenses				
Other extra ordinary expenses			-5 371	
Total			**-5 371**	
Net extra ordinary items			**1 629**	**11 437**
9. INCOME TAX				
For operations	-9 526	-5 348	-1 812	-589
For extra ordinary items			-472	-3 317
For previous fiscal periods		2		
Change in nominal taxes				
Total	**-9 526**	**-5 346**	**-2 285**	**-3 905**

	Official Group 2004 1.1-31.12. 12 months 1000 EUR	Official Group 2003 1.1-31.12. 12 months 1000 EUR	Official Parent company 2004 1.1-31.12. 12 months 1000 EUR	Official Parent company 2003 1.1-31.12. 12 months 1000 EUR
10. INTANGIBLE ASSETS				
Capitalized development expenditure				
Acquisition cost Jan. 1	4 027	3 995		
Investments during the period	16	32		
Acquisition cost Dec. 31	**4 042**	**4 027**		
Accumulated depreciations Jan. 1	-3 208	-2 814		
Depreciation for the period	-743	-394		
Book value Dec. 31	**91**	**818**		
Intangible rights				
Acquisition cost Jan. 1	2 872	2 410	0	
Translation differences	-7	-20		
Investments during the period	1 542	519		6
Disposals during the period	-78	-22		-5
Transfer to assets	21	-14		
Acquisition cost Dec. 31	**4 350**	**2 872**	**0**	**0**
Accumulated depreciations Jan. 1	-1 936	-1 138	-0	0
Translation differences	7	17		
Depreciations on disposals	15			
Depreciation for the period	-950	-815	-0	-0
Book value Dec. 31	**1 487**	**937**	**0**	**0**
Goodwill				
Acquisition cost Jan. 1	1 322	1 322		
Investments during the period		0		
Disposals during the period		0		
Acquisition cost Dec. 31	**1 322**	**1 322**		
Accumulated depreciations Jan. 1	-1 089	-1 043		
Depreciation for the period	-232	-46		
Book value Dec. 31	**0**	**232**		
Group goodwill				
Acquisition cost Jan. 1	14 222	13 071		
Investments during the period	18 589	1 151		
Disposals during the period	-237			
Acquisition cost Dec. 31	**32 574**	**14 222**		
Accumulated depreciations Jan. 1	-9 198	-5 411		
Depreciation for the period	-7 188	-3 787		
Book value Dec. 31	**16 188**	**5 024**		
Other capitalized long-term expenditures				
Acquisition cost Jan. 1	5 580	5 781	2 153	2 180
Translation differences	-16	-39		
Investments during the period	592	846	9	284
Disposals during the period	-10	-693		-311
Transfer to assets	121	-316		
Acquisition cost Dec. 31	**6 267**	**5 580**	**2 162**	**2 153**
Accumulated depreciations Jan. 1	-4 013	-3 326	-1 981	-1 719
Translation differences	12	20		
Depreciations on disposals		163		
Depreciation for the period	-887	-870	-131	-261
Book value Dec. 31	**1 379**	**1 567**	**50**	**172**

Notes to the Financial Statements

	Official Group 2004 1.1-31.12. 12 months 1000 EUR	Official Group 2003 1.1-31.12. 12 months 1000 EUR	Official Parent company 2004 1.1-31.12. 12 months 1000 EUR	Official Parent company 2003 1.1-31.12. 12 months 1000 EUR
Intangible assets total				
Acquisition cost Jan. 1	28 022	26 578	2 153	2 180
Translation differences	-23	-59		
Investments during the period	20 739	2 548	9	290
Disposals during the period	-326	-715		-316
Transfer to assets	142	-330		
Acquisition cost Dec. 31	**48 555**	**28 022**	**2 163**	**2 153**
Accumulated depreciations Jan. 1	-19 444	-13 732	-1 981	-1 719
Translation differences	19	37		
Depreciations on disposals	15	163		
Depreciation for the period	-10 000	-5 912	-132	-261
Book value Dec. 31	**19 144**	**8 578**	**50**	**173**
11. TANGIBLE ASSETS				
Land				
Acquisition cost Jan. 1	434	434		
Investments during the period				
Acquisition cost Dec. 31	**434**	**434**		
No revaluations done				
Buildings and constructures				
Acquisition cost Jan. 1	22 345	21 959		
Translation differences	-12	-28		
Investments during the period	108	62		
Transfer to assets	-50	351		
Acquisition cost Dec. 31	**22 392**	**22 345**		
Accumulated depreciations Jan. 1	-1 197	-278		
Translation differences	9	8		
Depreciation for the period	-944	-927		
Book value Dec. 31	**20 259**	**21 148**		
No revaluations or capitalizations of interest expenses done.				
Machinery and equipment				
Acquisition cost Jan. 1	15 676	15 293	1 212	1 237
Translation differences	-224	-662		
Investments during the period	2 001	1 252		0
Disposals during the period	-689	-333		-26
Transfer to assets	0	126		
Acquisition cost Dec. 31	**16 765**	**15 676**	**1 212**	**1 212**
Accumulated depreciations Jan. 1	-10 040	-7 927	-1 189	-1 094
Translation differences	181	422		
Depreciations on disposals	366	73		
Depreciation for the period	-2 347	-2 608	-21	-95
Book value Dec. 31	**4 925**	**5 636**	**2**	**23**
Other tangible assets				
Acquisition cost Jan. 1	450	263	257	
Translation differences		-3		
Investments during the period	65	82		
Transfer to assets	-92	110		257
Acquisition cost Dec. 31	**423**	**450**	**257**	**257**
Accumulated depreciations Jan. 1	-14	-11		
Depreciation for the period	-12	-3		
Book value Dec. 31	**397**	**437**	**257**	**257**

	Official Group 2004 1.1-31.12. 12 months 1000 EUR	Official Group 2003 1.1-31.12. 12 months 1000 EUR	Official Parent company 2004 1.1-31.12. 12 months 1000 EUR	Official Parent company 2003 1.1-31.12. 12 months 1000 EUR
Tangible assets total				
Acquisition cost Jan. 1	38 906	37 949	1 469	1 237
Translation differences	-236	-693		
Investments during the period	2 175	1 396		0
Disposals during the period	-689	-333		-26
Transfer to assets	-142	587		257
Acquisition cost Dec. 31	**40 013**	**38 906**	**1 469**	**1 469**
Accumulated depreciations Jan. 1	-11 250	-8 216	-1 189	-1 094
Translation differences	190	430		
Depreciations on disposals	366	73		
Depreciation for the period	-3 304	-3 537	-21	-95
Book value Dec. 31	**26 015**	**27 656**	**260**	**280**
12. INVESTMENTS				
Investments in subsidiaries				
Acquisition cost Jan. 1			56 349	52 492
Investments during the period			21 392	3 857
Reduction in value				
Disposals during the period			-8 666	
Acquisition cost Dec. 31			**69 075**	**56 349**
Investments in affiliated companies				
Acquisition cost Jan. 1	951	1 093	1 592	1 592
Investments during the period		56		
Disposals during the period	-921	-197	-1 592	
Transfer to assets	-31			
Acquisition cost Dec. 31	**0**	**951**	**0**	**1 592**
Depreciable goodwill of affiliated companies		96		
Investments in other shares				
Acquisition cost Jan. 1	8 484	8 775	8 560	702
Investments during the period	2 824	189	2 371	8 484
Reduction in value		-289		
Disposals during the period	-2 095	-190	-2 087	-626
Acquisition cost Dec. 31	**9 214**	**8 484**	**8 844**	**8 560**
Other long-term receivables				
Acquisition cost Jan. 1	72	92	41	41
Investments during the period	397	0		0
Disposals during the period		-20		0
Acquisition cost Dec. 31	**468**	**72**	**41**	**41**
Other investments				
Acquisition cost Jan. 1		257		257
Investments during the period				
Transfer to assets		-257		-257
Acquisition cost Dec. 31		**0**		**0**
Investments total				
Acquisition cost Jan. 1	9 508	10 217	66 542	55 084
Investments during the period	3 220	245	23 763	12 341
Reduction in value		-289		
Disposals during the period	-3 016	-407	-12 344	-626
Transfer to assets	-31	-257		-257
Acquisition cost Dec. 31	**9 682**	**9 508**	**77 961**	**66 542**

Notes to the Financial Statements

	Owned by Parent %	Owned by Group %	Book value 1000 EUR
13. SHARES AND HOLDINGS			
Subsidiaries			
Elektrobit Testing Oy	100.00	100.00	3 763
JOT Automation, Inc.	100.00	100.00	0
OÜ JOT Eesti	51.00	100.00	200
JOT Automation GmbH	100.00	100.00	100
JOT Automation UK Ltd.	100.00	100.00	0
JOT Automation Asia Pacific Ltd.	99.00	100.00	0
Elektrobit Automation Oy	100.00	100.00	1 050
JOT Automation Italia S.r.l	100.00	100.00	3 227
JOT Automation Hungary Kft.	100.00	100.00	20
JOT Automation Romania S.R.L.	100.00	100.00	0
JOT Automation Korea Ltd.	100.00	100.00	433
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	1 655
Elektrobit AG	0.00	67.82	213
Elektrobit GmbH	0.00	100.00	85
Elektrobit Inc	0.00	100.00	685
Elektrobit Nippon KK	0.00	100.00	74
Elektrobit Oy	0.00	100.00	9 979
Elektrobit Group Pte. Ltd	0.00	100.00	0
Elektrobit S.A.S	0.00	81.45	180
Elektrobit UK Ltd.	0.00	80.00	0
Extrabit Oy	0.00	100.00	3 820
Kiinteistö Oy Tutkijantie 8	0.00	100.00	6 731
Nemo Technologies Oy	0.00	100.00	4 469
Nemo Technologies Inc	0.00	100.00	42
Ylinen Electronics Oy	0.00	100.00	644
Other holdings by Parent			
Repurchasing/ Kiinteistö Oy Lunkintie 16			303
Oulun Golf Oy			7
Oulun Puhelin Oy			1
Visual Components Oy	16.49	16.49	15
Other holdings by subsidiaries			
Others			8 888

		Official Group 31.12.2004 1000 EUR		Official Group 31.12.2003 1000 EUR		Official Parent company 31.12.2004 1000 EUR		Official Parent company 31.12.2003 1000 EUR
14. INVENTORIES								
Raw materials and supplies		6 246		4 978				
Work in progress		6 401		5 389				
Finished products		2 741		1 870				
Other inventories		22		61				
Total		**15 410**		**12 297**				
15. LONG-TERM RECEIVABLES								
Loan receivables								
From Group companies						159		573
Total						**159**		**573**
Long-term receivables total						**159**		**573**
16. SHORT-TERM RECEIVABLES								
Accounts receivable								
From Group companies						1 487		1 034
From others		32 126		38 200		3		27
Total		**32 126**		**38 200**		**1 490**		**1 061**
Loan receivables								
From Group companies						13 301		12 154
From others								0
Total						**13 301**		**12 154**
Other receivables								
From Group companies						9 386		11 445
From others		12 015		2 392		1 502		1 056
Total		**12 015**		**2 392**		**10 887**		**12 501**
Prepaid expenses and accrued income								
From Group companies						21		77
From others		4 418		5 169		90		64
Total		**4 418**		**5 169**		**111**		**141**
Short-term receivables total		**48 558**		**45 761**		**25 789**		**25 857**
17. SHAREHOLDERS' EQUITY								
Share capital at the beginning of the period	1.1.	12 611	1.1.	12 611	1.1.	12 611	1.1.	12 611
Share issue		331				331		
Share capital at the end of the period	**31.12.**	**12 941**	**31.12.**	**12 611**	**31.12.**	**12 941**	**31.12.**	**12 611**
Share premium fund at the beginning of the period	1.1.	54 855	1.1.	54 855	1.1.	54 855	1.1.	54 855
Issue premiums		9 724				9 724		
Share premium fund at the end of the period	**31.12.**	**64 579**	**31.12.**	**54 855**	**31.12.**	**64 579**	**31.12.**	**54 855**
Retained earnings at the beginning of period	1.1.	12 907	1.1.	3 891	1.1.	33 272	1.1.	8 222
Dividend payment		-6 411		-156		-6 305		
Change in translation differences		-112		1 048				
Net profit for the period		23 326		8 123		5 918		25 050
Retained earnings at the end of period	**31.12.**	**29 710**	**31.12.**	**12 907**	**31.12.**	**32 884**	**31.12.**	**33 272**
Capitalized development costs				-32				
Includes transfers from accumulated								
appropriations and translations differences		-170		-109				
Distributable earnings at the end of the period	31.12.	29 541	31.12.	12 767	31.12.	32 884	31.12.	33 272
Shareholders' equity total	**31.12.**	**107 231**	**31.12.**	**80 373**	**31.12.**	**110 405**	**31.12.**	**100 738**

Notes to the Financial Statements

	Official Group 31.12.2004 1000 EUR	Official Group 31.12.2003 1000 EUR	Official Parent company 31.12.2004 1000 EUR	Official Parent company 31.12.2003 1000 EUR
19. DEFERRED TAXES				
Deferred tax liabilities				
Accumulated depreciations differences	2 601			
Untaxed reserves	11	69		
Total	**2 612**	**69**		
Deferred tax receivables				
Operating loss carryforwards		452		
Consolidations	1 122	914		
Total	**1 122**	**1 366**		
20. LONG-TERM LIABILITIES				
Loans				
From financial institutions	16 649	20 052		1 535
Pension loans	116	215		
Total	**16 764**	**20 267**		**1 535**
Other long-term liabilities				
To others	659	818		
Total	**659**	**818**		
loans with at least five year maturities	4 279	10 991		
Long-term liabilities total	**17 424**	**21 085**		**1 535**
21. SHORT-TERM LIABILITIES				
Loans				
From financial institutions	11 222	17 974	1 535	1 535
Pension loans	674			
Total	**11 896**	**17 974**	**1 535**	**1 535**
Advances received				
From others	3 464	1 840		
Total	**3 464**	**1 840**		
Accounts payable				
To Group companies			549	24
To others	9 624	6 808	305	180
Total	**9 624**	**6 808**	**854**	**204**
Other short-term liabilities				
To Group companies			28 420	17 704
To others	3 089	2 810	37	149
Total	**3 089**	**2 810**	**28 457**	**17 853**
Accrued expenses and deferred income				
To Group companies			14	100
To others	18 810	9 447	549	396
Total	**18 810**	**9 447**	**563**	**496**
Short-term liabilities total	**46 883**	**38 879**	**31 409**	**20 088**

	Official Group 31.12.2004 1000 EUR	Official Group 31.12.2003 1000 EUR	Official Parent company 31.12.2004 1000 EUR	Official Parent company 31.12.2003 1000 EUR
22. SECURITIES AND CONTINGENT LIABILITIES				
Against own liabilities				
floating charges	29 816	29 816		
mortgages	19 666	19 666		
pledges	7 602	10 247		
On behalf of Group companies				
guarantees			6 993	10 263
On behalf of others				
guarantees		223		
Other direct and contingent liabilities				
Leasing liabilities				
• falling due in the next year	3 780	1 988	216	220
• falling due after one year	3 366	1 758	95	187
Rental liabilities				
• falling due in the next year	2 205	800	100	
• falling due after one year	3 328	969		
Repurchasing liabilities				
• falling due in the next year	68	116	68	68
• falling due after one year	479	547	479	547
Total	**70 311**	**66 130**	**7 951**	**11 285**
Mortgages are pledged for liabilities totalled				
Loans from financial institutions	25 305	33 596	1 535	3 070
Other liabilities	818	971		
Total	**26 123**	**34 568**	**1 535**	**3 070**
Repurchase commitments	1 333	1 680		
23. NOMINAL VALUE OF CURRENCY DERIVATES				
Foreign exchange forwards				
Market value	461	278	395	177
Nominal value	17 101	12 600	14 551	8 000

Board of Directors' Proposal to Reduce the Number of Shares and Distribute Profits

The Company's Board of Directors has decided to propose to the Annual General Shareholders' Meeting that the number of shares in the company be reduced by combining existing shares. The total number of shares would decrease to one-fifth of their present number.

According to the consolidated balance sheet on December 31, 2004, the Group's unrestricted shareholders' equity is 29 710 393 of which 29 540 751 euro is distributable funds. The parent company's unrestricted shareholders' equity according to the balance sheet on December 31, 2004, is 32 884 453 euro, of which 32 884 453 euro is distributable funds.

The Board of Directors proposes to the Annual General Shareholders' Meeting that dividends of 0.012 euro per share, a total of 7 764 761.40 euro, shall be paid for the financial year that ended December 31, 2004, 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 22 March 2005 and the dividends shall be paid 31 March 2005.

In Oulunsalo, February 15, 2005
Elektrobit Group Plc., The Board of Directors

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

Auditor's Report

To the Shareholders of Elektrobit Group Plc.

We have audited the accounting, the financial statements and the corporate governance of Elektrobit Group Plc. for the period 1.1.2004-31.12.2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit we express an opinion on these financial statements and on corporate governance 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 statement, 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 corporate governance is to examine that the members of the Board of Directors and the CEO of the parent company have legally complied with the rules of the Companies Act.

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

Oulu, February 15, 2005

ERNST & YOUNG OY Authorized Public Accounting Firm	Rauno Sipilä Authorized Public Accountant

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. 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 for 2004 in accordance with the Finnish Securities Market Act and the Finnish accounting practice. The Group reports in accordance with the International Financial Reporting Standards (IFRS/IAS) from the beginning of 2005 and onwards. 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.

Information for Shareholders

Financial Reports 2005
Elektrobit Group Plc. reports its financial development quarterly. In 2005 Elektrobit will publish financial reports as follows:

February 15.	Financial Statements Bulletin 2004
May 11.	Interim Report, January-March
August 3.	Interim Report, January-June
November 2.	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 2004 are as follows:
January 26. – February 15, 2005
April 20. – May 11, 2005
July 13. – August 3, 2005
October 12. – November 2, 2005

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 Thursday, March 17, 2005, at 12:00 noon 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 7, 2005. 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 7, 2005.

A shareholder wishing to participate in the Annual General Shareholders' Meeting must notify the company of the intention to participate no later than 12:00 noon on March 9, 2005, 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 by e-mail (yhtiokokous@elektrobit.com). 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 0.012 euro per share be distributed for the year 2004. 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 22, 2005, 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 Thursday, March 31, 2005.

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
Elektrobit Group Plc.
Group Communication
P.O.Box 45 (Automaatiotie 1)
FI-90461 Oulunsalo
Finland
Tel. +358 40 344 2000
Fax +358 8 570 1304
investor.relations@elektrobit.com

Ms. Karoliina Bungarten
Communications Coordinator

Investor Relations
Mr. Edvard Krogius
Director, Investor & Marketing Communications
Tel. +358 40 344 2000
Fax + 358 8 570 1304
investor.relations@elektrobit.com

ELEKTROBIT

Elektrobit Group Plc.
P.O.Box 45 (Automaatiotie 1), FI-90461 Oulunsalo, Finland, tel. +358 40 344 2000, fax +358 8 570 1301
www.elektrobit.com