



Elektrobit Group Plc.

Annual Review 1-12 / 2003

February 11, 2004

Contents

[Elektrobit Group Plc.](#)

[Reporting Period January - December 2003](#)

[Financial Year 2003](#)

[Development of Net Sales and Profitability](#)

[Net Sales by Business Unit](#)

[Net Sales by Market Area](#)

[Review of The Operating Environment](#)

[Contract R&D](#)

[Testing](#)

[Automation Solutions](#)

[The Main Targets for The Financial Year 2004](#)

[Outlook for The Financial Year 2004 and The 1st Quarter 2004](#)

[Figures](#)

[January - December 2003](#)

[Net Sales and Operating Profit Quarterly](#)

[Net Sales by Business Units](#)

[Personnel](#)

[Income Statement](#)

[Gross Investments and Depreciation](#)

[Depreciations vs. Investments](#)

[Balance Sheet](#)

[Cash Flow](#)

[Key Figures](#)

[Net Gearing and Equity Ratio](#)

[Return on Investment and Equity](#)

[Appendix](#)

[Shareholders](#)

[Breakdown of Shareholders by Shareholding](#)

[Share Development](#)

[Information for Investors](#)

[Pro Forma Accounting Policy](#)

[Contacts](#)

Elektrobit Group Plc.

Reporting Period January - December 2003

[Financial Year 2003](#)

[Development of Net Sales and Profitability](#)

[Net Sales by Business Unit](#)

[Net Sales by Market Area](#)

[Review of The Operating Environment](#)

[Contract R&D](#)

[Testing](#)

[Automation Solutions](#)

[The Main Targets for The Financial Year 2004](#)

[Outlook for The Financial Year 2004 and The 1st Quarter 2004](#)



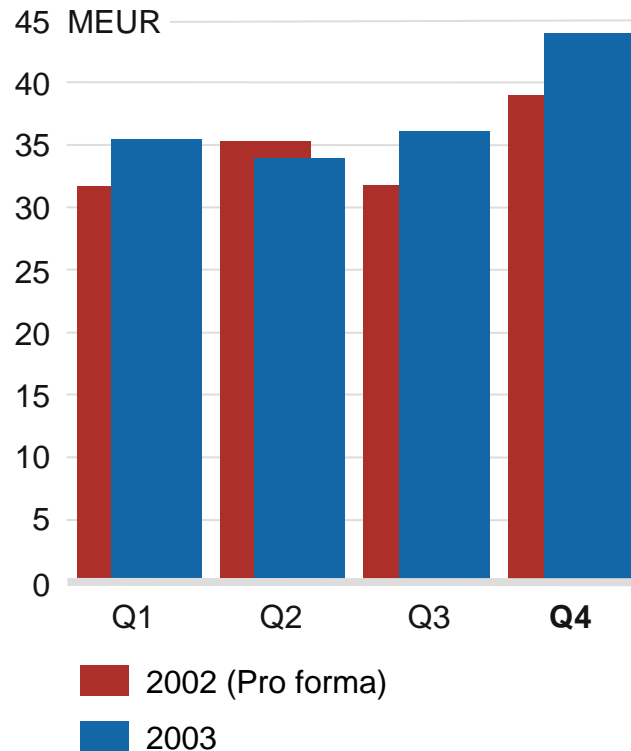
Financial Year 2003

- **Net sales and operating profit increased from the level of 2002**
 - Net sales 148.6 MEUR (136.5 MEUR)
 - Operating profit 16.1 MEUR (0.7 MEUR)
- **Actions to improve profitability continued**
 - Non-recurring expenses totalled 3.7 MEUR
 - Number of staff decreased by a total of 91
- **Benefits of synergy started to show**
 - Development of productization service concept continued
 - Net sales of Testing business unit increased
- **Stronger balance sheet**
 - Equity ratio 58.6 %, net gearing 2.3 %, cash flow from operations 21.6 MEUR
- **Most of the goals were attained**
 - Net sales of Contract R&D slightly less than expected, Testing stronger than expected, net sales of Automation Solutions remained on a lower level than expected
- **Board of Directors propose a dividend of 0.01 euro / share**

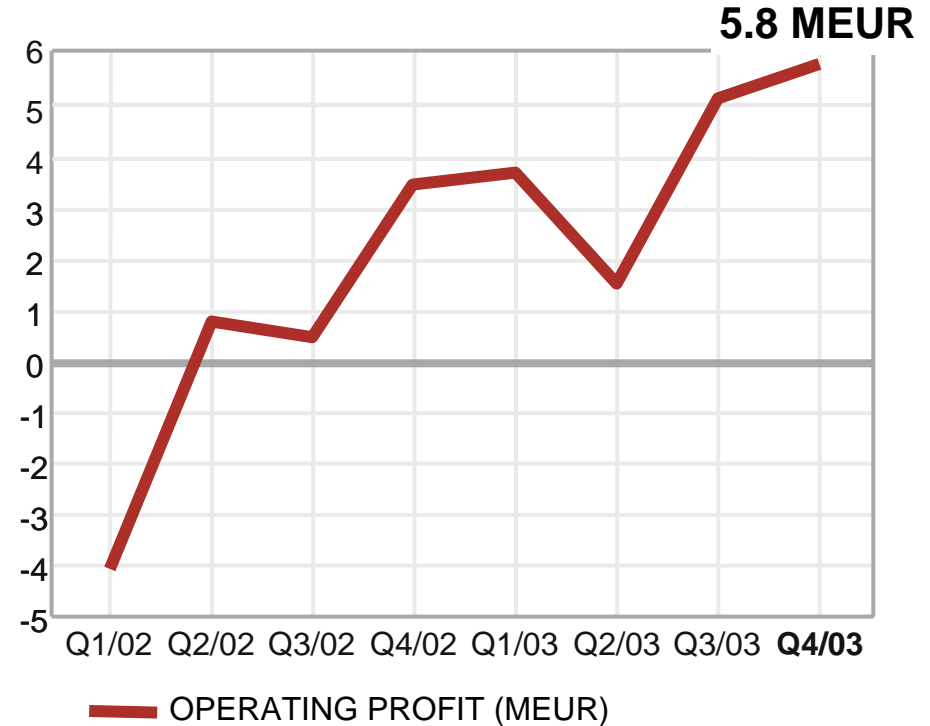


Development of Net Sales and Profitability Q1/02 - Q4/03

NET SALES

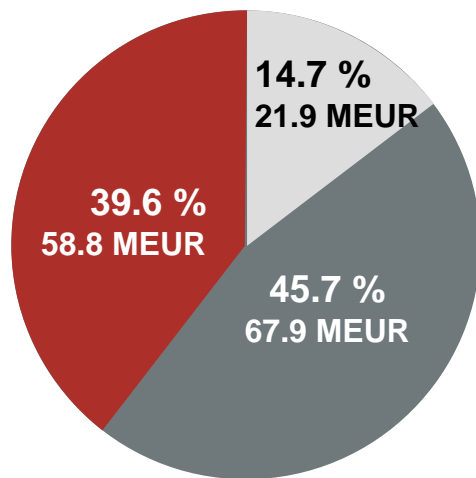


OPERATING PROFIT

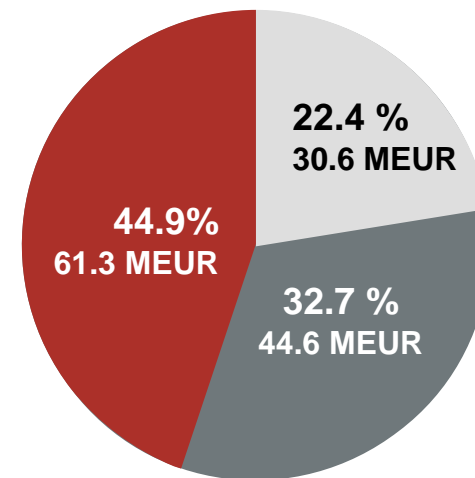


Net Sales by Business Unit

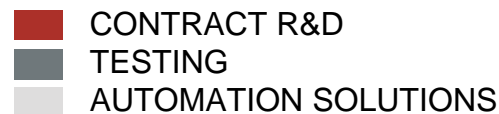
Jan. - Dec. / 2003



Jan. - Dec. / 2002

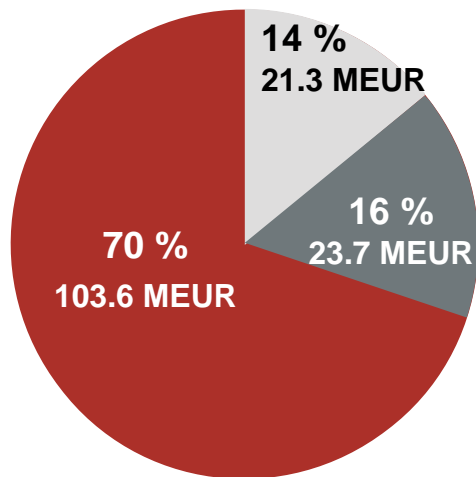


Net Sales 148.6 MEUR

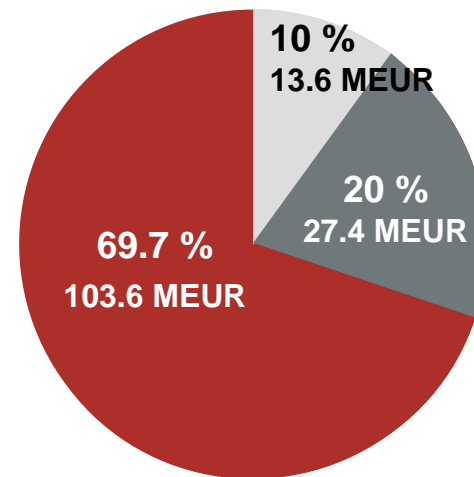


Net Sales by Market Area

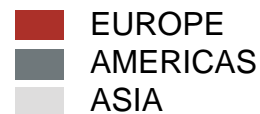
Jan. - Dec. / 2003



Jan. - Dec. / 2002



Net Sales 148.6 MEUR



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**
 - Particularly the number of new phone models and the share of smart phones in total volume increased
 - Product development work related to base stations decreased
- **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

- **Operation environment remained similar to 2002**
 - Net Sales 58.8 MEUR (61.3 MEUR) slightly lower than expected
 - Except for Americas, business developed according to expectations
- **Closer co-operation with defence forces**
 - Software radio demonstrator for research and testing purposes
 - Value of contract is 12 MEUR, will be completed by the by the beginning of 2006
- **Development of the Productization Service Concept continued**
 - Symbian Platinum Partner Agreement, participation in the design of smart phones
 - Series 60 -competence center agreement with Nokia
- **10-12/2003 net sales 17.0 MEUR (16.9 MEUR), as expected**
 - Europe and Asia developed as expected, the situation in Americas remained difficult



Testing

- **Development continued favourably**
 - Net Sales 67.9 MEUR (44.6 MEUR), growth was stronger than expected
 - Seasonal deliveries of production testing equipment in the 3rd and the 4th quarters
- **Number of new phone models affected the growth**
 - Deliveries of product-specific production testing solutions and the demand for testing and optimization equipment for mobile phone networks were stronger than expected
 - The demand for testing and simulation equipment used in product development was weaker, situation improved slightly towards the end of the year
- **10-12/2003 net sales 21.3 MEUR (14.5 MEUR), development continued favourably**
 - Deliveries of product-specific production testing solutions and the demand for testing and optimization equipment for mobile phone networks remained on a good level
 - The demand for testing and simulation equipment used in product development improved after the weak summer season



Automation Solutions

- **Customers' business segments continue to have excessive production capacity**
 - Net Sales 21.9 MEUR (30.6 MEUR) less than expected
 - Volume of investments in automation has remained low. Customers focus on enhancing existing production capacity. Price competition has intensified
- **Efficiency was improved**
 - The roles of the units and internal processes were clarified
 - The responsibility for manufacturing material handling equipment was transferred from Oulunsalo to Kuopio
 - Operations in USA have been reorganized to better correspond to the requirements of automation solution sales
- **10-12/2003 net sales 5.0 MEUR (7.5 MEUR), development weaker than earlier estimated**
 - Net sales fell short of the expectations based on the improved outlook in the third quarter
 - Focus remained on Europe



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 1st 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 to be similar or slightly higher in the first quarter of 2004 compared to the first quarter of 2003**
- **The first-quarter operating profit is expected to remain at substantially the same level as that of the first quarter 2003**

Figures

January - December 2003

[Net Sales and Operatin Profit Quarterly](#)

[Net Sales by Business Units](#)

[Personnel](#)

[Income Statement](#)

[Gross Investments vs. Depreciation](#)

[Depreciations vs. Investments](#)

[Balance Sheet](#)

[Cash Flow](#)

[Key Figures](#)

[Net Gearing and Equity Ratio](#)

[Return on Investment and Equity](#)



Net Sales and Operating Profit Quarterly

MEUR	Oct. - Dec. Q4/2003	July - Sep. Q3/2003	Apr. - June Q2/2003	Jan. - Mar. Q1/2003	Jan. - Dec. 2003	Jan. - Dec. 2002
Net sales	43.3	36.0	33.9	35.4	148.6	136.5
Operating profit	5.8	5.1	1.6	3.6	16.1	0.7
Profit before taxes	4.8	4.7	1.2	3.1	13.8	-0.9
Net profit	2.5	3.7	0.2	1.7	8.1	-1.1



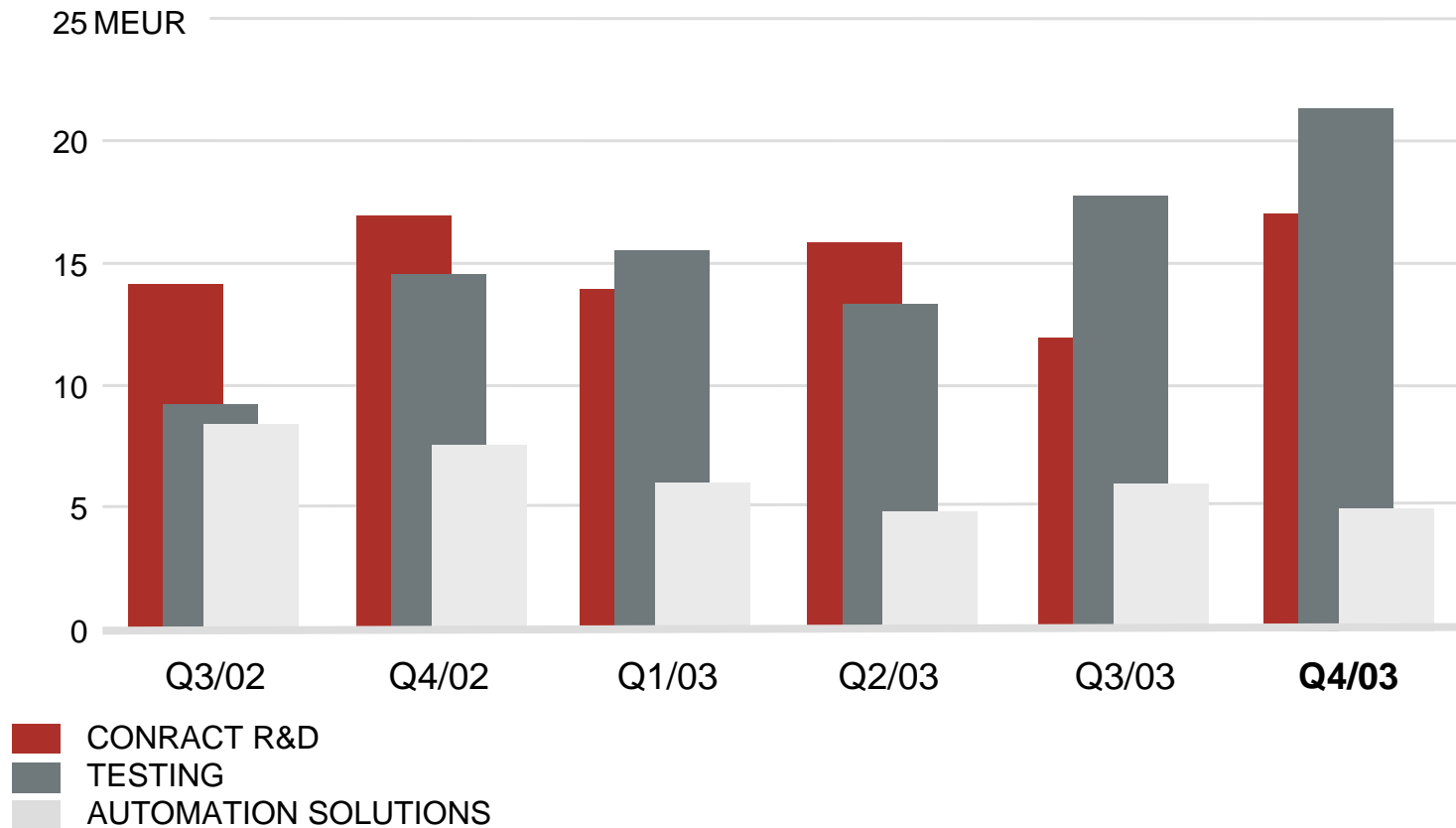
Net Sales by Business Units

Q1/03 - Q4/03

MEUR	Oct. - Dec. Q4/2003	July - Dec. Q3/2003	Apr. - June Q2/2003	Jan. - Mar. Q1/2003	Jan. - Dec. 2003	Jan. - Dec. 2002
Contract R&D	17.0	12.1	15.8	13.9	58.8	61.3
Testing	21.3	17.8	13.3	15.5	67.9	44.6
Automation Solutions	5.0	6.1	4.8	6.0	21.9	30.6
Total	43.3	36.0	33.9	35.4	148.6	136.5

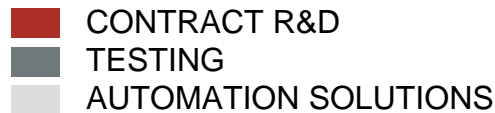
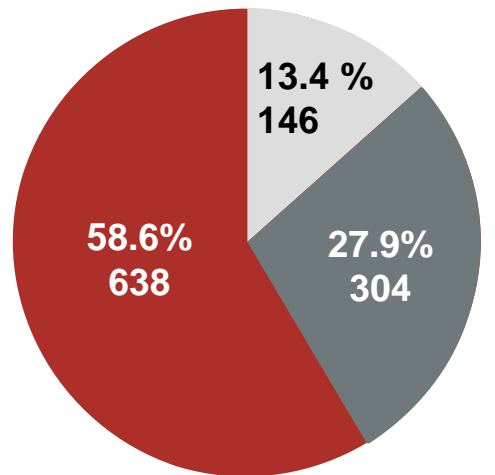


Net Sales by Business Units Q3/02 - Q4/03

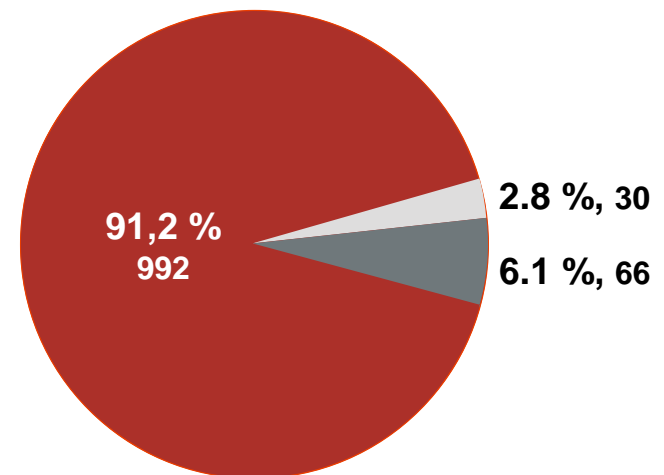


Personnel

BY BUSINESS UNITS
December 31, 2003



BY MARKET AREAS
December 31, 2003



Total 1088



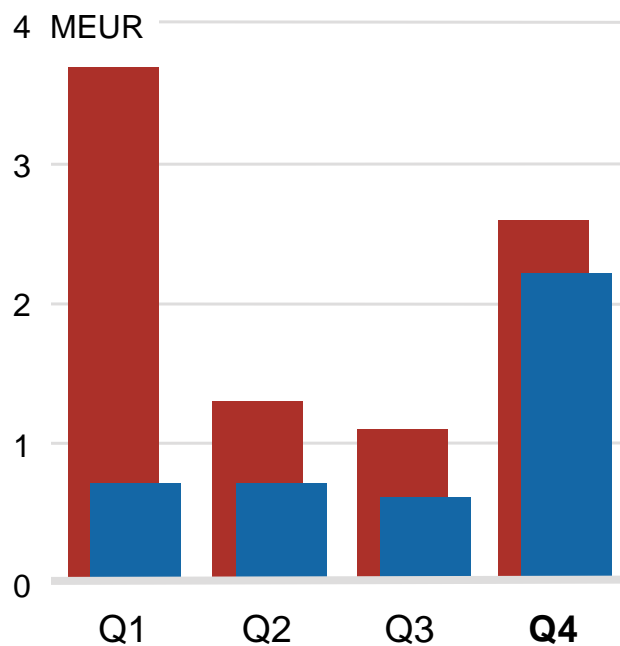
Income Statement Quarterly

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

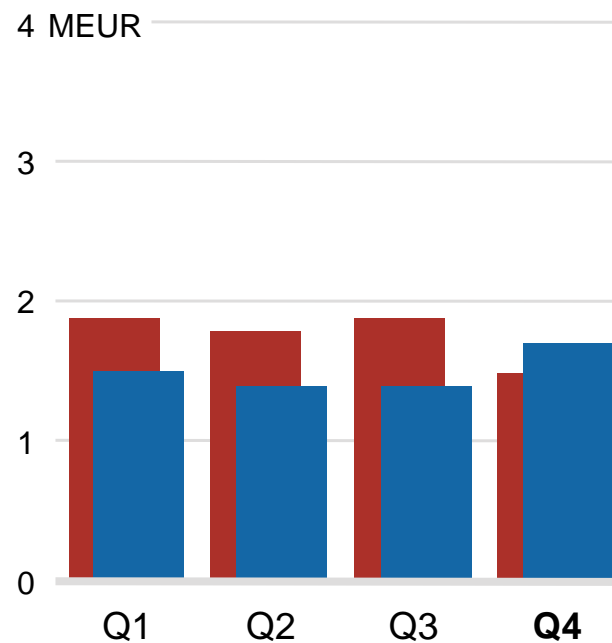


Gross Investments and Depreciation Q1/02 - Q4/03

GROSS INVESTMENTS
(excluding properties)



DEPRECIATION
(excluding goodwill)



■ 2002 (Pro forma) ■ 2003



Depreciations vs. Investments

MEUR	Depreciations 2003	Increase 2003	Book value 31.12.2003	
Development expenditure	0.4	-	0.8	Development expenditures have not been capitalized after 2002
Intangible rights	0.8	0.5	0.9	Patents, software licenses
Goodwill	-	-	0.3	
Group goodwill	4.0	1,2	5.0	2003 includes non-recurring depreciations, 1.1 MEUR
Long term expend.	0.9	0.8	1.6	Elementary capital improvements etc.
Intangible total	6.1	2.5	8.6	
Tangible total	3.3	1.4	27.7	
Investments	0.3	0.2	9.5	
TOTAL	9.7	4.1	45.8	
Liquidations	-	-0.9	-	
Net investments	-	3,2	-	



Balance Sheet

Q3/02 - Q4/03

MEUR *Pro forma	Dec. 31, 2003	Sep. 30. 2003	June 30. 2003	Mar. 31. 2003	Dec. 31. 2002*	Sep. 30. 2002*
Assets						
Non-current assets	45.7	47.3	49.3	51.0	52.8	43.6
Current assets	96.6	93.5	87.4	92.3	88.8	80.0
Total assets	142.3	140.9	136.7	143.3	141.6	123.7
Shareholders' equity and liabilities						
Share capital	12.6	12.6	12.6	12,6	12.6	12.5
Total equity	80.4	77.9	74.1	73,9	71.4	64.4
Minority interest	1.9	2.6	2.7	2,8	2.8	4.2
Long term liabilities	21.1	23.0	27.5	28.3	28.8	20.3
Short term liabilities	38.9	37.4	32.4	38.1	38.5	34.8
Shareholders' equity and liabilities total	142.3	140.9	136.7	143.3	141.6	123.7



Cash Flow

MEUR	Jan. - Dec. 2003	Jan. - Dec. 2002 Pro forma
Profit before extraordinary items	13.8	-0.9
Depreciations	9.7	10.6
Financial income and expenses	2.4	1.8
Total	26.0	11.6
Change in net working capital	3.3	-11.8
Interests and taxes	-7.5	-1.6
Operational cash flow	21.6	-1.7
Net cash used in investing activities	-3.2	-25.8
Net cash used in financial activities	-5.1	15.9
Difference in change in cash and cash equivalents	0.1	-0.1
Change in cash and cash equivalents in balance sheet	13.5	-11.7



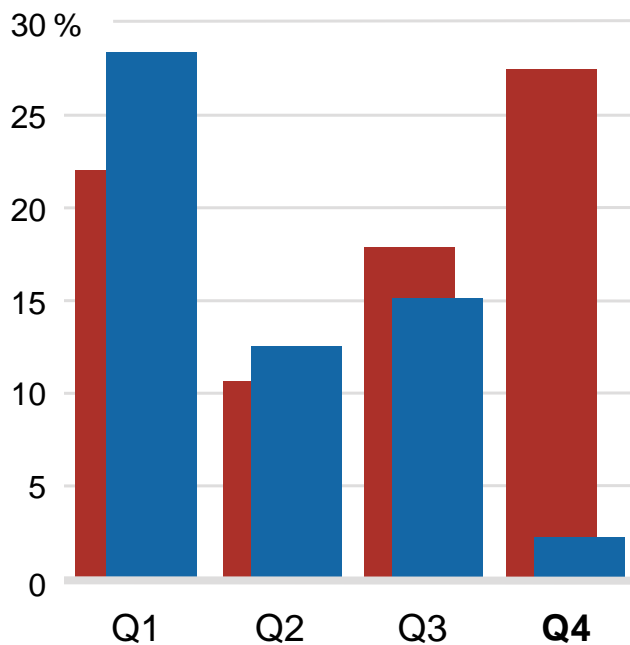
Key Figures

Pro forma	Jan. - 12. 2003	Jan. - Dec. 2002	Change %
Net sales, MEUR	148.6	136.5	8.9
Operating profit, MEUR	16.1	0.7	
Operating profit, % of net sales	10.8	0.5	
Profit before taxes, MEUR	13.8	-0.9	
Net Profit, MEUR	8.1	-1.1	
Equity, MEUR	80.4	71.4	12.6
Balance sheet total, MEUR	142.3	141.6	0.5
Personnel at the period end	1 088	1 179	-7.7
Return on investment -% (ROI)	16.4	5.4	
Interest bearing net liabilities, MEUR	1.9	20.3	
Net gearing, %	2.3	27.4	
Equity ratio, %	58.6	53.4	
Earnings per share, EUR	0.01	0.00	

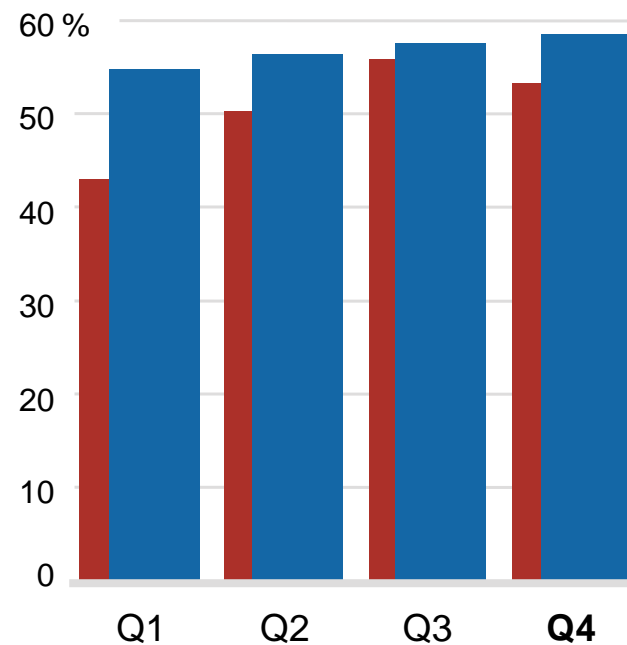


Net Gearing and Equity Ratio Q1/02 - Q4/03

NET GEARING



EQUITY RATIO

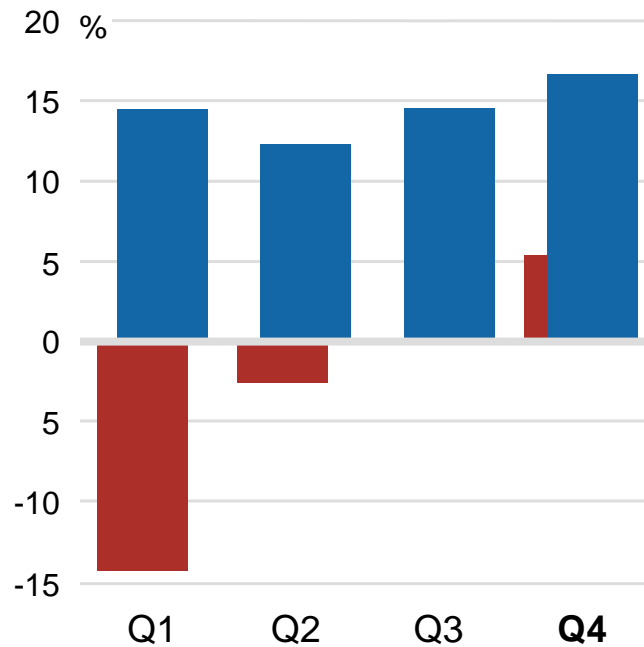


■ 2002 (Pro forma) ■ 2003

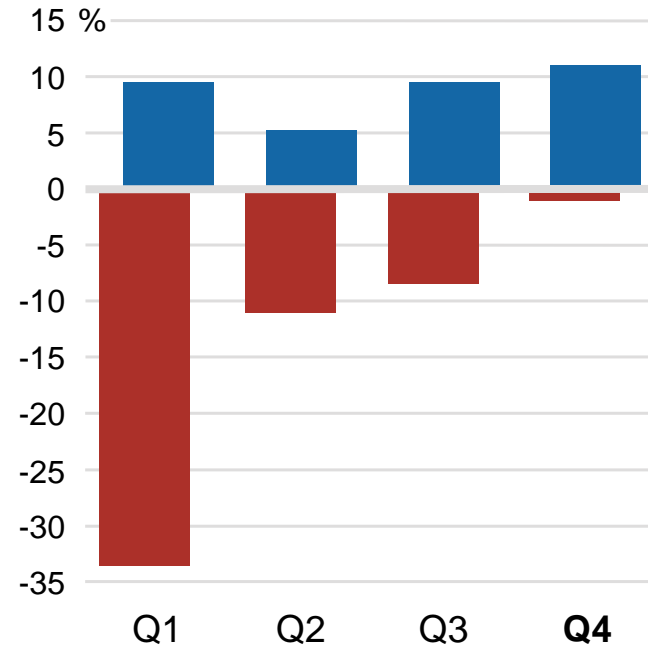


Return on Investment and Equity Q1/02 - Q2/03

RETURN ON INVESTMENT
(ROI)



RETURN ON EQUITY
(ROE)



■ 2002 (Pro forma) ■ 2003



Appendix

[Shareholders](#)

[Breakdown of Shareholders by Shareholding](#)

[Share Development](#)

[Information for Shareholders](#)

[Pro Forma Accounting Policy](#)

[Contacts](#)



Shareholders

December 31, 2003

Shareholder	Number of Shares	% of Shares and Votes
1. Hulkko Juha, Chairman of the Board of the Directors	142 542 884	22.6
2. Hildén Kai	54 156 898	8.6
3. Veikkolainen Erkki	54 116 898	8.6
4. Halonen Eero	48 661 077	7.7
5. Sipilä Juha, CEO - and Fortel Companies *	44 361 281	7.0
6. Harju Jukka	38 198 372	6.1
7. Head Invest Oy	20 000 000	3.2
8. Laine Seppo	12 076 321	1.9
9. Irish Life International	7 926 400	1.3
10. Kettula Mika, Member of the Board of the Directors	5 762 340	0.9
11. Ilmarinen, Mutual Pension Insurance Company	5 015 700	0.8
12. Tapiola, General Mutual Insurance Company	2 493 500	0.4
13. FIM Fenno - investment fund	2 129 100	0.3
14. OP-Suomi Kasvu - investment fund	2 046 200	0.3
15. Mikkonen Pekka	2 062 347	0.3
16. Hakalahti Hannu	1 986 527	0.3
17. Salonen Seppo	1 986 447	0.3
18. Maliniemi Jukka	1 967 410	0.3
19. Placeringsfonden Aktia Secura	1 846 200	0.3
20. Evatec Oy	1 750 000	0.3
Other (incl. administrative registered shareholders)	179 439 686	28.6
Total	630 525 588	100.0

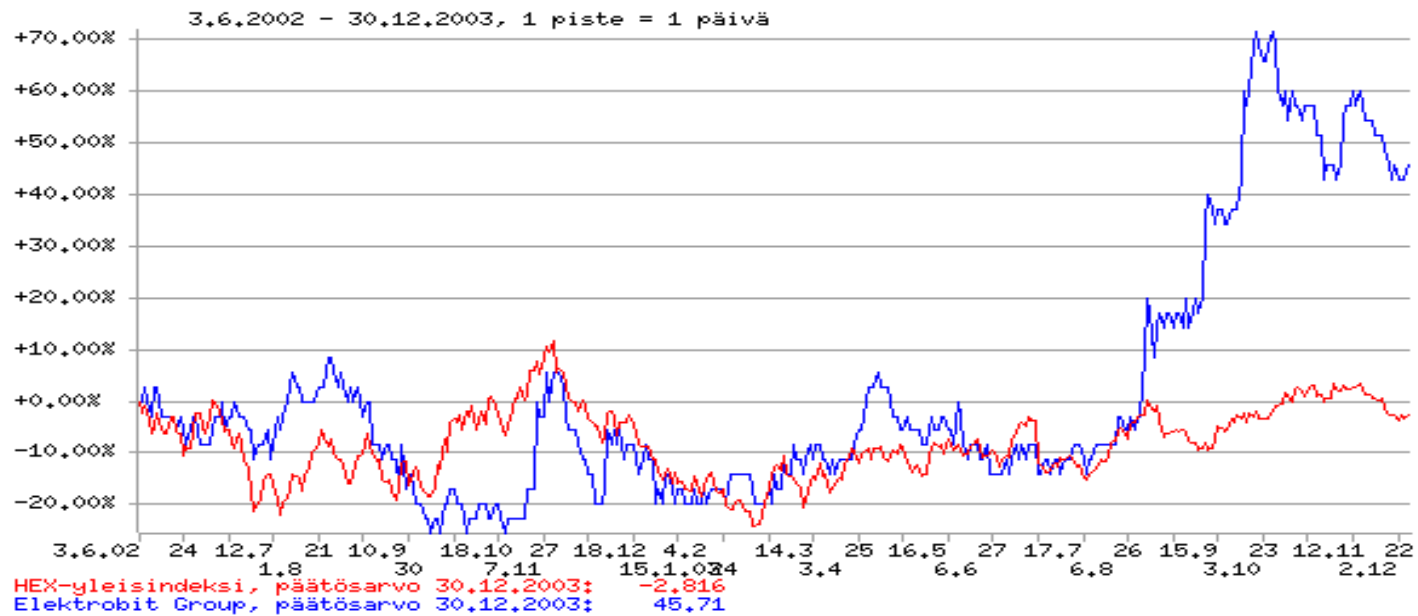


Breakdown of Shareholders by Shareholding December 31, 2003

Breakdown of Shareholders	Number of Shareholders	% of Shareholders	% of Shares and Votes
Private companies and housing associations	1 887	4.3	13.0
Financial institutions and insurance companies	69	0.2	2.4
Public companies and corporations	29	0.1	1.7
Non-profit organizations	134	0.3	0.9
Private investors	41 100	94.7	79.5
Foreign owned	162	0.4	1.7
Administrative registered	9	0.0	0.7
Total	43 390	100.0	100.0



Share Development 3.6.2002 - 30.12.2003



(C) Kaupparehti Online

Turnover January-December 2003

- Number of shares, 1000 pcs 112 720
- MEUR 50.1

Market capitalization December 30, 2003

- MEUR 321.6

Share price (EUR)

- Highest 0.66
- Lowest 0.27

Share capital and shares

- Share capital MEUR 12.6
- Number of shares 630 525 588



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:

January – March	Wednesday May 5, 2004 at 8.00 a.m.
January – June	Wednesday August 4, 2004 at 8.00 a.m.
January – September	Wednesday November 3, 2004 at 8.00 a.m.

The Annual General Shareholders' Meeting

The Annual General Shareholders' Meeting will take place on Friday, March 12, 2004 at 2.00 p.m. in Oulunsalo -talo, Oulunsalo, Finland

Investor Relations

Edvard Krogus, Director, Investor Relations

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



Pro Forma Accounting Policy for The Year 2002

- **The combination agreement was approved on May 31, 2002**
- **The official figures 1-12/2002 included periods as follows:**
 - JOT Automation business segment: January 1, 2002 – December 31, 2002
 - Elektrobit business segment: June 1, 2002 – December 31, 2002
- **The pro forma figures included periods as follows :**
 - January 1, 2001 – December 31, 2001 and
 - January 1, 2002 – December 31, 2002
 - (as the combination would have been effective as of January 1)
- **The advising costs rising from the combination (totaling MEUR 1.8) were taken into account as a deduction from the shareholders' equity**
In the official figures they were included in the income statement
- **In the deferred tax receivables, totaling to 6.5 million euros was taken into account only the taxes paid by the Elektrobit business segment during the financial year, i.e. 4.5 million euros**
The remaining 2.0 million euros was entered directly as an item increasing shareholders' equity
In the official income statement, the entire tax claim of 6.5 million euros was presented as an item improving earnings



Contacts



Elektrobit Group Plc.

PO. BOX 45 90461 (Automaatitie 1) OULUNSALO, Finland

Tel. +358 40 344 2000

Fax +358 8 570 1301

www.elektrobit.com

