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**Elektrobit Today** Technology company Elektrobit's speciality is world-class expertise in embedded software and hardware solutions for selected automotive and wireless environments.



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01

**Elektrobit in 2006** Elektrobit provides in-car software products and R&D services, advanced mobile terminal R&D services and design as well as mobile WiMAX base station modules and R&D services. Elektrobit's product portfolio also covers testing, material handling as well as process automation tools and equipment. Elektrobit is building its success on a combination of three technical core competencies: world's leading know-how of wireless technologies, system architectures and embedded computing.

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# Elektrobit in 2006

## 2006 in Brief

Elektrobit's purpose, vision and strategy were redefined during spring 2006. The new strategy of Elektrobit was formulated as one which focuses on the Wireless Communications Solutions and Automotive Software Business Segments. The Network Test, System Test and Production Solutions Business Units were defined to form the Test and Automation Business Segment and were chosen to be developed separately. It was announced that Elektrobit will be seeking industrial partners to further strengthen the long-term competitiveness of the Test and Automation Business Units, with possibly different long-term solutions for each of them individually.

Considerable investments in automotive software products, in mobile WiMAX products, in smartphone reference design platform components as well as in production partnering capability were made. In the fourth quarter, Elektrobit decided to withdraw from the 3G smartphone ODPM (Original Design with Partnered Manufacturing) business model.

The Network Test business was sold. The net profit of the Network Test business sale was EUR 73.2 million.

According to IFRS5 standard, Elektrobit reports its financial results divided between Discontinued Operations and Continuing Operations. In the Financial Statement 2006, financial figures are reported based on Continuing Operations, without Network Test Business Unit figures. Discontinued Operations, i.e. Network Test business figures, are reported separately in the Financial Statement 2006, after Continuing Operations' net profit.

Net sales and operating profit decreased when compared to 2005. Net sales amounted to EUR 181.5 million (EUR 190.1 million, a decrease of 4.5%) and the operating profit/loss stood at EUR -3.0 million (EUR 17.3 million, a decrease of EUR 20.3 million).

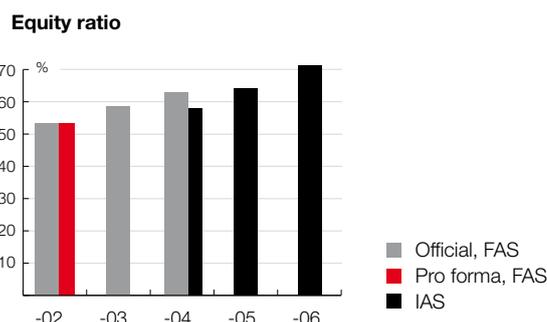
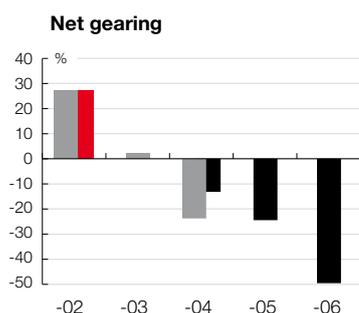
The funding structure continued to be strong. The equity ratio at year-end 2006 was 72.2%. Cash flow from operations stood at EUR -1.4 million.

The share price increased. The closing price of the Elektrobit Group Plc.'s share was EUR 2.06 at the end of 2006. Elektrobit Group Plc.'s share price quoted on the Nordic list of Helsinki Stock Exchange increased by 10.1 per cent during the period under review and the company's market value at the end of 2006 was EUR 266.6 million (EUR 242.0 million).

The Board of Directors of Elektrobit Group Plc. proposes that a dividend of EUR 0.11 per share, for a total of EUR 14.235.395,90 million, shall be paid.

## Consolidated Income Statement (MEUR)

	1-12/2006	1-12/2005
	12 months	12 months
Net sales	181.5	190.1
Operating profit	-3.0	17.3
Financial income and expenses	-0.4	1.1
Profit before tax	-3.4	18.4
Profit for the year from continuing operations	-3.9	13.0
Profit after tax for the year		
from discontinued operations	78.2	5.8
Profit for the year	74.2	18.8
Attributable to		
Equity holders of the parent	73.9	19.0
Minority interest	0.3	-0.1
Earnings per share EUR		
continuing operations	-0.03	0.10
Earnings per share EUR		
discontinued operations	0.60	0.04
Earnings per share EUR		
continuing and discontinued operations	0.57	0.15
Net gearing, %	-49.2	-25.0
Equity ratio, %	72.2	64.2



### Purpose and Vision

In May Elektrobit formulated new Purpose and Vision statements for the company. The long-term business idea - called Mission in the past - is now defined as Purpose.

The Purpose of Elektrobit is to enrich people's lives through innovative technologies, products and solutions.

The Vision of the company is that Elektrobit wants to be a world-leading embedded software and hardware company for selected wireless and automotive environments.

### Strategy and Business Segments

Elektrobit's strategy was redefined during spring 2006. The new strategy of Elektrobit was formulated as one which focuses on the Wireless Communications Solutions and

Automotive Software Business Segments. The former business segment was defined to include R&D services, advanced mobile terminal reference designs and mobile WiMAX radio base station business. The Network Test, System Test and Production Solutions Business Units were defined to form the Test and Automation Business Segment and were chosen to be developed separately. At the same time, it was announced that Elektrobit will be seeking industrial partners to further strengthen the long-term competitiveness of the Test and Automation Business Units, with possibly different long-term solutions for each of them individually.

Elektrobit's reporting was based on the following segments beginning from July 1, 2006:

### Elektrobit's Business Segments



Elektrobit builds its success on a combination of three technical core competencies: world's leading know-how of wireless technologies, system architectures and embedded computing.



# CEO's Review

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In 2006 Elektrobit's net sales of Continuing Operations decreased slightly and operating profit was slightly negative.

The net sales of the Automotive Software Business Segment continued to grow strongly and the operating profit increased as well. The Wireless Communications Solutions Business Segment grew moderately while the operating profit was negative. The Test and Automation Business Segment's net sales and operating profit decreased significantly.

In 2006 Elektrobit launched a new strategy. Our strategy is to focus on high growth businesses in the Automotive and Wireless Communications Segments and further strengthen the businesses under the Test and Automation Business Segment by developing them separately and by seeking long-term industrial arrangements for them.

In line with our new strategy we made several structural changes to our business in 2006. In September we announced the transfer of the Production Solutions Business Unit's production operations from Kuopio to China and Estonia, the closing of the Space business and the acquisition of Ericsson's R&D site in Turku. In November we announced the sales of the Network Test Business Unit to Anite Group Plc. and in December the sale of Product Development sites in Kemi and Ylivieska to Embio.

The company started decisive efforts to strengthen and balance the customer portfolio and to enter new markets and businesses. Compared with 2005, the group's R&D investments increased by some EUR 11.9 million to more than EUR 24.9 million corresponding to 13.7 per cent of the net sales. During 2006, Elektrobit continued to invest in the development of software platform based products in the Automotive Software Business Unit. The company also continued to invest in the development of 3G smartphone ODPM reference design platform until the fourth quarter. A new important investment area in the Radio Network Solutions Business Unit was the development of IP radio infrastructure products spearheaded by mobile WiMAX (IEEE 802.16e) base station modules.

On June 1 we introduced a new organization and operational mode consisting of global business units and global support functions, changing the company from a cluster of independent companies to one globally led operation addressing the global market in all business units and leveraging our global network of resources.



Elektrobit has a very strong balance sheet, giving the company a good position to invest in the chosen focus areas of Automotive Software and Wireless Communications. We are actively looking for acquisitions as one important tool in implementing our new strategy.

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

Since my start as CEO I have had a great opportunity to get to know the competent and committed people of Elektrobit better. Our world class competencies, combined with strong company values and our new strategy, give us a good position to develop the company to its next phase and successes. The year 2006 was one of many changes and I want to thank our people for endurance and commitment in the middle of all the changes.

In 2007 we will continue on our path of implementing the new strategy decisively. We want to grow by becoming a focused global leader with a balanced customer portfolio and scaleable business models.

Pertti Korhonen,  
CEO

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## Personnel

Elektrobit employed 2005 people at the end of 2006. Compared to the previous year the number increased by 372. Most of the growth in personnel came from Germany.

Our personnel have an average age of 34. Product development engineers constitute a significant part of the personnel. Approximately 49.0 per cent of our personnel work for the Wireless Communications Solutions Business Segment, approximately 22.5 per cent work for the Automotive Software Business Segment, approximately 23.3 per cent work for the Test and Automation Business Segment, and approximately 5.1 per cent for the support functions.

In the fall of 2006, Elektrobit bought Ericsson's Product Development Center in Turku. 65 people, mainly software professionals, transferred to Elektrobit.

On November 30, 2006, 39 employees in Finland and 22 employees abroad – mainly in the United States and Asia – transferred from the Network Test Business Unit to Anite Group Plc. as continuing employees in conjunction with the transaction of the aforementioned business unit.

In the end of 2006, Elektrobit sold two of its Finnish offices in Kemi and Ylivieska. After these transactions, approximately one half of Elektrobit's personnel work at eight locations in Finland. All in all, 89.6 per cent of the personnel work in Europe, 3.5 per cent in the Americas and 6.8 per cent in Asia.

In 2006 Elektrobit was ranked the third best large organization in Finland on the Great Place to Work® list. The company also received a special nomination for its HR information systems. Elektrobit was also ranked among the top one-third in the same Great Place to Work® list conducted in Germany.

## Elektrobit Spirit

The Elektrobit Spirit personnel survey is a part of annual planning. The personnel survey communicates the company's values and guiding principles. It comprises four parts, including values, future outlook in Elektrobit, management and supervisor work, as well as an atmosphere survey.

According to both surveys, the Elektrobit Spirit and Great Place to Work®, Elektrobit employees are proud of their work, and committed to performing their work well. A significant part of the personnel also felt that they can be themselves at work and present their own opinions. The results of the Elektrobit Spirit personnel survey will be utilized for internal development.

Elektrobit is also implementing an equality plan. The personnel feel that the company handles issues related to equality well. People are treated equally regardless of their age, origin or gender.

## Management Training and Personnel Development

In 2006 the company organized internationalization training for its management. In addition, the company also launched a new supervisor training program which is held in the form of vocational apprenticeship. Those personnel in charge of operating activities and support functions participated in joint management seminars which dealt with various issues such as the new Elektrobit strategy.

Elektrobit organizes annual development discussions. Their goal is to clarify issues connected to everyone's duties, provide feedback on performance, and to plan personnel development. When the development discussions are over, everyone should have a better view of their role at Elektrobit and how they can help the company achieve its goals.

Starting from 2007, Elektrobit will organize target setting and performance review discussions twice a year. Their purpose is to set clear targets for everyone and measure performance at work in order to help Elektrobit achieve the operational and financial objectives derived from the company strategy.

**Compensation**

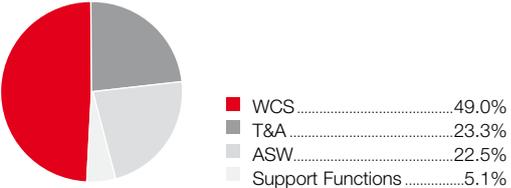
All compensation programs at Elektrobit should be in alignment with the strategy and the key business objectives. The period for short-term incentives is mainly six months.

For long-term incentives Elektrobit implements a profit-related pay scheme as well as an incentive program aimed at long-term shareholding. According to the profit-related pay scheme, a predetermined proportion of the group's result will be paid to the personnel fund as a profit-related payment. The Board of Directors will decide upon the grounds for the profit-related pay scheme annually. At

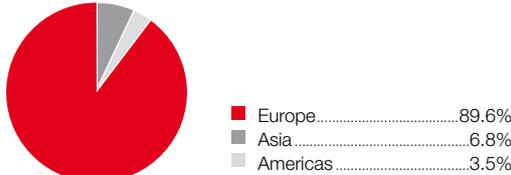
this stage, the members of the fund include the group's personnel working in Finland, but the intention is to extend the fund outside Finland in the future.

The system aimed at long-term shareholding strives to commit the group's management to their employer and it also encourages them to work harder to increase shareholder value. Furthermore, the incentive program joins the objectives of the shareholders and company management, and makes the management long-time shareholders.

**Personnel by Business Segment**



**Personnel by Market Area**





02

## Business Segments and Business Environment

Elektrobot's three Business Segments deliver in-car software products and R&D services, advanced reference design terminals, IP radio base station modules, as well as R&D services and testing, material handling and process automation equipment for the electronics industry and teleoperators.

# Business Segments and Business Environment

Elektrobit's business segments include the Automotive Software Business Segment, the Wireless Communications Business Segment, and the Test and Automation Business Segment.

During the fourth quarter of 2006, Elektrobit sold its Network Test business to Anite Group Plc. According to IFRS5 standard, Elektrobit reports its financial results divided between Discontinued Operations and Continuing Operations.

## Automotive Software

The Automotive Software Business Segment consists of in-car software products and R&D services for the automotive industry, with car equipment (Tier 1) suppliers and leading car manufacturers as well as automotive chip-set suppliers as customers.

### The Automotive Software Business Unit

The Automotive Software Business Unit consists of software products and R&D services for the needs of the automotive industry. The sales of products and associated solutions grew steadily and accounted for approximately 50 per cent of the Automotive Software Business Unit's net sales at the end of 2006. The R&D services business covers in-car infotainment and body control applications.

The products include the Tresos™ product family of HMI (Human Machine Interface) design tools and software components used for the development of electronic control units (ECU) for passenger cars, and StreetDirector, which is a hybrid navigation software for smartphones, Personal Navigation Devices (PND), Personal Digital Assistants (PDA) and in-car navigation.

In August 2006, it was announced that Volkswagen AG, Hella KGaA Hueck & Co., NEC Electronics (Europe) GmbH and Elektrobit's Automotive Software Business Unit had

kicked off a project in which the four partners are working together to develop a fully functional Body Control/Comfort ECU for a Volkswagen series-production vehicle that will be furnished with AUTOSAR (Automotive Open System Architecture) compatible software. Elektrobit's Automotive Software Business Unit is a leading supplier of software products based on the AUTOSAR standard.

Elektrobit navigation software solution has been successfully deployed in MEDION's award winning navigation device, a product shipped in high volumes to stores throughout Europe. The small footprint, user-friendly interface with fast and accurate speech output has been ranked number one by the Auto Motor und Sport magazine in Germany.

Net sales during 2006 amounted to EUR 38.9 million (EUR 27.1 million), which represents a growth of 43.4 per cent and the operating profit was EUR 2.1 million (EUR 1.5 million) which included considerable investments in R&D of Elektrobit's automotive software platform products.

## Wireless Communications Solutions

The Wireless Communications Solutions Business Segment consists of Mobile Terminal Solutions Business Unit, which is responsible for mobile terminal R&D services and design business, and Radio Network Solutions Business Unit, which is responsible for radio network infrastructure-related R&D services and standard-based products that are sold to telecommunications OEM vendors. Under Wireless Communications Solutions' other businesses, Elektrobit for example introduced in November a line of RFID (Radio Frequency Identification) products.

The net sales of the Wireless Communications Solutions Business Segment from January to December 2006 amounted to EUR 66.2 million (EUR 63.1 million) and the operating loss was EUR -9.2 million (EUR -0.6 million). The decline in the profitability was due to the significantly



**The Automotive Software Business Segment** delivers in-car software products and R&D services.

higher investments in product development and creation of manufacturing partnering capabilities, compared to the same period in 2005. This includes EUR 2.1 million of extraordinary expenses due to withdrawal from supplying 3G smartphones using the ODPM business model.

#### **The Mobile Terminals Solutions Business Unit**

The Mobile Terminal Solutions Business Unit consists of products and R&D services for mobile terminals, security, defense, industry and other applications.

During 2006 Elektrobit continued to invest in the development of 3G smartphone ODPM reference design platform until the fourth quarter. During the fourth quarter, the Mobile Terminal Solutions Business Unit returned the project portfolio towards less risky business models. The product development time schedules involving various horizontal component providers became too tight to guarantee successful timely introduction of an entirely new 3G Symbian S60 smartphone to the market with an adequate feature set. Therefore, Elektrobit decided to withdraw from a prospective customer project covered by the earlier Memorandum of Understanding announcement and abandon the ODPM business model in this category. The decision was based on continuously increased risk levels that were monitored regularly throughout the development program that was launched in 2005 and reinforced in summer 2006.

In September 2006, Elektrobit divested its Space Business, a part of the Mobile Terminal Solutions Business Unit, by selling it to SF-Design Oy.

#### **The Radio Network Solutions Business Unit**

Radio Network Solutions Business Unit provides radio network infrastructure-related R&D services and develops standard-based products sold to telecommunications OEM (Original Equipment Manufacturing) vendors. A new

important investment area for Elektrobit under this business unit is the development of mobile WiMAX (IEEE 802.16e) ODPM base station modules.

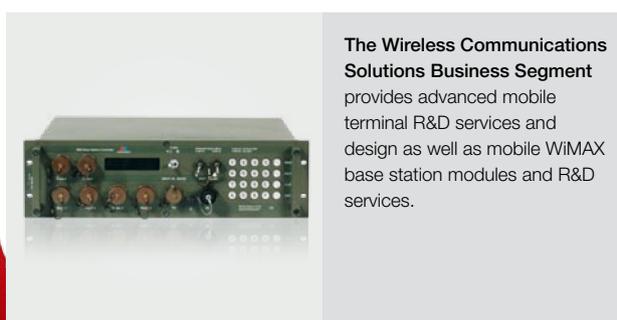
The first Memorandum of Understanding for the supply of mobile WiMAX standard-based module products was signed in July. The actual contract based on the Memorandum of Understanding has been signed.

Elektrobit and Oy L M Ericsson Ab signed an agreement in September to transfer Ericsson's Product Development Center in Turku to Elektrobit on October 1, 2006. As a result, 65 Ericsson employees, mainly software professionals, became employees of Elektrobit. The agreement strengthened the operation of the Radio Network Solutions Business Unit by increasing its competence base in larger-scale telecommunications software systems.

In December, Elektrobit introduced the availability of a suite of mobile WiMAX modules covering both radio and baseband parts. These ODPM products will shorten the time-to-market of new mobile WiMAX base stations and products. The products are targeted at telecommunications OEM vendors.

Elektrobit announced also the availability of CPRI (Common Public Radio Interface) IP Design Blocks in December. The earlier introduced OBSAI (Open Base Station Architecture Initiative) design blocks and CPRI block technologies are aimed for telecommunications OEMs and component vendors who produce OBSAI and CPRI compliant base stations or components. OBSAI and CPRI interfaces provide standard interface and interoperability between units from different vendors. The IP blocks are available for mobile WiMAX and WCDMA technologies.

In December, Elektrobit and Embio signed an agreement according to which Elektrobit's sites in Kemi and Ylivieska



**The Wireless Communications Solutions Business Segment** provides advanced mobile terminal R&D services and design as well as mobile WiMAX base station modules and R&D services.

were transferred to Embio in December. In this context, 42 employees were transferred to Embio with corresponding terms of employment. The activities in Kemi and Ylivieska were a part of the Radio Network Solutions Business Unit. With the transaction the business unit will focus its operations in the larger, already existing sites.

### Test and Automation

The products and solutions of the Test and Automation Business Segment include products for system testing, production testing and automation that are sold to the manufacturers of mobile terminals and networks, network operators, chip-set providers, electronics contract manufacturers and research organisations.

The Test and Automation Business Segment consisted of three business units: Network Test, System Test and Production Solutions until the end of November 2006. Elektrobit decided in spring 2006 to develop each of these businesses separately and continues to make efforts to ensure their performance according to the objectives. At the same time, Elektrobit is seeking industrial partners to further strengthen their long-term competitiveness.

In November, the Network Test business was sold to Anite Group Plc. The solution also further strengthens Elektrobit's strong balance sheet and gives a good position from which to invest in the core businesses.

In order to improve its cost performance, Elektrobit decided to transfer the manufacturing of production automation equipment from Kuopio to China and Estonia and focus the product development of the System Test Business Unit in the Oulu area. In September, as a result of personnel negotiations, a total of 30 people were laid off from the Production Solutions and System Test Business Units.

The net sales of the Test and Automation Business Segment amounted to EUR 76.2 million (EUR 99.6 million), and its operating profit stood at EUR 4.0 million (EUR 16.5 million). The decline was mainly due to reduced sales and profitability of the production testing products due to low seasonal deliveries of production automation projects in the first quarter, reduced mobile phone test equipment sales and intensified competition resulting to strong price erosion.

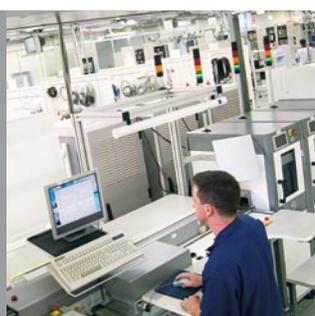
### The System Test Business Unit

The products of the System Test Business Unit mostly consist of radio channel emulators and measurement instruments (the Prosim and Propsound products) sold to chip-set manufacturers, equipment suppliers, wireless operators and military communications companies. The System Test Business Unit benefited from the MIMO development programs of chip-set and equipment manufacturers for both cellular and non-cellular applications. The operator market segment for the Prosim radio channel emulator products continued to develop through new deliveries for pre-deployment tests of radio networks.

R&D investments expanding the application domain and the product portfolio of the Prosim radio channel emulator product family continued in 2006. The OBSAI cellular base stations tester was launched, and the first tester orders were received. The terminal pre-conformance test software product achieved the pilot use phase. As a result of active participation in standardization work, the radio channel model contributed by Elektrobit was included in the 3GPP LTE standard.

### The Production Solutions Business Unit

The products and solutions of the Production Solutions Business Unit are mainly sold to the mobile terminal, mobile infrastructure and electronics contract manufacturers.



**The Test and Automation Business Segment's** product portfolio covers testing, material handling as well as process automation tools and equipment.

The production solutions consist of production testing equipment for the different stages of manufacturing, as well as automation equipment for processing electronic products on production lines. The product range also covers final assembly systems for mobile terminals.

The volume deliveries of the high-speed printed circuit board separation machine were launched during the second half of the year. Product development activities were further focused on improving price competitiveness and, in part, updating the product portfolio for back-end automation. The transfer of material handling equipment production to China was finalized during the third quarter. In addition, negotiations to transfer production from Kuopio to China and Estonia were concluded.

**Business Environment**

It is expected that the percentage of electronics and software in cars, as well as the use of wireless technologies and the number of infotainment applications, will continue to grow. For reference, the market for automotive software solutions is estimated to have grown in 2006 by more than 15 per cent (Mercer study 2005, The Impact of AUTOSAR on the Auto Software and Tools Market). An additional growth factor for the Automotive Software Business Segment is the growth in the Personal Navigation Device (PND) market, in which the number of Mobile GPS navigation solutions is expected to grow with more than 62 per cent of CAGR during 2005-2009 (Canalys).

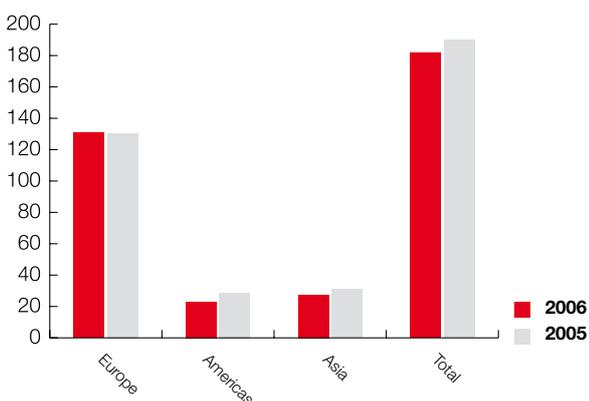
The delivery volume of mobile devices increased in 2006 to over one billion units (Strategy Analytics). Deliveries of smartphones were estimated to grow over 65 per cent in 2006 when compared to 2005 (Gartner). Going forward, the share of the smartphones is expected to continue to grow also in 2007 (Gartner), yielding a growing market for advanced R&D services.

The growth in the wireless network equipment market was moderate in 2006. Operators are expected to continue investing in network capacity and in new cellular network technologies (WCDMA, HSDPA). The wireless IP based mobile WiMAX equipment market is expected to start in the end of 2007, major operators and OEMs (Original Equipment Manufacturers) having their mobile WiMAX implementations planned for late 2007 and 2008.

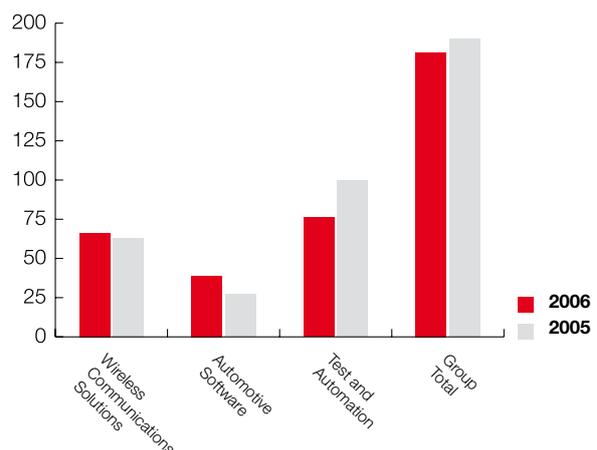
The system test market is predicted to expand moderately in 2007, as development of new cellular technologies, enhancements to existing technologies (HSDPA, HSUPA, 3GPP LTE, MIMO) and new non-cellular technologies (mobile WiMAX, WIBRO) are generating demand for test system replacements and for new test systems.

The need for production automation solutions is still growing due to the high delivery volumes of mobile devices, but this is offset by price erosion in the market. Delivery lead times in production-related test and automation markets are expected to shorten and cost efficiency is expected to continue to be an essential competitive factor.

**Net sales geographically (MEUR)  
Continuing Operations**



**Net sales and operating profit by business segment, external (MEUR), Continuing Operations**



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# 03

**Corporate Governance** The Board of Directors is responsible for the company's governance and appropriate organization of the operations. The CEO is in charge of operative management and the implementation of decisions made by the Board of Directors. The Group Executive Board supports the CEO in his tasks.

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# Corporate Governance

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## Governing Bodies

The governance of the company is determined by the company's Articles of Association, the laws of Finland (such as the Finnish Companies Act and Securities Market Act) and the company's Corporate Governance Statement, which follows to the extent applicable the Corporate Governance Recommendation for Listed Companies issued by Helsinki Stock Exchange.

The statutory governing bodies of the company are the Shareholders meeting, Board of Directors, CEO and the Auditor. Other governing bodies, such as the Group Executive Board, have a supporting role.

## Shareholders Meeting

The 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 is responsible for the company's governance and proper organization of the operations. The Board of Directors comprises three to seven (3–7) members and in addition it may have one to three (1–3) deputy members. According to the company's policy the majority of all Directors shall be independent of the company. In addition, at least two of the Directors representing this majority shall be independent of significant shareholders of the company. Currently, three out of six members of the Board are considered independent as provided above.

The Annual General Meeting of Shareholders shall elect the members of the Board of Directors for a 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 Board of Directors shall implement the decisions of the Shareholders Meeting. Furthermore, the Board of Directors supervises the operations and management and makes decisions on the company's guiding principles for operation, strategy and budget. The Board of Directors 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 CEO and possible Deputy for him or her as well as approves the company's organization structure.

There are no separate Board committees in the company as the number of members of the Board supports effective working in the Board without dividing liability. The Board has defined a working order and evaluates its performance annually. The Board of Directors convenes once a month.

In 2006 the Board of Directors had five members until the Annual General Meeting on March 15, 2006 from which point it had six members. The Chairman of the Board has been elected as a semi-executive as of March 15, 2006. The Board convened 20 times and the members of the Board attended 100 per cent of the meetings.

# The Board of Directors

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## **J.T. BERGQVIST** / Chairman of the Board since 2006

Born 1957, Dr.Tech. Member of the Nokia Group Executive Board 2002–2005, Executive Vice President and General Manager of Nokia Networks' Global Business Units 2003-2004 and Nokia Networks' IP Mobility Networks 2000-2003, various managerial duties at Nokia Group 1983-2000. Chairman of the Board of Norvestia Oyj since 2006, member of the same board since 2003. Member of the board in various organizations, e.g. Kaupthing Bank Oyj since 2005, Ascom AG since 2005. Holds 550 000 Elektrobitt Group Plc. shares.

## **JUKKA HARJU** / Board member since 2006

Born 1956, MSc (Eng), MSc (Econ) Partner of Boier Capital Ltd since 2007, Chief Operating Officer of Elektrobitt Group Plc. 2005–2006 and Executive Vice President, Business Development 2000–2004, Managing Director of Tellabs Ltd 1994–1999. Vice President, Microwave Radios of Nokia Telecommunications Ltd 1990-1994 and other duties in the same organization 1981–1990. Member of the board of Efore Plc since 2007. Holds 7 642 730 Elektrobitt Group Plc. shares.

## **JUHA HULKKO** / Board member since 2006

Born 1954, M.Sc. (Engineering), eMBA. One of the founders of Elektrobitt Ltd in 1985. CEO of Elektrobitt Ltd 1985–1995. Chairman of the Board of Elektrobitt Ltd 1995–2002. Chairman of the Board of Elektrobitt Group Plc. 2002–2005. CEO of Elektrobitt Group Plc. 2005–2006. Board member of Kaleva Kustannus Oy. Holds 27 564 097 Elektrobitt Group Plc. shares.

## **MATTI LAINEMA** / Board member since 2003

Born 1939, D.Sc. (Econ.) Chairman of the Board: Axel Technologies Oy since 2004, Chat Republic Games Oy since 2006, Virvo Oy since 2004. Member of the board in various organizations, e.g. AW- Energy Oy, Kohdematkat Kaleva since 2002, John Nurminen Oy since 1989, Reka Oy since 1995, Ruukki Group Plc since 2006 and Meconet Oy since 2003. Holds 14 000 Elektrobitt Group Plc. shares.

## **JUHA SIPILÄ** / Board member since 2005

Born 1961, MSc (Eng) CEO of Elektrobitt Group Plc. 2002–2005. CEO of Fortel Invest Oy 1998–2002, CEO of ADC Solitra Oy 1992–1997, and Senior Vice President 1989–1992. Member of the board of Genelec Oy, Tekniseri Oy and Ultracom Oy, among others. Holds 7 480 444 Elektrobitt Group Plc. shares \*.

## **TAPIO TAMMI** / Board Member since 2000

Born 1945, MSc (Eng) CEO of Gamga Oy since 1999, CEO of Polar Electro Oy 1985–1999 and Development Director 1983–1985. Chairman of the Board of Onlife Oy, Oulu Wellness Institute Foundation, and Green Rock Oy, and Member of the board of Oy Prowellness Ltd, Rokuan Kuntoutus Oy and Sinisalo Oy. Holds 4 140 Elektrobitt Group Plc. shares.

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



The Board of Directors from Left to Right: Matti Lainema, Juha Sipilä, J.T. Bergqvist, Tapio Tammi, Juha Hulkko, Jukka Harju.

### Chief Executive Officer (CEO)

The CEO is in charge of the operative management of the company in accordance with the instructions and orders given by the Board of Directors. The CEO is responsible for the preparation of the Board meetings and implementation of any decisions made therein. Further, the CEO 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. The CEO prepares strategy, long-term planning, investments, mergers and acquisitions, financing and makes decisions thereof to the extent that such decisions are not tasks of the Board of the Directors. The CEO is responsible for financial planning, the company's communications and investor relations.

### Group Executive Board

The Group Executive Board supports the CEO in his tasks. The CEO acts as the Chairman to the Group Executive Board. In addition to the CEO, members of the Group Executive Board include heads of the business units (Automotive Software, Mobile Terminal Solutions, Radio Network Solutions, Production Solutions and System Test Business Units); head of Human Resources, Chief Technology Officer; Chief Financial Officer and Chief Legal Officer. The Group Executive Board supports the CEO in operative management and implementation and follow-up in the CEO's competence area. The Group Executive Board convenes once a month.

### The Remuneration of the Board of Directors and CEO

The Annual General Shareholders Meeting decides the remuneration of the Board. As a rule, there has not been a separate remuneration for executive members of the Board of Directors. For non-executive members of the Board the remuneration has been EUR 1.700 per month as of December 1, 2000 and for non-executive Chairman of the Board EUR 2.500 per month as of March 17, 2005. The Annual General Meeting on March 15, 2006 decided that the remuneration for a semi-executive Chairman of the Board shall be EUR 12.500 per month. Traveling expenses will be remunerated in accordance with the traveling policy of the company.

### Board Remuneration

EUR	Chairman	Board members
2004	-	61.200
2005	23.571*	61.200
2006	125.640**	85.995

\* Includes remuneration for non-executive Chairman Juha Sipilä as of March 17, 2005.

\*\* Includes remuneration for non-executive Chairman Juha Sipilä between January 1, 2006-March 14, 2006 and remuneration for semi-executive Chairman J.T. Bergqvist as of March 15, 2006.

The Board of Directors defines and approves the essential terms of the service of the CEO, including the CEO's remuneration, in a form of a written agreement.

### CEO's Remuneration

EUR	
2004	118.500
2005	144.393*
2006	269.505**

\* Includes remuneration for Juha Sipilä between January 1-March 17, 2005 and remuneration for Juha Hulkko as of March 17, 2005.

\*\* Includes remuneration for Juha Hulkko between January 1-May 31, 2006 and remuneration for Pertti Korhonen as of June 1, 2006.

In 2006 the Chairman of the Board and the CEO were awarded with the company's stock options aimed at encouraging long-term equity commitment. The Chairman of the Board was awarded with 750.000 and the CEO with 1.000.000 stock options, all marked with the symbol 2006A. According to the option terms, the 2006A stock options were granted on the condition that recipients of the options shall purchase the amount, determined at the Annual General Meeting held on March 15, 2006, of the company's shares either directly or through companies under their control (Chairman of the Board at least 75.000 shares and CEO at least 100.000 shares).

### Board and CEO's interests as of December 31, 2006

	shares	stock options
J.T Bergqvist, Chairman of the Board	550.000	750.000
Jukka Harju, Member of the Board	7.642.730	-
Juha Hulkko, member of the Board	27.564.097	-
Matti Lainema, member of the Board	14.000	-
Juha Sipilä, member of the Board	7.480.444	-
Tapio Tammi, member of the Board	4.140	-
Pertti Korhonen, CEO	200.000	1.000.000

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### **Insider Guidelines**

The company complies with the Guidelines for Insiders prepared by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries. The company has supplemented these Guidelines with its own Internal Insider Guidelines.

The company's public insider register is available and maintained by the Finnish Central Securities Depository. The public insiders include the members of the Board, the CEO and the auditors. The Board has decided that other public insiders shall be the members of the Group Executive Board.

The persons to be included in a company-specific insider register are approved by the Chief Legal Officer. The company-specific register it is not public. Company-specific insiders are for example nominated persons in legal, financial, accounting and investor relations functions.

Project-specific insiders include persons who participate from time to time in such projects, which when realised are likely to have an influence on the value of the company's securities. Separate project-specific insider registers are maintained when needed by the Chief Legal Officer or his or her deputy.

During the two weeks prior to the date when the results of a reporting period are announced the permanent insiders are not entitled to trade with the company's securities.

### **Financial Information**

The company prepares and publishes its financial statement and interim reports in accordance with the International Financial Reporting Standards (IFRS/IAS) as of the beginning of 2005.

The company has one auditor approved by the Central Chamber of Commerce and if such auditor is not an auditing entity defined by the law, one deputy auditor shall be elected. Fees paid to the company's auditor and companies belonging to the same chain totaled approximately EUR 259.000 in 2006 (about EUR 184.000 in 2005). Fees for non-audit services paid to the company auditor and companies belonging to the same chain amounted to EUR 368.000 (about EUR 116.000 in 2005). Other services consisted mainly of tax consultation and services related to the mergers and acquisitions.



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# 04

**Shareholders** The shares of Elektrobit Group Plc. are quoted on the Nordic list of the Helsinki Stock Exchange. At the end of 2006, Elektrobit Group Plc. had 32,728 shareholders. Press releases, reports, earnings estimates and other investor material can be found at [www.elektrobit.com](http://www.elektrobit.com).

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# Shareholders

## Shares and Shareholders

The shares of Elektrobitt Group Plc. are quoted on the Nordic list of the Helsinki Stock Exchange. The Group has one series of shares. All the shares entitle their holders 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 Elektrobitt Group Plc.'s articles of association the minimum share capital is EUR 2 million and the maximum share capital is EUR 20 million. 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 EUR 12.941.269,00 and the total number of the shares was 129.412.690. The accounting per value of the company's share is EUR 0.10. The company is not in the possession of its own shares.

## Share Prices and Trading Volumes

The closing price of the Elektrobitt Group Plc.'s share was EUR 2.06 in 2006; the share reached a high of EUR 2.56 and a low of EUR 1.82. During the year, a total of 33.2 million shares with a value of EUR 72.4 million changed hands. This is 25.7 per cent of the share capital. Elektrobitt Group Plc.'s market capitalization at the end of 2006 was EUR 266.6 million.

## Dividend Policy

Elektrobitt 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 Elektrobitt Group Plc. proposes that a dividend of EUR 0.11/ share, a total of EUR 14.235.395,90 shall be paid.

## Trading codes

Elektrobitt Group Plc.'s has been listed on the Helsinki Stock Exchange since 1998. Trading codes are:

HSE..... EBG1V  
 Reuters ..... EBG1V.HE  
 Bloomberg..... EBG1VFH

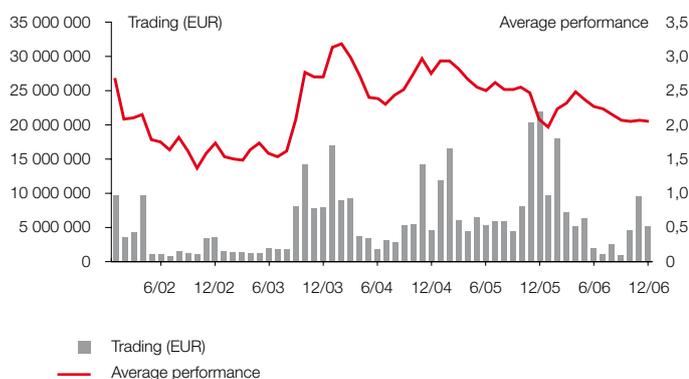
## Shareholders

At the end of 2006, Elektrobitt Group Plc. had 32,728 shareholders. The ten largest shareholders owned 61.3 per cent of the shares. Private ownership was 75.6 per cent. The percentage of foreign and nominee-registered shareholders was 4.05 per cent at the end of 2006.

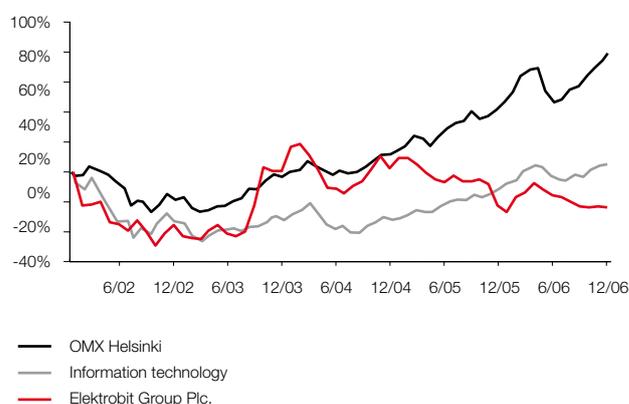
## Shareholding of the Board of Directors and CEO

Shareholding of the Board of Directors, CEO and the companies controlled by them was 33.6 per cent, corresponding to 43,455,411 shares.

Trading and average performance 2002-2006



Share performance in Helsinki Stock Exchange 2002-2006



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## Information for Shareholders

### Financial Reports 2007

Elektrobit Group Plc. reports its financial development quarterly. In 2007 Elektrobit will publish financial reports as follows:

February 7 ..... Financial Statements Bulletin 2006  
May 9 ..... Interim Report, January-March  
August 2 ..... Interim Report, January-June  
November 7 ..... Interim Report, January-September

The financial reports will be published simultaneously in Finnish and in English at 8:00 a.m. (EET) on Elektrobit's Web pages at [www.elektrobit.com/investors](http://www.elektrobit.com/investors). The company holds press and telephone conferences regarding the reports on a date to be specified later.

### Silent Period

Elektrobit Group Plc. will observe a Silent Period prior to announcing its results. The Silent Periods in 2007 are as follows:

January 17–February 7, 2007  
April 18–May 9, 2007  
July 12–August 2, 2007  
October 17–November 7, 2007

### Elektrobit Group Plc.'s Annual General Shareholders Meeting

Elektrobit Group Plc.'s shareholders are invited to the Annual General Shareholders Meeting to be held on Wednesday, March 14, 2007, at 1.00 p.m. (EET) at Oulunsalo House, Mäntypellonpolku 10, Oulunsalo, Finland. A shareholder has the right to attend the Annual General Shareholders Meeting if he/she has been registered as a shareholder in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd. as of March 4, 2007 and has signed in for the meeting the latest on Friday, March 9, 2007 at 4.15 p.m. (EET) in the manner described below.

A shareholder must register for the Annual General Meeting at the latest on Friday, 9 March 2007 at 4.15 p.m. (EET) as follows:

- by phone +358 40 344 3322
- by fax +358 8 570 1304
- by e-mail [yhtiokokous@elektrobit.com](mailto:yhtiokokous@elektrobit.com) or
- by mail Elektrobit Group Oyj, Yhtiökokous, PL 45, 90461 Oulunsalo.

If the Annual General Meeting is attended by proxy, the Power of Attorney is requested to be delivered at the latest on Friday, 9 March 2007 at 4.15 p.m. (EET) to the above postal address.

The Board of Directors has decided to propose to the Annual General Shareholders Meeting that a dividend of EUR 0.11 per share be distributed for the year 2006. The dividend will be paid to those shareholders who are recorded in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. as of March 19, 2007, which is the record date for the dividend. The Board of Directors proposes to the Annual General Shareholders Meeting that the dividend be paid on Wednesday, March 26, 2007.

Press releases, reports, earnings estimates, share price ticker, contact details of analysts and other current investor material can be found on the company's Web pages on [www.elektrobit.com](http://www.elektrobit.com). An e-mail-based subscription service for press releases and publications can be found from our Web pages as well.

### Subscription for Press Releases and Publications

Elektrobit Group Plc.  
Corporate Communications  
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Fax +358 8 570 1304  
[investor.relations@elektrobit.com](mailto:investor.relations@elektrobit.com)

Ms. Hanna Ryyänen  
Communications Coordinator

### Investor Relations

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