



Report by the Board of Directors
and Financial Statements 2007

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Report by the Board of Directors

Summary

STRONG GROWTH IN FOCUS BUSINESSES

The company's net sales amounted to EUR 144.3 million in 2007 (EUR 120.5 million in 2006), indicating a growth of 19.8 per cent. The operating loss, including the aforementioned non-recurring net income of approximately EUR 1.5 million, was EUR -20.3 million (EUR -6.0 million in 2006).

The net sales of the Automotive Business Segment continued to grow strongly. The net sales amounted to EUR 52.6 million (EUR 38.9 million in 2006), representing a growth of 35.3 per cent. The operating profit was EUR 0.7 million (EUR 2.1 million in 2006) reflecting the increased investments in the R&D of EB's automotive software platform products, in accordance with the strategy.

The net sales of the Wireless Business Segment amounted to EUR 90.9 million (EUR 81.4 million in 2006), representing a growth of 11.7 per cent, and the operating loss was EUR -22.8 million (EUR -8.3 million in 2006) reflecting the significant investments in the R&D of mobile WiMAX base station module products and RFID reader systems and the profitability challenges of R&D services in the first half of 2007.

STRATEGY IMPLEMENTATION

During 2007, EB continued to follow the strategic path as defined in the spring 2006. EB has focused its business operations and concentrates on growth businesses in the Automotive and selected Wireless Business Segments.

EB balanced its customer portfolio during 2007 by entering new markets and acquiring new customers. In the end of the reporting period, none of the customer shares exceeded 11 per cent of the net sales and, in addition, the compound share of the ten biggest customers was 56 per cent.

EB continued significant investments in research and product development in order to develop new businesses in line with the strategy.

In June, EB reduced the number of business segments into two, namely "Automotive" and "Wireless". The Production Solutions business was sold, the former System Test Business Unit was refocused on advanced wireless engineering tools, renamed as the Wireless Communications Tools Business Unit and transferred under the Wireless Business Segment.

Further in June, The Wireless Sensor Solutions Business Unit focusing on RFID reader systems and related industrial wireless network solutions was established under the Wireless Business Segment.

To fortify its automotive offering, EB acquired DECOMSYS Beteiligungs GmbH, a specialist in FlexRay, the new high performance network communications protocol standard for automotive electronics. Additionally, the new Wireless Sensor Solutions Business Unit was strengthened by the purchase of 7iD Technologies GmbH. EB continues to search acquisition opportunities to strengthen the business growth.

EB continued the actions to render the company cost structure to correspond to the new focused business setup. The aim was to increase the productivity and improve the fixed cost efficiency of such operational activities as facilities, sourcing, logistics, information management, and administration.

In December, EB sold the properties located at Tutkijantie in Oulu to Foriva Oy with the cash and debt free purchase price of approximately EUR 16.4 million. EB also re-assessed the value of the remaining property in Oulunsalo and, as a result, executed a non-recurring write-off of approximately EUR 4 million. At the same time, the group's operations related goodwill valuations were re-assessed and a write-off of approximately EUR 1 million concerning certain non-core operations has been made thereof. The property sales transaction and conducted write-offs lead to non-recurring net income of approximately EUR 1.5 million for the fourth quarter of 2007.

EB also outsourced the Radio Network Solutions Business Unit's R&D and testing activities in Tampere and Espoo to Embio Oy.

According to the IFRS5 standard, EB reports its financial results divided between Discontinued and Continuing Operations. In this Financial Statement, financial figures concerning the income statement of 2006 and 2007 are reported based on Continuing Operations, without the Network Test (sold in November 2006) and Production Solutions business figures. Discontinued business figures are reported separately after Continuing Operations' net profit as long as they have been part of the business portfolio. In addition to the sales price of the Network Test business, an additional amount, capped at EUR 12 million, is payable in cash to EB upon the achievement of certain financial performance targets for the Network Test Business between January 1 and December 31, 2007. According to the information given by the buyer of the Network Test business, there is only a small or no additional amount payable for the time period between January 1 and December 31, 2007. The final determination on the possible additional amount will take place during March 2008. Regarding the sales price of the Production Solutions business, there is an additional purchase price component that will depend on the financial performance of 2007 and 2008. According to the initial information given by the buyer no additional payment for 2007 is foreseeable.

Consolidated Income Statement (MEUR)

	1-12/2007 12 months	1-12/2006 12 months
Continuing Operations		
Net sales	144.3	120.5
Operating profit (loss)	-20.3	-6.0
Financial income and expenses	0.3	0.0
Profit before tax	-20.0	-6.1
Profit for the year from continuing operations	-20.0	-6.1
Profit after tax for the year from discontinued operations	13.1	80.3
Profit for the year	-6.9	74.2
Attributable to		
Equity holders of the parent	-6.9	73.9
Minority interest	0.0	0.3
Earnings per share EUR continuing operations	-0.15	-0.05
Earnings per share EUR discontinued operations	0.10	0.62
Earnings per share EUR continuing and discontinued operations	-0.05	0.57
Net gearing, %	-24.0	-49.2
Equity ratio, %	70.9	72.2

Comparisons between the Continuing Operations figures from January to December 2007 and the figures for the corresponding period in 2006:

- Net sales amounted to EUR 144.3 million (EUR 120.5 million, an increase of EUR 23.8 million or 19.8%). The net sales of the Automotive Business Segment were EUR 52.6 million (EUR 38.9 million, an increase of EUR 13.7 million or 35.3%) and the net sales of Wireless Business Segment were EUR 90.9 million (EUR 81.4 million, an increase of EUR 9.5 million or 11.7%).
- Operating loss was EUR -20.3 million (EUR -6.0 million, a decrease of EUR 14.2 million) and it was distributed as follows: the Automotive Business Segment EUR 0.7 million (EUR 2.1 million), the Wireless Business Segment EUR -22.8 million (EUR -8.3 million, a decrease of EUR 14.5 million) and other businesses a profit of EUR 1.8 million (EUR 0.1 million).
- Cash flow from operations amounted to EUR -27,1 million (EUR -1,4 million).
- Equity ratio was 70.9% (72.2%).

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Quarterly Figures, Continuing Operations

The quarterly distribution of the Group's Continuing Operations overall net sales and profit, MEUR:

	10-12/07	7-9/07	4-6/07	1-3/07	10-12/06
Net sales	44.6	35.3	33.5	31.0	33.3
Operating profit (loss)	-2.4	-4.0	-6.6	-7.2	-5.3
Result before taxes	-3.3	-4.0	-6.3	-6.4	-4.9
Result for the period	-3.3	-4.0	-6.4	-6.3	-4.6

The distribution of the Continuing Operations net sales by Business Segment, MEUR:

	10-12/07	7-9/07	4-6/07	1-3/07	10-12/06
Automotive	16.2	14.5	11.2	10.6	11.3
Wireless	28.2	20.4	22.2	20.1	22.0
Corporation Total	44.6	35.3	33.5	31.0	33.3

The distribution of the Continuing Operations net sales by market area, MEUR (%):

	10-12/07	7-9/07	4-6/07	1-3/07	10-12/06
Asia	2.0 (4.5%)	4.4 (12.5%)	0.6 (1.7%)	2.5 (8.0%)	1.9 (5.7%)
Americas	14.5 (32.5%)	7.4 (20.9%)	7.3 (21.7%)	4.1 (13.4%)	4.2 (12.5%)
Europe	28.1 (63.0%)	23.5 (66.5%)	25.7 (76.6%)	24.3 (78.6%)	27.3 (81.8%)

Net sales (external) and operating profit development by Business Segments and Other businesses of the Continuing Operations were as follows, MEUR:

	10-12/07	7-9/07	4-6/07	1-3/07	10-12/06
Automotive					
Net sales	16.2	14.5	11.2	10.6	11.3
Operating profit (loss)	1.0	0.5	-0.2	-0.6	0.9
Wireless					
Net sales	28.2	20.4	22.2	20.1	22.0
Operating profit (loss)	-4.1	-5.2	-7.1	-6.4	-6.2
Other businesses					
Net sales	0.1	0.3	0.1	0.3	0.1
Operating profit (loss)	0.7	0.7	0.7	-0.2	0.0
Total					
Net sales	44.6	35.3	33.5	31.0	33.3
Operating profit (loss)	-2.4	-4.0	-6.6	-7.2	-5.3

Quarterly figures, Discontinued Operations

Discontinued Operations (Production Solutions in 2006 and 2007 and Network Test in 2006) figures were as follows, MEUR:

	10-12/07	7-9/07	4-6/07	1-3/07	10-12/06
Operative business	No operations	No operations			
Net sales	0.0		6.7	8.6	15.9
Operating profit (loss)	-0.0		-1.6	-1.6	0.9
Result before taxes	-0.0		-1.7	-1.7	0.7
Income tax			-0.1	-0.1	-0.3
Result for the period	-0.0		-1.8	-1.8	0.4
Disposal gain					
Profit of the Discontinued Operations	0.3		16.7		73.7
Income tax	0.1		-0.4		-0.5
Profit after taxes of the Discontinued Operations	0.4		16.4		73.2
Result for the period	0.4	No operations	14.5	-1.8	73.7

Business Segments and Business Units

EB's reporting as from April 1, 2007 is based on the Automotive and Wireless Business Segments and business units divided under them as follows:

AUTOMOTIVE BUSINESS SEGMENT

Automotive Software
Business Unit

WIRELESS BUSINESS SEGMENT

Mobile Terminal Solutions
Business Unit

Radio Network Solutions
Business Unit

Wireless Communications Tools
Business Unit

Wireless Sensor Solutions
Business Unit

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Automotive Business Segment from January to December 2007

The Automotive Business Segment consists of in-car software products, navigation software for after market devices (personal navigation devices), and R&D services for the automotive industry with leading car manufacturers, car electronics (Tier 1) and automotive chipset suppliers as customers.

During 2007, the Automotive Business Segment continued to grow confirming the potential of this market. The net sales amounted to EUR 52.6 million (EUR 38.9 million in 2006), which represents a strong year-on-year growth of 35.3 per cent, and the operating profit was EUR 0.7 million (EUR 2.1 million) reflecting the increased investments in the R&D of EB's automotive software platform products in accordance with the strategy.

AUTOMOTIVE SOFTWARE BUSINESS UNIT FROM JANUARY TO DECEMBER 2007

The sales of the Automotive Software Business Unit's products and associated solutions have grown strongly and EB aims to continue to increase the share of automotive software products and services in the company's net sales.

The Automotive Software Business Unit's products include:

- EB street director, which is a navigation software for in-car navigation, Personal Navigation Devices (PND), Personal Digital Assistants (PDA) and smartphones,
- EB GUIDE product family of HMI (Human Machine Interface) design tools,
- EB tresos® ECU AUTOSAR (Automotive Open System Architecture) software components used for the development of electronic control units (ECU) for cars, and
- high performance network communications protocol standards and solutions for automotive electronics including FlexRay™, CAN (Controller Area Network) and LIN (Local Interconnect Network) solutions.

The R&D services business of the Automotive Software Business Unit covers in-car infotainment and body control applications.

In February, EB presented its tresos® ECU AUTOSAR (Automotive Open System Architecture) Suite 2007 for the AUTOSAR specification 2.0. It has been delivered to several major evaluation projects within the car industry. EB is for example the leading AUTOSAR technical partner for JasPar in Japan.

In April, the next generation of Blue&Me™ navigation software, developed in collaboration between EB, Fiat and Microsoft, was announced. The system integrates a hands-free navigation solution with predictive graphic interface and voice control.

In May, a version of the EB street director™ portable navigation solution, which responds to spoken voice commands, was introduced to the market.

With the acquisition of DECOMSYS Beteiligungs GmbH in June, EB became the leading solution provider for FlexRay™, the new high performance network communications protocol standard for automotive electronics. The first car in the market with FlexRay™ car networking technology is BMW's new X5 Sports Activity Vehicle (SAV). It has been implemented by using EB's FlexRay™ knowledge and solution.

In August, the availability of the new version of EB tresos® introducing a complete ready-for-production AUTOSAR kernel capable of operating on a number of different chipset environments for the automotive industry was announced.

EB announced in October a licensing agreement with Agilent Technologies, where by EB licences its FlexRay networking technology analysis software for Agilent Technologies. Agilent Technologies incorporates this EB technology in its testing and measurement tools offering.

In December, the JasPar consortium (Japanese standard software definition consortium consisting of leading Japanese OEM's and automotive suppliers) invited EB to participate as the technology supplier in its development and definition work for FlexRay networking technologies. With this decision EB has been chosen as the evaluation software vendor for all JasPar working streams.

The fourth quarter sales were particularly strong due to success in standard software licensing agreements and strong sales of after market navigation devices and hence software for the Christmas season.

Wireless Business Segment from January to December 2007

The Wireless Business Segment comprises the following business units:

- the Mobile Terminal Solutions Business Unit, which is responsible for mobile terminal R&D services and design business,
- the Radio Network Solutions Business Unit, which is responsible for radio network infrastructure-related R&D services and standard-based products sold to telecommunications infrastructure suppliers,

- the Wireless Communications Tools Business Unit, which is responsible for advanced wireless engineering tools, and
- the Wireless Sensor Solutions Business Unit, which is responsible for RFID reader systems and related industrial wireless network solutions.

In 2007, the net sales of the Wireless Business Segment amounted to EUR 90.9 million (EUR 81.4 million in 2006) representing a year-on-year growth of 11.7 per cent and the operating loss was EUR -22.8 million (EUR -8.3 million). Compared to the year 2006, the decline in profitability was due to significant increase in the investments in product development of mobile WiMAX module products and RFID reader system portfolio, weaker than expected demand, price competition and lower than planned resource utilisation rate of Mobile Terminal Solutions R&D services during the first half of 2007, and weaker than expected demand and intensive price competition in Radio Network Solutions R&D services during 2007. The growth of the Wireless Communications Tools Business Unit was good and the Mobile Terminal Solutions Business Unit was able to balance the customer portfolio and achieved a high resource utilisation rate during the second half of 2007.

MOBILE TERMINALS SOLUTIONS BUSINESS UNIT FROM JANUARY TO DECEMBER 2007

The Mobile Terminal Solutions Business Unit delivers R&D services and platforms for 3G and smartphone devices, professional mobile radios, mobile internet multimedia devices (MIMD), security, defence, and industrial applications.

The business environment for the mobile terminals business continued to be under intense competition but the demand was rather strong during the fourth quarter. The business unit continued its close co-operation with technology vendors and OEM customers. During 2007, efforts were made to improve its profitability through widening the customer portfolio, re-directing the project portfolio, improving internal efficiency, and growing new application areas, such as professional mobile radios. As a result, the business unit reached a more balanced customer portfolio and the resource utilisation rate reached a high level during the fourth quarter.

In June, EB demonstrated the EB Mobile Internet Multimedia reference Device (MIMD) for the first time at the Computex Taipei International Information Technology Show. EB offers the EB MIMD reference design and related product design services under license to OEM's, ODM's and other customers.

In September, EB and TerreStar Networks Inc. entered into an agreement concerning the development of handset technologies and reference designs for TerreStar's upcoming satellite-terrestrial all-IP mobile network. The agreement between the parties comprises the development of two dual-mode reference smartphones where EB acts as the main integrator and delivers turn-key product creation services to TerreStar. The partnership with TerreStar is important for EB as it brings the opportunity to apply and enhance the company's strong wireless communications and 3G smartphone capabilities to a new demanding application area where terrestrial HSPA and GMR-3G satellite technologies are combined to one seamless implementation. This is in line with EB's strategy of entering new markets and broadening the company's customer base.

In December, EB sold its Microwave Measurement business to SenFit Oy.

RADIO NETWORK SOLUTIONS BUSINESS UNIT FROM JANUARY TO DECEMBER 2007

The Radio Network Solutions Business Unit provides radio network infrastructure-related R&D services and develops standard-based radio base station module products sold to telecommunications infrastructure suppliers. An important investment area for EB under this business unit is the development of mobile WiMAX (IEEE 802.16e) base station modules. Currently, the business unit offers WiMAX baseband and RF technology, as well as, OBSAI and CPRI base station interface technologies to its customers.

The R&D services business comprises design services (software, digital and analogue HW, mechanics, ASIC, FPGA, RF, and PCB design) for communications network products and applications.

The business environment for R&D services was somewhat volatile and under intense price competition in 2007. The revenue from R&D services grew slightly in comparison with the year 2006 despite the fact that a significant part of the R&D resources were allocated to the development of EB's own mobile WiMAX base station module products, which started to generate revenue at the end of 2007 as planned.

In 2007, EB continued to invest significantly in product development associated with mobile WiMAX base stations technology.

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In December, EB and Embio Ltd. signed an agreement, according to which EB's Radio Network Solutions Business Unit related R&D activities in Espoo and hardware design and testing activities in Tampere were transferred to Embio as of 31.12.2007. In the context, 70 employees of EB were transferred to Embio with corresponding terms of employment. This outsourcing arrangement is a part of EB's previously published project to increase the productivity and improve the fixed cost efficiency. With the transaction the business unit will concentrate its operations on larger sites.

WIRELESS COMMUNICATIONS TOOLS BUSINESS UNIT FROM JANUARY TO DECEMBER 2007

In June, EB decided to include the Wireless Communications Tools Business Unit in the Wireless Business Segment. The decision was based on the confirmation of the business unit's undisputed global product leadership and critical role in generating leading-edge radio propagation know-how for the integrated use of the whole company.

The products of the business unit include radio channel emulators and measurement instruments (the Propsim™ and Propsound™ products) and other high-end communications engineering tools sold to chipset manufacturers, mobile terminal and infrastructure equipment suppliers, wireless network operators, and military communications companies.

The total sales of the Wireless Communications Tools Business Unit grew well from 2006. During 2007, the three sales regions (EMEA, APAC and the Americas) generated approximately equal sales revenues. The sales progressed well in the new application domains of radio channel emulation technology, aerospace, and automotive applications.

During 2007, R&D investments expanding the application domain and the product portfolio of the Propsim™ radio channel emulator product family continued. In February, a scalable single-box handset testing solution was released and delivered. In March, a turnkey solution for 2x2 MIMO fading testing for multiple systems, like WCDMA, HSPA, mobile WiMAX, 3G LTE and 4G, was introduced, and the sales of the solution started. In June, the first deliveries of the new tester products for the R&D of open-interface-based base stations (OBSAI™) were made. In September, new releases of the OBSAI tester (EB Base Station Interface Tester) supporting the mobile WiMAX and LTE base stations were published and delivered. The EB Wireless Environment Solution enabling operators, telecommunications infrastructure suppliers and device manufacturers to bring the real-world field data of the radio environment to the laboratory, was introduced to the market at the end of the third quarter.

WIRELESS SENSOR SOLUTIONS BUSINESS UNIT FROM JANUARY TO DECEMBER 2007

The Wireless Sensor Solutions Business Unit provides RFID reader systems and related industrial wireless network solutions. A line of RFID reader systems introduced in November 2006 together with EB's industrial WLAN products represents the initial product portfolio of the business unit. The EB RFID solutions are targeted especially at serving the supply chain and manufacturing of logistics service providers, automotive, telecommunications, electronics, and other high technology industries.

The acquisition of 7iD, in June, strengthened EB's offering in the Wireless Sensor Solutions Business Unit. The work to combine 7iD's offering with the EB RFID portfolio has been concluded. As a result, customers can utilize the EB Identification Network that offers scalable performance for various demanding RFID applications. EB's Identification Network Architecture is based on Facility Sounding™ technology and distributed intelligence in both RFID readers and RFID controllers. It provides customers with the abilities to reduce the traffic in the backbone network and to tune the RFID networks against internal or external interference.

EB continued to invest significantly in the product development of RFID reader system related products during 2007.

Research and Development in 2007

The R&D investments continued in the following development areas:

- the development of software platform based products in the Automotive Software Business Unit,
- the development of mobile WiMAX radio base station module products in the Radio Network Solutions Business Unit,
- expanding the application domain and the product portfolio in the Wireless Communications Tools Business Unit,
- the development of RFID reader systems portfolio in the Wireless Sensor Solutions Business Unit, and
- the technical core competence areas as defined in the strategy.

The total R&D expenses during 2007 were EUR 38.3 million (EUR 23.7 million in 2006 and EUR 13.1 million in 2005) equalling 26.6 per cent of the net sales (19.6% in 2006 and 6.9% in 2005) and EUR 3.9 million of them were capitalised.

Business Environment

It is expected that the share of electronics and software in cars will continue to grow. The automotive embedded software market is expected to enjoy a 15 per cent Compound Annual Growth Rate (CAGR) during 2005–2009 in North America and Europe (Frost & Sullivan).

The volume share of smartphones is growing at a rate of more than 40 per cent year-on-year due to the rapid increase in demand for new features and services (Canalys). The related R&D services market is facing a price pressure that tightens the margins. However, attractive niches continue to exist (OVUM).

In the wireless network equipment market, operators are expected to continue to invest in network capacity and in new cellular network technologies (WCDMA, HSPA). The mobile WiMAX operator services market is expected to start in 2008. The value chain and hence the horizontal technology and product market for Mobile WiMAX is still in a forming phase.

The wireless communications tools market is predicted to expand moderately, as the 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 global RFID reader system market is estimated to grow with a CAGR of over 20 per cent for the period 2006 to 2011 (VDC). However, the RFID reader system market is still having its major focus on trials and pilot projects.

Outlook for the First Half of 2008

EB expects the revenue during the first half of 2008 to grow compared to the second half of 2007 (EUR 79.9 million).

The company's R&D investments during the first half of 2008 will remain roughly at the level of the second half of 2007, with the share of the investments in the Automotive Business Segment growing. The company will continue to invest in:

- Software platform based products in the Automotive Software Business Unit.
- Development of mobile WiMAX radio base station module products in the Radio Network Solutions Business Unit.
- Expanding the application domain and the product portfolio in the Wireless Communications Tools Business Unit.

- Widening the product portfolio of the Wireless Sensor Solutions Business Unit.
- The technical core competence areas defined in the strategy.
- Developing the marketing and sales capabilities.
- Further developing efficient and unified structures and platforms to enable global business operations in accordance with the strategy.

EB will continue actions to increase the productivity and improve the fixed cost efficiency of such operational activities as facilities, sourcing, logistics, information management and administration.

EB expects the operating loss in the first half of 2008 to be less than during the second half of 2007 (EUR -7.9 million without the non-recurring net income of EUR 1.5 million as announced in December 28, 2007), with the start of the year being weaker than the latter part of the half.

Risks and Uncertainties

EB follows a risk management policy with the objective of covering risks related to business operations, properties, agreements, competences, currencies, financing, and strategy. The company has identified risks and uncertainties related to such issues as strategy, business operations, personnel, product development, product liability, property, and financing.

Among others, the following risks are related to the company's business operations:

In R&D services businesses the risks are mainly related to uncertainties of customers' product program decisions, their make or buy decisions, ramping up of project resources, timing of the most important technology components, competitive situation in the market, and to typical industry warranty and liability risks involved in selling R&D services. In the short term, additional risks emanate from ongoing restructuring of the telecommunications infrastructure industry.

In the technology product businesses, the risks are related to potential market delays, short visibility to customer orders, timely closing of customer contracts, delays in R&D projects, activations based on customer contracts, obsolescence of inventories and technology risks in product development causing higher than planned R&D costs. Revenues expected to come from new products for existing and new customers include normal timing risks.

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More information on the risks and uncertainties affecting EB can be found on the company website at www.elektrobit.com/aboutelektrobit.

Balance Sheet and Financing

The figures presented in the balance sheet of December 31, 2007, have been compared with the balance sheet of December 31, 2006 (EUR 1000).

	12/2007	12/2006
Non-current assets	77.196	66.315
Current assets	158.918	196.487
Total assets	236.114	262.803
Share capital	12.941	12.941
Other equity	152.710	173.513
Minority interest	0.0	2.107
Total shareholders' equity	165.651	188.562
Non-current liabilities	28.937	23.728
Current liabilities	41.526	50.513
Total shareholders' equity and liabilities	236.114	262.803

Net cash flow from operations during the period under review:

+ net profit +/- adjustment of accrual basis items	EUR -13.2 million
- increase in net working capital	EUR -11.6 million
+ interest, taxes and dividends	EUR -2.2 million
= cash generated from operations	EUR -27.1 million
- net cash used in investment activities	EUR -6.8 million
- net cash used in financing	EUR -19.3 million
= net change in cash and cash equivalents	EUR -53.2 million

The amount of accounts and other receivables, booked in current receivables, was EUR 79.5 million (EUR 57.5 million on December 31, 2006). The amount comprises a cash consideration of EUR 13.3 million from the property sales transaction done in December. Accounts and other payables, booked in interest-free current liabilities, were at EUR 33.2 million (EUR 35.3 million on December 31, 2006).

The amount of non-depreciated consolidation goodwill at the end of the period under review was EUR 19.6 million (EUR 8.2 million on December 31, 2006) and depreciation on business acquisitions during the reporting period amounted to a total of EUR 4.0 million (compared to EUR 1.9 million during the corresponding period in 2006).

The amount of net investments in the period under review was EUR 27.9 million, consisting of replacement investments and items created by business acquisitions and the sales of the Production Solutions business and the property Kiinteistö Oy Tutkijantie 8. The total amount of depreciation during the period under review was EUR 15.9 million, including EUR 4.0 million of depreciation owing to business acquisitions.

EB's other long-term investments include an investment portfolio with a book value of approximately EUR 10.8 million, which mainly consists of long-term bonds. The portfolio is valued at market value on December 31, 2007.

The amount of interest-bearing debt at the end of the reporting period was EUR 32.2 million. The distribution of net financing expenses on the income statement was as follows:

Interest, dividend and other financial income	EUR 1.9 million
Interest expenses and other financial expenses	EUR -1.8 million
Foreign exchange gains and losses	EUR 0.2 million

EB's equity ratio at the end of the period was 70.9 per cent (compared with 72.2 per cent at the end of 2006).

The figures from the period under review do not include any of the statutory reserves stipulated in Chapter 5, section 14 of the Accounting Act.

EB follows a currency strategy, the objective of which is to ensure the margins of business operations in changing market circumstances by minimising the influence of exchange rates. In accordance with the principles of the currency strategy, the upcoming 12-month net cash flow of the currency in question is 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 EUR 26.4 million.

Environmental Factors

EB's own business operations focus mostly on the design, assembly, and marketing of products. This represents only a minor part of the environmental impacts over the entire life cycle of the products. Products manufactured by the company have minor environmental impacts.

Elektrobit Corporation has had ISO 14001 certified management systems since 2001. The systems were expanded in 2004 to cover also the company's production units. EB's company level environmental management system certification was updated according to ISO14001. 2004 system requirements during 2007.

EB has observed and applied the requirements of the ROHS (use of hazardous substances) and WEEE (recycling of electrical and electronic equipment) directives in design since 2002. Certified environmental management system is being extended to cover those design operations of the Group's subsidiaries that must pay particular attention to the requirements of the ROHS and WEEE directives and the upcoming EUP (energy-using products) directive where applicable. During 2007, the application of ROHS and WEEE standards was also extended to products which are not directly in the scope of the standards directly.

EB is monitoring globally the environmental requirements for products and derived national regulations to the extent that they are related to the Group's operations. The imposed requirements will be observed in business operations on a country-specific basis. The company has utilised a global information service monitoring environmental requirements by industry and country since 2005.

Personnel

EB employed 1,725 people at the end of 2007. Compared to the previous year the number increased by 104. Most of the growth in personnel figures came from Germany.

The following presents the average personnel amounts and salaries of the Continuing Operations. The comparative figures for the financial year 2005 have not been given as the figures are not comparable due to the structural changes of the company.

	2007	2006
Average number of personnel	1 695	1 424
Salaries and wages (1000 EUR)	80.2	66.0

Our personnel have an average age of 34. Product development engineers constitute a significant part of the personnel. Approximately 59 percent of our personnel work for the Wireless Business Segment, approximately 30 percent work for the Automotive Business Segment, and approximately 11 percent for the support functions.

Public Reprimand by the Financial Supervision Authority

The Financial Supervision Authority issued on 21 September, 2007 a public reprimand to Elektrobit Corporation according to which the company failed to disclose without undue delay its decision to withdraw from the original design with partnered manufacturing business model in 3G smartphones.

EB has a different view on the matter of the reprimand and believes to have acted diligently in the matter. The company has made a severe internal investigation of the matter and given the answers requested to the Financial Supervision. The company abides by the decision.

According to the Financial Supervision Authority, the decision to withdraw from the said business model was information that had a material effect on the value of the company's security. The Financial Supervision Authority considers that the obligation to disclose the information was triggered on November 30, 2006 at the latest, when the CEO of the company informed the company's Board of Directors of the withdrawal decision. The company did not disclose the information until in its financial bulletin on February 7, 2007.

According to the Financial Supervision Authority, the earlier coherent disclosure in the company's stock exchange and press releases of the manufacturing of smartphones by using the original design with partnered manufacturing business model and of the contracts related to the project seem to indicate that also the company has considered the issue as material. The materiality is also supported by market reactions. The decision to withdraw from the business model should have been disclosed by means of a separate stock exchange release on November 30, 2006 at the latest. Elektrobit has thus violated the regulations and its conduct has, in the Financial Supervision's view, been at the least negligent. However, when judged as a whole, the matter does not give rise to more severe measures than a public reprimand.

Report by the Board of Directors

Option Rights

I. The Annual General Meeting of March 17, 2005 decided to authorise the Board of Directors to issue option rights. By virtue of the authorisation the Board of Directors granted 4,500,000 option rights to the company's management and EB's fully owned subsidiary serving as a reserve company in the stock option scheme. Subscriptions made by virtue of the 2005 option rights may increase the share capital of Elektrobit Corporation by a maximum of EUR 450,000 and the number of shares by a maximum of 4,500,000.

II. The Annual General Meeting held on March 15, 2006 decided that option rights with a commitment to shareholding be granted to Elektrobit Corporation's new directors. The number of option rights granted totals 1,750,000, of which 750,000 were granted to the Chairman of the Board and 1,000,000 were granted to the CEO. Subscriptions made by virtue of the said option rights might increase the share capital of Elektrobit Corporation by a maximum of EUR 175,000 and the number of shares by a maximum of 1,750,000 new shares.

Incentive Schemes

PERSONNEL FUND

A personnel fund was established on April 27, 2005. The members of the fund include Elektrobit's personnel working in Finland.

A profit-related pay scheme, in accordance with the Act on Personnel Funds, was implemented within Elektrobit at the beginning of 2005, pursuant to which 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.

STOCK OPTIONS

The Board of Directors of Elektrobit Corporation decided on June 23, 2005, authorised by the Annual General Shareholders Meeting, on the distribution of stock options to Elektrobit's managers and to its wholly-owned subsidiary, serving as a reserve company in the stock option scheme. The distributed stock options commit managers to long-term shareholding in the Elektrobit. The objective of the scheme is to encourage participating managers to work with a long-term focus in order to increase shareholder value and to commit them further to their employer.

A total of 408,000 2005A stock options and 1,157,500 2005B stock options were distributed to Elektrobit's management. The rest, 492,000 stock options 2005A, 42,500 stock options 2005B, 1,200,000 stock options 2005C and 1,200,000 stock options 2005D were granted to Elektrobit Technologies Ltd, a wholly-owned subsidiary of Elektrobit Corporation, to be further distributed to the present and future managers of Elektrobit at a later date. In accordance with the terms and conditions of the stock options, the prerequisite for receiving 2005A stock options was that the participating managers purchase a predetermined number of Elektrobit Corporation shares, as decided by the Board of Directors. 2005B stock options are subject to preconditions relating to Elektrobit's financial targets. In accordance with the share ownership scheme, associated with this stock option scheme, the participating managers are committed to using a considerable portion of the future income from the distributed stock-options for purchasing the company's shares.

The Board of Directors of Elektrobit Corporation decided on May 31, 2006, authorised by the Annual General Shareholders Meeting, on the distribution of stock options to Elektrobit Corporation's Chairman of the Board and CEO. The distributed stock options commit managers to long-term shareholding in the Elektrobit. Of the above, 750,000 stock options marked as 2006A were distributed to the Chairman of the Board, while 1,000,000 stock options were distributed to the CEO. In accordance with the terms and conditions of the stock options, the prerequisite for receiving 2006A stock options was that the participating managers purchase, either directly or through companies under their control, a predetermined number of Elektrobit Corporation shares, as decided by the Annual General Meeting on March 15, 2006 (a minimum of 75,000 shares for the Chairman of the Board and a minimum of 100,000 shares for the CEO).

The Authorisations of the Board of Directors at the End of the Reporting Period

The Annual Shareholders' Meeting held on March 14, 2007 resolved to authorize the Board of Directors to repurchase shares of the company as follows: The amount of the repurchased own shares shall not be more than 12,500,000 shares, which represents approximately 9.66 per cent of all the shares of the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorization. Own shares can be repurchased at a price determined in public trading on the date of repur-

chase or otherwise on the market. The Board of Directors shall resolve on how the repurchase of shares is carried out. The repurchase can be carried out by using, among others, derivatives. Shares may be repurchased also otherwise than in proportion to the shares owned by the shareholders of the company (directed repurchase of shares). The authorization is effective until June 30 2008.

The Annual Shareholders' Meeting held on March 14, 2007 authorized the Board of Directors to resolve on the issuance of shares and stock options and other special rights entitling to shares subject to chapter 10, section 1 of the Companies Act as follows: The aggregate number of shares issued on the basis of the authorization may not exceed 25,000,000 shares, which represents approximately 19.3 per cent of all the shares of the company. The Board of Directors is authorized to resolve on all the terms and conditions concerning the issue of shares and stock options and other special rights entitling to shares. The authorization concerns both the issuance of new shares and transfer of the company's own shares. Issuance of shares and other special rights entitling to shares can be carried out as a directed issue.

Flagging Notifications

There were no changes in ownership during the period under review that would have caused flagging notifications which are obligations for disclosure in accordance with Chapter 2, section 9 of the Securities Market Act.

Board of Directors and Auditor

The Annual Shareholders' Meeting held on March 14, 2007 fixed the number of the Board members to six (6). Mr. J.T. Bergqvist, Mr. Jukka Harju, Mr. Juha Hulkko, Mr. Matti Lainema, Mr. Juha Sipilä and Mr. Tapio Tammi were elected as Board members. The term of office of the Board members will end at the next Annual Shareholders' Meeting. At its assembly meeting held on March 14, 2007 the Board of Directors elected J.T. Bergqvist as the Chairman of the Board.

The Annual Shareholders' Meeting elected Ernst & Young Oy, an auditing entity authorized by the Central Chamber of Commerce, as the auditor of the company.

Dividend from 2006

The Annual Shareholders' Meeting on March 14, 2007 approved the Board of Directors' proposal to pay dividend of EUR 0.11 per share, a total of EUR 14,235,395.90, for the financial period from January 1 to December 31, 2006. The payment date of the dividend was March 26, 2007.

Amendment of the Articles of Association and the Company Name Change

The Annual Shareholders' Meeting held of March 14, 2007 approved the Board of Directors' proposal to amend the Articles of Association mainly due to the new Companies Act, which entered into force on September 1, 2006. Simultaneously the company name was changed into Elektrobitt Oyj, in English Elektrobitt Corporation. By virtue of the registration of the changes, the amendments of the Articles of Association and the company's new name became effective on March 23, 2007.

Board of Directors' Proposal to Distribute Profits

According to the parent company's balance sheet, the distributable funds are EUR 29,798,815.35 million, of which EUR 6,852,190.96 is the profit for the financial period. Elektrobitt Corporation's Board of Directors will propose to the Annual General Shareholders Meeting a dividend of EUR 0.02 per share for 2007, a total of EUR 2,588,253.80.

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Consolidated Income Statement

Continuing operations	Notes	2007 1000 EUR	2006 1000 EUR
NET SALES	1, 4	144 304	120 469
Other operating income	5	14 363	1 791
Change in work in progress and finished goods		1 519	570
Work performed by the undertaking for its own purpose and capitalised		548	348
Raw materials		-10 107	-7 097
Personnel expenses	8	-96 501	-78 355
Depreciation	7	-15 916	-8 236
Other operating expenses	6	-58 491	-35 523
OPERATING PROFIT		-20 281	-6 033
Financial income and expenses	10	265	-20
PROFIT BEFORE TAX		-20 016	-6 053
Income tax	11	12	-65
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		-20 003	-6 118
Profit after tax for the year from discontinued operations	2	13 113	80 341
PROFIT FOR THE YEAR		-6 890	74 223
Attributable to			
Equity holders of the parent		-6 882	73 883
Minority interest		-8	340
Earnings per share from continuing operations, EUR			
Basic earnings per share	12	-0.15	-0.05
Diluted earnings per share	12	-0.15	-0.05
Earnings per share from discontinued operations, EUR			
Basic earnings per share	12	0.10	0.62
Diluted earnings per share	12	0.10	0.62
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	12	-0.05	0.57
Diluted earnings per share	12	-0.05	0.57
Average number of shares, 1000 pcs		129 413	129 413

Consolidated Balance Sheet

	Notes	2007 1000 EUR	2006 1000 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	13	25 077	32 531
Goodwill	14	19 597	8 179
Intangible assets	14	17 968	10 577
Investment properties	15	0	0
Financial assets at fair value through profit or loss	17	10 815	10 702
Other financial assets	18	261	81
Receivables	18	669	1 574
Deferred tax assets	19	2 808	2 671
		77 196	66 315
Current assets			
Inventories	20	7 560	13 878
Trade and other receivables	21	78 799	57 518
Financial assets at fair value through profit or loss	22	50 918	18 140
Cash and short-term deposits	23	21 641	106 951
		158 918	196 487
Total assets		236 114	262 803
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		12 941	12 941
Share premium		64 579	64 579
Translation differences		-387	-216
Retained earnings		88 518	109 150
		165 651	186 455
Minority interest		0	2 107
Total equity		165 651	188 562
Non-current liabilities			
Deferred tax liabilities	19	4 438	6 220
Interest-bearing loans and borrowings (non-current)	28	23 892	17 199
Other liabilities		607	309
		28 937	23 728
Current liabilities			
Trade and other payables	29	31 075	32 782
Pension obligations	26	914	798
Current tax liabilities		1 250	1 749
Interest-bearing loans and borrowings (current)	28	8 287	15 184
		41 526	50 513
Total liabilities		70 463	74 241
Total equity and liabilities		236 114	262 803

Consolidated Cash Flow Statement

	Notes	2007 1000 EUR	2006 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the financial year		-6 882	73 883
Adjustments			
Effects of non-cash business activities	32	-6 464	-64 625
Finance costs		2 063	2 622
Finance income		-2 166	-2 183
Income tax		201	510
Change in net working capital			
Change in short-term receivables		-17 058	-15 027
Change in inventories		-80	3 348
Change in interest-free short-term liabilities		5 524	4 309
Interest paid on operating activities		-1 790	-1 945
Interest received from operating activities		1 458	1 789
Income taxes paid		-1 870	-4 057
Net cash from operating activities		-27 064	-1 376
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of business unit, net cash acquired		-4 681	-300
Acquisition of minority interest		-10 203	
Disposal of business unit, net of cash acquired		16 877	81 064
Purchase of property, plant and equipment		-3 910	-2 846
Purchase of intangible assets		-6 312	-1 819
Purchase of other investments		-3 881	-6 090
Sale of property, plant and equipment		493	2 859
Sale of intangible assets		1 119	0
Proceeds from sale of other investments		3 692	5 625
Net cash from investing activities		-6 806	78 492
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans granted		-530	
Proceeds from issue of shares		0	0
Proceeds from borrowing		8 155	4 187
Repayment of borrowing		-7 606	-4 375
Payment of finance lease liabilities		-5 113	-3 356
Dividends paid		-14 235	-9 059
Net cash from financing activities		-19 329	-12 602
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		-53 199	64 515
Cash and cash equivalents at January 1		125 091	60 577
Cash and cash equivalents at December 31		71 893	125 091

Consolidated Statement of Changes in Equity

1000 EUR	Equity attributable to equity holders of the parent					Minority interest	Total equity
	Share capital	Share premium	Translation difference	Retained earnings			
Shareholders equity 31.12.2005	12 941	64 579	289	42 381		1 785	121 976
Profit for the year				73 883			73 883
Dividend distribution				-9 059			-9 059
Expense of share-based payments				873			873
Translation difference			-505			322	-184
Other changes				1 073			1 073
Shareholders equity 31.12.2006	12 941	64 579	-216	109 150		2 107	188 562
Profit for the year				-6 882			-6 882
Dividend distribution				-14 235			-14 235
Expense of share-based payments				1 169			1 169
Translation difference			-171			-2 107	-2 278
Other changes				-684			-684
Shareholders equity 31.12.2007	12 941	64 579	-387	88 518		0	165 651

Notes to the Consolidated Financial Statements

Corporate Information

Elektrobit specializes in wireless technology, the design and life-cycle testing of electronic products, as well in production automation. In 2007, Elektrobit operated in 7 countries.

The parent company of the Group is Elektrobit Oyj, which is a Finnish public company. The parent company is domiciled in Oulunsalo and its registered address is Automaatintie 1, 90460 Oulunsalo.

Accounting Principles for the Consolidated Accounts

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the SIC and IFRIC interpretations in force at December 31, 2007. The financial statements are presented in thousands of euro. The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

From the beginning of 2005 the Group adopted IFRS and the adoption was done according to the IFRS 1: First-time Adoption of International Financial Reporting Standards. The transition date was January 1, 2004.

Consolidation Principles

SUBSIDIARIES

The consolidated financial statements include Elektrobit Oyj and its subsidiaries financial statements. Subsidiaries are companies in which the Elektrobit Oyj has a controlling interest. A controlling interest arises when the Group holds more than half of the voting rights or it otherwise has the power to govern the financial and operating policies of the entity. The existence of potential voting rights is taken into account in assessing the conditions under which control arises whenever instruments conferring potential voting rights can be exercised at the review date.

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control, and divested subsidiaries up to the time when control ceases.

The excess of the acquisition cost of the subsidiary shares over fair value of the net assets acquired is allocated partly to the identifiable assets and liabilities. Any excess is re-

corded as goodwill. For business combinations that occurred before the implementation of IFRS, in 2004, the carrying amount of the goodwill has been treated according to the Finnish GAAP in accordance with the exemption under IFRS 1. According to IFRS goodwill is not amortized, but tested annually for impairment.

Intra-Group transactions, receivables, liabilities and margins are eliminated in preparation of the consolidated financial statements. Minority interests are presented separately from the net profit and disclosed as a separate item in the equity.

ASSOCIATES

Associates are entities in which the Group has significant influence. A significant influence arises when the Group holds 20-50 per cent of the company's voting rights or when the Group otherwise has a significant influence in the company's operations but does not have control. Investments in associates are included in the consolidated financial statements by using the equity method. The Group's proportionate share of associated companies' net income for the financial year is stated as a separate item in the consolidated income statement. The Group's proportionate share of associated companies' net income for the financial year is stated as a separate item in the consolidated income statement. Each investment includes the goodwill arising from the acquisition less impairment losses.

If the Group's share of losses exceeds the carrying amount, losses in excess of the carrying amount are not consolidated unless the Group has given a commitment to fulfill the obligations.

The Group does not have any associates during the financial year 2007 or 2006.

JOINT VENTURES

Joint ventures are companies in which the Group exercises joint control together with other parties.

The Group does not have any joint ventures during the financial year 2007 or 2006.

FOREIGN CURRENCY TRANSACTIONS

Figures relating to the financial statements of Group entities are measured in the currency that is the currency of each entity's main operating environment ("functional currency"). The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company.

Transactions denominated in foreign currency are recorded in euros using the exchange rate on the date of the transaction. Monetary items denominated in foreign currency are translated to euros using the European Central Bank

exchange rates at the balance sheet date. Gains and losses arising from transactions denominated in foreign currency and the translation of monetary items are recorded in the income statement.

Income statements and cash flows of subsidiaries, whose functional and reporting currency is not the euro, are translated into euros at the average exchange rates during the financial period. Their balance sheets are translated at the exchange rates prevailing at the balance sheet date. Translating the profit for the period using different rates in the income statement and the balance sheet leads to a translation difference that is recorded in equity. The translation differences arising from the elimination of the cost of foreign subsidiaries are recorded in equity. When a subsidiary is sold, the cumulative translation differences are entered in the income statement as part of the capital gain or loss.

Cumulative exchange differences arising from the translation of internal long term loans, which are in actual terms net investments in foreign operations, are taken directly to a separate component of equity.

Since 1.1.2004 the goodwill arising from the acquisition of foreign operations, as well fair value adjustments made to the carrying amounts of the assets and liabilities of said foreign operations in connection with an acquisition, are treated as the assets and liabilities of said foreign operations and translated to euros using the exchange rates at the balance sheet date. The goodwill and fair value adjustments that have occurred before transition to IFRS have been entered in euros.

In accordance with the exemption under IFRS 1 the cumulative translation differences have been entered in to retained earnings. At the time of transition to IFRS the amount of these cumulative translation differences was immaterial.

Property, Plant and Equipment

Property, plant and equipment are measured at historical cost less depreciation and impairment losses. Assets of acquired companies are stated at their fair values at the date of acquisition.

Assets are depreciated using the straight-line or reducing balance method over their useful life. Land areas are not depreciated. The applied depreciation methods according to the Group's accounting policy are as follows: buildings and constructions 4% and 7% of remaining balance, machinery and equipment 3-10 years straight-line depreciation.

The residual value of assets and their useful life are reviewed periodically in connection with each set of financial statements and the interim report and, if necessary, they are adjusted to reflect changes that have occurred in the

expectations for the asset's useful life. Ordinary repair and maintenance costs are charged to the income statement during the financial year in which they incurred.

Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in operating profit.

Investment Property

Investment property is property which is held to earn rentals or capital appreciation. Investment properties are accounted as long term investments and they are measured at cost less accumulated depreciation and impairment losses.

Intangible Assets

GOODWILL

After January 1, 2004 the cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets. The goodwill arising from the business combinations prior to this, represents the amount recorded under previous GAAP, which has been used as the as the deemed cost. The classification and accounting treatment of these business combinations has not been adjusted when the Group's opening IFRS balance sheet has been prepared.

Goodwill is tested annually or, if necessary, more frequently to determine any impairment. For this purpose, goodwill has been allocated to cash-generating units. The recoverable amount of a cash generating unit is compared to its carrying amount and an impairment loss is recognized if the carrying amount of the assets exceeds the recoverable amount. An impairment loss is recognized in the income statement.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditures are recorded as an expense as they are incurred. Expenditure on development activities is capitalized if they meet the criteria defined in IAS 38 Intangible Asset. Capitalized development expenses include mainly materials, supplies and direct labor costs. They are amortized on a systematic basis over their expected useful lives.

Capitalized development expenses are reviewed for potential impairment regularly by comparing the carrying amount to their recoverable amount. Significant changes in the technological environment are taken into account. If the carrying amount of the development expenses is greater than the recoverable amount, an impairment loss is recognized immediately.

Notes to the Consolidated Financial Statements

OTHER INTANGIBLE ASSETS

Purchased patents, trademarks, licenses and other intangible assets having a finite useful life, are entered in the balance sheet and the amortized expense is recorded in the income statement over their useful life. If indications on possible impairment exist, the recoverable amount is determined and an impairment loss is recognized if necessary. Intangible assets with an indefinite useful life are not amortized, but are tested annually or, if necessary, more frequently to determine any impairment.

INVENTORIES

Inventories are stated at the lower of initial cost or net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of sale. The value of raw material inventory is determined using a weighted average cost formula. The initial cost of finished and semi-finished products comprises of raw material, direct labor and other direct expenses as well an appropriate share of fixed and variable production overheads, based on the normal capacity of the production facilities.

BORROWING COSTS

Borrowing costs are recognized in the income statement as they accrue.

GOVERNMENT GRANTS

Government grants are recognized when there is reasonable assurance that Group will comply with the conditions attaching to them and the grant will be received. Government grants received from public corporations are presented as other income in the income statement.

LEASES

When the Group is a lessee, all lease contracts of property, plant and equipment, in which the Group has substantially all the risks and rewards of ownership, are classified as finance leases. A finance lease agreement is recognized in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease obligations are included in interest-bearing liabilities.

When the Group is a lessor, it recognizes assets held under a finance lease as interest-bearing receivables in the balance sheet. During the financial years 2005 and 2004 the Group did not have any finance lease agreements in which it would have been classified as a lessor.

Lease agreements in which the risks and benefits incident to ownership remain with the lessor are classified as operating

leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight line basis over the lease term.

IMPAIRMENT OF ASSETS

At each balance sheet date (including interim reports) the Group estimates whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is estimated annually regardless of any indication of impairment to the following assets: goodwill, intangible assets with an indefinite useful life and for intangible assets which are not yet ready for use. The recoverable amount is based on the future discounted net cash flows, which are equivalent with the expected cash flows generated by the asset. The impairment testing has been disclosed in the notes 14 to the financial statements.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable value. The loss is booked to the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill, will under no circumstances be reversed.

Employee Benefits

PENSION LIABILITIES

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. In Finland, the Group has organized pension coverage for its staff through independent pension insurance companies.

The Finnish system under the Employees' Pensions Act and the disability portion are treated as a defined contribution plan. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. After this, the Group has no other obligations for additional payment.

The pension arrangements of the foreign subsidiaries have mainly been classified as defined contribution plans. The only significant defined benefit plan relates to a German subsidiary. The present value of the obligation of the defined benefit plan is determined using the projected unit credit method. The pension expenditure calculations required by

IAS 19 standard are prepared by authorized actuaries. The Group does apply the corridor method when recognizing the actuarial gains and losses.

SHARE-BASED PAYMENT

The Group has applied IFRS 2 Share-Based Payment to the share-based scheme which was granted June 23, 2005. Expenses of option and share incentive schemes prior to this have not been presented in the income statement. Option rights and shares granted are measured at fair value at the time they are granted and entered as an expense in the income statement in even installments during the vesting period. The expense determined is based on the defined fair value of the stock options and shares as well as on management's estimate of the amount of options or shares to which the employee will be entitled at the end of the vesting period. The fair value of the options is determined on the basis of the Black-Scholes pricing model. The Group updates the assumption concerning the final amount of stock options and shares at each balance sheet date. Changes in the estimates are recorded in the income statement. When options are exercised, the cash payments received on the basis of share subscriptions (adjusted for any transaction expenses) are entered in the share capital (at nominal value) and in the share premium reserve.

PROVISIONS

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realized or cause a financial loss and the amount of the obligation can be estimated reliably. Provisions can arise from restructuring plans, onerous contracts, warranty repairs and allowances and from environmental, litigation or tax risks.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the time value of money is material, provisions will be discounted.

If a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset when it is virtually certain that the reimbursement will be received.

TAXES

Tax expense in the Group's income statement comprises the current tax and change in deferred taxes of each group company. Current tax is calculated based on the taxable income using the tax rate that is enacted in each country at the balance sheet date.

Deferred tax liability is calculated on the temporary differences between the carrying amounts and the amounts used

for taxation purposes. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the tax base which is in force at the time of preparing the financial statements or which has been enacted by the balance sheet date for the following period, has been applied.

REVENUE RECOGNITION

Sales of goods are recognized after the significant risks and rewards that, are connected with ownership, have been transferred to the buyer. Neither the Group retains a continuing managerial involvement to the degree usually associated with ownership, nor effective control of those goods. Revenues from services are recorded when the service has been performed. Sales are presented net of indirect sales taxes and discounts.

Revenue from long-term construction contracts is recognized based on the stage of completion when the outcome of the project can be reliably measured. The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and asset items related to discontinued operations, which are classified as held for sale, are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortization on these asset items is discontinued at the time of classification. Profit after tax and gain on sale of discontinued operation is presented as a separate line item in the consolidated income statement.

Financial Assets, Financial Liabilities and Derivative Contracts

FINANCIAL ASSETS

The Group's financial assets are classified in accordance with IAS 39 Financial Instruments: Recognition and Measurement in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and financial assets held for sale. The classification is based on the purpose for which the assets have been acquired and they are classified upon acquisition.

Notes to the Consolidated Financial Statements

A financial asset is classified at fair value through profit or loss, when it has been acquired for trading purposes. The category comprises the Group's investment portfolio and all derivative contracts. The consolidated balance sheet does not contain assets, that would be classified in this category upon initial recognition as allowed under the fair value option of IAS 39. Realized and unrealized gains and losses from changes in fair values are recognised in profit or loss in the financial year they are incurred. The assets are in accordance with their nature included in the non-current and current assets of the balance sheet.

Loans and receivables are assets other than derivative contracts with related payments that are fixed or determinable. They are not quoted on efficient markets and they are not held by the Group for trading purposes. They are valued at amortised cost. They are in accordance with their nature included in the current or long-term assets of the balance sheet: long-term if they fall due after more than 12 months.

The Group has not had held-to-maturity investments during the financial or the prior financial year. In case of occurrence they are valued at amortised cost.

Financial assets held for sale are assets other than derivative contracts that have particularly been classified into this category or have not been classified into any other category. They are included in the balance sheet on the basis of their estimated date of sale. Assets to be sold within 12 months are included in current assets. Such financial assets are disclosed separately in the consolidated balance sheet if their carrying amount is significant. The change in fair value of the financial assets held for sale is recognised net of tax in the revaluation fund in equity. The cumulative change in fair value recognised in equity is recognised in profit or loss when the asset is sold or the asset has been impaired and an impairment loss has to be recognised. Investments, whose fair value may not be reliably established, are valued at cost or cost adjusted for a permanent impairment loss.

Cash comprises cash on hand, bank deposits, and other highly liquid investments. Assets classified as financial assets have a maximum maturity of three months from the date of acquisition. The Group's investment portfolio has been classified as financial assets at fair value through profit or loss due to its trading nature.

Transaction costs are included in the cost of financial assets that are not valued at fair value through profit or loss. The purchases and sales of financial assets are recognised at the trade date.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying amount

of financial liabilities. All financial liabilities are subsequently measured at amortised cost. Financial liabilities are included in current and long-term liabilities and may be interest-bearing or interest-free.

The bases for determining the fair value of all financial assets and liabilities have been disclosed in note 17 and 22.

THE IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses whether objective indications of the impairment of any financial assets exist at each balance sheet date. A loss is recognised in profit or loss as a recognised or probable credit loss, when there are indications that trade or loan receivables may not be collected in full. Impairment losses on trade receivables are included in other operating expense and on loan receivables in financial expenses.

Impairment losses on financial assets recognised in the financial year are disclosed in note 17 and 22.

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

Derivative contracts are recognised at their fair value. Hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and measurement is not applied. The change in fair value of hedging instruments is recognised in finance items in profit or loss.

The fair values of derivative contracts and the valuation methods used are disclosed in note 30.

TREASURY SHARES

Purchases of treasury shares, inclusive costs, are deducted directly from equity in the Group's financial statements.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and assumptions about future that affect the reported amounts. Used estimates and assumptions are based on prior experience and presumptions, which reflect the circumstances and expectations prevailing at the time of the preparation of the financial statements. Materiality and judgment in assessing the effect of uncertainties and the application of accounting principles have been observed in the preparation of the financial statements.

The management has exercised judgment during the financial year in applying e.g. the IFRS 3 standard and in assessing the future prospects of Group companies in conjunction with standards IAS 12 Income Taxes and IAS 36 Impairment of Assets.

SEGMENT INFORMATION

Segment information will be shown according to Group's business and geographical segment distribution. Business

segments pertain to products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments pertain to products or services within a particular economic environment that is subject to risks and returns that are different from those of segments in other economic environments.

Elektrobit's primary reporting segments are its business segments, namely Wireless Communications Solutions, Automotive Software, Test and Automation, and Group's common functions. The revenues, costs, assets, and liabilities are allocated to right segment based on the matching principle. Assets and liabilities that can not be allocated to businesses are presented as unallocated assets and liabilities. Pricing of inter-segment transactions are based on current market prices.

Secondary reporting is based on geographical segments, which are Europe, The Americas and Asia. In presenting the geographical segment information, the segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

THE APPLICATION OF NEW AND REVISED IFRS -REGULATIONS

The Group has applied the following new or revised standards and interpretations issued by IASB from 1.1.2007.

- IFRS 7 Financial Instruments: Disclosures. The extended requirements concerning financial instruments call for the presentation of new disclosures, the impact of financial instruments on the Group's financial position and result of operations and the nature and extent of the risks of financial instruments.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. The interpretation has not had any impact on the financial statements.
- IFRIC 8 Scope of IFRS 2. The interpretation has not had any impact on the financial statements.
- IFRIC 9 Reassessment of Embedded Derivatives. The interpretation has not had any impact on the financial statements.
- IFRIC10 Interim Financial Reporting and Impairment. The interpretation prohibits the subsequent reversal of an impairment loss recognised in interim financial statements in certain instances. The interpretation has not had any impact on the financial statements.

IASB has issued the following new or revised standards and interpretations, which are not yet in effect and which have not been applied by the Group. The Group will apply such standards and interpretations as of the effective date, or if the effective date differs from the inception date of the financial year, from the beginning of the subsequent financial year.

- IFRS 8 Operating Segments (1.1.2009). The new standard replaces IAS 14 Segment Reporting. Under IFRS 8 the reporting is based on the management's internal reporting system and measurement principles. The current distinction between primary and secondary segments (business or geographical segments) is withdrawn. Instead the enterprise has to disclose information about the Group's products, services, geographical areas, and major customers.
- IAS 23 (Revised) Borrowing Costs (1.1.2009). The revised standard requires that borrowing costs directly attributable to the production of a qualifying asset shall be capitalised in the cost of that asset. Earlier such costs could alternatively be recognised as annual expense.
- IAS 1 (Revised) Presentation of Financial Statement -Revised (1.1.2009). The revision mainly addresses the presentation in the income statement and the statement of changes in equity.
- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions (1.1.2008). The interpretation clarifies the application of share-based payment arrangements.
- IFRIC 12 Service Concession Arrangements (1.1.2008). The interpretation addresses contractual arrangements, under which private sector operators construct, operate and maintain required public infrastructure for an agreed period of time providing services to the public.
- IFRIC 13 Customer Loyalty Programmes (1.1.2009). The interpretation addresses customer loyalty programs used e.g. in the retail trade.
- IFRIC 14 IAS19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (1.1.2008). The interpretation is applied to post-employment defined employee benefits and other long-term defined employee benefits in accordance with IAS 19, when the plans call for minimum funding requirements.

The Group estimates that the application of new or revised standards will not have any material impact on future consolidated financial statements. The main impact will be in respect of the segment reporting. The new IFRIC interpretations are not expected to have any impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. SEGMENT INFORMATION

Segment information is presented in accordance with business and geographical segments. Group's primary reporting segments are its business segments. The business segments are based on Group's internal organizational structure and its system of internal financial reporting. Inter-segment pricing is determined on an arm's length basis.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax and financial assets and expenses and corporate assets, and expenses. Segment capital expenditure comprise additions of property, plant and equipment, and intangible assets that are expected to be used for more than one period.

EB's reporting from April 1, 2007 is based on the Automotive and Wireless Business Segments and business units divided under them as follows:

Automotive Business Segment	Wireless Business Segment
Automotive Software Business Unit	Mobile Terminal Solutions Business Unit
	Radio Network Solutions Business Unit
	Wireless Communications Tools Business Unit
	Wireless Sensor Solutions Business Unit

Automotive Business Segment

The Automotive Business Segment consist of in-car software products and R&D services for the automotive industry with leading car manufactures, car electronics and automotive chipset suppliers as customers.

The Automotive Software Business Unit's products include:

- EB street director, which is a navigation software for in-car navigation,
- Personal Navigation Devices (PND), Personal Digital Assistants (PDA) and smartphones,
- EB GUIDE product family of HMI (Human Machine Interface) design tools,
- EB tresos® AUTOSAR (Automotive Open System Architecture) software components used for the development of electronic control units (ECU) for passenger cars, and
- high performance network communications protocol standards for automotive electronics including FlexRay™, CAN (Controller Area Network) and LIN (Local Interconnect Network) solutions.

Wireless Business Segment

The Wireless Business Segment comprises the four following business units:

- the Mobile Terminal Solutions Business Unit, which is responsible for mobile terminal R&D services and design business,
- the Radio Network Solutions Business Unit, which is responsible for radio network infrastructure related R&D services and standard-based products sold to telecommunications infrastructure suppliers,
- the Wireless Communications Tools Business Unit, which is responsible for advanced wireless emulation and engineering tools, and
- the Wireless Sensor Solutions Business Unit, which is responsible for RFID reader systems and related industrial wireless network solutions.

Other Businesses

Other businesses consist of Group's common functions.

Business segments 2007 1000 EUR	Automotive segment	Wireless segment	Other businesses	Discontinued operations	Eliminations	Group total
Net sales						
Net sales to external customers	52 615	90 883	806			144 304
Net sales to other segments	35	795	3		-832	0
Net sales total	52 650	91 677	809	0	-832	144 304
Operating Profit						
	671	-22 763	1 810	0	0	-20 281
Unallocated expenses						278
Profit for the year from continuing operations						-20 003
Profit for the year from discontinued operations						13 113
Profit for the year						-6 890
Assets and liabilities						
Segments assets	49 201	61 198	45 787	0	-7 942	148 244
Unallocated assets						87 870
Total assets	49 201	61 198	45 787	0	-7 942	236 114
Segment liabilities	10 698	21 998	7 857	0	-7 942	32 610
Unallocated liabilities						37 852
Total liabilities	10 698	21 998	7 857	0	-7 942	70 463
Capital expenditure						
Tangible assets	1 475	1 548	10 929	535		14 487
Intangible assets	4 828	6 319	1 155	551		12 852
Investments	136		3 881	0		4 017
Goodwill	10 799	1 949				12 748
Depreciation	-3 453	-7 075	-5 389	-327		-16 243

Notes to the Consolidated Financial Statements

Business segments 2006 1000 EUR	Automotive segment	Wireless segment	Other businesses	Discontinued operations	Eliminations	Group total
Net sales						
Net sales to external customers	38 879	81 384	205			120 469
Net sales to other segments	28	2 215	9 432		-11 674	0
Net sales total	38 907	83 599	9 637	0	-11 674	120 469
Operating Profit						
	2 141	-8 299	125	0	0	-6 033
Unallocated expenses						-85
Profit for the year from continuing operations						-6 118
Profit for the year from discontinued operations						80 341
Profit for the year						74 223
Assets and liabilities						
Segments assets	32 614	38 303	56 110	27 371	-19 201	135 197
Unallocated assets						127 606
Total assets	32 614	38 303	56 110	27 371	-19 201	262 803
Segment liabilities	10 104	18 959	10 795	19 323	-19 201	39 980
Unallocated liabilities						34 261
Total liabilities	10 104	18 959	10 795	19 323	-19 201	74 241
Capital expenditure						
Tangible assets	1 874	2 174	4 178	353		8 579
Intangible assets	7	978	150	649		1 784
Investments	55	496	5 452	1		6 004
Goodwill						0
Depreciation	-2 664	-2 546	-3 027	-918		-9 154

GEOGRAPHICAL SEGMENTS

The secondary reporting segments are geographical and based on the main areas where Elektrobit has activities and sales i.e. Europe, The Americas and Asia. In presenting the geographical segment information, the segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical segments

2007

1000 EUR

	Europe	The Americas	Asia	Eliminations	Group total
Net sales					
Sales to external customers	101 552	33 286	9 466		144 304
Net sales to other segments	7 076	483	4 259	-11 818	0
Net sales total	108 628	33 768	13 725	-11 818	144 304
Segments assets	144 054	15 033	1 667	-12 510	148 244
Unallocated assets					87 870
Total assets					236 114
Capital expenditure					
Tangible assets	13 503	25	959		14 487
Intangible assets	12 264	397	192		12 852
Investments	4 017	0	0		4 017
Goodwill	12 748	0	0		12 748

Geographical segments

2006

1000 EUR

	Europe	The Americas	Asia	Eliminations	Group total
Net sales					
Sales to external customers	96 548	15 207	8 713		120 469
Net sales to other segments	12 401	5 637	450	-18 488	0
Net sales total	108 950	20 844	9 163	-18 488	120 469
Segments assets	146 174	8 095	3 274	-22 345	135 197
Unallocated assets					127 605
Investment in associate					
Total assets					262 803
Capital expenditure					
Tangible assets	8 059	155	365		8 579
Intangible assets	1 256	51	477		1 784
Investments	6 004				6 004
Goodwill	0				0

Notes to the Consolidated Financial Statements

2. DISCONTINUED OPERATIONS

According to the IFRS5 standard, EB reports its financial results divided between Discontinued and Continuing Operations. In this Financial Statement Bulletin, financial figures concerning the income statement of 2007 and 2006 are reported based on Continuing Operations, without the Network Test (sold in November 2006) and Production Solutions business figures.

	2007 1000 EUR	2006 1000 EUR
Income statement, discontinued operations:		
Network Test and Production Solutions businesses		
Net sales	15 244	79 751
Expenses	-18 482	-70 464
Profit before tax	-3 400	9 287
Income tax	-213	-2 158
Profit after tax for the year	-3 613	7 128
Profit before tax for the year from discontinued operations	17 018	73 687
Income tax	-292	-474
Profit after tax for the year from discontinued operations	-16 726	73 213
Profit after tax for the year from discontinued operations, total	13 113	80 341
Cash flow statement from Production Solutions business		
Net cash from operating activities	-4 054	
Net cash from investing activities	55	
Net cash from financing activities	-165	
Net change in cash and cash equivalents	-4 164	

3. ACQUISITIONS

EB has entered on June 14, 2007 into a share purchase agreement under the terms of which it shall purchase 100 per cent of the shares in DECOMSYS Beteiligungs GmbH ("DECOMSYS") (the Transaction). DECOMSYS is a solutions provider for FlexRay, the new high performance network communications protocol standard for automotive electronics, and AUTOSAR (Automotive Open System Architecture) next generation standard software. Headquartered in Vienna, Austria, DECOMSYS employs 48 people, mainly software professionals. The Transaction comprises the subsidiaries of DECOMSYS in Austria, Germany and USA.

Acquisition cost was 1.4 million EUR. The acquisition cost included purchase price and a total of 0,2 million EUR of other acquisitions costs. The goodwill of 2.7 million EUR consists of expected synergy gains from the acquisition.

The net profit, 1.4 million euros, of Decomsys companies for six months is included in the group income statements for the accounting period 2007

The fair value of the identifiable assets and liabilities at the date of acquisition were:

	Fair value recognised on acquisition 1000 EUR	Previous carrying value 1000 EUR
Property, plant and equipment	85	85
Product rights	4 500	0
Order backlog	263	0
Other intangible assets	6	6
Goodwill	0	1 122
Other financial assets	136	136
Inventories	148	148
Trade and other receivables	665	665
Cash and short-term receivables	166	166
Total assets	5 968	2 327
Deferred tax liabilities	1 191	0
Interest-bearing loans and borrowings (non-current)	4 141	4 141
Other liabilities	1 941	1 941
Total liabilities	7 273	6 082
Net assets	-1 304	-3 755
Cost of an acquisition	1 425	
Goodwill	2 730	
Cash paid	1 425	
Net cash acquired with the subsidiary	166	
Net cash outflow	1 259	

Notes to the Consolidated Financial Statements

EB has on June 29, 2007 purchased 100 per cent of the shares in 7iD Technologies GmbH (the Transaction). 7iD, a company specialising in RFID technology, provides services and products for system integrators and RFID companies and delivers technology and turn-key solutions for supply chain and asset management in pharmaceutical, paper, aviation, and automotive industries. 7iD is an active member of EPCglobal Inc., the international organisation developing standards for Electronic Product Code (EPC) to support the use of Radio Frequency Identification (RFID). 7iD is headquartered in Graz (Austria) and employs 21 people in total.

Acquisition cost was 3.6 million EUR. The acquisition cost included purchase price and a total of 0.1 million EUR of other acquisitions costs. The goodwill of 2.0 million EUR consists of expected synergy gains from the acquisition.

The net profit of 7iD Technologies GmbH for six months is included in the group income statements for the accounting period 2007.

The fair value of the identifiable assets and liabilities at the date of acquisition immediately before the acquisition were:

	Fair value recognised on acquisition 1000 EUR	Previous carrying value 1000 EUR
Property, plant and equipment	59	59
Product rights	1 500	0
Order backlog	269	0
Intangible assets	2	2
Goodwill		
Other financial assets		
Inventories	21	21
Trade and other receivables	554	554
Cash and short-term receivables	164	164
Total assets	2 570	801
Deferred tax liabilities	442	0
Interest-bearing loans and borrowings (non-current)	1	1
Other liabilities	492	492
Total liabilities	935	493
Net assets	1 635	308
Cost of an acquisition	3 585	
Goodwill	1 950	
Cash paid	3 585	
Net cash acquired with the subsidiary	164	
Net cash outflow	3 421	

Group's turnover in 2007 would have been 146 million EUR and net profit -21 million EUR had DECOMSYS -companies and 7iD Technologies GmbH been consolidated to group financial statements since the beginning of the accounting period 2007.

4. CONSTRUCTION CONTRACTS

The contract revenue is recognized in the income statement in proportion to the stage of completion of the contract. The stage of completion is defined as the ratio of costs incurred to total estimated costs.

	2007 1000 EUR	2006 1000 EUR
Income recognized as sales based on the stage of completion of long-term construction contracts	52 828	35 441
Revenue recognized from long-term construction contracts in progress amounted to	7 209	1 388
Advances received from long-term construction contracts recognized in the balance sheet amounted to	995	824
Receivables recognized from long-term construction contracts amounted to	2 821	1 544

5. OTHER OPERATING INCOME

Profit of property, plant and equipment	0	40
Business transactions	8 872	0
Government grants	4 674	1 731
Other income	816	20
Total	14 363	1 791

6. OTHER OPERATING EXPENSES

External services	-15 796	-11 364
Voluntary staff expenses	-4 582	-3 431
Premises expenses	-6 667	-4 429
Travel expenses	-8 090	-5 441
IT expenses	-6 731	-5 682
Other expenses	-16 626	-5 176
Total	-58 491	-35 523

Notes to the Consolidated Financial Statements

7. DEPRECIATIONS AND IMPAIRMENTS

2007
1000 EUR

2006
1000 EUR

Depreciations		
Intangible assets		
Capitalized development expenditure	0	0
Intangible rights	-2 589	-2 134
Other intangible assets	-152	-28
Other capitalized long-term expenditures	-454	-187
Tangible assets		
Buildings and constructions	-4 219	-887
Machinery and equipment	-7 514	-4 992
Other tangible assets	-9	-8
Goodwill	-979	
Total	-15 916	-8 236

8. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL

Number of personnel		
Average number of personnel during the fiscal period		
Wireless	1 038	977
Automotive	485	409
Other businesses	172	38
Total	1 695	1 424
Number of personnel at the year end		
	1 725	1 621
Personnel expenses 1000 EUR		
Personnel expenses		
Management salaries	-1 221	-1 684
Board of directors	-281	-309
Expense of share-based payments	-1 169	-809
Other salaries and wages	-77 510	-63 153
	-80 181	-65 955
Pension expenses, defined contribution plans	-8 150	-6 312
Pension expenses, defined benefit plans	-116	-114
Other personnel expenses	-8 054	-5 973
Total	-96 501	-78 355

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.

9. RESEARCH AND DEVELOPMENT EXPENSES2007
1000 EUR2006
1000 EUR

The expensed research and development costs recongized in the income statement amounted to	38 340	23 652
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10. FINANCIAL EXPENSES (NET)

Interest expenses	-1 500	-494
Interest income	911	619
Dividend income	2	2
Exchange gains and losses	173	-950
Change of financial assets at fair value through profit or loss	154	-140
Other financial expenses	-148	1
Other financial incomes	673	942
Total	265	-20

10. INCOME TAXES

Income taxes, current year	-1 896	-2 025
Income taxes, previous years	-38	118
Deferred taxes	1 947	1 841
Total	12	-65

A reconciliation between the effective tax rate and domestic tax rate (26%) of the Group:

Profit before taxes	-20 016	-6 053
Tax at the domestic tax rate 26%	5 204	1 574
Effect of tax rates of foreign subsidiaries	575	-1 568
Taxes for prior years	38	118
Tax free income	26	46
Non-deductible expenses	-54	-85
Temporary difference between carrying amounts and tax base	-1 364	-105
Non booked deferred tax receivables of loss-making domestic companies	-4 406	
Changes in the carrying amounts of deferred tax assets from unused tax losses		0
Others	-7	-45
Income taxes in the consolidated income statement	12	-65

Notes to the Consolidated Financial Statements

12. EARNINGS PER SHARE

Basic

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2007	2006
Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	-19 995	-6 459
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	13 113	80 341
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	-6 882	73 883
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Basic earnings per share, continuing operations, EUR	-0.15	-0.05
Basic earnings per share, discontinued operations, EUR	0.10	0.62
Basic earnings per share, continuing and discontinued operations, EUR	-0.05	0.57

Diluted

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Group has a share-based payment scheme (23.6.2005 and 15.3.2006) which has a diluting effect, when the exercise price is lower than the closing share price.

The exercise price of the stock options at December 31 2006 is higher than the closing share price, hence the stock options do not have dilutive effect.

Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	-19 995	-6 459
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	13 113	80 341
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	-6 882	73 883
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Effect of dilution (1000 PCS)	0	0
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Diluted earnings per share, continuing operations, EUR	-0.15	-0.05
Diluted earnings per share, discontinued operations, EUR	0.10	0.62
Diluted earnings per share, continuing and discontinued operations, EUR	-0.05	0.57

13. PROPERTY, PLANT AND EQUIPMENT

The Group has not revalued property, plant and equipment, hence the Group has not recognized any impairment losses directly to equity or recorded any reversals of those.

	2007 1000 EUR	2006 1000 EUR
Land		
Acquisition cost Jan. 1	434	434
Disposals during the period	-434	0
Acquisition cost Dec. 31	0	434
No revaluations done		
Buildings and constructures		
Acquisition cost Jan. 1	23 548	24 195
Translation differences	-8	
Additions during the period	551	199
Disposals during the period	-9 513	-921
Transfer to assets		75
Acquisition cost Dec. 31	14 578	23 548
Accumulated depreciations Jan. 1	-5 149	-4 209
Translation differences	9	2
Depreciations on disposals	2 037	
Depreciation for the period	-4 219	-942
Carrying amount Dec. 31	7 256	18 399
No revaluations or capitalizations of the interest costs have been done.		
Machinery and equipment		
Acquisition cost Jan. 1	36 826	30 000
Translation differences	-241	-294
Additions during the period	14 047	8 781
Disposals during the period	-2 126	-1 664
Transfer to assets		2
Acquisition cost Dec. 31	48 505	36 826
Accumulated depreciations Jan. 1	-23 452	-18 581
Translation differences	200	217
Depreciations on disposals	67	640
Depreciation for the period	-7 774	-5 728
Carrying amount Dec. 31	17 547	13 374

Notes to the Consolidated Financial Statements

	2007 1000 EUR	2006 1000 EUR
Advance payments		
Acquisition cost Jan. 1	12	12
Translation differences		-1
Additions during the period		13
Disposals during the period	-12	-11
Acquisition cost Dec. 31	0	12
Other tangible assets		
Acquisition cost Jan. 1	359	359
Additions during the period	52	17
Disposals during the period	-81	-17
Acquisition cost Dec. 31	330	359
Accumulated depreciations Jan. 1	-47	-39
Depreciation for the period	-9	-8
Carrying amount Dec. 31	274	312
Property, plant and equipment total		
Acquisition cost Jan. 1	61 179	55 000
Translation differences	-250	-295
Additions during the period	14 650	9 010
Disposals during the period	-12 166	-2 613
Transfer to assets	0	77
Acquisition cost Dec. 31	63 413	61 179
Accumulated depreciations Jan. 1	-28 648	-22 829
Translation differences	210	219
Depreciations on disposals	2 104	640
Depreciation for the period	-12 002	-6 678
Carrying amount Dec. 31	25 077	32 531
Finance leases		
The Group had the following amounts of property, plant and equipment acquired by finance leases:		
Machinery and equipment		
Acquisition cost Jan. 1	26 594	17 271
Accumulated depreciations	-14 114	-9 634
Carrying amount Dec. 31	12 480	7 637

Additions of property, plant and equipment include assets acquired by finance leases of 12 480 TEUR in 2007 (7 637 TEUR 2006).

14. INTANGIBLE ASSETS2007
1000 EUR2006
1000 EUR**Capitalized development expenditure**

Acquisition cost Jan. 1	44	44
Additions during the period	3 930	0
Disposals during the period	-44	
Transfer to assets		
Acquisition cost Dec. 31	3 930	44
Accumulated depreciations Jan. 1	-34	-23
Depreciations on disposals	42	0
Depreciation for the period	-8	-11
Carrying amount Dec. 31	3 930	10

Intangible rights

Acquisition cost Jan. 1	21 139	21 530
Translation differences	0	0
Additions during the period	7 411	1 062
Disposals during the period	-1 706	-1 451
Transfer to assets	0	-2
Acquisition cost Dec. 31	26 844	21 139
Accumulated depreciations Jan. 1	-11 632	-8 684
Translation differences	2	-15
Depreciations on disposals	8	8
Depreciation for the period	-2 626	-2 941
Carrying amount Dec. 31	12 596	9 507

Other intangible assets

Acquisition cost Jan. 1	336	0
Additions during the period	40	336
Acquisition cost Dec. 31	376	336
Accumulated depreciations Jan. 1	-28	0
Depreciation for the period	-152	-28
Carrying amount Dec. 31	196	308

Notes to the Consolidated Financial Statements

	2007 1000 EUR	2006 1000 EUR
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	3 878	3 368
Translation differences	-23	-47
Additions during the period	1 474	664
Disposals during the period	-500	-32
Transfer to assets	0	-75
Acquisition cost Dec. 31	4 828	3 878
Accumulated depreciations Jan. 1	-3 126	-2 918
Translation differences	17	27
Depreciations on disposals	1	14
Depreciation for the period	-475	-249
Carrying amount Dec. 31	1 245	752
Intangible assets total		
Acquisition cost Jan. 1	25 397	24 941
Translation differences	-24	-47
Additions during the period	12 856	2 062
Disposals during the period	-2 250	-1 482
Transfer to assets	0	-77
Acquisition cost Dec. 31	35 979	25 397
Accumulated depreciations Jan. 1	-14 821	-11 625
Translation differences	19	12
Depreciations on disposals	51	22
Depreciation for the period	-3 261	-3 229
Carrying amount Dec. 31	17 968	10 577
Goodwill		
Goodwill has been allocated to cash generating units as follows:		
Wireless segment	2 102	1 483
Automotive segment	17 495	6 696
Total	19 597	8 179

The value in use is determined by reference to discounted future net cash flows expected to be generated by the cash generating unit. Cash flow estimates which were used in these calculations were based on continuing use of assets and on most recent 5-year financial forecasts by business management.

The parameters used when determining the discount rate are: risk free interest rate 4.5%, market risk premium 5.0%, industry beta 1.5, cost of debt 5.0% and target capital structure. Amount of debt from total capital is 20%.

The impairment test did not reveal any need for impairment charges.

15. INVESTMENT PROPERTIES

The Group does not have any investment properties.

16. INVESTMENTS IN AN ASSOCIATES

The Group does not have any associates.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 1000 EUR	2006 1000 EUR
Balance sheet value on Jan. 1	10 702	10 234
Additions during the period	3 880	5 426
Disposals during the period	-3 929	-5 268
Changes in fair-value	-161	-440
Profits/losses in income statement	323	750
Balance sheet value on Dec. 31	10 815	10 702

The investments made in financial assets at fair value through profit or loss consist mainly of long-term bonds. The investment portfolio is measured at market value. On Dec. 31, 2007 the market value amounted to 10.8 milj. euros (Dec. 31, 2006 to 10.7 milj. euros). Profit and loss recognized from available-for-sale investments amounted to 0.3 milj. euros (0.8 milj. euros in 2006).

18. OTHER FINANCIAL ASSETS

At 1 January	81	552
Additions	298	524
Disposals	-118	-995
At 31 December	261	81

Notes to the Consolidated Financial Statements

19. DEFERRED TAX LIABILITIES AND ASSETS

1000 EUR	Jan. 1, 2007	Recognized in the income statement	Recognized in equity	Translation differences	Acquisitions and disposals of subsidiaries	Dec. 31, 2007
Deferred tax assets						
Internal stock margin	14	-14				0
Tax losses	1 810	-986				824
Other items	833	1 152				1 984
Total	2 671	151	0	0	0	2 808

Non booked deferred tax receivables of loss-making domestic companies 6 002

Deferred tax liabilities						
Cumulative depreciation difference	13	38				52
Fair-value of other investments	131	69				200
Fair-value of derivatives	9	165				173
Goodwill	3 682				-379	3 303
Other items	2 386	-1 676				710
Total	6 220	-1 404	0	0	-379	4 438

1000 EUR	Jan. 1, 2006	Recognized in the income statement	Recognized in equity	Translation differences	Acquisitions and disposals of subsidiaries	Dec. 31, 2006
Deferred tax assets						
Internal stock margin	27	-13				14
Tax losses	1 254	556				1 810
Other items	1 926	-1 079				847
Total	3 207	-536	0	0	0	2 671

Deferred tax liabilities						
Cumulative depreciation difference	34	-21				13
Fair-value of other investments	356	-225				131
Fair-value of derivatives	0	9				9
Goodwill	5 192	-1 510				3 682
Other items	3 039	-462			-191	2 386
Total	8 620	-2 209	0	0	-191	6 220

20. INVENTORIES

	2007 1000 EUR	2006 1000 EUR
Raw materials and supplies	1 986	4 783
Work in progress	4 065	5 073
Finished products	1 509	3 993
Other inventories	0	29
Total	7 560	13 878

21. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	43 926	41 533
Receivables from construction contracts	1 312	1 544
Prepaid expenses and accrued income	26 015	11 665
Other receivables	7 546	2 777
Total	78 799	57 518

Receivables are valued at nominal value or probable current value, whichever is lower.

The amount of trade and other receivables (current) 2007 comprises a cash consideration of EUR 13.3 million from the property sales transaction done in December 2007.

Aged Accounts Receivable

Current	16 743
Aged Overdue Amounts	
0-3 months	26 519
4-6 months	473
7-12 months	12
> 12 months	178
Total	43 926

Notes to the Consolidated Financial Statements

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 1000 EUR	2006 1000 EUR
Bonds		
Balance sheet value on Jan. 1	18 140	18 353
Additions during the period	111 797	10 500
Disposals during the period	-79 863	-11 004
Changes in fair-value	-69	233
Profits/losses in income statement	246	58
Balance sheet value on Dec. 31	50 252	18 140

The investments made in financial assets at fair value through profit or loss consist mainly of bonds. The investment portfolio is measured at market value. On Dec. 31, 2007 the market value amounted to 50.3 milj. euros (Dec. 31, 2006 to 18.1 milj. euros). Profit and loss recognized from available-for-sale investments amounted to 0.2 milj. euros (0.1 milj. euros in 2006)

Currency derivatives

Balance sheet value on Jan. 1	0	0
Changes in fair-value	666	0
Balance sheet value on Dec. 31	666	0

23. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits	21 641	106 951
Total	21 641	106 951
Cash and cash equivalents at consolidated cash flow statement consist of:		
Financial assets at fair value through profit or loss	50 252	18 140
Cash and short-term deposits	21 641	106 951
Total	71 893	125 091

Fair value of cash and cash equivalents does not significantly differ from the carrying amount.

24. ISSUED CAPITAL AND RESERVES

	Shares 1000 PCS	Share premium 1000 EUR	Premium fund 1000 EUR	Treasury shares 1000 EUR	Total 1000 EUR
At 1 January, 2006	129 413	12 941	64 579		77 521
At 31 December, 2006	129 413	12 941	64 579		77 521
At 31 December, 2007	129 413	12 941	64 579	0	77 521

According to the Articles of Association, the maximum number of shares is 1,000 million. The accounting par value of a share is 0.10 euro and the maximum share capital is 20 million euro. All issued shares are fully paid.

Translation differences

The translation reserve comprises all foreign exchange differences arising from the transition of the financial statements of foreign subsidiaries.

Dividends

After the balance sheet date the Board of Directors has proposed dividend of 0.02 euro/share.

Notes to the Consolidated Financial Statements

25. SHARE-BASED PAYMENT PLANS

The Board of Directors of Elektrobitt Oyj decided on June 23, 2005 on the distribution of stock options to Elektrobitt Oyj's Group managers and to its wholly-owned subsidiary, serving as a reserve company in the stock option plan. The distributed stock options commit managers to long-term shareholding in the Elektrobitt. The objective of the new plan is to encourage participating managers to work with a long-term focus to increase shareholder value and to commit them further to their employer.

A total of 612,000 2005A-stock options were distributed to Group management. The rest, 288,000 stock options 2005A, 1,200,000 stock options 2005B, 1,200,000 stock options 2005C and 1,200,000 stock options 2005D were granted to Elektrobitt Technologies Ltd, a wholly-owned subsidiary of Elektrobitt Oyj, to be further distributed to the present and future managers of the Group at a later date. In accordance

with the terms and conditions of the stock options, the prerequisite for receiving 2005A-stock options was that the participating managers purchase a predetermined number of Elektrobitt shares, as decided by the Board of Directors.

The Board of Directors has on February 14, 2006 agreed to propose to the Annual General Meeting of Shareholders to be held on March 15, 2006 that stock options, which commit their recipients to long-term shareholding in the Company, be issued to the new Chairman of the Board of Directors of Elektrobitt Oyj to be elected after the Meeting of Shareholders, as well as, to the new CEO of Elektrobitt Oyj.

The maximum total number of stock options issued shall be 1,750,000. All of the stock options shall be marked with the symbol 2006A. The Chairman of the Board shall be granted 750,000 stock options and the CEO shall be granted 1,000,000 stock options, free of charge.

Share-option plan 2005A	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	23.6.2005
Number of instruments granted (1000 PCS)	414
Exercise price, EUR	2.54
Share price at the grant date, EUR	2.53
Contractual life of the options (years)	4.9
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	46%
Expected contractual life of the options (years)	4.9
Risk-free interest rate (%)	2.70%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2007	Number of options 2006
Outstanding at the beginning of the year	516	606
Granted during the year	0	0
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	-102	-90
Outstanding at the end of the year	414	516
Exercisable at the end of the year	0	0

Share-option plan 2005B		Share-based options, granted to group management
Nature of arrangement		Granted share-options
Grant date		31.5.2006
Number of instruments granted (1000 PCS)		1165
Exercise price, EUR		2.47
Share price at the grant date, EUR		2.34
Contractual life of the options (years)		5.0
Vesting conditions		
Settlement method		Shares
Expected volatility (%)		43%
Expected contractual life of the options (years)		5.0
Risk-free interest rate (%)		3.69%
Dividend yield (%)		0
Expected early exercise (at grant date)		0
Market conditions (at grant date)		
Fair-value of the options at the grant date		
Option pricing model		Black-Scholes

	Number of options 2007	Number of options 2006
Outstanding at the beginning of the year	945	0
Granted during the year	220	945
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	1 165	945
Exercisable at the end of the year	0	0

Notes to the Consolidated Financial Statements

Share-option plan 2006A	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	15.3.2006
Number of instruments granted (1000 PCS)	1750
Exercise price, EUR	2.32
Share price at the grant date, EUR	2.34
Contractual life of the options (years)	6.3

Vesting conditions	
Settlement method	Shares
Expected volatility (%)	44%
Expected contractual life of the options (years)	6.3
Risk-free interest rate (%)	3.34%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2007	Number of options 2006
Outstanding at the beginning of the year	1 750	0
Granted during the year	0	1 750
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	1 750	1 750
Exercisable at the end of the year	0	0

26. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS2007
1000 EUR2006
1000 EUR

Benefit pension plan liability consists of following items:

Present value of funded obligations	1 017	1 177
Fair value of plan assets	-231	-216
Unrecognized actuarial gains (+) / losses (-)	127	-163
Net liability	914	798

Net periodic pension cost in income statement:

Unrecognized net liability on Jan. 1	0	0
Current service cost	79	82
Interest cost	53	46
Expected return on plan assets	-8	-8
Recognized net actuarial gains and losses	2	4
Employee contributions	-10	-10
Total	116	114

Balance sheet reconciliation:

Net liability on Jan. 1	798	683
Net periodic pension cost in income statement	116	114
Net liability on Dec. 31	914	798

Principal actuarial assumptions:

Europe		
Discount rate	5.40	4.50
Expected return on plan assets	3.50	3.50

27. PROVISIONS

The Group does not have any provisions.

Notes to the Consolidated Financial Statements

28. INTEREST-BEARING LOANS AND BORROWINGS

	2007 1000 EUR	2006 1000 EUR
Non-current loans		
Bank loans	16 007	12 459
Finance lease liabilities	7 885	4 740
Total	23 892	17 199
Current loans		
Bank loans	0	10 330
Finance lease liabilities	5 036	3 097
Repayments of long-term bank loans	3 251	1 757
Total	8 287	15 184
Repayment schedule of long-term loans:		
2007	0	0
2008	8 287	8 277
2009	6 225	3 342
2010	4 510	1 870
2011	3 805	1 826
2012	3 158	1 957
Later	6 194	4 780
Total	32 179	22 053

Loans and borrowings have mainly floating interest rates, from which 5.4 million euro loan principal has been changed into fixed interest rate loan by using SWAP agreement.

	2007 1000 EUR	2006 1000 EUR
The interest-bearing non-current loans are distributed by currency as follows:		
EUR	23 863	17 160
USD	29	39
Total	23 892	17 199
The interest-bearing current loans are distributed by currency as follows:		
EUR	7 357	15 184
USD	0	0
CNY	930	0
Total	8 287	15 184
Maturities of the finance lease liabilities:		
Finance lease liabilities - minimum lease payments	13 963	8 333
Within one year	5 817	3 370
After one year but no more than five years	8 093	4 895
After five years	54	68
Finance lease liabilities - present value of minimum lease payments	12 921	7 837
Within one year	5 036	3 097
After one year but no more than five years	7 834	4 679
After five years	51	61
Future finance charges	1 042	496
Total amount of finance lease liabilities	13 963	8 333

Notes to the Consolidated Financial Statements

29. TRADE AND OTHER PAYABLES

	2007 1000 EUR	2006 1000 EUR
Current liabilities		
Trade liabilities	6 987	11 736
Accrued liabilities, deferred income	20 473	16 831
Financial liabilities at fair value through profit or loss *	0	33
Other liabilities	5 780	6 729
Total	33 239	35 329

Material of accrued expenses and deferred income consist of personnel expenses and interest expense accruals of loans.

Fair value of the other liabilities than derivatives don't significantly differ from the initial carrying value, because the impact on discounting is not significant when taking into account the maturities of the loans.

* Financial liabilities at fair value through profit or loss.

Liabilities based on derivatives		
Balance sheet value on Jan. 1	-33	-143
Changes in fair-value	33	110
Balance sheet value on Dec. 31	0	-33

30. FINANCIAL RISK MANAGEMENT

Under its normal business activities, Elektrobit Corporation is exposed to several financial risks. The primary financial risks are foreign exchange rate risk, interest rate risk, investment risk and default risk. The goal of the Group's financial risk management function is to reduce adverse effects of price fluctuations and other uncertainties on earnings, balance sheet and cash flows, as well as to ensure sufficient liquidity. In its risk management, the Group uses financial instruments such as forward exchange agreements, currency options and interest rate swaps. Professional, external portfolio managers are employed for investing activities.

The Group's general risk management principles are approved by the Board of Directors. The responsibility for their implementation lies with the parent company together with operational units. The parent company identifies and assesses risks and obtains relevant financial instruments for hedging them in close co-operation with operative units. The management evaluates risk concentrations from the view-point of business activities, taking into consideration shared factors between underlying variables such as those arising from changes in economic conditions or other variables. Operations and funding programs executed in the financial markets are mainly concentrated into the parent company.

Subsidiaries are mainly funded through intra-company loans. The Group's financial risks are divided into market, default and liquidity risk.

Market risks

Market risks are caused by changes in foreign exchange rates, interest rates and prices of securities. Fluctuations in these may have an impact on the Group's income statement, cash flow, or balance sheet.

Foreign exchange rate risk

The Group operates globally and is exposed to transaction risk from foreign exchange positions as well as to risk due to the translation of investments in different currencies to the functional currency of the parent company. The most relevant currencies for the Group are the Euro and the US dollar. Foreign exchange rate risk is caused by commercial activities, monetary items on the balance sheet and net investments in foreign subsidiaries. A business unit's functional currency or generally used currencies (EUR, USD) are used as invoicing currency. Additional information on functional currency and foreign currency conversion is available in the accounting principles section of the consolidated financial statements.

The Group follows a currency strategy that aims at securing the margin of business activities in changing market conditions by minimizing the effect of fluctuations in foreign exchange rates. According to the principles of the currency strategy, the net cash flow in a particular currency is hedged for the following 12 months. The cash flow is defined based on the net position of the trade receivables, trade payables, order intake and budgeted net currency cash flow. The Group does not apply hedge accounting as defined in the IAS 39 standard. According to the currency strategy the degree of hedging can vary from approximately 30% to 100% of the forecasted yearly net position. At the end of the financial period the counter value of the hedged net position was 26.4 million euros. During the financial year the amount of the hedged position has been upward trending.

The Group has hedged the transaction risk related to its income statement and as a principal rule has not hedged the translation risk related to equity on the balance sheet. Dollar denominated equities of foreign subsidiaries on December 31, 2007 was 5.1 million euros (2006: 1.9 million euros). Equities of subsidiaries denominated in currencies other than the Euro or the US dollar are not considered to have practical significance.

On the closing date, the Group had the following foreign exchange derivative contract nominal amounts outstanding (the nominal amounts do not represent the amounts exchanged by the parties):

	2007 1000 EUR	2006 1000 EUR
Forward contracts		
Market value	666	-33
Nominal value	26 400	9 450
Purchased currency options		
Market value	0	32
Nominal value	0	2 500
Sold currency options		
Market value	0	-32
Nominal value	0	5 000

Dollar denominated assets and liabilities translated to euros using the closing date's value:

	2007 1000 EUR	2006 1000 EUR
Long-term assets	616	552
Long-term liabilities	29	44
Current assets	16 969	9 865
Current liabilities	759	1 147

The table below describes the appreciation or depreciation of the Euro against the US dollar, other variables remaining constant. A change of 10% represents the average volatility during the previous 12 months. The sensitivity analysis is based on foreign currency denominated assets and liabilities as of the closing date. The change in dollar denominated trade receivables and debt would primarily have been due to fluctuations in the foreign exchange rate.

Notes to the Consolidated Financial Statements

1000 EUR	Changes in income statement		Changes in equity	
	before tax, 2007	2006	before tax, 2007	2006
EUR appreciates	-500	-200	-500	-200
EUR depreciates	600	200	600	200

Interest rate risk

The majority of the Group's debt is tied to short term reference interest rates. Interest rate swaps are utilized to an extent to reduce cash flow risk due to interest rate fluctuations. At closing date, the Group had the following interest rate swaps outstanding:

	2007 1000 EUR	2006 1000 EUR
Interest rate swaps	5 400	6 800

The table below describes the interest rate risk of debts should there have been a $\pm 1\%$ change in interest rates of different debts, other variables remaining constant. The figures presented indicate the change in yearly interest expense calculated using the average amount of debt during the financial period.

1000 EUR	Changes in income statement		Changes in equity	
	before tax, 2007	2006	before tax, 2007	2006
Loan stock January 1	32 400	30 100		
Loan stock December 31	32 200	32 400		
Average loan stock	32 300	31 200		
Change in interest	+/- 300	+/- 300	+/- 300	+/- 300

Market risk of investment activities

The Group's money market investments result in interest rate exposure, but their effect is not considered significant. The Group's revenue and operative cash flows are mainly independent of market rate fluctuations.

The Group's investments in quoted shares and bonds result in exposure to security price risk due to fluctuations in the price of these securities. According to the Group's principles investments related to cash management are made in liquid and low-risk money market instruments and thus have not been hedged using derivatives.

The table below describes the distribution of investments in securities at closing date.

	2007	2006
Stock shares	23.8%	25.7%
Bonds	61.7%	66.8%
Money market investments	14.6%	7.6%
Total	100.0%	100.0%

The combined value of the above instruments during the financial period has ranged from 29 million euros to 109 million euros. At closing date their value was 61 million euros. This risk concentration has been managed by defining the average weights of different instruments and exposure limits for portfolio managers.

The table below describes the price risk of different fixed-income funds had they exhibited a $\pm 1\%$ change in value, other variables remaining constant. Financial assets that are recognized at market value in the income statement affect after-tax net income. Changes in the value of for-sale financial assets affect equity. In the calculations it is presumed that the Group's investments change with the interest rate level in question. The sensitivity analysis does not describe the market risk of investment activity in its entirety because of the investments in equity funds, the sensitivity of which cannot be measured by interest rate fluctuations only.

1000 EUR	Changes in income statement		Changes in equity	
	before tax, 2007	2006	before tax, 2007	2006
Fixed-income portfolio	+/- 1 400	+/- 400	+/- 1 400	+/- 400

Notes to the Consolidated Financial Statements

Default risk

The Group policy defines credit standing requirements and investment principles related to customers and counterparties of investment transactions and derivative contracts. The Group's trade receivables are distributed among a wide customer base and across several geographical areas. Hence, default risk concentration is assessed as a single customer's share of total trade receivables. The Group issues credits only to well known customers that have a good credit standing. Letters of credit are also utilized to decrease default risk. Accordingly, the Group is not exposed to significant counterparty default risk. During the past financial year the amount of recognized credit losses was non-significant. The Group only enters into derivative contracts with banks that have a good credit standing.

During the financial year the Group has initiated negotiations on revised terms regarding receivables that should have matured during the past financial period. The value of the receivables totals 5.0 million euros (2006: 5.0 million euros). The face value of the receivables has not been revised and negotiations regarding revised terms of payment are in progress. Shares in an unquoted company have been set as collateral for the receivables and according to the terms of the collateral they can be converted to money, should the receivables not be collected before they mature. The fair value of the collateral cannot be valued accurately.

The amount of the Group's counterparty default risk is consistent with the book value of financial assets at closing date. For the maturity distribution of trade receivables, see note 21.

Liquidity risk

The Group strives to continuously evaluate and monitor the amount of liquid funds needed for business operations and loan repayments. The Group's parent company raises most of the Group's interest-bearing debt. The Group strives to guarantee the availability and flexibility of financing by its strong financial position and liquid investments. The Group's loan covenants are conventional in nature. For the maturity distribution of the Group's debt, see note 28.

Capital structure management

The Group strives to optimize its capital structure and thus support business activities by ensuring normal operating conditions under all circumstances. An optimal capital structure also ensures that the cost of capital is minimized.

The capital structure is affected by dividend policy and share issuance. The Group can alter and adjust dividends paid to shareholders as well as share repurchases. The Group can also alter and adjust the amount of shares issued, or make decisions on the sale of assets.

The Group has not defined any targets or approach for the development of its capital structure. The management has continuously monitored the development of the Group's net gearing and solvency ratio. The Group's interest bearing net debt at the end of 2007 was 32.2 million euros (2006: 32.4 million euros) and net gearing was -24% (2006: -49.2%). The Group's solvency ratio at the end of 2007 was 70.9% (2006: 72.2%).

Fair values of financial assets and liabilities

This section presents the Group's fair valuing principles for all financial instruments. The table on the right presents book values for each item in detail. Their fair values are not considered to materially differ from the book values presented in the consolidated balance sheets.

	Note	Book value 2007 1000 EUR	Book value 2006 1000 EUR
Financial assets			
Other financial assets	18	300	100
Trade receivables and other receivables	18, 21	79 500	59 200
Financial assets at fair value through profit or loss	17, 22	61 100	28 800
Cash and cash equivalents	22	21 600	107 000
Currency forwards		700	0
Financial liabilities			
Bank loans	27	19 300	24 500
Finance lease liabilities	27	12 900	7 800
Trade payables and other debts	28	33 800	35 600
Currency forwards			0

Investments in shares and funds and other investments

For-sale financial assets consist mainly of quoted domestic and international equity funds and fixed-income funds. The fair values are based on the quotes of the closing day. Unquoted shares have been valued at acquisition cost since valuing them at fair value is not feasible.

Derivatives

The fair values of forward exchange contracts are defined based on publicly quoted currency and interest rate information and using commonly accepted valuation methods. These calculations have been carried out by an outside professional party.

Bank loans

The fair values of bank loans are approximately the same as the book values of their principals at closing date. In assigning fair values, the cash flows have not been discounted since

its effect on fair values is considered non-significant taking into consideration the terms and maturities of the debts.

Finance lease liabilities

Book values are considered to closely approximate fair values.

Trade receivables and other receivables

The original book value of receivables is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

Trade payables and other debts

The original book value of payables and other debts is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

Notes to the Consolidated Financial Statements

31. DERIVATE CONTRACTS AND HEDGE ACCOUNTING

The Group does not apply the hedge accounting defined by IAS 39 standard.

32. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES

	2007 1000 EUR	2006 1000 EUR
Business transactions without payments		
Depreciations	16 243	9 154
Employee benefits	1 169	873
Change in minority interest	-8	340
Profit and loss from sale of property, plant and equipment	-23 080	-73 568
Other adjustments	-788	-1 425
Total	-6 464	-64 625

33. OPERATING LEASE AGREEMENTS

The Group as lessee

The total of future minimum lease payments under non-cancelable operating leases for each of the following periods:

Not later than one year *	4 026	3 063
Later than one year and not later than five years *	4 858	3 680
Later than five years		

* The comparison data does not include contingent liabilities relating to discontinued operations.

The Group has rented most of its facilities. In average the maturities of the lease agreements are from 0.1 to 10 years and normally they include an option to extend the rental period from originally agreed end date.

The Group as lessor

The Group has leased the excess office and production facilities with lease agreements valid until further notice.

34. SECURITIES AND CONTINGENT LIABILITIES *

	2007 1000 EUR	2006 1000 EUR
Against own liabilities		
Floating charges	3 119	3 035
Mortgages	7 000	17 984
Pledges	9 789	7 134
Guarantees	2 100	
Rental liabilities		
Falling due in the next year	4 026	3 063
Falling due after one year	4 858	3 680
Total	30 891	34 896
Mortgages are pledged for liabilities totalled		
Loans from financial institutions	17 271	13 355
Total	17 271	13 355

* The comparison data does not include contingent liabilities relating to discontinued operations.

Notes to the Consolidated Financial Statements

35. RELATED PARTY DISCLOSURES

The Group has the following structure:

	Country of incorporation	Owned by Parent %	Owned by Group %
Parent			
Elektrobit Corporation	Finland		
Subsidiaries			
Elektrobit Technologies Oy	Finland	100.00	100.00
Elektrobit Wireless Communications Oy	Finland	0.00	100.00
Elektrobit System Test Oy	Finland	0.00	100.00
Elektrobit Microwave Oy	Finland	79.65	100.00
Kiinteistö Oy Automaatiotie 1	Finland	100.00	100.00
Elektrobit Wireless UK Ltd.	Great Britain	100.00	100.00
Elektrobit AG	Switzerland	0.00	100.00
7iD Technologies GmbH	Austria	0.00	100.00
Elektrobit Automotive GmbH	Germany	100.00	100.00
Decomsys Beteiligungs-GmbH	Austria	0.00	100.00
Elektrobit Austria GmbH	Austria	0.00	100.00
Decomsys – Dependable Computer Systems GmbH i.L.	Germany	0.00	100.00
Elektrobit Inc.	USA	0.00	100.00
Decomsys – Dependable Computer System Corporation	USA	0.00	100.00
Elektrobit Nippon KK	Japan	0.00	100.00
Elektrobit Wireless (Beijing) Ltd.	China	0.00	100.00

	2007 1000 EUR	2006 1000 EUR
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Pertti Korhonen 1.1.-31.12.2007 and 1.6.-31.12.2006	438	204
Juha Hulkko 1.1.-31.5.2006		66
Total	438	270
Members of the board of the parent		
J.T. Bergqvist 1.1.-31.12.2007 and 15.3.-31.12.2006	179	120
Juha Hulkko 1.1.-31.12.2007 and 1.6.-31.12.2006	20	12
Eero Halonen 1.1.-15.3.2006		5
Jukka Harju 1.1.-31.12.2007 and 1.6.-31.12.2006	20	12
Matti Lainema	20	20
Juha Sipilä	20	22
Tapio Tammi	20	20
Total	281	212
There have not been any business transactions or open balances between the related parties.		
Members of the group executive board	1 031	962
To the members of the group executive board distributed 1,195,000 stock options in 2006.		
Loans and guarantees to related party		
There are no loans or guarantees granted between the related parties.		
Stock option expenses	750	551

Notes to the Consolidated Financial Statements

36. EVENTS AFTER BALANCE SHEET DATE

The Group management is not aware of any significant events after balance sheet date, that would have had impact on the consolidated financial statements.

37. KEY RATIOS

	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003 Official
Income statement, (MEUR)					
Net sales, (MEUR)	144.3	120.5	190.1	190.0	138.2
Net sales change, %	19.8	-36.6	0.0	37.5	
Operating profit/loss, (MEUR)	-20.3	-6.0	17.3	n/a	n/a
% of net sales	-14.1	-5.0	9.1	n/a	n/a
Profit/loss for continuing operations before taxes, (MEUR)	-20.0	-6.1	18.4	n/a	n/a
% of net sales	-13.9	-5.0	9.7	n/a	n/a
Profit for the year from continuing operations, (MEUR)	-20.0	-6.1	13.0	n/a	n/a
% of net sales	-13.9	-5.1	6.9	n/a	n/a
Profit after tax for the year from discontinued operations, (MEUR)	13.1	80.3	5.8	n/a	n/a
% of net sales	9.1	66.7	3.0	n/a	n/a
Profit for the year attributable to equity holders of the parent, (MEUR)	-6.9	73.9	19.0	n/a	n/a
% of net sales	-4.8	61.3	10.0	n/a	n/a
Balance sheet (MEUR)					
Non-current assets	77.2	66.3	68.7	74.7	47.1
Inventories	7.6	13.9	17.5	15.4	12.3
Current assets	151.4	182.6	107.5	104.2	82.9
Shareholders' equity	165.7	188.6	122.0	110.9	82.3
Long-term liabilities	28.9	23.7	26.5	34.7	21.2
Short-term liabilities	41.5	50.5	45.2	48.7	38.9
Balance sheet total	236.1	262.8	193.6	194.3	142.3
Profitability and other key figures					
Return on equity, % (ROE) ***	-11.3	-3.9	11.2	n/a	n/a
Return on investment, % (ROI) ***	-8.7	-2.7	13.1	n/a	n/a
Interest-bearing net liabilities, (MEUR)	-39.7	-92.7	-30.5	-14.7	1.9
Net gearing, %	-24.0	-49.2	-25.0	-13.2	2.3
Equity ratio, % (nominal, net of deferred taxes)	70.9	72.2	64.2	58.1	58.6
Gross investments, (MEUR) ***	44.1	16.4	12.5	n/a	n/a
Gross investments, % of net sales	30.6	13.6	6.6	n/a	n/a
R&D costs, (MEUR) ***	38.3	23.7	13.1	n/a	n/a
R&D costs, % of net sales	26.6	19.6	6.9	n/a	n/a
Average personnel during the period ***	1695	1424	1599	1342	1073

	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003 Official
Stock-related financial ratios *					
Earnings per share from continuing operations, (EUR)					
Basic earnings per share	-0.15	-0.05	0.10	n/a	n/a
Diluted earnings per share	-0.15	-0.05	0.10	n/a	n/a
Earnings per share from discontinued operations, (EUR)					
Basic earnings per share	0.10	0.62	0.04	n/a	n/a
Diluted earnings per share	0.10	0.62	0.04	n/a	n/a
Earnings per share from continuing and discontinued operations, (EUR)					
Basic earnings per share	-0.05	0.57	0.15	0.21	0.06
Diluted earnings per share	-0.05	0.57	0.15	0.21	0.06
Equity per share, (EUR)	1.28	1.30	0.93	0.84	0.64
Dividend per share, (EUR) **	0.02	0.11	0.07	0.06	0.05
Dividend per earnings, %	-12.9	-220.4	68.8	n/a	n/a
P/E ratio	-10.6	-41.3	18.4	n/a	n/a
Effective dividend yield, %	1.2	5.3	3.7	n/a	n/a
Market values of shares, (EUR)					
Highest	2.48	2.56	3.15	3.45	3.30
Lowest	1.51	1.82	1.82	2.15	1.35
Average	1.93	2.18	2.53	2.85	2.22
At the end of period	1.64	2.06	1.87	2.80	2.55
Market value of the stock, (MEUR)	212.2	266.6	242.0	362.4	321.6
Trading value of shares					
MEUR	53.4	72.4	117.2	79.9	50.1
1000 PCS	27 656	33 206	46 374	28 071	22 544
Related to average number of shares, %	21.4	25.7	35.8	21.9	17.9
Adjusted number of the shares at the end of the period (1000 PCS)	129 413	129 413	129 413	129 413	126 105
Adjusted number of the shares average for the period (1000 PCS)	129 413	129 413	129 413	128 289	126 105
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	129 413	129 413	129 413	128 289	126 105

* The figures have been transformed to correspond with the number of shares after the combination of shares performed during the year 2005.

** According to Board of Director's proposal, year 2007

*** Year 2007 and 2006 data does not include discontinued operations

Notes to the Consolidated Financial Statements

CALCULATION OF KEY RATIOS

Return on equity % (ROE)	=	$\frac{\text{Profit for the year} \times 100}{\text{Total equity (average for the accounting period)}}$
Return on investment % (ROI)	=	$\frac{\text{Profit before tax} + \text{interest and other financial expenses} \times 100}{\text{Balance sheet total} - \text{interest-free liabilities (average for the accounting period)}}$
Net gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{cash and deposits and short-term investments} \times 100}{\text{Total equity}}$
Equity ratio, %	=	$\frac{\text{Total equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Earnings per share	=	$\frac{\text{Profit attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares average for the period}}$
Equity per share	=	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares at the end of the period}}$
Dividend per share	=	$\frac{\text{Dividend for the period (Board's proposal) per share}}{\text{Adjustment coefficient of post-fiscal share issues}}$
Dividend per earnings, %	=	$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$
P/E ratio	=	$\frac{\text{Share issue adjusted share price at the end of the period}}{\text{Earnings per share}}$
Effective dividend yield, %	=	$\frac{\text{Dividend per share} \times 100}{\text{Share issue adjusted share price at the end of the period}}$

38. SHAREHOLDINGS AND SHARES

Brakedown of shares by shareholding, December 31, 2007

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1-100	12 973	45.6%	621 223	0.5%
101-500	8 363	29.4%	2 198 100	1.7%
501-1 000	2 987	10.5%	2 346 257	1.8%
1 001-5 000	3 095	10.9%	7 016 214	5.4%
5 001-10 000	486	1.7%	3 722 879	2.9%
10 001-50 000	408	1.4%	9 094 145	7.0%
50 001-100 000	63	0.2%	4 523 668	3.5%
100 001-500 000	49	0.2%	12 565 678	9.7%
500 001-9 999 99 999 999	19	0.1%	87 324 526	67.5%
	28 443	100.0%	129 412 690	100.0%
Nominee-registered	12		2 818 295	2.2%

Brakedown of shareholders by shareholder type, December 31, 2007

Shareholders by shareholder type	Number of shareholders	Percentage of shareholders	Percentage of shares and votes
Companies	1 048	3.7	14.8
Financial institutes and insurance companies	29	0.1	2.3
Public corporations	6	0.0	2.2
Non-profit organizations	82	0.3	0.7
Private investors	27 141	95.4	75.3
Foreign owned	125	0.4	2.5
Nominee-registered	12	0.0	2.2
	28 443	100.0	100.0

Largest shareholders, December 31, 2007

	Number of shares	Percentage of shares and votes
Number of shares total	129 412 690	100.0
Hulkko Juha	27 535 362	21.3
Hilden Kai	10 831 316	8.4
Veikkolainen Erkki	9 388 719	7.3
Halonen Eero	8 407 759	6.5
Harju Jukka	7 642 730	5.9
Sipilä Juha and Fortel companies *	7 480 444	5.8
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2 266 024	1.8
Laine Seppo	2 220 051	1.7
Nordea Pankki Suomi Oyj **	2 008 317	1.6
Mariatorp Oy, Wip Asset Management	1 600 000	1.2
	79 380 722	61.3
Others (includes nominee-registered)	50 031 968	38.7

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

** Nominee-registered

Income Statement, Parent Company

	Notes	2007 1000 EUR	2006 1000 EUR
NET SALES	1, 2	20 612	7 933
Other operating income	3	11 915	5 633
Raw materials and services		-78	0
Personnel expenses	4	-8 489	-3 206
Depreciation and reduction in value	5	-202	-32
Other operating expenses		-17 827	-7 362
OPERATING PROFIT		5 931	2 966
Financial income and expenses	6	922	1 767
PROFIT BEFORE EXTRAORDINARY ITEMS		6 853	4 733
Extraordinary items	7	0	316
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		6 853	5 048
Income tax	8	-1	-86
NET PROFIT FOR THE FINANCIAL YEAR		6 852	4 963

Balance Sheet, Parent Company

	Notes	2007 1000 EUR	2006 1000 EUR
ASSETS			
Non-current assets			
Intangible assets	9	1 191	72
Tangible assets	10	835	293
Investments	11	76 388	74 940
Non-current assets total		78 414	75 305
Current assets			
Receivables			
Long-term receivables	12	0	159
Short-term receivables	13	56 966	36 796
Receivables total		56 966	36 956
Short-term investments		0	5 500
Cash and bank deposits		11 067	91 572
Current assets total		68 033	134 027
Total assets		146 447	209 333
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	12 941	12 941
Share issue premium		64 579	64 579
Retained earnings		22 947	32 511
Net profit for the year		6 852	4 963
Shareholders' equity total		107 319	114 994
Liabilities			
Short-term liabilities	15	39 127	94 338
Liabilities total		39 127	94 338
Shareholders' equity and liabilities total		146 447	209 333

Cash Flow Statement, Parent Company

	2007 1000 EUR	2006 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before extraordinary items	6 853	4 733
Adjustments		
Depreciation according to plan	202	32
Reduction in value in non-current assets	3 727	
Financial income and expenses	-922	-1 767
Effects of non-cash business activities	-2 992	
Operating incomes and expenses booked in unrestricted equity	-292	-102
Cash flow before change in net working capital	6 577	2 896
Change in net working capital		
Change in interest-free short-term receivables	-25 226	-2 332
Change in interest-free short-term payables	281	2 290
Cash flow before financing activities	-18 368	2 855
Interest paid	-5 314	-1 344
Dividends received	3 503	508
Interest received	2 733	2 603
Income taxes paid	-1	-86
Cash flow before extraordinary items	-17 447	4 536
Net cash flow from extraordinary items	0	316
Net cash from operating activities	-17 447	4 851

	2007 1000 EUR	2006 1000 EUR
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-1 862	-88
Proceeds from sale of tangible and intangible assets	0	
Purchase of investments	-26 086	-6 093
Proceeds from sale of investments	18 511	9 593
Loan granted	-5 684	-5 820
Proceeds from repayments of loans	14 512	6 336
Net cash used in investing activities	-609	3 927
CASH FLOW FROM FINANCIAL ACTIVITIES		
Change in interest-free short-term receivables in Group	1 778	-6 775
Change in interest-free short-term payables in Group	-55 492	74 241
Dividends paid	-14 235	-9 059
Net cash used in financial activities	-67 949	58 407
NET CHANGE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	97 072	29 887
Cash and cash equivalents at end of period	11 067	97 072
Change in cash and cash equivalents in balance sheet	-86 005	67 185

Notes to the Financial Statements of the Parent company

Accounting Principles for the Preparation of Financial Statements

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

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. Depreciations according to the plan is calculated either using the straight-line method or the reducing balance method, taking into consideration of the useful life of assets. The depreciation periods are:

Intangible assets	3-5 years
Tangible assets	3-7 years

Valuation of Financial Securities

Financial securities are valued at acquisition cost.

PENSIONS

Company has organized pension coverage for its personnel through independent pension insurance companies. The pension insurance expenditures are included into personnel expenses.

LEASING AGREEMENTS

Leasing agreements and fixed-term rental agreements are reported as contingent liabilities off the balance sheet.

INCOME TAX

Taxes of the financial year have been reported in the income statement as income taxes. Deferred tax or liabilities or receivables has not been recorded on the financial statement.

FOREIGN CURRENCY ITEMS

The transactions in the income statement have been converted into euro using the exchange rate of the transaction date. Receivables and payables denominated in foreign currency have been converted into euro by using the exchange rate of the European Central Bank at the balance sheet date.

NET SALES

Sales of goods is recorded when goods have been handed over to the customer or the services have been rendered. Sales are shown net of indirect sales taxes and discounts.

	2007 1000 EUR	2006 1000 EUR
1. NET SALES BY SEGMENTS		
Common functions	20 612	7 933
Total	20 612	7 933
2. NET SALES BY MARKET AREAS		
Europe	20 220	7 933
America	364	
Asia	28	
Total	20 612	7 933
3. OTHER OPERATING INCOME		
Other operating income	11 915	5 633
Total	11 915	5 633
4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel during the fiscal period		
Common functions	120	38
Total	120	38
Number of personnel at year end		
	126	102
Personnel expenses		
Management salaries	438	270
Board of directors	281	212
Other salaries and wages	6 110	2 130
Total	6 828	2 611
Pension expenses	1 189	470
Other social expenses	472	125
Total	8 489	3 206
5. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	10	0
Other capitalized long-term expenditures	93	30
Machinery and equipment	99	2
Total	202	32

Notes to the Financial Statements of the Parent company

	2007 1000 EUR	2006 1000 EUR
6. FINANCIAL INCOME AND EXPENSES		
Income from investments		
From Group companies	3 503	508
Total	3 503	508
Other interest and financial income		
From Group companies	1 182	740
From others	1 551	1 863
Total	2 733	2 603
Other interest and financial expenses		
Reduction in value of non-current inv. Group	-3 727	0
To Group companies	-1 016	-473
To others	-571	-871
Total	-5 314	-1 344
Net financial income and expenses	922	1 767
Net financial income and expenses includes exchange gains and losses	-411	-574
7. EXTRAORDINARY ITEMS		
Extraordinary income		
Group contributions	0	316
Total	0	316
Extraordinary expenses		
Other extraordinary expenses	0	0
Total	0	0
Net extraordinary items	0	316
8. INCOME TAX		
For operations	-1	-86
For extraordinary items		
Total	-1	-86

	2007 1000 EUR	2006 1000 EUR
9. INTANGIBLE ASSETS		
Intangible rights		
Acquisition cost Jan. 1	0	0
Investments during the period	157	
Acquisition cost Dec. 31	157	0
Accumulated depreciations Jan. 1		
Depreciation for the period	-9	
Book value Dec. 31	148	0
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	2 267	2 215
Investments during the period	1 062	51
Acquisition cost Dec. 31	3 329	2 267
Accumulated depreciations Jan. 1	-2 194	-2 164
Depreciation for the period	-92	-30
Book value Dec. 31	1 043	72
Intangible assets total		
Acquisition cost Jan. 1	2 267	2 216
Investments during the period	1 219	51
Acquisition cost Dec. 31	3 486	2 267
Accumulated depreciations Jan. 1	-2 194	-2 165
Depreciation for the period	-101	-30
Book value Dec. 31	1 191	72
10. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost Jan. 1	1 249	1 212
Investments during the period	643	37
Acquisition cost Dec. 31	1 892	1 249
Accumulated depreciations Jan. 1	-1 213	-1 211
Depreciation for the period	-101	-2
Book value Dec. 31	578	36
Other tangible assets		
Acquisition cost Jan. 1	257	257
Acquisition cost Dec. 31	257	257
Book value Dec. 31	257	257
Tangible assets total		
Acquisition cost Jan. 1	1 506	1 469
Investments during the period	643	37
Acquisition cost Dec. 31	2 149	1 506
Accumulated depreciations Jan. 1	-1 213	-1 211
Depreciation for the period	-101	-2
Book value Dec. 31	835	293

Notes to the Financial Statements of the Parent company

	2007 1000 EUR	2006 1000 EUR
11. INVESTMENTS		
Investments in subsidiaries		
Acquisition cost Jan. 1	65 115	69 522
Investments during the period	20 530	
Disposals during the period	-19 351	-4 407
Acquisition cost Dec. 31	66 294	65 115
Investments in other shares		
Acquisition cost Jan. 1	9 796	8 888
Investments during the period	3 880	5 426
Disposals during the period	-3 606	-4 518
Acquisition cost Dec. 31	10 070	9 796
Other long-term receivables		
Acquisition cost Jan. 1	30	30
Disposals during the period	-6	
Acquisition cost Dec. 31	24	30
Investments total		
Acquisition cost Jan. 1	74 940	78 439
Investments during the period	24 410	5 426
Disposals during the period	-22 962	-8 925
Acquisition cost Dec. 31	76 388	74 940
12. LONG-TERM RECEIVABLES		
Loan receivables		
From Group companies	0	159
Total	0	159
Long-term receivables total	0	159

		2007 1000 EUR		2006 1000 EUR
13. SHORT-TERM RECEIVABLES				
Accounts receivable				
From Group companies		25 215		4 454
From others		463		40
Total		25 678		4 494
Loan receivables				
From Group companies		8 918		17 175
From Others		5 173		0
Total		14 092		17 175
Other receivables				
From Group companies		14 590		13 018
From others		5		298
Total		14 594		13 316
Prepaid expenses and accrued income				
From Group companies		0		0
From others		2 602		1 810
Total		2 603		1 811
Short-term receivables total		56 966		36 796
14. SHAREHOLDERS' EQUITY				
Share capital at the beginning of the period	1.1.	12 941	1.1.	12 941
Share issue		0		0
Share capital at the end of the period	31.12.	12 941	31.12.	12 941
Share premium fund at the beginning of the period	1.1.	64 579	1.1.	64 579
Issue premiums		0		0
Share premium fund at the end of the period	31.12.	64 579	31.12.	64 579
Retained earnings at the beginning of period	1.1.	37 474	1.1.	41 672
Dividend payment		-14 235		-9 059
Adjustment in prior period		-292		-102
Net profit for the period		6 852		4 963
Retained earnings at the end of period	31.12.	29 799	31.12.	37 474
Distributable earnings at the end of the period	31.12.	29 799	31.12.	37 474
Shareholders' equity total	31.12.	107 319	31.12.	114 994

Notes to the Financial Statements of the Parent company

	2007 1000 EUR	2006 1000 EUR
15. SHORT-TERM LIABILITIES		
Accounts payable		
To Group companies	521	500
To others	1 184	1 794
Total	1 705	2 293
Other short-term liabilities		
To Group companies	34 838	90 319
To others	1 250	452
Total	36 087	90 770
Accrued expenses and deferred income		
To Group companies	223	234
To others	1 112	1 041
Total	1 335	1 274
Short-term liabilities total	39 127	94 338
16. SECURITIES AND CONTINGENT LIABILITIES		
On behalf of Group companies		
Guarantees	4 746	5 336
Other direct and contingent liabilities		
Leasing liabilities		
Falling due in the next year	5 200	3 441
Falling due after one year	8 025	5 427
Rental liabilities		
Falling due in the next year	1 379	530
Falling due after one year	1 771	884
Total	21 120	15 618
Mortgages are pledged for liabilities totalled		
Loans from financial institutions	0	0
Total	0	0

	2007 1000 EUR	2006 1000 EUR
17. NOMINAL VALUE OF CURRENCY DERIVATES		
Foreign exchange forwards		
Market value	666	-33
Nominal value	26 400	9 450
Purchased currency options		
Market value	0	32
Nominal value	0	2 500
Sold currency options		
Market value	0	-32
Nominal value	0	5 000

	Owned by Parent %	Owned by Group %	Book value 1000 EUR
18. SHARES AND HOLDINGS			
Subsidiaries			
EB Wireless UK Ltd.	100.00	100.00	0
Elektrobit Technologies Oy	100.00	100.00	39 749
Kiinteistö Oy Automaatit 1	100.00	100.00	200
Elektrobit Automotive GmbH	100.00	100.00	24 721
Elektrobit Microwave Oy	79.65	100.00	1 624
Other holdings by Parent			
Oulun Golf Oy			7
Oulun Puhelin Oy			1
Visual Components Oy	16.49	16.49	15
Oulun Innovation Oy			0
Others			10 046

The Board of Directors' Proposal to Distribute Profits

According to the parent company's balance sheet the distributable funds in the financial statement are EUR 29,798,815 of which EUR 6,852,190 is the profit for the financial period. There have been no material changes in the company's financial situation since the financial year end. The liquidity of the company is adequate. According to the Board of Directors' view, the proposal to distribute profits does not risk the liquidity of the company.

The company's Board of Directors proposes to the Annual General Shareholders Meeting that a dividend of EUR 0.02 per share, a total of EUR 2,588,253.80 shall be paid, and that

the rest of the distributable assets shall be left in unrestricted shareholders' equity. The dividend will be paid to those shareholders who are recorded in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. on the record date for the dividend. The Board of Directors proposes that the record date for the dividend is March 19, 2008 and that the dividend will be paid on March 26, 2008.

In Oulunsalo, February 5, 2008

Elektrobit Corporation, the Board of Directors



J. T. Bergqvist
Chairman of the Board



Jukka Harju
Member of the Board



Juha Hulkko
Member of the Board



Matti Lainema
Member of the Board



Juha Sipilä
Member of the Board



Tapio Tammi
Member of the Board



Pertti Korhonen
CEO

Auditors' Report

TO THE SHAREHOLDERS OF ELEKTROBIT CORPORATION

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Elektrobitt Corporation for the period 1.1.-31.12.2007. The Board of Directors and the CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, 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 the administration is to examine whether the members of the Board of Directors and the CEO of the parent company have complied with the rules of the Companies Act.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations, as well as, of the financial position.

PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

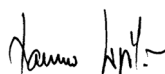
In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's 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 disposal of distributable funds is in compliance with the Companies Act.

In Oulu, February 5, 2008

Ernst & Young Oy
Authorized Public Accountant Firm



Rauno Sipilä
Authorized Public Accountant



www.elektrobit.com

Automaatit 1, FI-90460 Oulunsalo, Finland Tel. +358 40 344 2000 Fax +358 8 570 1301

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