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REPORT BY THE BOARD OF DIRECTORS 2005

- Net sales in 2005 were 74.7 million euros, 20.7% up on the year before.
- Operating income before depreciation and goodwill amortization (EBITDA) was 11.3 million euros, 8.7% up on the previous year.
- Demand for Electronic Stability Control (ESC) products for the automotive industry was good.
- Demand for accelerometers for pacemakers was good.
- Investment in R&D and engineering was 12.3 million euros, 16.5% of net sales and up 29.0% on the year before.
- To prepare for the expected growth in demand, VTI invested in new office and production facilities.
- In 2005, VTI recruited 135 new people.
- VTI prepared for growing business in Asia by opening a sales office in Shanghai and establishing a joint venture in Beijing.

Net sales

Net sales of the VTI Group in 2005 increased 20.7 % to 74.7 (61.9) million euros. Net sales of the Automotive Business Unit increased 16.6 % to 67.6 (58.0) million euros. Net sales of the Sensing Solutions Business Unit increased 81.2 % to 7.1 (3.9) million euros. Design wins were achieved, although production did not start yet.

Exports and overseas operations accounted for 99.8 % (99.8 %). The main export countries are Germany, Japan and USA.

Result

Gross profit of the VTI Group was 26.0 (21.0) million euro representing 34.8 % (33.9 %) of net sales. Gross profit was 5.0 million euro higher than the year before, which is an outcome of higher volumes and an increase in productivity. Production capacity was increased both in Vantaa and in the Mexico plant.

The operating result of the Group was -0.3 (-0.3) million euros. The Group result is held down by the 5.6 (5.6) million euros annual depreciation of goodwill. The goodwill was generated when the current main owner acquired the business operations of VTI in 2002.

The result before goodwill amortization (EBITA) was 5.3 (5.3) million euros. Sales expenses increased by 44.7 % due to the new office in Shanghai, China, and an increase in sales resources. During the year, the company made substantial investments in research and development, resulting in an increase in R&D expenses of 29.0 percent over the year before as the company is preparing for increasing competition with new products and technologies.

R&D expenses were 12.3 (9.5) million euros, 16.5 % (15.4 %) of net sales. Expenses grew by 2.8 (2.5) million euros, the main portion of which is due to an increase in R&D personnel. A total of 138 (110) people worked in R&D at year-end.

Net financing costs for the period were 0.8 (1.4) million euros. Interest expenses for 2005 include interest in the amount of 0.2 million euros from construction.

Net working capital increased by 2.8 million euros and amounted to 9.2 (6.4) million euros, 12.2 % (10.3 %) of net sales. Non interest-bearing receivables increased by 3.6 million euros after having been at an exceptionally low level at the end of 2004. In addition, year-end inventory was higher than before as customers were downsizing their own inventories.

Investments and finance

Gross investments by the Group in 2005 were 12.1 (6.6) million euros. Most of the investments were in machinery and equipment improving production performance and capacity, new production technologies and the clean room facilities of the new production plant in Vantaa, Finland.

The construction project to double the office and production facilities in Vantaa, Finland, was completed and the offices taken into use in March 2005. The clean room premises for production will be completed in early 2006 and production will start in late 2006. The premises are leased with a fifteen-year lease agreement.

The Group's solvency ratio at the end of December was 66.1 % (68.2 %).

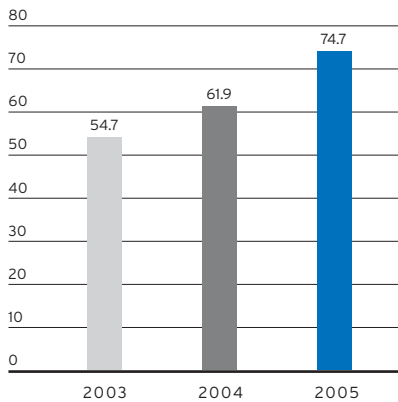
The Group's interest-bearing liabilities at the end of the period amounted to 19.7 (18.8) million euros, with total net interest-bearing liabilities of 19.1 (15.0) million euros. Liquidity remained good throughout the year.

Market outlook

VTI operates on the microelectromechanical (MEMS) sensors market, which

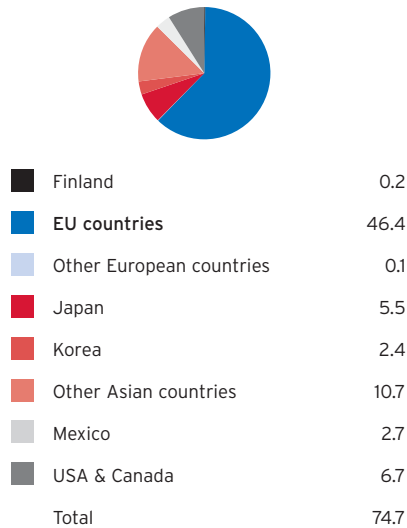
Net sales

MEUR



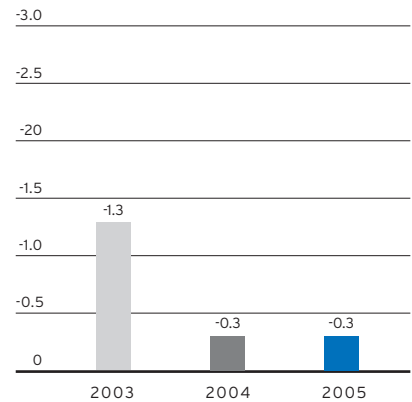
Net sales by countries

MEUR



EBIT

MEUR



is expected to grow intensely in the near future. The development of the MEMS technology has created and continues to create new uses and applications for sensors. As a pioneer in MEMS technology, VTI has developed its production processes to enable mass production of small-size, low-power and extremely accurate products. The company focuses on segments where these product features will provide competitive advantage to customers.

VTI has set a target of becoming the market leader in low-g acceleration sensors and pressure sensors. The objective is to reach a significant increase in market share in new applications for the selected businesses, as well as remain the leader in low-g accelerometers for the automotive industry. The growing market is expected to increase competition, which the company regards as a positive and important catalyst for the development of the industry.

Automotive Business Unit

The Automotive Business Unit supplies the automotive industry with motion and pressure sensors, used in vehicle stability control (ESP), anti-lock braking systems

(ABS) and various alarm and control applications. Tire pressure measurement (TPMS) is a significant new growth area for VTI sensors. End-users of VTI products include almost all major car manufacturers. VTI's market share of low-g accelerometers for the automotive industry is over 50 %.

Net sales of the Automotive Business Unit rose 16.6 % from the preceding year to 67.6 (58.0) million euros. Demand increased, particularly for vehicle stability control and anti-lock braking systems.

The growth in the Automotive Business Unit is due to the rapid increase of electronic systems in motor vehicles. Especially rapid growth is expected on the market for active safety in the years ahead. VTI is prepared for this situation by having increased its production capacity both in Finland and in Mexico.

During 2005 VTI announced deliveries of accelerometers to the Korean automotive industry as well as Jaguar who uses VTI sensors to measure motor vibration.

VTI's cooperation with automotive industry systems suppliers is based on in-depth cooperation from the product development stages. The company will in

2006 launch a new digital product family aiming at further improvement in vehicle safety and economy.

Sensing Solutions Business Unit

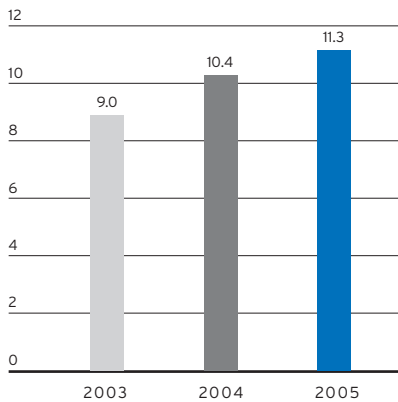
VTI restructured its organization in 2005 to meet the needs of the growing motion and pressure sensor markets. The reorganization supports the company's updated strategy of looking for strong growth and profitability on markets other than the automotive industry in the coming years. Part of this development was the founding of the Sensing Solutions Business Unit.

Sensing Solutions continues the business of the previous Industrial Business Unit. Sensing Solution operates globally in the Sports & Wellness, Medical & Instruments, and Terminals business segments. Sensing Solutions sales are supported by Product Management that develops products fulfilling the needs of customer in these segments. The objective of Sensing Solutions is to build a strongly growing business for VTI beside the automotive industry business.

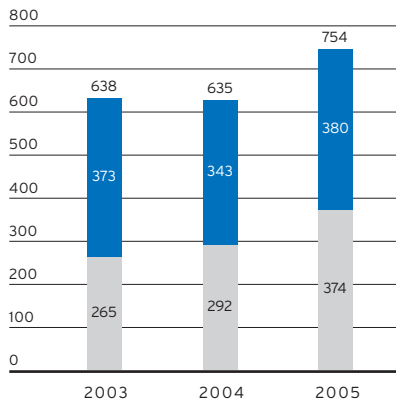
Sensing Solutions delivers more and more motion and pressure sensors to areas such as medical equipment and

EBITDA

MEUR



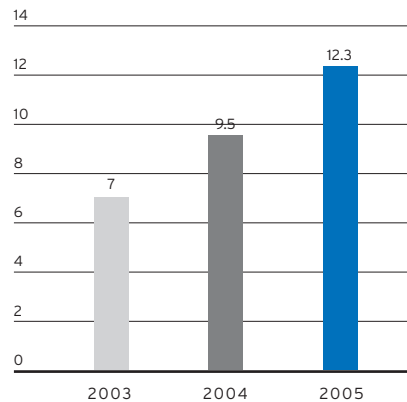
Personnel/Average



■ Direct employees
■ Salaried employees

R&D expenses

MEUR



instruments, sports and wellness, and terminals. Examples include pacemakers, GPS equipment, mobile phones, sports watches and diving equipment.

Sensors bring significant added value in these application areas. That is why VTI sees an almost unlimited scope of uses for the products on a worldwide market.

Net sales of Sensing Solutions grew 81.2 % over the preceding year to 7.1 (3.9) million euros. VTI has increased its market share in pacemakers and won significant new customers for other applications.

During 2005 VTI announced an expansion in its sales network through cooperation with the US based Digi-Key and deliveries of accelerometers for the Japanese Shinkansen series bullet trains. Additionally, the company launched a new pressure component, the SCP1000, in 2005. This is a high-performance, small and low-power product. Thanks to these properties, the SCP1000 is expected to reach a strong position on the pressure sensor market in a number of application areas.

The company is preparing for increased demand in Asia through founding a joint venture in Beijing and opening

a sales office in Shanghai in August.

Environment

VTI is committed to comply with environmental legislation and regulations concerning environmental protection, such as the ROHS, ELV and WEEE directives. The company's environmental policy has been prepared in accordance with the environmental systems standard ISO 14001:2004. The production facilities in both Finland and Mexico are certified to this standard.

Risk management

VTI's risk management is described in the notes of the financial statements.

Personnel

VTI Group employed 798 (663) people at year-end 2005. The total number of personnel grew by 135 people. Blue-collar staff grew with 61 people, mainly in Mexico. White-collar personnel increased by 74 people, the growth being divided between Mexico, China and Finland. At the end of the year, 519 people worked in Finland, 254 in Mexico, 15 in China, 4 in the US, 5 in Germany and 1 in Japan. The

average number of personnel during the year was 754 (635).

Group structure

VTI Technologies Oy is the parent company of the VTI Group. At the end of 2005 the Group consisted of the parent company, VTI Holding Company, Inc. and VTI Technologies, Inc. in the United States, VTI Technologies S.A. de C.V. in Mexico and the joint venture Beijing Orisens Co., Ltd. in China, founded in 2005.

Shares and shareholders

The share capital of VTI Technologies Oy was 0.5 million euros at the end of December.

Extraordinary general meetings on 18 May 2005, 10 June 2005 and 30 November 2005 approved a share capital increase departing from the subscription rights.

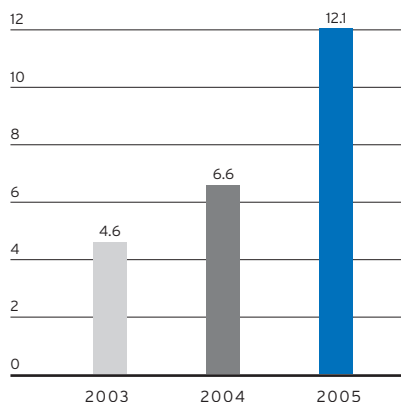
The largest shareholder is the EQT III Private Equity Fund.

Directors and CEO

The general shareholders' meeting on 2 March 2005 elected the following full members to the Board of Directors of VTI Technologies Oy: Tuomo Lähdesmäki

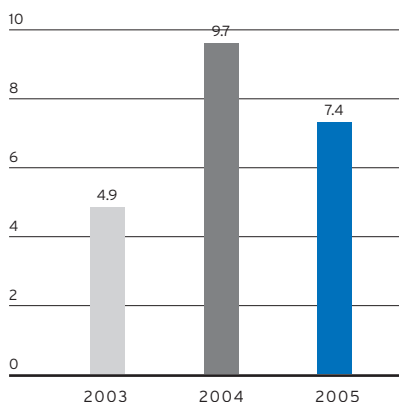
Gross Investments

MEUR



Cash from operations

MEUR



(chairman), Hasse Johansson (vice-chairman), Thomas von Koch and Juha Lindfors. Joonas Kettunen was elected deputy member. Peter Wallenberg Jr. resigned from the Board that was elected last year. The extraordinary general meetings on 18 May 2005 and 10 June 2005 elected Kurt Hellström and Peter Grafoner, respectively, full members of the Board.

The President and CEO is Hannu Martola.

Proposal of the Board of Directors for Annual General Meeting

Shareholder's equity for VTI Group was 60 243 thousand euros according to balance sheet dated 31.12.2005. Shareholder's equity of VTI Technologies Oy, the parent company, was 58 689 492.50 euros according to balance sheet dated 31.12.2005. VTI Technologies Group or VTI Technologies Oy has no distributable shareholder's equity.

The Board of Directors is proposing that no dividend is paid and that the loss for the financial period, 1 108 thousand euros for VTI Group and 319 613.36 euros for VTI Technologies Oy, is transferred to the accumulated profit/loss account.

Auditors

The Annual General Meeting chose Price-WaterhouseCoopers Oy as the auditors of VTI Technologies Oy. Kari Lydman, Authorized Public Accountant, is the responsible auditor.

Preparations for changeover to IAS/IFRS accounting

The company has been making preparations for a changeover to international financial reporting standards. IFRS is compulsory only for quoted companies but permissible for other companies. The company is expected to balance its books in accordance with IAS practices for the first time on 31 December 2006.

Events after the review period

VTI restructured its organization in late 2005 to better meet the needs of the growing motion and pressure sensor markets. The restructuring is part of the company's updated strategy of seeking strong growth in new applications outside the automotive industry. As part of this development, the business unit focusing on non-automotive business, Industrial Business Unit (IBU), was renamed Sensing Solutions on 1 January 2006.

Outlook for 2006

VTI has systematically prepared for growth in the past few years. Substantial investments have been allocated to personnel, R&D, production and the customer interface. In 2006, the company will focus on the productivity of these investments through improving operational efficiency. An innovative approach in all areas of business is becoming an increasingly important competitive asset.

The MEMS market is expected to grow rapidly in 2006 based on both the needs of the automotive industry and the strong growth predictions of new application areas. VTI is the largest company specializing solely in the manufacture of MEMS sensors, and its objective is to retain its strong market position.

In 2006 VTI is expected to grow and improve profitably.

Vantaa, Finland, 14 February 2006

Board of Directors

Profit and Loss Account

M€	Group		Parent	
	2005	2004	2005	2004
Net sales	74.7	61.9	74.7	61.9
Cost of production and procurement	48.7	40.9	48.1	40.7
Gross profit	26.0	21.0	26.6	21.2
Sales and marketing expenses	3.8	2.6	3.7	2.4
Administration expenses	4.6	3.6	4.5	3.6
Research and development expenses	12.3	9.5	12.3	9.4
Depreciation of goodwill	5.6	5.6	5.6	5.6
	26.3	21.3	26.1	21.0
Operating result	-0.3	-0.3	0.5	0.2
Financial income and expenses	-0.8	-1.4	-0.8	-2.6
Result before extraordinary items	-1.1	-1.7	-0.3	-2.4
Extraordinary income and expenses	-	-	-	-4.4
Minority interest	0.0	-	-	-
Net result for the period	-1.1	-1.7	-0.3	-6.8

Balance sheet

M€	Group		Parent	
	2005	2004	2005	2004
Assets				
Non-current assets				
Intangible assets	3.5	2.7	3.5	2.7
Group goodwill	36.4	42.0	36.4	42.0
Tangible assets	30.6	24.9	28.6	23.3
Investments in subsidiaries	-	-	0.5	0.0
	70.5	69.6	69.0	68.0
Current Assets				
Inventories	4.0	3.1	2.9	2.6
Non-current receivables	-	-	-	-
Current receivables	16.0	12.3	17.1	12.3
Cash and bank balances	0.6	3.8	0.1	3.6
	20.6	19.2	20.1	18.5
Total Assets	91.1	88.8	89.1	86.5
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital	0.5	0.5	0.5	0.5
Premium fund	58.2	64.2	58.2	64.2
Share issue	0.3	0.6	0.3	0.6
Retained earnings	2.3	-3.1	0.0	0.0
Net result for the period	-1.1	-1.7	-0.3	-6.8
	60.2	60.5	58.7	58.5
Minority share	0.1	0.0	-	-
Provisions	0.2	0.5	0.2	0.5
Liabilities				
Long-term liabilities	13.8	16.3	13.8	16.3
Short-term liabilities	16.8	11.5	16.4	11.2
	30.6	27.8	30.2	27.5
Total shareholders' equity and liabilities	91.1	88.8	89.1	86.5

Cashflow

M€	Group		Parent	
	2005	2004	2005	2004
Net cash flow from operations				
Net result of the financial period	-0.3	-0.3	0.5	0.2
Adjustments to result				
Depreciation and amortization	11.6	10.7	11.0	9.9
Other adjustments	-0.3	0.2	-0.3	0.1
Change in working capital	-2.7	1.4	-3.5	1.2
Interest received	0.0	0.1	0.0	0.1
Interest paid	-0.9	-2.3	-0.9	-2.2
Other financial items	0.0	-0.1	0.1	0.0
Net cash flow from operations	7.4	9.7	6.9	9.3
Net cash flow from investments				
Investments in subsidiaries	0.0	0.0	-0.4	0.0
Investments in tangible and intangible assets	-12.1	-6.6	-11.4	-6.1
Net cash flow from investments	-12.1	-6.6	-11.8	-6.1
Cash flow before financing	-4.7	3.1	-4.9	3.2
Net cash flow from financing				
Share issue	0.5	0.5	0.5	0.5
Minority share	0.1	-	-	-
Increase (+), decrease (-) in short-term loans	3.5	0.0	3.4	0.0
Withdrawal of long-term loans	0.0	20.0	0.0	20.0
Repayment of long-term loans	-2.5	-23.0	-2.5	-23.0
Net cash flow from financing	1.6	-2.5	1.4	-2.5
Liquid assets increase (+), decrease (-)	-3.1	0.6	-3.5	0.7
Liquid assets at the beginning of the period	3.8	3.2	3.6	2.9
Foreign exchange adjustment on cash	-0.1	0.0	0.0	0.0
Liquid assets at the end of the period	0.6	3.8	0.1	3.6
Change in working capital				
Change in short-term receivables increase (-) / decrease (+)	-3.6	-0.9	-4.9	-1.0
Change in inventories increase (-) / decrease (+)	-0.8	-0.1	-0.3	0.0
Change in short-term liabilities increase (+) / decrease (-) *)	1.7	2.4	1.7	2.2
	-2.7	1.4	-3.5	1.2

*) Change in short-term liabilities related to investments is shown under net cash flow from investments.

NOTES TO FINANCIAL STATEMENTS

Accounting principles

Financial statements have been drawn up in accordance with the prevailing Finnish Accounting Act and other regulations concerning the closing of accounts.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Caution has been observed in making these estimates and assumptions.

Consolidation principles

The consolidated financial statements include the parent company and all companies in which it holds a majority of voting rights directly or via its subsidiaries. Companies are included in the consolidated financial statements from their respective acquisition dates.

The consolidation have been drawn up using the purchase method. The part of purchase amount that exceeds the value of shareholder's equity at the acquisition moment is presented as goodwill at the consolidated balance sheet, which is amortized over 10 years.

Internal transactions such as unrealised margins on intra-group deliveries, internal receivables and debts and internal items of the profit and loss account have been eliminated from the consolidated statement.

The balance sheets of foreign subsidiaries have been recorded at the exchange rate prevailing when the accounts were closed. The income statements have been translated using the average rates during the financial year. Translation differences arising from the conversion are recorded as non-restricted equity in the consolidated statements.

Minority shares have been separated from the consolidated equity and result and recorded as a separate item.

Valuation and amortisation principles

Valuation of fixed assets

Tangible and intangible assets are recorded in the balance sheet at historical cost minus depreciation at a fixed rate. The rate of depreciation is calculated on a straight-line basis according to the expected useful life of the assets. Interest is not capitalized on fixed assets.

The periods for deprecation according to plan are:

	years
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Machinery and equipment	3-20
Other non-current expenditure	3-10
Patents	5-10
Goodwill	10

Under machinery and equipment the clean room machines are depreciated over twenty years.

The amortization period for goodwill differs from the normal five years because the goodwill is regarded as having a useful economic value for a longer period, at least ten years.

Valuation of inventories

Inventories have been valued on the fifo principle at the lower of historical price, purchase price or sales price. The historical price of inventories consists of their purchase and manufacturing costs only.

Research and development expenses

R&D costs are charged as expenses of the year when they are incurred.

Maintenance and repairs

Expenditure on maintenance and repairs is treated as an expense of the current financial period. The cost of renovating rented premises is recorded as other non-current expenditure and depreciated on a straight-line basis.

Leasing

Leasing charges are treated like rental costs. At the end of the year the company had no significant financial leasing contracts.

Allocation of pension costs

Pension costs are recorded as costs according to the local legislation of the country in question.

Extraordinary income and expenditure

Extraordinary income and expenses include items incurred outside the normal course of business operations. The parent company includes a writedown of shares in subsidiaries in 2004.

Provisions

The company has made provisions to cover future guarantee and other product liability commitments. The reserve was drawn down in 2004 and 2005 to meet realised product liability commitments. The Group is not increasing the reserve in future financial periods; the reserve presently on the balance sheet will be used for guarantee and other product liability commitments in the future.

Foreign currency items

Transactions denominated in foreign currencies are recorded at the exchange rate applicable at the date of the transactions. The Company hedges its foreign currency exposure using derivatives.

Receivables and payables unsettled at the end of the financial period are valued at the exchange rate quoted by the European Central Bank on the balance sheet date.

Deferred tax

The deferred tax liability or asset has been determined for all significant differences between taxes and their amounts in the financial statements using the tax rate effective for the year ahead at the balance sheet date. Deferred tax liabilities or assets have not been recorded in the financial statements of the parent company or the Group. The company has no significant deferred tax liability. Deferred tax assets consist mainly of losses in taxation.

Preparations for IFRS financial statements

The company has been preparing to switch to International Financial Reporting Standards. IFRS is compulsory only for listed companies but is permissible for others. Accounts would be closed for the first time in accordance with International Financial Reporting Standards on 31 December 2006.

The Company does not believe that the changeover will have a significant effect on its balance sheet. The main influences will probably be seen in the reporting of deferred tax liabilities and assets, in the valuation of inventories and in goodwill. Inventories will come to include fixed production costs as well as the present direct costs. According to IFRS goodwill amortisation will end. Goodwill value is tested at least yearly, and no amortisation will be made if its fair value is higher than its bookkeeping value.

Net sales by countries

M€	Group		Parent	
	2005	2004	2005	2004
Finland	0.2	0.1	0.2	0.1
EU countries	46.4	43.9	46.4	43.9
Other European countries	0.1	0.1	0.1	0.1
Japan	5.5	4.9	5.5	4.9
Korea	2.4	1.4	2.4	1.4
Other Asian countries	10.7	3.2	10.7	3.2
Mexico	2.7	4.0	2.7	4.0
USA and Canada	6.7	4.3	6.7	4.3
Total	74.7	61.9	74.7	61.9

Personnel

Personnel expenses				
Wages and salaries	20.4	17.1	18.1	15.5
Pension expenses	2.7	2.2	2.7	2.2
Other social expenses	2.2	1.9	1.5	1.4
Total	25.3	21.2	22.3	19.1

Remuneration of the Board	0.1	0.1	0.1	0.1
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The average number of personnel

Direct employees	380	343	234	251
Salaried employees	374	292	283	228
Total	754	635	517	479

Number of personnel in the end of the period

Direct employees	395	334	226	234
Salaried employees	403	329	291	258
Total	798	663	517	492

The parent company uses temporary operators to increase production flexibility. In the end of the year the company employed 40 people via personnel agency.

Shares in subsidiaries

	Group's share		Parent's share	
	2005	2004	2005	2004
VTI Holding Company Inc. Delaware, USA	100%	100%	100%	100%
VTI Technologies S.A. de C.V., Matamoros, Mexico	100%	100%	98%	98%
VTI Technologies Inc., Detroit, USA	100%	100%	100%	100%
Beijing Orisend Co., Ltd., Beijing, China	76.2%	0.0%	76.2%	0.0%

Key performance indicators

M€	Proforma			
	2002 ^{*)}	2003	2004	2005
Net sales	48.1	54.7	61.9	74.7
Net sales growth%	...	13.7%	13.1%	20.7%
Export and international operations	...	54.6	61.8	74.6
% of net sales	...	99.7%	99.8%	99.8%
Gross profit	...	16.1	21.0	26.0
% of net sales	...	29.5%	33.9%	34.8%
Operating result	...	-1.3	-0.3	-0.3
% of net sales	...	-2.4%	-0.5%	-0.4%
Result before goodwill amortisation (EBITA)	...	4.3	5.3	5.3
% of net sales	...	7.8%	8.5%	7.1%
Depreciation and amortisation total	...	10.3	10.7	11.6
Of which amortisation total	...	5.6	5.6	5.6
EBITDA	5.1	9.0	10.4	11.3
% of net sales	10.6%	16.4%	16.8%	15.2%
Net financial income and expenses	...	-1.8	-1.4	-0.8
% of net sales	...	-3.2%	-2.3%	-1.1%
Net result for the period	...	-3.1	-1.7	-1.1

^{*)} EQT Private Equity Fund acquired VTIs' business in 2002. The first accounting period was only six months. The shown figures are a proforma calculation for 2002.

Net cashflow from operations	...	4.9	9.6	7.4
Gross investments ^{*)}	...	-4.6	-6.6	-12.1
% of net sales	...	8.5%	10.7%	16.2%
Cash and bank balances	3.1	3.2	3.8	0.6
Non interest bearing receivables	7.5	11.3	12.3	16.0
Inventories	3.7	3.1	3.1	4.0
Fixed assets	79.2	76.1	69.6	70.5
Goodwill	53.2	47.6	42.0	36.4
Non interest bearing liabilities	5.8	7.0	9.0	10.9
Interest bearing liabilities	22.3	24.6	18.8	19.7
Net working capital	5.5	7.5	6.4	9.1
Provisions	0.0	0.3	0.5	0.2
Shareholders' equity	65.5	61.9	60.5	60.2
Balance total	93.6	93.7	88.8	91.1
Return on investment%	...	-1.5%	-0.4%	-0.4%
Return on investment% excluding goodwill	...	11.5%	13.8%	13.0%
Return on equity%	...	-4.9%	-2.8%	-1.8%
Gearing	0.29	0.35	0.25	0.32
Solvency ratio%	70.0%	66.1%	68.1%	66.1%
Productivity index	1.72	1.91	1.96	1.98
Number of personnel, average	551	638	635	754
Number of personnel, in the end of the period	607	582	663	798
Net sales / average personnel, k€	87	86	97	99

^{*)} Machinery leasing agreement, 2 121 k€ has been dissolved in 2004 and the machines have been acquired into the Group. The acquisition has been included in gross investments.

EBITDA	Earning before interest and taxes + depreciation and amortisation
Return on investment%	$\frac{\text{Result before extraordinary items + interest and other financial expenses}}{\text{Balance total - non interest bearing liabilities (average)}}$
Return on equity%	$\frac{\text{Result before extraordinary items - taxes x 100}}{\text{Shareholders' equity (average)}}$
Solvency ratio%	$\frac{\text{Shareholders' equity x 100}}{\text{Balance total- advance payments}}$
Gearing	$\frac{\text{Interest bearing liabilities - liquid assets}}{\text{Shareholders' equity}}$
Productivity index	$\frac{\text{Sales - material cost}}{\text{Direct labour cost + production overheads}}$

SHARES AND SHAREHOLDERS

Shares and capital stock

The Articles of Association state that the capital stock of the company is no less than 500 000 euros and no more than 10 320 000 euros. Within these limits the share capital can be increased or decreased without revising the articles of association. On 31 December 2005 VTI Technologies Oy had registered share capital of 542 624 euros. The nominal value of each share is 1.00 euros. The number of shares is 542 624.

The company has six registered shares series, A, B, C, D, E and F. Number of shares issued:

Number of shares issued 31.12.2005:

- A 395 485
- B 141 795
- C 0, options for 12 382 shares
- D 0, options for 4 074 shares
- E 3 144
- F 2 200

An extraordinary meeting of shareholders on 30 November 2005 approved that company's capital stock is increased by no more than 2 065 euros, from 542 624 euros to 544 689 euros by issuing a maximum of 2 065 shares with the nominal value of 1.00 euros. The issue consists of 770 E shares and 1 295 F shares. Excluding shareholders' pre-emptive rights, the shares are offered to a member of the management of the company.

A, C and E shares are similar in having a preferred right to a dividend. B, D and F shares have ten times the voting rights of A, C and E shares. Mezzanine lenders have options on C and D shares. VTI has no other option programmes.

Principal shareholder

The largest shareholder is EQT III Private Equity Fund.

Share ownership programme for management, key employees and members of the Board

As a part of an incentive scheme for the key employees of the group, company management, key employees and members of the Board have had an opportunity to acquire company shares.

PROPOSAL OF THE BOARD OF DIRECTORS FOR GENERAL MEETING

Shareholder's equity for VTI Technologies Group was 60 243 thousand euros according to balance sheet dated 31.12.2005. Shareholder's equity of VTI Technologies Oy, the parent company, was 58 689 492.50 euros according to balance sheet dated 31.12.2005. VTI Technologies Group or VTI Technologies Oy has no distributable shareholder's equity.

The Board of Directors is proposing that no dividend is paid and that the loss for the financial period, 1 108 thousand euros for VTI Technologies Group and 319 613.36 euros for VTI Technologies Oy, is transferred to the accumulated profit/loss account.

Vantaa, 14 February 2006

Tuomo Lähdesmäki

Chairman of the Board of Directors

Peter Grafoner

Member of the Board of Directors

Thomas von Koch

Member of the Board of Directors

Hannu Martola

President and CEO

Hasse Johansson

Deputy Chairman of the Board of Directors

Kurt Hellström

Member of the Board of Directors

Juha Lindfors

Member of the Board of Directors

AUDITORS' REPORT

To the shareholders of VTI Technologies Oy

We have audited the accounting records, the financial statements and the administration of VTI Technologies Oy for the period January 1, 2005 - December 31, 2005. The Board of Directors and the Managing Director have prepared the Report of the Board of Directors and the financial statements, which include the consolidated and parent company balance sheets, income statements, cash flow statement and notes to the financial statements. Based on our audit we express an opinion on these financial statements and on administration of the parent company.

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

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies Act.

Vantaa, February 14, 2006

PricewaterhouseCoopers Oy, Authorised Public Accountants

Kari Lydman, Authorised Public Accountant

RISK MANAGEMENT

Risk management in VTI Group seeks to play its part in ensuring that the Group meets its business objectives. It supports business operations and generates added value to business operations' management.

The forms of risk management are determined by the Group's main business objectives and processes. Its focus at any time depends on the measures that have the greatest economic impact and on the gap between the target level and the current situation. The Group estimates the risks twice a year along the strategic planning process.

The main business of VTI is based on long-term relationships with key customers. Dependence on individual customer is high, but at the same time the predictability of the business is good over the years.

For high-technology companies like VTI the protection of immaterial assets is essential. Immaterial assets are protected with patents and trade secrets.

The most important raw materials in the production are ASICs, silicon and plastic packaging material for components. The aim is to reach long-term relationships with subcontractors and suppliers. New partners are controlled before and during the business relationship. Quality and price risks are minimized by ensuring that most materials have at

least two suppliers. Production sensitivity is minimized by ensuring at least two production locations for each product.

Property, loss-of-profit and liability risks are covered by taking out appropriate insurance policies. In addition to group policies VTI has local policies to cover, for example, local legal requirements.

Financial risk management

Financial risk is managed mainly by the Group's operative business practices. The remaining risk is hedged in line with policies approved by the board. Financial risk management is centralized to Vantaa head office.

Currency risk

The currency risk faced by VTI consists of business cash flows, receivables and payables that are denominated in foreign currencies or linked to them. Currency risk is followed monthly and on net position basis. Open position is hedged with foreign exchange options and forwards. There are no significant open currency positions.

The Group's most significant currency risk is arising from the US dollar. The Group both buys and sells products in US dollars in addition to that internal transactions are denominated in US dollar. By arranging for internal group invoice-

ing to take place in the currencies of its subsidiaries, the Group transfers currency risk to the parent company. US dollar share of total invoicing is about 14 %. It is assumed that US dollar nominated transactions will increase. Apart from the dollar, other transaction currencies are not significant.

Liquidity risk

The liquidity risk to the Group is minimized by maintaining adequate liquid reserves, such as revolving credit facilities. Rolling cash flow forecasts for four weeks and for twelve months form a basis for liquidity management. Cash reserves are channelled into investments with low credit risk in accordance with Group financing policy.

Interest rate risk

The main aim of interest rate management is the optimisation of net financial costs. The Group does not use derivatives to hedge interest rate risk.

Refinancing risk

Refinancing risk is minimized by ensuring that long-term credit constitutes an adequate proportion of total credit and also by monitoring the repayment structure of long-term credit. New credit facilities are negotiated in good time.

VTI CORPORATE GOVERNANCE

VTI's corporate governance policy is decided by its Board of Directors and is based on the Finnish Companies Act and Finnish Securities Market Act.

The Shareholders' Meeting

The Annual General Meeting of Shareholders of VTI is the ultimate decision-making body of the Group. It convenes once a year to decide issues stipulated by the Finnish Companies Act, such as approving the annual accounts, setting the annual dividend, determining the number of the members of the Board, their election and remuneration, electing the auditors and changing the Articles of Association of the company. The Shareholders' Meeting is held by the end of June each year.

The Board of Directors

The Board of Directors is vested with power and responsibility as stipulated by the relevant laws and regulations and the Articles of Association of the Company. The Board comprises no less than three and no more than five ordinary members. The Board's ultimate responsibility is to act in the best interest of all shareholders

in order to increase the value of the company. The term of office of the members of the Board starts after the Shareholders' Meeting and ends after the next Annual Shareholders' Meeting.

The most important tasks of the Board are the approval of the strategic and business plans and objectives of the Group. It supervises the operations and management of VTI and decides on significant matters relating to strategy, investments, organisation and finance. Its work also includes decisions on, and follow-up of, general policies on accounting principles, internal audit and risk management. The Board appoints the CEO and the people reporting directly to him, and reviews and determines their compensation. The Board decides on the assessment criteria and evaluates its performance annually. The Board meets at least four times a year. Eight board meetings were held in 2005.

The Board has an Executive Committee to prepare issues for the Board of Directors' resolution. The main issues include the election of the Board Members, the CEO and those reporting directly to him, their compensation, decisions

on internal control and risk management and other substantial agreements and contracts of the Group.

The Managing Director (CEO)

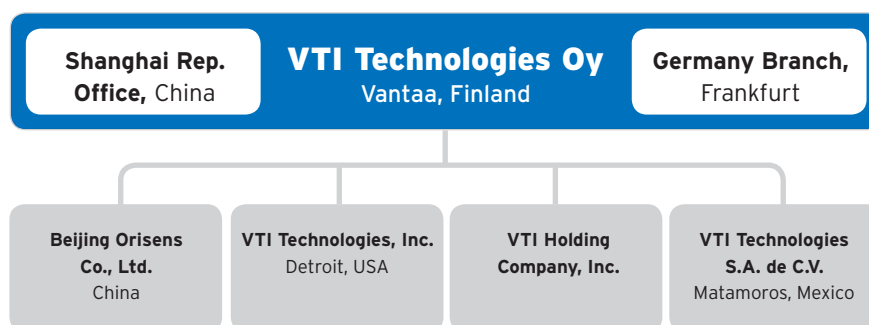
The CEO organizes and manages the day-to-day business of the company in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The CEO makes proposals to the Board about his subordinates and management team members, and their compensation. The CEO chairs the management team meetings.

VTI Technologies Oy's President and CEO is Hannu Martola.

Auditing

The shareholders at the AGM annually elect one or two auditors for VTI. If the auditor is an authorized public accounting firm, one auditor is enough. The term of office of the auditors starts after the Shareholders' Meeting and ends after the next Annual Shareholders' Meeting. VTI does not have a separate internal auditing organization.

The Group Structure



MANAGEMENT GROUP



Top row from
left to right

Markku Sulonen, 1949
Vice President, Development
M.Sc. (Eng.)

Kimmo Rauhala, 1963
Executive Vice President,
Automotive Business Unit
M.Sc. (Econ.)

Raine Ohtamaa, 1960
Vice President, Operations
B.Sc. (Eng.), eMBA

Bottom row from
left to right

Dan Colliander, 1961
Executive Vice President,
Sensing Solutions
B.Sc., Airline Administration

Hannu Martola, 1963
President and CEO
Member of the Board
Executive Committee
M.Sc. (Eng.), eMBA

Kaisa Kokkonen, 1962
Chief Financial Officer
M.Sc. (Econ.)
(Management Group Secretary)

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