2011 ANNUAL REPORT

Discover the Experience

EB creates advanced technology and turns it into enriching end-user experience. EB is specialized in demanding embedded software and hardware solutions for automotive and wireless industries.

Contents

EB in 2011

Financial Performance in 2011

Net sales in 2011 was at the same level as in 2010 and operating result improved clearly, remaining, however, negative. During the last quarter net sales grew from previous year and operating result was clearly profitable.

EB's net sales during January–December 2011 increased by 0.3 per cent year-on-year to EUR 162.2 million (EUR 161.8 million in 2010). Operating loss was EUR -4.0 million (EUR -17.3 million in 2010, including non-recurring costs and impairments of EUR 12.7 million). Operating result was negative during the first three quarters but turned to positive during the fourth quarter.

EB lowered the profit guidance for the first half of 2011 on March 29, 2011. EB expected a clearly negative operating result for the first half of 2011. Earlier in the Financial Statement Bulletin on February 17, 2011, EB announced for the first half of 2011 that it expected operating result to be lower than in the first half of 2010 (EUR 1.8 million). The main reason for the revised profit outlook was a lowered revenue forecast in the Wireless Business Segment due to slower than expected order book development in the new satellite communication service solutions and due to increased competition in the area of smart phone related R&D services.

Net sales of the Automotive Business Segment grew strongly in January–December 2011 to EUR 98.3 million (EUR 80.1 million in 2010), representing a 22.7% growth year-on-year. The operating profit was EUR 0.8 million (EUR 1.9 million in 2010). During the first and fourth quarter the operating result of the Automotive Business Segment developed as planned, but was lower than expected during the second and third quarters due to the higher than estimated project costs.

The Wireless Business Segment's net sales in January–December 2011 fell by 21.1% year-on-year to EUR 63.9 million (EUR 81.0 million in 2010). The significant decrease in net sales was mainly due to the remarkable decline in the volume of the satellite terminal business. The net sales in the third quarter of 2011 was almost at the level of the net sales in the third quarter of 2010, and the net sales in the fourth quarter grew by 13.1 per cent year-on-year.

The operating loss of the Wireless Business Segment during January–December 2011 was EUR -4.7 million, including EUR 0.9 million costs related to collecting the receivables from TerreStar (EUR -19.3 million in 2010, including non-recurring costs and impairments of EUR 12.3 million). The operating loss in the reporting period mainly resulted from the first quarter of 2011, as the order book development in the new satellite communication solution business, to replace the discontinued satellite terminal business for TerreStar at the end of 2010, was slower than expected. In addition, the operating result was affected by the increased competition in the area of smart phone related R&D services. During the third quarter the operating result weakened due to the seasonality of EB's business and delays in the customer projects. Increased net sales and cost saving actions in 2011 contributed significantly to Wireless Business Segments good operating result in the last quarter of 2011.

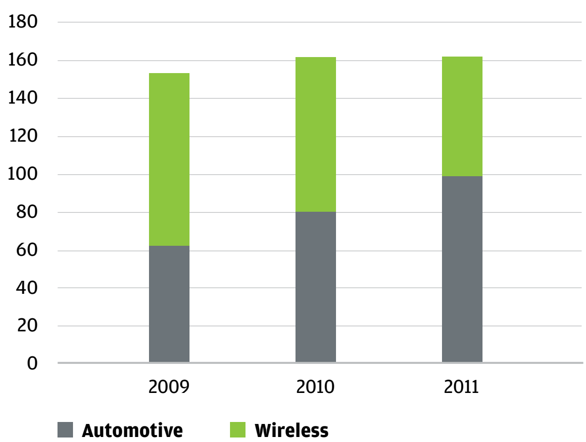
EB's EBITDA in 2011 was EUR 4.7 million (EUR -8.8 million in 2010). Automotive Business Segment's EBITDA was EUR 6.0 million and Wireless Business Segment's EBITDA was EUR -1.6 million.

The total R&D investments during the reporting period grew to EUR 24.0 million (EUR 21.6 million in 2010), representing 14.8% of the net sales (13.3% in 2010). EUR 6.6 million of R&D investments were capitalized (EUR 5.6 million in 2010). The amount of capitalized R&D investments at the end of the fiscal year was EUR 11.5 million. Significant proportion of these capitalizations is related to customer agreements of Automotive Business Segment, where future license fees are expected to accumulate the actual car delivery volumes.

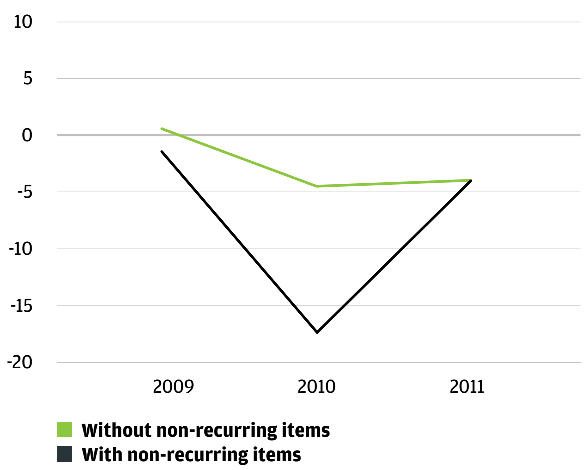
Changes in the Company's Management

In March 2011, EB appointed M.Sc. (Econ) Gregor Zink, Vice President, Finance of EB Automotive Business Segment, as Acting President of the Automotive Business Segment. In August, EB appointed Mr. Alexander Kocher (M. Sc., Electrical Engineering) as President of the Automotive Business Segment and Managing Director of Elektrobit Automotive GmbH. Mr. Kocher started at EB on November 1, 2011.

Net sales 2009–2011 (MEUR)



Operating result development 2009–2011 (MEUR)



He transferred to EB from Wind River GmbH, a subsidiary of Intel Inc., where he has worked as Vice President and General Manager of Automotive Business Unit. Mr. Gregor Zink continued as Executive Vice President, Finance and Business Support in Automotive Business Segment. In addition, he also acts as the second Managing Director of Elektrobit Automotive GmbH.

Collecting the Receivables from TerreStar

On December 31, 2011, EB had significant receivables from TerreStar amounting to approximately USD 25.8 million from TerreStar Networks Inc. and its parent company TerreStar Corporation. EB has claimed its receivables as well as additional costs resulting mainly from the ramp down of the business operations between the parties totaling to USD 27.9 million in the Chapter 11 cases of both TerreStar Networks and TerreStar Corporation.

On October 19, 2010, TerreStar Networks and certain other affiliates of TerreStar Corporation and on February 16, 2011, the parent company TerreStar Corporation filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code to strengthen their financial position. Generally in a Chapter 11 case, any distribution of cash or other assets by a debtor to satisfy pre-bankruptcy claims of its creditors must be made under a Chapter 11 plan of reorganization or liquidation. Due to uncertainties related to the accounts receivable, EB booked an impairment of the accounts receivable in the amount of EUR 8.3 million during the second half of 2010.

On November 17, 2011, TerreStar Corporation and certain of its preferred shareholders filed an objection to EB's claims in the reorganization case of TerreStar Corporation. EB's claims are partly based on a guarantee issued by TerreStar Corporation on EB's accounts receivable from TerreStar Corporation's subsidiary, TerreStar Networks Inc., and partly based on TerreStar Corporation's direct contractual obligations towards EB. EB expects to vigorously defend its claims against the objections, but speculation regarding the likely outcome of the dispute is premature at this time.

During 2011 there were no changes in the valuation of EB's receivables from TerreStar companies. More information on collecting the receivables from TerreStar companies' and other matters related to risks and uncertainties are presented in the Report by the Board of Directors on page 32.

Purpose and Vision

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

EB's vision is that we are the innovation partner for our customers by offering value creating solutions in the automotive and wireless environments.

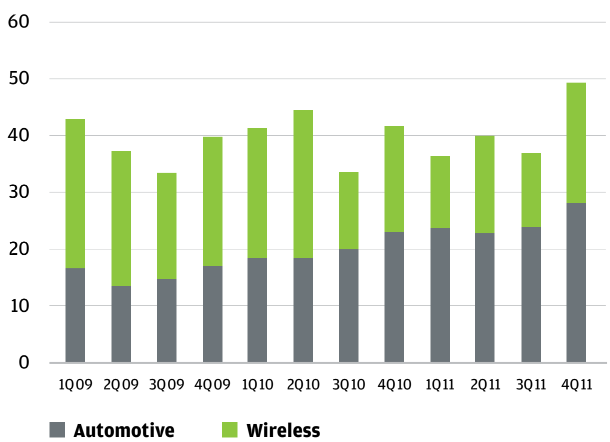
Strategic Guidelines

In February 2011, EB updated its strategic guidelines with growth targets and business models of the Business Segments. The objective is to strengthen EB's position as a leading provider of Automotive and Wireless solutions, products and services and to further improve profitability.

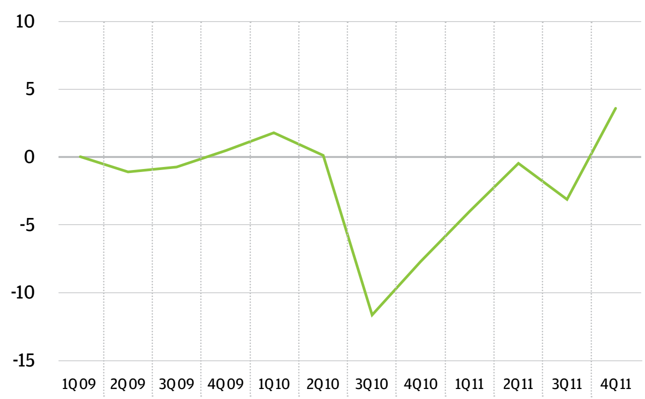
According to the strategy, EB continues to focus on two Business Segments - Automotive and Wireless. EB's objective is to be a leading provider of solutions, products and services in its selected businesses. The most important short-term objective is a positive operating profit and profitability development.

Within the Automotive Business Segment EB focuses in software for cars. Applications include in-car software platforms and communications protocols, user interface solutions, navigation software and software development environments, as well as driver assistance solutions. Our main customers include leading car manufacturers, car electronics suppliers and other suppliers for the automotive industry. In addition to R&D services and software products, EB offers customized solutions utilizing product platforms and expertise in technology and integration. During the next few years EB aims to develop its business model to become more software products driven which will make EB's net sales more directly dependent on car production volumes. In the Automotive Business Segment the objective is to

Net sales (MEUR) quarterly 2009–2011



Operating result (MEUR) quarterly 2009–2011



EB in 2011

increase the net sales at least at the same pace with the automotive software market growth.

Within the Wireless Business Segment EB offers customized device and network infrastructure solutions, products, technology platforms, R&D services, and test tools for radio channel environments. EB also offers its customers EB-designed devices by utilizing manufacturing partners. Customers include mobile phone and network equipment manufacturers, defense and security industry and authorities, satellite and mobile phone network operators and chipset manufacturers. EB's offering to its customers and EB's competitiveness are based on strong and broad expertise in radio technology, embedded software solutions, electronics and product integration. In the Wireless Business Segment the objective is to gradually increase the net sales during the next few years.

EB will continue its focused R&D investments in the Automotive and Wireless Business Segments. EB will further develop partnerships and identify M&A opportunities that will increase the company's competitiveness and broaden the market opportunities.

Consolidated Statement of Comprehensive Income (MEUR)

	1-12/2011 12 months	1-12/2010 12 months
NET SALES	**162.2**	**161.8**
Other operating income	2.8	2.4
Change in work in progress and finished goods	0.0	-0.2
Work performed by the undertaking for its own purpose and capitalised	0.4	0.2
Raw materials	-11.7	-15.4
Personnel expenses	-95.2	-97.7
Depreciation	-8.7	-8.5
Other operating expenses	-53.8	-59.8
OPERATING PROFIT (loss)	**-4.0**	**-17.3**
Financial income and expenses	-0.4	-1.3
RESULT BEFORE TAX	**-4.5**	**-18.6**
Income taxes	-0.6	2.9
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	**-5.1**	**-15.7**
RESULT FOR THE PERIOD	**-5.1**	**-15.7**
Other comprehensive income:		
Exchange differences on translating foreign operations	-0.2	0.8
Other comprehensive income for the period total	-0.2	0.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-5.2**	**-14.9**
Result for the period attributable to		
Equity holders of the parent	-5.3	-16.1
Non-controlling interests	0.2	0.5
Total comprehensive income attributable to		
Equity holders of the parent	-5.5	-15.4
Non-controlling interests	0.2	0.5
Earnings per share EUR continuing operations		
Basic earnings per share	-0.04	-0.12
Diluted earnings per share	-0.04	-0.12
Earnings per share EUR continuing and discontinued operations		
Basic earnings per share	-0.04	-0.12
Diluted earnings per share	-0.04	-0.12
Net Gearing, %	-1.4%	-10.3%
Equity Ratio, %	62.8%	62.4%

CEO's Review

The main objective for 2011 was positive operating result and profitability development. The operating result of the reporting period improved significantly from previous year. The operating profit of the fourth quarter was good, EUR 3.5 million but the operating result of the reporting year remained negative at EUR -4.0 million remaining negative due to the weaker than expected operating results from the previous quarters.

In 2011 EB's net sales was at the same level as in the previous year, Automotive Business Segment growing and Wireless Business Segment decreasing. In the beginning of the year the net sales decreased year-on-year due to the decreased net sales in Wireless Business Segment. However, in the third quarter net sales grew 9.7 per cent and in the fourth quarter 17.2 per cent year-on-year due to the positive development of both Business Segments.

In the Automotive Business Segment, the demand for EB's software products and services continued to grow during 2011 as carmakers continued their investments into new infotainment systems, in-vehicle navigation systems, driver assistance solutions and in-vehicle software development for new car models. Our R&D investments grew from the previous year and we released several new updates for our product families. Part of the R&D investments was directed to customer specific products, where future license fees are expected to accumulate the actual car delivery volumes.

In the Wireless Business Segment, EB succeeded to grow its business especially in the defense and mobile infrastructure markets and thus replace the strongly reduced net sales of the satellite terminal business. Also the net sales of radio channel emulators grew from previous year. The sales in the satellite terminal business and smart phone related R&D service reduced from the previous year. In the Wireless Business Segment EB continued to strengthen its offering to the defense, security and authorities markets and launched an Android-based product platform, three products targeted to defense markets, and announced the agreement to develop and deliver a tactical wireless IP network for the Finnish Defense Forces.

EB continued efforts to collect its receivables from TerreStar Networks Inc. and its parent company TerreStar Corporation in their reorganization process in the United States. During 2011 there were no changes in valuation of EB's receivables from these companies. In 2012 EB will continue the efforts to collect our receivables.

During 2011 the number of our personnel grew by more than 150 people in Automotive Business Segment. In Wireless Business Segment the personnel was reduced to adjust the operations to the decreased level of net sales. New employees were also hired to respond to the strongly growing demand of mobile infrastructure R&D services. All in all the number of personnel in Wireless Business Segment decreased by approximately 50 employees.

Improving the profitability is our most important goal in 2012. The outlook for growth of net sales in both Business Segments is good and this together with the improved cost structure of Wireless Business Segment gives a good possibility for positive development of the business in 2012.

I want to thank all our employees and partners for the significant efforts and many great achievements in our customer and product projects as well as in other activities during the year 2011. I also want to thank our customers for the continued trust towards EB.

Jukka Harju
CEO

"The outlook for growth of net sales in both Business Segments is good."

Business Segments and Market Outlook

EB's business is divided into two business segments which are Automotive and Wireless.

Automotive Business Segment in 2011

In Automotive Business Segment EB offers software products and R&D services for carmakers, car electronics suppliers and other suppliers to the automotive industry. The offering includes in-car infotainment solutions, such as navigation and human machine interfaces (HMI), as well as software for electronic control units (ECU) and driver assistance. By combining its software products and R&D services, EB is creating unique, customized solutions for the automotive industry.

EB is continuously working on developing products that are up-to-date with the latest market trends, as well as updates to the existing platforms to meet the demands of its customers. During 2011 in the ECU domain EB successfully delivered the first AUTOSAR 4.0 compliant basic software and tools, which are meeting the demand from leading carmakers. The product portfolio was also extended with software modules supporting the development of ECU according to the recently published ISO 26262 safety standard. EB enhanced the partner ecosystem by collaborating with IBM in delivering a pretested development environment for AUTOSAR based ECU software.

In the Driver Assistance domain new versions of EB's development tool were released and engineering service business was ramped up with a leading OEM. In the infotainment domain, EB updated its current HMI products with several new features such as enhanced animation effects, more sophisticated font handling and improved scripting. EB updated its navigation software with rich 3D map appearance, that supports both dynamic POI (Point of Interest) and hybrid maps.

During 2011, e.solutions, the joint venture of Audi Electronics Venture and EB worked successfully in developing the new high-end infotainment generation called modular infotainment kit (MIB high) for the VW Group. MIB high is scheduled to be launched in 2012 and implemented over the years across the VW group carline.

AUTOMOTIVE BUSINESS SEGMENT IN FIGURES

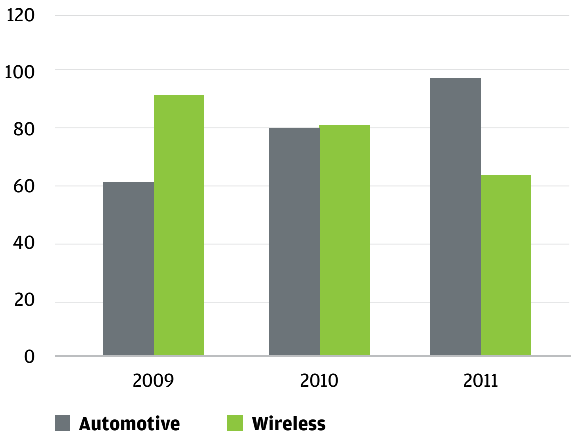
Net sales of Automotive Business Segment grew strongly in 2011 to EUR 98.3 million (EUR 80.1 million in 2010), representing a 22.7% growth year-on-year. The operating profit was EUR 0.8 million (EUR 1.9 million in 2010). During the first and fourth quarter the operating result of Automotive Business Segment developed as planned, but was lower than expected during the second and third quarter due to the higher than estimated project costs.

AUTOMOTIVE BUSINESS SEGMENT'S PRODUCTS AND SERVICES

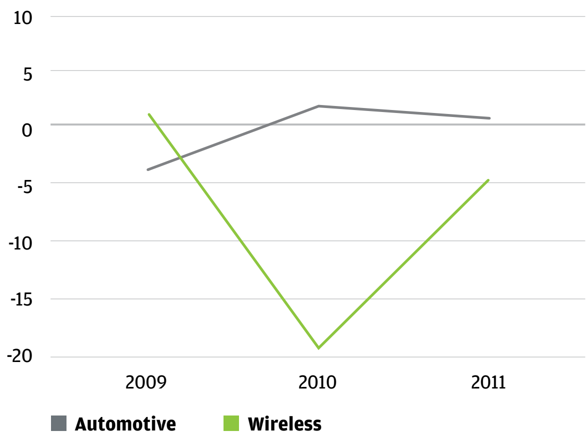
EB offers products and services tailored to the specific needs of carmakers and automotive suppliers that help them save costs and adapt to the constantly changing market demands. EB's products and services in the Automotive Business Segment are:

- EB GUIDE – an innovative, flexible HMI development and speech dialog platform
- EB street director – a versatile navigation software platform with customization capabilities for automotive and consumer markets
- EB Assist ADTF – an extensive software development kit for driver assistance solutions
- EB tresos – a product line of seamlessly collaborating AUTOSAR software components used in ECUs (Electronic Control Units) and tools for their configuration
- Engineering services - comprehensive services concerning the software development for infotainment, driver assistance and ECU in the automotive industry

Net sales (MEUR) by Business Segments 2009–2011



Operating result (MEUR) by Business Segments 2009–2011



THE RELEASES OF AUTOMOTIVE BUSINESS SEGMENT IN 2011

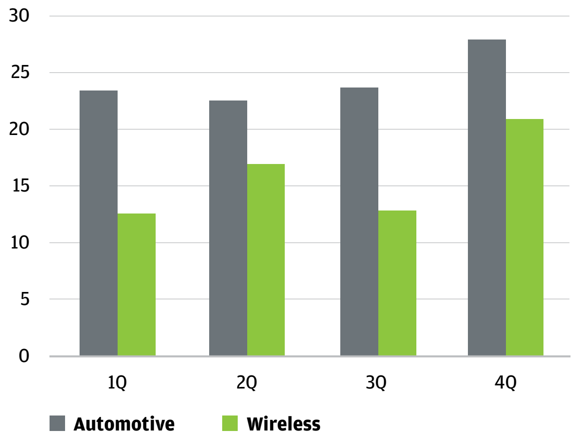
- In November Mr. Alexander Kocher (M. Sc., Electrical Engineering) started at EB as the President of Automotive Business Segment and Managing Director of Elektrobit Automotive GmbH.
- In November EB announced a software development initiative with IBM to deliver an integrated development solution that allows carmakers and suppliers to manage the growing complexity of Electronic Control Units (ECUs) software in automotive development, speed up development cycles and standardize software to increase re-usability across car platforms.
- In October EB announced the availability of production-ready software development toolset supporting AUTOSAR 4.0 and was the first company to deliver a compliant software stack according to BMW standards.
- In June EB announced collaboration with Freescale and QNX to jointly develop a solution that addresses reconfigurable graphical instrument clusters.
- In May EB announced that it will provide the navigation and speech dialog system for the VW Group's new high-end infotainment system, developed by e.solutions, the joint venture of EB and Audi Electronics Venture.
- In May EB announced to have enhanced its navigation solution, EB street director with connected services from Aloqa. With Aloqa, the navigation will benefit from integrated services of other content providers like Wikipedia and Qype.
- May 2011 also represented the availability of EB tresos Debug & Trace, a debugging module for the quick location of runtime errors in AUTOSAR (AUTomotive open System ARchitecture).
- In April EB broadened its offering with a joint solution together with SIMTOOLS for connecting the cluster emulation tool EB tresos Busmirror to MATLAB/Simulink. That simplifies the porting of application functions to real-time hardware and synchronized processing with FlexRay.
- In March EB appointed Automotive Business Segment's Vice President, Finance, Mr. Gregor Zink, M.Sc. (Econ), as Acting President of Automotive Business Segment.
- In January EB presented EB's Functional Safety Team that supports the efficient development of safety-related software. The team can manage safety mechanisms for AUTOSAR-compliant software, including the highest safety classification of ASIL Level D.
- In January EB presented the new release of its tool chain for HMI development EB GUIDE 5 with 3D rendering concept and integrated scripting increasing the flexibility.

AUTOMOTIVE MARKET OUTLOOK

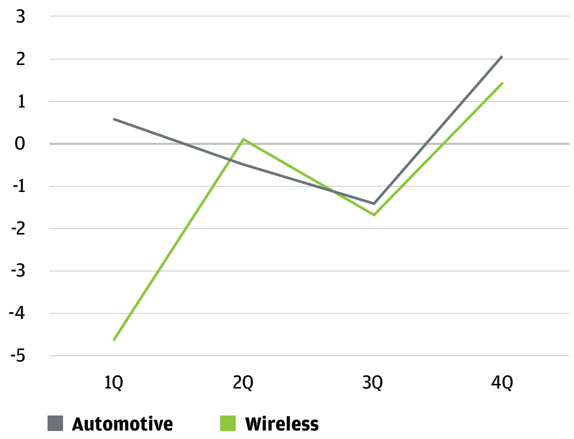
The demand for EB's products and services is estimated to develop positively during 2012 in Automotive Business Segment. Carmakers continue to invest in automotive software for new car models and the market for automotive software products and services is estimated to continue growing.

The move to greater electronic content in cars has been underway for several years and has been responsible for such major innovations as security systems, anti-lock brakes, engine control units, driver assistance, and infotainment. These features have become so enormously popular that they are now widely available, in both low-end and high-end vehicles, demonstrating that consumers are willing to pay for technology that enhances their driving experience. As a result from this and the reduced costs as production volumes ramp up, carmakers have been steadily integrating more electronic components into vehicles. A Roland Berger study estimates the share of electronics in cars will grow from 23 per cent in 2010 to 33 per cent until 2020.

Net sales (MEUR) by Business Segments quarterly 2011



Operating result (MEUR) by Business Segments quarterly 2011



Business Segments and Market Outlook

The increasingly sophisticated and networked features and growing performance foster the complexity of automotive electronics. At the same time consumers expect the same richness of features and user experience they know from the internet and mobile devices also within the car. These development trends are driving the industry towards gradual separation of software and hardware in electronics solutions. In order to manage the architectural software layer appropriately and to aim for efficiency in innovation and implementation. The use of standard software solutions is expected to increase in the automotive industry. This enables faster innovation, improves quality and development efficiency and reduces complexity related to deployment of software.

The fundamental industry migration and consequent growth of the automotive software market will continue. Cost pressures of the automotive industry are expected to accelerate the need for productized and efficient software solutions EB is offering. The estimated annual automotive software market growth rate until 2018 is expected to exceed the growth rate of passenger car production volume that is estimated to be 5.6% CAGR (LMC Automotive's Q4 2011 Forecast).

EB's net sales cumulating from the automotive industry is currently primarily driven by the development of software and software platforms for new cars. Hence the dependency of EB's net sales on car production volumes is currently limited; however, the direct dependency on production volumes is expected to increase as a result of the EB's transition towards software product business models over the forthcoming years.

Wireless Business Segment in 2011

In Wireless Business Segment EB offers development services and customized solutions for wireless communications markets, radio channel emulator products for industries and authorities utilizing wireless technologies, and products for the authority markets.

The strong decrease of the satellite terminal business, started in the latter part of 2010, continued to affect negatively to Wireless Business Segment in early 2011. At the same time Wireless Business Segment was facing a major change as Nokia announced its new smart phone strategy in February 2011, which led to declining demand in smart phone related R&D services. However the commercialization of LTE (Long Term Evolution) technology led to an increase in the demand for R&D services in the mobile network infrastructure and authority markets, and further to new recruitments according to the demand needs, thus replacing the decreasing demand in the smart phone related service business.

In fall EB strengthened its offering towards the authority markets by launching an Android-based product platform and products for tactical communications, signals intelligence and electronic warfare. In addition EB announced the agreement to develop and deliver a tactical wireless IP network for the Finnish Defence Forces.

WIRELESS BUSINESS SEGMENT IN FIGURES

Net sales of Wireless Business Segment in January–December 2011 fell by 21.1% year-on-year to EUR 63.9 million (EUR 81.0 million in 2010). The significant decrease in net sales was mainly due to the remarkable decline in the volume of the satellite terminal business. The net sales in the third quarter of 2011 was almost at the level of the net sales in the third quarter of 2010, and the net sales in the fourth quarter grew by 13.1% year-on-year.

The operating loss of the Wireless Business Segment during January–December 2011 was EUR -4.7 million, including EUR 0.9 million costs related to collecting the receivables from TerreStar (EUR -19.3 million in 2010, including non-recurring costs and impairments of EUR 12.3 million). The operating loss in the reporting period mainly resulted from the first quarter of 2011, as the order book development in the new satellite communication solution business, to replace the discontinued satellite terminal business for TerreStar at the end of 2010, was slower than expected. In addition, the operating result was affected by the increased competition in the area of smart phone related R&D services. During the third quarter the operating result weakened due to the seasonality of EB's business and delays in the customer projects. Increased net sales and cost saving actions in 2011 contributed significantly to Wireless Business Segment's good operating result in the last quarter of 2011.

WIRELESS BUSINESS SEGMENT'S PRODUCTS AND SERVICES

- Technologically the most advanced radio channel emulator, the EB Propsim F8 and its related test applications
- EB Tactical Wireless IP Network for tactical communications
- EB Wideband COMINT Sensor for signals intelligence
- EB Counter RCIED Platform for electronic warfare
- EB Tough Voip for tactical IP-based communication
- EB Specialized Device Platform, an Android-based mobile device platform for specialized markets
- For the latest wireless technologies and applications EB offers a broad range of R&D services like consulting, integration, software and hardware development

THE RELEASES OF THE WIRELESS BUSINESS SEGMENT IN 2011

- In December EB Specialized Device Platform won the "Technology of the Year" award by the Wireless Innovation Forum.
- In November EB strengthened its testing offering for commercial airborne and satellite communication by launching the Aerospace application for its EB Propsim F8 and the co-operation with US-based Analytical Graphics, Inc. (AGI). With the co-operation, the companies ensure that the EB Propsim F8 and the AGI STO software work seamlessly together, giving the companies the possibility to offer an advanced test solution to the market.
- In September EB announced that the Finnish Defence Forces have decided to deploy EB's Tactical Wireless IP Network for their growing data throughput.
- In September EB strengthened its defense product portfolio with the EB Tactical Wireless IP Network for tactical communications, the EB Wideband COMINT Sensor for signals intelligence and the EB Counter RCIED Platform for electronic warfare.
- In August EB launched the EB Specialized Device Platform, an Android-based mobile device platform for the defense and authority markets.
- In March, April and May, EB launched improvements for EB Propsim F8 LTE technology testing with the MIMO OTA, Beamforming and Virtual Drive Test features.

WIRELESS MARKET OUTLOOK

The demand for EB's products and services is estimated to develop positively during 2012 in Wireless Business Segment.

In the mobile infrastructure market the use of LTE standard, which improves the performance of radio channel and mobile networks, is expected to continue to gain strength. EB's business driven by LTE is expected to increase. Mastering of multiradio technologies and end-to-end system architectures covering both terminals and networks has gained importance in the complex wireless technology industry. Fast implementation of LTE technology and wide radio spectrum of bandwidth needed are expected to create opportunities for EB.

The market for communications, interference and intelligence solutions targeted for defense and public authorities is estimated to remain stable. EB's competence and long-term experience in software radio based solutions is expected to bring new business opportunities. The trend of adopting new commercial technologies, such as LTE and smart phone related software applications, is expected to continue on special verticals such as public safety and other authority markets. The networks used by public authorities often utilize dedicated spectrum blocks outside the commercial frequency bands, which generates the need for special user terminal variants for these networks.

The smart phone related R&D services market for device manufacturers decreased strongly during 2011 due to the strategic change of Nokia, and the demand is not expected to grow during 2012. In the mobile satellite communication industry the demand for terminals for new data and mobile communications services is expected to slowly increase during the next few years.

The performance of radio channel is going to increase quickly when introducing new LTE technologies. This will create demand for advanced test tools during the next few years. The test tool market is expanding from the performance testing of LTE base stations to LTE terminals, where the over-the-air (OTA) technology will be widely used. EB provides world leading channel emulation tools for the development of MIMO based LTE, LTE-Advanced and other advanced radio technologies.

Personnel

General

At the end of 2011 EB had a total of 1607 people working worldwide. EB has sites in Germany, Finland, Austria, France, United States, China and Japan. The average age of the personnel was 35. Design engineers constituted the most significant proportion of the personnel. The number of employees grew in Automotive Business Segment and somewhat decreased in Wireless Business Segment. The Business Segments were strengthened by transferring support functions' personnel from corporate functions to Business Segments, resulting in reduced number of personnel in corporate functions.

Core Competences

EB is known for its high-level competences in selected key technologies and its strong R&D culture. Therefore continuous improvement of operations and competences is very important for the future success of the company, as well as for partnerships, customers and the research and education communities around EB. This is implemented by evolving the core competences systematically, providing new innovative challenges and opportunities for specialists and by encouraging them to creative thinking and effective global collaboration.

EB's core competences in Automotive Business Segment are: automotive-grade embedded software, Human Machine Interface (HMI), navigation, driver assistance and software integration. The core competences in Wireless Business Segment are radio technology, embedded software, electronics and product integration.

Automotive Business Segment

The rapid growth of the demand in automotive software solutions allowed EB to acquire skilled professionals, full time employees, as well as subcontractors across the globe. It also led to increase in the sub-contracting in the Automotive Business Segment worldwide also from low-cost countries.

In response to the global growth and adoption of new technologies and automotive features (such as driver assistance, navigation and functional safety), special attention for personal development was paid in the Automotive Business Segment. Trainings focused on personal development as well as specific software engineering and technology trainings. In addition, as a response to the growth of functional safety and new software standards like ISO 26262 safety standard, a specific training around this topic was conducted throughout 2011, with over 150 developer engineers trained worldwide. In addition to trainings, expatriate programs played a significant role in 2011.

Wireless Business Segment

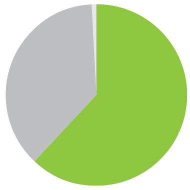
The year 2011 was marked by re-focusing of the expertise areas in Wireless Business Segment. The strategic change of Nokia affected the operational environment by decreasing the need for competences in R&D services of terminal devices. At the same time the commercialization of LTE technology increased the need for radio technology expertise.

Cost saving actions, which were started in 2010, continued in the beginning of 2011. Due to the improved project situation in the second quarter of 2011, the number of temporary layoffs announced at the end of 2010 stayed smaller than estimated.

The demand in the mobile infrastructure and authority markets impacted Wireless business positively and initiated an active recruitment in Finland from the second quarter of 2011 onwards. In addition, expert training was provided especially in the area of radio technology, and the competence development was further supported e.g. by virtual learning teams.

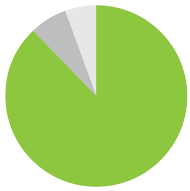
Active work, started already in 2009, to improve transparency and efficiency in projects, as well as project development was further continued in Wireless Business Segment in 2011. Concrete examples of this were the broader implementation of Lean and Agile methods and tools as well as further development of SCRUM master and Product Owner competences. This reflected positively e.g. in the customer and personnel satisfaction. The defense and security business received certification as evidence of complying with quality assurance requirements of NATO Allied Quality Assurance Publication (AQAP) standard 2110 edition 3 in November 2011.

Personnel by Business Segments on December 31, 2011



	2011	2010
Automotive	998 (62%)	840 (55%)
Wireless	598 (37%)	646 (42%)
Corporate functions	11 (1%)	53 (3%)

Personnel by Market Areas on December 31, 2011



	2011	2010
Europe	1,413 (88%)	1,290 (84%)
Asia	107 (7%)	153 (10%)
Americas	87 (5%)	96 (6%)

EB is known from its high-level competences in selected key technologies and its strong R&D culture.

Corporate Governance Statement Reporting Period 1.1.-31.12.2011

Introduction

The governance of Elektrobit Corporation (hereinafter ”Company”) is determined by the Company’s Articles of Association, the laws of Finland (such as the Finnish Companies Act and Securities Market Act) and the Company’s Corporate Governance Code. The Company follows with some exceptions the Finnish Corporate Governance Code 2011 prepared by the Finnish Securities Market Association (“Finnish Governance Code”). The Governance Code may be viewed, inter alia, at the Finnish Securities Market Association website at www.cgfinland.fi.

The Company has departed from certain individual recommendations of the Finnish Governance Code. These departures are concerning the gender composition of the Board (Recommendation 9) and the number of the Board’s Audit and Financial Committee members (Recommendation 22) as explained in further detail below. According to the Finnish Governance Code, one element of a diverse composition of the board is to have both genders represented on the board. The Company has departed from this recommendation, as the Annual General Meeting held on March 31, 2011 did not elect both genders to the Board of Directors. The proposal adopted by the Annual General Meeting regarding the composition of the Board was made by shareholders who represented approximately 50% of the shares of the Company. According to the information received, the shareholders who made the proposal, on the one hand, wanted to emphasize the continuity of the Board composition due to foreseen focus areas in the Board work and did not, on the other hand, in view of the size and nature of the Company’s operations, consider it appropriate to increase the number of the Board members from the previous five members. The management of the Company and the composition of the Board are thereby based on strong ownership steering and, thus, the main shareholders have a significant representation in the Company’s Board. The Company does not have a nomination committee. The members of the Audit and Financial Committee in year 2011 have been Staffan Simberg (chairman of the committee) and Seppo Laine, Authorized Public Accountant. Taking into consideration the composition and the number of Board members in 2011 and the financial expertise held in particular by Seppo Laine, the assembly meeting of the Board resolved to deviate from the Governance Code’s recommendation concerning a minimum of three committee members.

This Corporate Governance Statement has been made according to recommendation 54 and the applicable legislation. This Statement is made separate from the Report by the Board. The Board’s Audit and Finance Committee and the Company’s auditor have reviewed this Statement.

The statutory governing bodies of the Company are the Shareholders’ meeting, Board of Directors, Chief Executive Officer and the Auditor. Other group management and the below described business segments’ management support the statutory governing bodies of the Company. The Company’s domicile is Oulu.

The operative business of Elektrobit Group takes place in business segments (sub-groups) formed by branch-by-branch. The external reporting of the Group is also based on these business segments which are Automotive and Wireless. The CEO’s of the parent companies of the sub-groups report the segment business to the Board of Directors of each sub-group’s parent company (“Segment Board”). Segment Boards comprise of the Company’s CEO as the Chairman and one or more Board members of the Company and possibly also one or more external expert members. Segment Board members are elected based on preparation of the Company’s Board. Operative business decisions are made in each business segment.

The Company’s Corporate Governance Code and this Corporate Governance Statement are publicly available at the Company’s website at www.elektrobit.com.

The Board of Directors and the Composition and Operation of Committees Established by the Board

BOARD OF DIRECTORS

The Board of Directors is responsible for the Company’s governance and proper organization of the operations. The Board of Directors comprises three to seven (3–7) members and in addition it may have one to three (1–3) deputy members. The Annual General Meeting shall elect the members of the Board of Directors for a term which expires at the end of the following Annual General Meeting. The number of terms for the members of the Board of Directors is not limited. The Board of Directors selects a Chairman among its members.

The Annual General Meeting held on March 31, 2011 elected five (5) members to the Board of Directors. The following members of the Board of Directors were elected: Jorma Halonen, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen. The Board of Directors elected Seppo Laine as the Chairman of the Board of Directors at its assembly meeting on March 31, 2011. The Board had the same composition already from the beginning of the year 2011 until the Annual General Meeting. In addition, the Board of Directors decided in its assembly meeting held on March 31, 2011 that Staffan Simberg (Chairman of the Committee) and Seppo Laine shall continue as members of the Audit and Finance Committee.

According to the Finnish Governance Code, one element of a diverse composition of the board is to have both genders represented on the board (Recommendation 9). The Company has departed from this recommendation, as the Annual General Meeting held on 31 March 2011 did not elect both genders to the Board of Directors. The proposal adopted by the Annual General Meeting regarding the composition of the Board was made by shareholders who represented approximately 50% of the shares of the Company. According to the information received, the shareholders who made the proposal, on the one hand, wanted to emphasize the continuity of the Board composition due to foreseen focus areas in the Board work and did not, on the other hand, in view of the size and nature of the Company’s operations, consider it appropriate to increase the number of the Board members from the previous five members. The management of the Company and the composition of the Board are thereby based on strong ownership steering and, thus, the main shareholders have a significant representation in the Company’s Board. The Company does not have a nomination committee.

A corporate governance target is that at least half of the members of the Board of Directors are independent of immediate company interest. In addition, at least two of the Directors representing this majority shall be independent of significant shareholders of the Company. On March 31, 2011 Jorma Halonen, Seppo Laine, Staffan Simberg and Erkki Veikkolainen are considered independent members of the Board as regards both the Company and its significant shareholders. Juha Hulkko is not independent of significant shareholder as his ownership in the Company exceeds 10% of the Company’s share capital.

Left to right: Staffan Simberg, Juha Hulkko (sitting), Jorma Halonen, Seppo Laine (sitting) and Erkki Veikkolainen.

Chairman of the Board of Directors

SEPPO LAINE
b. 1953, Authorized Public Accountant

Full-time occupation: Professional Board Member

Positions of trust:
Elektrobit Corporation, Chairman of the Board 2010–, Elektrobit Corporation, Member of the Board 2008–, Member of the Audit and Financial Committee 2010–, Elektrobit Automotive GmbH, Member of the Board 2010–. Chairman of the Board, Condia Oy, Member of the Board, Oulu ICT Oyj, Cor Group Oy, Paikallis-Sähkö Oy and Taxpayers Association of Finland.

Previous work history:
Chairman of the Audit and Financial Committee 2009–2010 and Member of Automotive- and Wireless Committee 2009–2010. Elektrobit Corporation, CFO 2000–2007. Auditing Company Ernst & Young Ltd., Director at the Oulu regional office and international partner 1995–2000. Oulun Laskenta Oy, President 1979–1995. Turun Muna Oy Jaakko Tehtaat, Financial Manager 1977–1979. Tammerneon Oy, Financial Manager 1975–1977.

Holdings:
Holds 2,120,051 shares and corporation controlled by Laine holds 100,000 shares in Elektrobit Corporation.

Other members of the Board of Directors

JORMA HALONEN
b. 1948, Bachelor of Science (Economics)

Full-time occupation: Professional Board Member

Positions of trust:
Elektrobit Corporation, Member of the Board of Directors 2009– and Member of the Board of Directors of Elektrobit Automotive GmbH 2011–. Ashok Leyland, India, Member of the Board of Directors 2011–. Hinduja Foundries, India, Member of the Board of Directors 2011–. Optare Plc, UK, Member of the Board of Directors 2011–. TMD Friction Holding GmbH, Chairman of the Board of Directors 2009–. Permira, Nordic Advisory Board, Member 2009–. CPS Color Group Oy, Chairman of the Board of Directors 2008–. National Industrial Cluster Development Program, Riyadh, Member of the Board of Directors 2008–.

Previous work history:
Niscayah Group Ab, Chairman of the Board of Directors 2008–2011. Semcon Ab, Member of the Board of Directors 2008–2011. Elektrobit Corporation, Chairman of the Automotive Committee 2009–2010. Assa abloy AB (publ.), Member of the Board of Directors 2008–2010. Vice President of AB Volvo and Vice President of Volvo group, 2004–2008. President and CEO of Volvo Truck Corporation, Göteborg, Sweden 2001–2004. President and CEO of Scania Latin America, Sao Paulo, Brasil, 1998–2001. Vice President, Scania Latin America, Sao Paulo, Brasil, 1996–1998. President and CEO of Oy Scan-Automotive Ab, Oy Scan-Auto Ab (Scania importer) and Oy Saab-Auto Ab, Helsinki, Finland, 1990–1996. Leading positions in different companies within computer and telecommunications industries, 1972–1990

Holdings:
Holds 21,000 shares in Elektrobit Corporation.

JUHA HULKKO
b. 1954, M.Sc. (Eng.), eMBA, Dr.tech.h.c.

Full-time occupation: Professional Board Member

Positions of trust:
Elektrobit Corporation, Member of the Board 2006–. Gamga Oy, Chairman of the Board. CWC (Centre for Wireless Communications) -research institute, Member of the Steering Committee. Elektrobit Corporation, Chairman of the Board 2002–2005 and 2008–2010 and Member of the Audit and Financial Committee 2008–2009. Elektrobit Corporation, CEO 2005–2006, Chairman of the Board 2002–2005. Elektrobit Ltd., one of the founders in 1985, CEO 1985–1995, Chairman of the Board 1995–2002.

Holdings:
Holds 27,214,362 shares in Elektrobit Corporation.

STAFFAN SIMBERG
b. 1949, MBA

Full-time occupation: Professional Board Member

Positions of trust:
Elektrobit Corporation, Member of the Board 2008–, Chairman of the Audit and Financial Committee 2010–, Elektrobit Technologies Ltd., Member of the Board 2011–. Business Consultant, Simberg & Partners AB, Chairman of the Board 1994–. NEZ-Invest AB, Chairman of the Board. Svensk Linjebesiktning AB, Chairman of the Board 2011–. Nordic Vehicle Conversion AB, Member of the Board 2011–. Silva AB, Member of the Board 2011–. Endomines AB (publ), Member of the Board and Audit Committee 2011–. Metso Group, Industrial advisor 2011–. Karnell, investment advisor 2009–. Landis & Gyr AG, Member of the Advisory Board 2007–.

Previous work history:
Elektrobit Corporation, Member of the Audit and Financial Committee 2009–2010. Cargotec Oyj, Industrial advisor, 2009. Metso Panelboard, Chairman 2008–2009. Powermill Service -group, Member of the Board 2005–2007. Dotcom Solutions AB, Member of the Board 2000–2005. Enermet -group, Managing Director 2005–2007. Siar-Bossard, Associated Partner 1992–1994. Leading positions at Nokia 1978–1991.

Holdings:
Corporation controlled by Simberg holds 450,000 shares in Elektrobit Corporation.

ERKKI VEIKKOLAINEN
b. 1952, M.Sc. (EE), eMBA

Full-time occupation: Mevita Invest Oy, CEO

Positions of trust:
Elektrobit Corporation, Member of the Board 2008– and Elektrobit Technologies Ltd., Member of the Board 2010–. Chairman of the Board of Elcoflex Oy. Member of the Board in Aplicom Oy, Elcoflex (Suzhou) Co. Ltd, Maustaja Oy and Mecanova Oy.

Previous work history:
Elektrobit Corporation, Chairman of the Wireless Committee 2009–2010. Elektrobit Corporation, Executive Vice President, Contract R&D and Test Business Units, 2002–2003. Elektrobit Technologies Ltd., Managing Director, 2001–2003. Elektrobit Ltd., Vice President, Business Development, 1998–2001. Nokia Mobile Phones, various positions 1985–1998, latest Vice President.

Holdings:
Holds 9,388,719 shares in Elektrobit Corporation.

Corporate Governance Statement Reporting Period 1.1.-31.12.2011

DESCRIPTION OF ACTIVITIES

The Board of Directors has defined a working order and evaluates its performance annually. The Board of Directors shall implement the decisions of the Annual General Meeting. The Board of Directors supervises the operations and management. The Board of Directors makes decisions on the Company's guiding principles for operation, strategy and budget. The Board of Directors decides on mergers and acquisitions and other strategic alliances as well as significant investments and significant matters regarding organization and finance. The Board of Directors supervises that the group companies' accounting and financial management is duly organized. The Board of Directors appoints the CEO and possible Deputy for him or her as well as approves the Company's organization structure.

The CEO, CFO and Chief Legal Officer (who acts as secretary of the Board of Directors) attend the meetings of the Board of Directors. Other Group management attend the meetings when necessary or upon invitation by the Board of Directors. The Chairman of the Board approves the agendas of the meetings of the Board of Directors. The agendas are prepared by the CEO and the Chief Legal Officer.

In 2011, the Board convened 18 times. The Board members attended to the meetings as follows:

1.1.-31.12.2011	Board	Audit and Finance Committee
Seppo Laine	18/18	6/6
Jorma Halonen	15/18	
Juha Hulkko	18/18	
Staffan Simberg	17/18	6/6
Erkki Veikkolainen	18/18	

An annual clock, according to which the regular subjects to be handled are determined, is applied in the Board's work. In addition to the regular subjects of the annual clock, the most important subject of the Board during the year was profitability improvement of the Group, development of a segment-based management system and in particular evaluating and planning actions relating to the reorganization processes of group's previously significant customer, TerreStar Networks Inc., and its parent company TerreStar Corporation and evaluating potential profit and balance sheet implications of the reorganization processes.

The Annual General Meeting decides on the compensation of the members of the Board of Directors and such compensations can be publicly reviewed from the Company's website at www.elektrobit.com.

THE BOARD COMMITTEES

The proper function of the corporate governance of a company requires that Board work be organized as efficiently as possible. For this reason the Company established an Audit and Financial Committee.

The Members on the committees can concentrate on the matters delegated to the committee more extensively than the entire Board of Directors. The purpose of the committees is to enhance the efficient preparation of matters within the competence of the Board, increase transparency and ensure the quality and efficiency of the decision making of the Board.

The committees assist the Board by preparing matters falling within the competence of the Board. The Board remains responsible for the duties assigned to the committees. The committees have no autonomous decision-making power, and thus the Board makes the decisions within its competence collectively.

Taking into consideration the current composition and the number of Board members, the Board committees in the Company shall have at least two members appointed by the Board of Directors among its members, one of them being the Chairman of the respective committee.

A committee shall regularly report on its work to the Board. The reports shall include at least a summary of the matters addresses and measures taken by the committee.

The central duties and operating principles of the Audit and Financial Committee are described below. The Annual General Meeting decides on the compensation of the members of the Board committees and such compensations can be publicly reviewed from the Company's website at www.elektrobit.com.

Audit and Financial Committee

The Audit and Financial Committee has the following duties:

- to monitor the reporting process of financial statements,
- to supervise the financial reporting process,
- to monitor the efficiency of the Company's internal control, internal audit, if applicable, and risk management systems,
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement,
- to monitor the statutory audit of the financial statements and consolidated financial statements,
- to evaluate the independence of the statutory auditor or audit firm and particularly the provision of related services, and
- to prepare the proposal for resolution on the election of the auditor.

The Chairman and the members of the Audit and Financial Committee are appointed by the Board of Directors of the Company. At least one committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company. The members of the Audit and Financial Committee have been Staffan Simberg (chairman of the committee) and Seppo Laine, Authorized Public Accountant. Taking into consideration the composition and the number of Board members and the financial expertise held in particular by Seppo Laine, the assembly meeting of the Board held on March 31, 2011 resolved to depart from the recommendation concerning a minimum of three committee members by the Finnish Governance Code (Recommendation 22). Both members of the committee are independent of immediate interest of both the Company and its significant shareholders and they have long-term experience in business management.

In addition to committee members, other regular participants to the committee meetings are CEO and CFO of the Company and optionally external auditors. Further the committee members may meet the external auditors without the operative management being present in such meetings.

In 2011, the Audit and Financial Committee convened 6 times to ordinary meetings. In addition to the focus areas specified above, most important subjects during 2011 were cash flow monitoring and development of cash flow reporting; capitalization and financial modeling of sub-groups in accordance with the segment based management model; and costs of development projects and capitalizations related thereto.

During 2012, the Committee's focus areas are securing financing of business segments, in particular, by means of operative cash flow; functionality of risk management processes in the segment based management model; clarifying of internal control operating model and focusing internal control measures to business segments as well as enhancing financial modeling and follow-up of business undertakings.

Chief Executive Officer

The CEO is in charge of the operative management of the Company in accordance with the Finnish Companies Act, the Articles of Association as well as the instructions and orders given by the Board of Directors. The CEO is responsible for the preparation of the Board meetings and implementation of any decisions made therein. Further, the CEO is responsible for ensuring that the Company's accounting methods comply with the applicable law and that the financial matters are being handled in a reliable manner. The CEO prepares strategy, long-term planning, investments, mergers and acquisitions, financing and makes decisions thereof to the extent that such decisions are not tasks of the Board of the Directors. The CEO is responsible for financial planning, the Company's communications and investor relations.

The Board of Directors defines and approves the essential terms of the service of the CEO, including the CEO's remuneration, in a form of a written agreement. The CEO's service contract is effective until further notice and can be terminated by both the company and the CEO with six (6) months' written notice.

The CEO is entitled to a pension under the Contracts of Employment Act and other legislation pertaining to pensions. The Finnish employee pension system (TyEL) allows for an old-age pension based on years of service and the income accumulated during those years, including the base salary, bonuses (excluding any option rights and shares subscribed on their basis) and taxable fringe benefits. The old age pension can be taken out at one's own discretion between the ages of 63–68 (flexible retirement age).

Jukka Harju
Chief Executive Officer, 2009–

b. 1956, M.Sc. (Eng.), M.Sc. (Econ.)

Elektrobit Technologies Ltd. and Elektrobit Automotive GmbH, Chairman of the Board 2010–, Elektrobit Corporation, member of the Board of Directors 2006–2009, Chairman of the Automotive Committee 2008–2009. Boier Capital Ltd., partner 2007–2009. Incap Corporation, member of the Board 2007–2010. Elektrobit Corporation, Chief Operating Officer 2005–2006 and Executive Vice President, Business Development 2000–2004. Tellabs Ltd., Managing Director 1994–1999. Nokia Telecommunications Ltd., Vice President, Microwave Radios 1990–1994 and other duties in the same organization 1981–1990.

Holdings:
Holds 7,644,630 shares in Elektrobit Corporation (including shareholdings of corporations controlled by Harju).

Corporate Governance Statement Reporting Period 1.1.-31.12.2011

Other Management of the Company

CORPORATE MANAGEMENT

Corporate management supports the CEO in his tasks and consists of the Chief Financial Officer and the Chief Legal Officer of the Group. Group management supports the CEO in operative management and implementation and follow-up of the CEO's competence area, in particular as regards the management and development of the business portfolio, asset management and taxation, internal audit, Corporate Governance of the Company, investor and marketing communications and risk management.

Veli-Pekka Paloranta
Chief Financial Officer, 2010–
b. 1972, M.Sc. (Econ.)

Elektrobit Corporation, member of the Corporate Executive Board 2010–. Director, Finance, Elektrobit Corporation, 2008–2010. JOT Automation Oy, CFO 2007–2008. Elektrobit Group Oyj, Business Controller 2000–2007.

Holdings:
Holds 1,200 shares in Elektrobit Corporation. He holds 10,000 stock options 2008A, 40,000 stock options 2008B and 20,000 stock options 2008C.

Päivi Timonen
Chief Legal Officer, 2002–
b. 1970, LLM, trained on the bench

Elektrobit Corporation, Member of the Corporate Executive Board 2002–. Roschier Holmberg Oy, Lawyer 1998–2002.

Holdings:
Holds 11,800 shares in Elektrobit Corporation. She holds 57,500 stock options 2008A, 40,000 stock options 2008B and 20,000 stock options 2008C.

BUSINESS SEGMENTS (SUB-GROUPS)

The operative business of the Group takes place in business segments (sub-groups) formed by branch-by-branch. The external reporting of the Group is also based on these business segments which are Automotive and Wireless. The CEO's of the parent companies of the sub-groups report the segment business to the Board of Directors of each sub-group's parent company ("Segment Board"). Segment Boards comprise of the Company's CEO as the Chairman and one or more Board members of the Company and possibly also one or more external expert members. Operative business decisions are made in each business segment.

WIRELESS BUSINESS SEGMENT

In the Wireless Business Segment EB offers development services and customized solutions for wireless communications markets, radio channel emulator products for industries and authorities utilizing wireless technologies, and products for the authority markets.

The members of the Board of Directors of the parent company of the Wireless sub-group, Elektrobit Technologies Ltd., are Jukka Harju (Chairman of the Board), Staffan Simberg and Erkki Veikkolainen. The President of Elektrobit Technologies Ltd. is Hannu Huttunen.

ELEKTROBIT TECHNOLOGIES LTD.

Board of Directors

Chairman of the Board of Directors
JUKKA HARJU
Chief Executive Officer, Elektrobit Oyj
b. 1956, M.Sc. (Eng.), M.Sc. (Econ.)[1]

Member
STAFFAN SIMBERG
Elektrobit Corporation, member of the Board of Directors
b. 1949, MBA[2]

Member
ERKKI VEIKKOLAINEN
Elektrobit Corporation, member of the Board of Directors
b. 1952, M.Sc. (EE), eMBA[3]

ELEKTROBIT TECHNOLOGIES LTD.

Managing Director

Hannu Huttunen
President, Wireless Business Segment, 2010–
b. 1966, M.Sc. (Econ.)

Elektrometalli Oy, Member of the Board 2008–. EXFO Inc., Wireless Division leader 2010. NetHawk Oyj, CEO 2003–2010. NetHawk Oy, Executive Vice President 2002–2003. Nokia Mobile Phones Oy, IP Convergence unit leader 2002. Nokia Mobile Phones Oy, Special Products Business unit leader 1998–2002. Nokia Mobile Phones Oy, NMT450 Business unit leader 1995–1998. Nokia Mobile Phones Oy, Special Products Business unit, Business Controller

Holdings:
Does not hold shares in Elektrobit Corporation. He holds 100,000 stock options 2008B.

AUTOMOTIVE BUSINESS SEGMENT

In Automotive Business Segment EB offers software products and R&D services for carmakers, car electronics suppliers and other suppliers of the automotive industry. The offering includes in-car infotainment solutions, such as navigation and human machine interfaces (HMI), as well as software for electronic control units (ECU) and driver assistance. By combining its software products and R&D services, EB is creating unique, customized solutions for the automotive industry.

The members of the Board of Directors of the parent company of the Automotive sub-group, Elektrobit Automotive GmbH, are Jukka Harju (Chairman of the Board), Gerhard Jakobs, Seppo Laine and Jorma Halonen. The CEO of Elektrobit Automotive GmbH is Alexander Kocher.

ELEKTROBIT AUTOMOTIVE GMBH

Management Board[4]

Chairman of the Board of Directors
JUKKA HARJU
Chief Executive Officer, Elektrobit Oyj
b. 1956, M.Sc. (Eng.), M.Sc. (Econ.)[1]

Member
JORMA HALONEN
Elektrobit Corporation, member of the Board of Directors
b. 1948, M.Sc. (Econ.)[5]

Member
GERHARD JAKOBS
b. 1946, Dr. (Eng.)

Full-time occupation: Professional Board Member

Diehl Metal Foundation, CEO of Diehl Metal Applications 2009–2011, Vice President of Sales & Marketing 2008–2009 and Consultant within Corporate Division Diehl Metall 2008. FCI Corporation, Vice President of FCI Automotive Europe, General Manager of Connectors Holding, FCI Automotive Germany and FCI Automotive Austria 1998–2008. TEMIC/Daimler Benz, Chairman of TEMIC division Mikrosystems, General Manager of MBB Mikroelektronik GmbH 1993–1998, and Vice President of Operations 1992–1993. Messerschmitt-Bölkow-Blohm (MBB)/Daimler Benz Deutsche Aerospace, Director of Microelectronic 1987–1992. MBB, Head of department Microelectronic and Service Center

[1] For other information about Mr. Harju, please see Page 18.
[2] For other information about Mr. Simberg, please see Page 15.
[3] For other information about Mr. Veikkolainen, please see Page 15.
[4] Organ based on the Articles of Association of Elektrobit Automotive GmbH.
[5] For other information about Mr. Halonen, please see Page 15.

Electronic 1986–1987, Chief Department Manager of Technical Plant Development 1985–1986, and Manager of departments for Production Technology, Process Data and Test Technology 1984–1985. Institute of Computer Technology, General Manager 1981–1984.

Holdings:
Does not hold shares in Elektrobit Corporation.

Member
SEPPO LAINE
Elektrobit Corporation, Chairman of the Board
b. 1953, Authorized Public Accountant[6]

ELEKTROBIT AUTOMOTIVE GMBH

Managing Directors

Alexander Kocher
President, Automotive Business Segment, 2011–[7]

b. 1960, M.Sc., Electrical Engineering

Wind River Systems, Automotive Solution, Vice President and General Manager 2008–2011. Continental, Vice President, Navigation & Maps 2007–2008. Siemens VDO, Vice President, TLA Platform 2002–2007. Siemens Automotive, Director, Systems Engineering Infotainment 2001–2002. Infineon, Director, Systems Engineerin Industrial & Automotive 1998–2000. Siemens Communications and Siemens Industrial, various management positions 1986–1997.

Holdings:
Does not hold shares in Elektrobit Corporation. Holds 100,000 stock options 2008A and 100,000 stock options 2008B.

Gregor Zink
Executive Vice President, Finance and Business Support, Automotive Business Segment 2011–
b. 1966, MBA, M.Sc. (Econ.)

CA Germany, RAC Manager/Finance Manager 2007–2010. Aareon AG, CFO 2004–2008. ino 24 AG, Finance Manager 2002–2004. digital advertising AG, Finance Manager 2000–2001. AWT Allgemeine Wirtschaftstreuhand, Wirtschaftsprüfungs- und Steuerberatungsgesellschaf, Auditor 1996–2000. Hülzburger, Hemmer & Hoffman, Accounting and Tax Consultant 1993–1996.

Holdings:
Does not hold shares in Elektrobit Corporation. Holds 70,000 stock options 2008C.

JUKKA HARJU

Chief Executive Officer

Chairman of the Board of Elektrobit Automotive GmbH

Chairman of the Board of Elektrobit Technologies Ltd.

VELI-PEKKA PALORANTA

Chief Financial Officer

PÄIVI TIMONEN

Chief Legal Officer

STAFFAN SIMBERG

Member of the Board of Elektrobit Corporation and Chairman of the Financial and Auditing Committee

Member of the Board of Elektrobit Technologies Ltd.

ERKKI VEIKKOLAINEN

Member of the Board of Elektrobit Corporation

Member of the Board of Elektrobit Technologies Ltd.

HANNU HUTTUNEN

Managing Director of Elektrobit Technologies Ltd.

President, Wireless Business Segment

JORMA HALONEN

Member of the Board of Elektrobit Corporation

Member of the Board of Elektrobit Automotive GmbH

GERHARD JAKOBS

Member of the Board of Elektrobit Automotive GmbH

SEPPO LAINE

Chairman of the Board of Elektrobit Corporation and Member of the Financial and Auditing Committee

Member of the Board of Elektrobit Automotive GmbH

ALEXANDER KOCHER

Managing Director of Elektrobit Automotive GmbH

President, Automotive Business Segment

GREGOR ZINK

Managing Director of Elektrobit Automotive GmbH

Executive Vice President, Finance and Business Support, Automotive Business Segment

[6] For other information about Mr. Laine, please see Page 15.

[7] Kocher started as President of Automotive Business Segment on November 1, 2011. The employment relationship of the previous President of the Automotive Business Segment, M.Sc. (Eng.), MBA Jarkko Sairanen ended on March 31, 2011 and between April 1 - October 31, 2011 the acting President of the Automotive Business Segment was the segment's Vice President of Finance M.Sc (Econ.) Gregor Zink. Both Kocher and Zink will continue as Managing Directors of Elektrobit Automotive GmbH.

Corporate Governance Statement Reporting Period 1.1.-31.12.2011

Main Features of Internal Control and Risk Management Processes Related to Financial Reporting Processes

RISK MANAGEMENT

The purpose of risk management is to secure positive development of earnings of the Company and the continuation of the business by implementing risk management cost effectively and systematically throughout the different businesses.

Risk management is part of the Company's strategic and operative planning, daily decision making process and internal control system. Business objectives, risks and risk management operations are combined through risk management as one chain of events.

MAIN PRINCIPLES OF ORGANIZING RISK MANAGEMENT

Company adheres to the risk management policy approved by the Board.

Risk management contains all actions, which are connected to setting up targets, identification of risks, measurement, review, handling, reporting, follow-up, monitoring and reacting to risks.

The aim of risk management of the Company is to:

- systematically and thoroughly identify and assess all major risks, which threaten the achievement of objectives, including risks related to business operations, property, agreements, competence, currencies, financing and strategy,
- optimize business opportunities and secure continuation of business,
- recognize and identify uncertainties and subsequently develop the prediction of risks and measures needed to manage risks,
- take only calculated and assessed risks with respect to e.g. expanding the business, increase market share and creating new businesses,
- avoid or minimize liability risks,
- ensure the safety of products, solutions and services,
- establish a safe working environment for the employees,
- minimize possibilities for unhealthy occurrences, crimes or misconduct by operating procedures, control and supervision,
- inform interest groups of risks and risk management, and
- be cost effective.

The aim of risk management is not to:

- exclude all risks at their entirety,
- adopt unnecessary control and management procedures, or
- take bureaucratic processes and procedures into use.

MAIN PRINCIPLES OF THE RISK MANAGEMENT PROCESS

In connection with the strategy process and annual planning the CEO of the Company and CEO's of the Group's business segments review business risks, which could endanger the achievement of strategic or profit targets. The businesses produce risk assessment reports for each business to support the strategy process. Strategic and operative risks are monitored through monthly reporting by businesses in the Segment Boards (see above section Business segments). Businesses must produce assessments of risks in their designated areas of responsibilities and provide action plans to manage risks as well as to report to the Segment Boards on measures taken including the stage and effectiveness of such measures.

The Company's CEO reports all identified risks concerning the Group as well as all planned and effected measures to control such risks to the Company's Board of Directors.

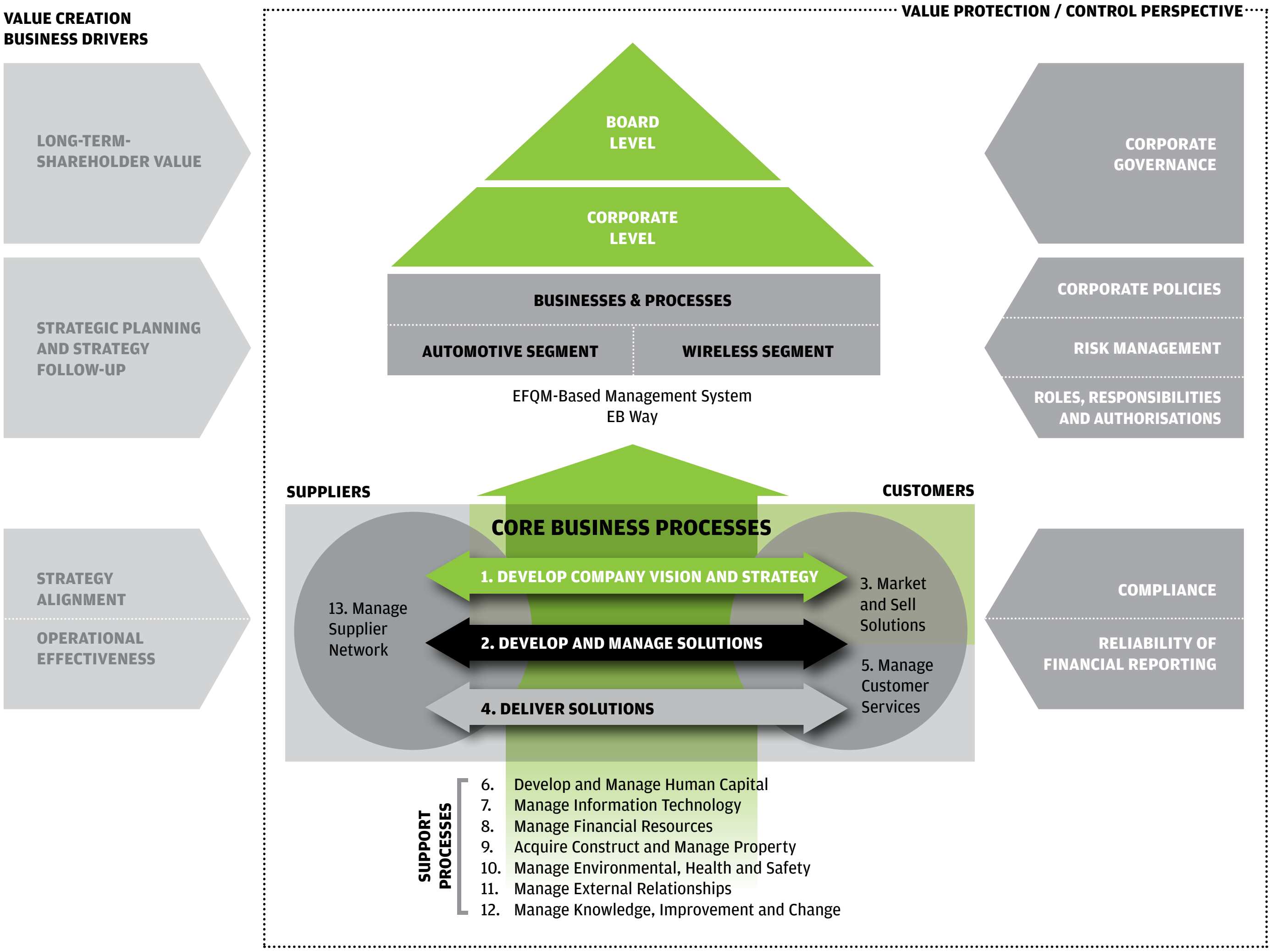
GENERAL DESCRIPTION OF INTERNAL CONTROL AND OPERATIONAL PROCEDURES

Internal control is a process applied by the Board of Directors, management and all levels of personnel in the Group to ensure that management has reasonable assurance that:

1. operations are effective, efficient and aligned with strategy,
2. financial reporting and management information is reliable, complete and timely made, and
3. the Group is in compliance with applicable laws and regulations as well as the Company's internal policies and ethical values including sustainability.

The first category addresses the basic business objectives, including performance and profitability goals, strategy, implementation of objectives and actions and safeguarding resources. The second category relates to the preparation of reliable published financial statements, including interim reports and condensed financial statements and selected financial data derived from such statements, such as earnings releases, reported publicly. The third deals with complying with those laws and regulations to which the Company is subject to.

INTERNAL CONTROL FRAMEWORK OF THE COMPANY

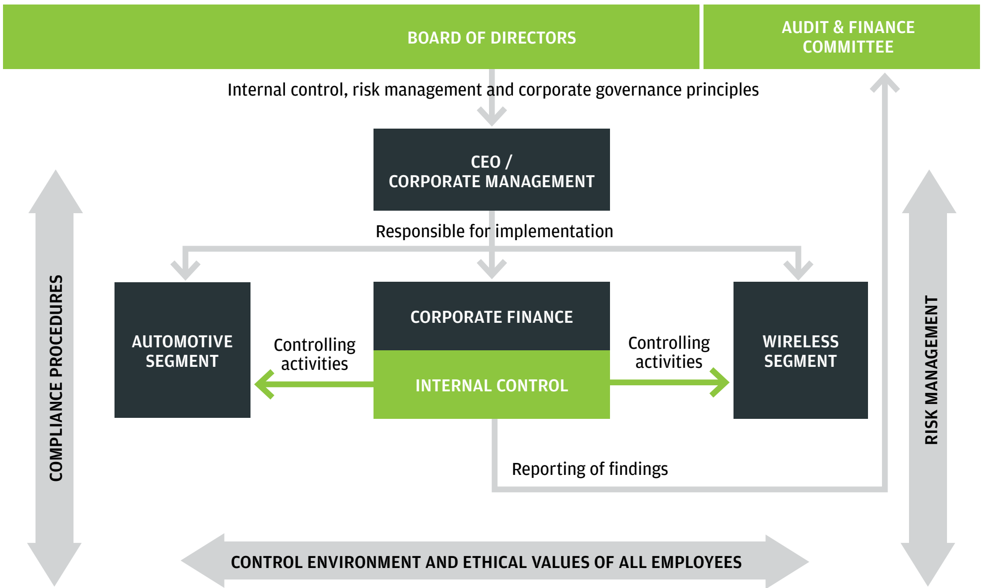


Governance and Internal Control Framework

EB's internal control framework consists of:

- the internal control, risk management and corporate governance policies and principles set by the Company's Board of Directors,
- management overseeing the implementation and application of the policies and principles,
- finance function and business controllers monitoring the efficiency and effectiveness of the operations and reliability of the financial and management reporting,
- enterprise risk management process identifying, assessing and mitigating risks threatening the realization of the Company's objectives,
- compliance procedures making sure that all applicable laws, regulations, internal policies and ethical values (including sustainability) are adhered to,
- effective control environment at all organizational levels including control activities tailored for defined processes and creating group minimum requirements for business and geographical areas,
- shared ethical values and strong internal control culture among all employees, and
- internal audit assignments reviewing the effectiveness of the internal controls as needed.

Corporate Governance Statement Reporting Period 1.1.-31.12.2011



Key areas of the EB internal control framework in 2011

RISKS AND CONTROLS IN CORE BUSINESS PROCESSES

Risk management procedures are in place for business processes in the form of defined control points:

- relevant process risks are identified,
- common control points/group minimum requirement control points are identified,
- common control points are implemented in business processes,
- additional control points can be determined as needed at business or functional levels.

Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the Company's objectives. Control activities are set throughout the organization, at all levels and in all functions. They include various range of activities including but not limited to approvals, authorizations, verifications, reviews of operating performance, security of assets and segregation of duties.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Group's external financial reporting process, internal control and risk management systems are briefly described in this section. The main focus is on financial accounting and related controls.

Financial reporting organisation

The Group's financial administration is organized so that both business segments have their own operative financial organization, and the financial management as well as central expert functions regarding accounting, taxation, financing, and asset management are centralized in the Group's parent company.

The financial management of the business segments is responsible for organizing the accounting, money transactions and other daily financial operations of the companies belonging to the segment as well as organizing the internal reporting that supports the segments' business. The financial management of the business segment controls and supervises the operation of the financial administration organizations of the segment companies, and it reports primarily to the CEO of the business segment but matrix-wise also to the CFO of the Group.

In addition, the tasks of the Group's parent company's financial administration consist of, inter alia, monthly consolidation of the Group entity, preparation of interim reports and consolidated financial statements, management and investment of monetary assets of the Group, management of liabilities, protection of exchange risk, and transfer pricing.

The finance function of the Group's parent company implements operative supervision under the Group's CFO who reports any supervisory findings to the Finance and Audit Committee. The Group's parent company's financial administration and financial management of the Wireless -segment is located in Finland and the financial management of the Automotive -segment in Germany. The Group's subsidiaries in China, Germany and USA have own accounting departments. Accounting functions in smaller subsidiaries in France and Japan are organized in the external accounting offices or, as in Austria, in the accounting department of the German subsidiary. The tasks and responsibilities of the accounting function of the parent company and each subsidiary are included in the job descriptions of the teams and employees.

Financial reporting systems

Consolidated financial statements are prepared by using the chosen consolidation tool. The accounting of the Group's subsidiaries is mainly done by using the Group's common accounting system from which the actual figures are reported on a monthly basis directly to the consolidation system. Subsidiaries in Japan and France send the information in a pre-defined format directly to the group consolidation.

The accounting system in use includes general ledger accounting, accounts payables and accounts receivables. Current assets and payroll accounting is organized through various programs or purchased as outsourced service. Purchase invoices are circulated through electronic invoice processing system.

The same bank application is used in both Finland and Germany, USA has a similar bank application.

Global forecasts and budgets are prepared by using the same forecast and reporting program maintained by the Group parent company. In some business segment companies, separate programs supporting internal reporting are in use.

Internal controls

The Group's internal control mechanisms are based on policies, instructions, limited process descriptions, authorization matrix, financial reporting review meetings, and segregation of key accounting duties.

Compliance procedures

Compliance procedures are in place at all levels of the organization to ensure that that all applicable laws, regulations, internal policies and ethical values including sustainability are adhered to. Group functions and businesses are responsible for following up developments in legislation and regulations in their respective areas and communicating them to the organization. Businesses and corporate function directors are responsible for setting up adequate compliance controls and compliance related training in their units.

Roles and responsibilities regarding risk management and internal control

The key roles and responsibilities regarding the Group's internal control and risk management are defined as follows:

Board of Directors

The Board of Directors is ultimately responsible for the administration and the proper organization of the operations of the company. According to good corporate governance, the Board also ensures that the company has duly endorsed the corporate values applied to its operations. The Board approves the internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk bearing capacity of the Company and re-evaluates them on a regular basis as part of the strategy and goal setting of the Company. The Board reports to the shareholders of the Company.

Audit and Financial Committee

Audit and Financial Committee is responsible for the following internal control related duties:

- to monitor the reporting process of financial statements,
- to supervise the financial reporting process,
- to monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems,
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement, and
- to monitor the statutory audit of the financial statements and consolidated financial statements.

More detailed descriptions how Audit and Financial Committee is fulfilling its monitoring role are defined in Committee's annual plan. The Audit and Financial Committee reports to the Board of Directors of the Company.

Chief Executive Officer

CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. CEO sets the ground of the internal control environment by providing leadership and direction to senior managers and reviewing the way they are controlling the business. CEO is in charge of the risk management process of the Group and its continuous development, allocation of resources to the work, review of risk management policies as well as defining the principles of operation and overall process. CEO reports to the Board on risk management as part of the monthly reporting. The CEO and the management of the Group functions and the CEO's of the business segments, which operate under CEO, are responsible for the management of risks endangering the fulfillment of objectives set to the Company.

Chief Financial Officer

CFO ensures that the Group's accounting and financial reporting practices comply with the law and that the financial matters are handled in a reliable manner.

Chief Legal Officer

Chief Legal Officer ensures that the Group's corporate governance practices comply with the law and that legal matters of the Group are handled appropriately, in particular the contractual risks relating to business operations.

Businesses Segments

Segment Boards and management of business segments are responsible for internal control implementation in the business segments. More specific internal control policies and procedures are established within each segment within the principles set by the Group functions. Additionally, the management of business segments and the Group Management are responsible for implementing risk management practices in planning cycle and daily operations, and ensure the adherence of:

- laws, regulations
- Internal policies and ethical values

in their designated responsibility areas. Some areas of risk management, in particular the management of financial risks and insurances, have been centralized for the purpose of scale advantage and for securing sufficient Group-level control.

Finance Function

Group's parent company's finance function is responsible for:

- helping business segments to set up adequate control activities in cooperation with the business management,
- operative follow-up of the adequacy and effectiveness of control activities, and
- ensuring that external reporting is correct, timely and in compliance with regulations.

Finance function does not have a separate internal control function. Group CFO reports any supervisory findings to the Finance and Audit Committee.

Internal Audit

The Company has no specific internal audit organization. This is taken into account in the content and scope of the annual audit plan. On the one hand external auditing focuses on specific areas in turn to be audited, and on the other hand, on separately agreed priority areas.

Shareholders

Shares and Shareholders

The Shares of Elektrobit Corporation are quoted on the NASDAQ OMX Helsinki. The Company has one series of shares. All shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The Company's shares have been entered into the Euroclear Finland Ltd's book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 129,412,690. The accounting par value of the Company's share is EUR 0.10. The Company has not its own shares in its possession.

SHARE PRICE AND TRADING VOLUMES

The closing price of Elektrobit Corporation's share was EUR 0.38 in 2011; the share reached a high of EUR 0.76 and a low of EUR 0.36. During the year, a total of 9.2 million shares with the value of EUR 5.0 million changed hands on the NASDAQ OMX Helsinki. This is 7.1 per cent of the share capital. Elektrobit Corporation's market capitalization at the end of 2011 was EUR 49.2 million.

DIVIDEND POLICY

Elektrobit Corporation follows a dividend policy that takes into account the group's net income, financial situation, need for capital and financing of growth. The Board of Directors of Elektrobit Corporation proposes that no dividend shall be paid for 2011.

TRADING CODES

Elektrobit Corporation has been listed on NASDAQ OMX Helsinki (previously Helsinki Stock Exchange) since 1998. Elektrobit Corporation's company code and trading code in the NASDAQ OMX Helsinki INET system is EBC and the trading code EBC1V.

Trading codes are:

NASDAQ OMX Helsinki	EBC1V
Reuters	EBC1V.HE
Bloomberg	EBC1VFH

SHAREHOLDERS

At the end of 2011 Elektrobit Corporation had 23,556 shareholders. The ten largest shareholders owned 61.6 per cent of the shares. Private ownership was 75.3 per cent. The percentage of foreign and nominee-registered shareholders was 3.2 per cent at the end of 2011.

SHAREHOLDING OF THE BOARD OF DIRECTORS AND CEO

Shareholding of the Board of Directors, CEO and the companies controlled by them was 36.3 per cent, corresponding to 46,938,762 shares.

Information to Shareholders

FINANCIAL REPORTS 2012

Elektrobit Corporation reports its financial development quarterly. In 2012 EB will publish financial reports as follows:

February 16th	Financial Statement Bulletin 2011
April 26th	Interim Report January–March 2012
August 8th	Interim Report January–June 2012
November 6th	Interim Report January–September 2012

Financial reports will be published simultaneously in Finnish and in English at 8.00 a.m. (CET+1) on EB's web pages at www.elektrobit.com/investors. The company will hold press conference regarding the reports on dates to be specified later.

SILENT PERIOD

Elektrobit Corporation will observe a Silent Period prior to announcing its results. The Silent Periods in 2012 are as follows:

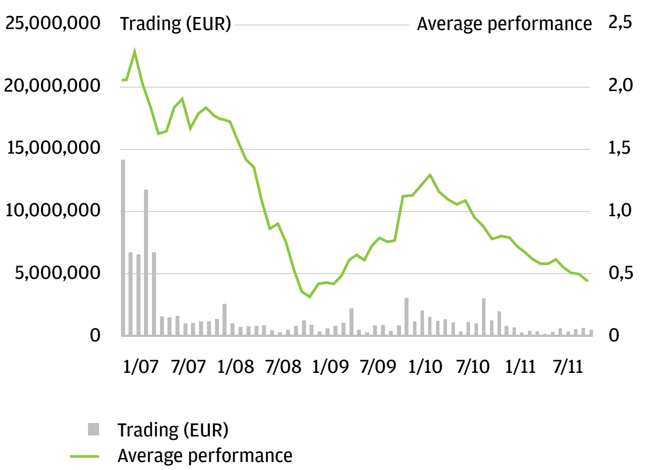
January 26th–February 16th, 2012

April 5th–April 26th, 2012

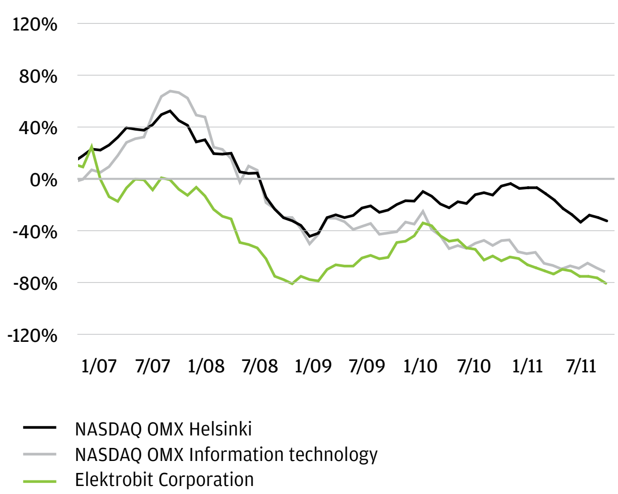
July 18th–August 8th, 2012

October 16th–November 6th, 2012

Trading and average performance 2007–2011



Share performance in NASDAQ OMX Helsinki 2007–2011



Source: NASDAQ OMX Helsinki, status December 31, 2011

ELEKTROBIT CORPORATION'S ANNUAL GENERAL MEETING

Elektrobit Corporation's Annual General Meeting will be held on Monday, March 26, 2012, at 1.00 p.m. (CET +1) at the University of Oulu, Saalastinsali, Pentti Kaiterankatu 1, 90570 Oulu, Finland.

Shareholders registered in the shareholders' register

Each shareholder, who is registered on Wednesday March 14, 2012 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company.

A shareholder, who is registered in the shareholders' register of the company and who wants to participate in the General Meeting, shall register for the meeting no later than on Wednesday March 21, 2012 by 10.00 a.m. (CET +1) by giving a prior notice of participation. The notice has to be received by the company before the end of the registration period. Such notice can be given:

a) on the company's website at www.elektrobit.com, as from February 17, 2012 at 10.00 a.m. (CET +1)

b) by telephone +358 40 344 3322 or +358 40 344 5425 on weekdays between 9.00 a.m. and 4.00 p.m. (CET +1)

c) by telefax; +358 8 343 032; or

d) by regular mail to the address Elektrobit Oyj, Yhtiökokous, Tutkijantie 8, 90590 Oulu, Finland.

In connection with the registration, a shareholder shall notify his/her name, personal identification number or business identity code, address, telephone number and the name of a possible assistant or proxy representative and the personal identification number of a proxy representative. The personal data given to Elektrobit Corporation is used only in connection with the General Meeting and with the processing of related registrations.

The shareholder, his/her authorized representative or proxy representative shall, where necessary, be able to prove his/her identity and/or right of representation at the General Meeting.

Holders of nominee registered shares

A holder of nominee registered shares has the right to participate in the General Meeting by virtue of such shares, based on which he/she on Wednesday March 14, 2012 would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the General Meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd at the latest on Wednesday March 21, 2012 by 10.00 a.m. As regards nominee-registered shares this constitutes due registration for the General Meeting.

A holder of nominee-registered shares is advised to request without delay the necessary instructions regarding registration in the temporary shareholder's register, the issuing of proxy documents and registration for the General Meeting from his/her custodian bank. The account management organization of the custodian bank has to register a holder of nominee-registered shares, who wants to participate in the General Meeting, into the temporary shareholders' register of the company at the latest by the time stated above.

Further information on the General Meeting and participation in the General Meeting is available on the company's website www.elektrobit.com.

Proxy representative and powers of attorney

A shareholder may participate in the General Meeting and exercise his/her rights at the meeting by way of proxy representation. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder. If a shareholder participates in the General Meeting by means of several proxy representatives representing the shareholder with shares at different securities accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration for the General Meeting.

Possible proxy documents should be delivered in originals to the address Elektrobit Oyj, Yhtiökokous, Tutkijantie 8, 90590 Oulu, Finland, before the end of the registration period.

Advance voting

Shareholders, who have a Finnish book-entry account, may vote in advance on certain items on the agenda of the General Meeting through the company's website between 10.00 a.m. (CET +1) on February 17, 2012 and 10.00 a.m. (CET +1) on March 21, 2012. A shareholder voting in advance will not be able to use his/her right according to the Companies Act to request information or a vote, and if matters on the agenda have changed after the beginning of the advance voting period his/her possibility to vote on such items may be restricted, unless he/she is present in the General Meeting in person or by way of proxy representation. The conditions and instructions relating to the electronic advance voting are available on the company's website at www.elektrobit.com. The shareholder's book-entry account number is required for advance voting.

Other information

Pursuant to chapter 5, section 25 of the Companies Act, a shareholder who is present at the General Meeting has the right to request information with respect to the matters to be considered at the meeting.

On the date of this notice to the General Meeting February 16, 2012, the total number of shares and votes in Elektrobit Corporation is 129,412,690.

The proposals for the decisions on the matters on the agenda of the General Meeting as well as the notice are available on Elektrobit Corporation's website at www.elektrobit.com. The annual report, the Report of the Board of Directors and the auditor's report of Elektrobit Corporation, are available on the above-mentioned website no later than March 5, 2012. The proposals for decisions and the other above-mentioned documents are also available at the meeting. Copies of these documents and of this notice will be sent to shareholders upon request. The minutes of the meeting will be available on the above-mentioned website as of April 2 , 2012.

Press releases, reports, earnings estimates, share price ticker, contact details of analysts and other current investor material can be found on the Company's website at www.elektrobit.com. An e-mail-based subscription service for press releases and publications can be found from the Company's website as well.

Report by the Board of Directors 2011

2011 in Brief

NET SALES IN 2011 WAS AT THE SAME LEVEL AS IN 2010 AND OPERATING RESULT IMPROVED CLEARLY, REMAINING, HOWEVER, NEGATIVE. DURING THE LAST QUARTER NET SALES GREW FROM PREVIOUS YEAR AND OPERATING RESULT WAS CLEARLY PROFITABLE.

EB's net sales in 2011 was EUR 162.2 million remaining at the level of last year (EUR 161.8 million in 2010). Net sales of the Automotive Business Segment grew to EUR 98.3 million (EUR 80.1 million, in 2010), representing a 22.7% growth year-on-year. The Wireless Business Segment's net sales fell by 21.1% to EUR 63.9 million (EUR 81.0 million, in 2010).

Operating loss in 2011 was EUR -4.0 million (EUR -17.3 million in 2010, including non-recurring costs and impairments of EUR 12.7 million). Operating profit of Automotive Business Segment was EUR 0.8 million (EUR 1.9 million, in 2010) and the operating loss of Wireless Business Segment was EUR -4.7 million (EUR -19.3 million in 2010, including non-recurring costs and impairments of EUR 12.3 million).

EB lowered the profit guidance for the first half of 2011 on March 29, 2011. EB expected a clearly negative operating result for the first half of 2011. Earlier in the Financial Statement Bulletin on February 17, 2011, EB announced, that it expected the operating result for the first half of 2011 to be lower than in the first half of 2010 (EUR 1.8 million). The main reason for the revised profit outlook was a lowered revenue forecast in the Wireless Business Segment due to slower than expected order book development in the new satellite communication service solutions and due to increased competition in the area of smart phone related R&D services.

In February 2011 EB updated its strategic guidelines with growth targets and business models of the Business Segments. The objective is to strengthen EB's position as a leading provider of Automotive and Wireless solutions, products and services and to further improve profitability.

In March 2011. EB appointed (M.Sc. Econ) Gregor Zink, Vice President, Finance of Automotive Business Segment, as Acting President of the Automotive Business Segment. In August, EB appointed Mr. Alexander Kocher (M. Sc., Electrical Engineering) as President of the Automotive Business Segment and Managing Director of Elektrobit Automotive GmbH. Mr. Kocher started at EB on November 1, 2011. He transferred to EB from Wind River GmbH, a subsidiary of Intel Inc, where he has worked as Vice President and General Manager of Automotive Business Unit. Mr. Gregor Zink continued as Executive Vice President, Finance and Business Support in Automotive Business Segment. In addition, he also acts as the second Managing Director of Elektrobit Automotive GmbH.

On December 31, 2011, EB had significant receivables from TerreStar amounting to approximately USD 25.8 million from TerreStar Networks Inc and its parent company TerreStar Corporation. EB has claimed its receivables as well as additional costs resulting mainly from the ramp down of the business operations between the parties totaling to USD 27.9 million in the Chapter 11 cases of both TerreStar Networks and TerreStar Corporation.

On October 19, 2010, TerreStar Networks and certain other affiliates of TerreStar Corporation and on February 16, 2011, the parent company TerreStar Corporation filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code to strengthen their financial position. Generally in a Chapter 11 case, any distribution of cash or other assets by a debtor to satisfy pre-bankruptcy claims of its creditors must be made under a Chapter 11 plan of reorganization or liquidation. Due to uncertainties related to the accounts receivable, EB booked an impairment of the accounts receivable in the amount of EUR 8.3 million during the second half of 2010.

On November 17, 2011, TerreStar Corporation and certain of its preferred shareholders filed an objection to EB's claims in the reorganization case of TerreStar Corporation. EB's claims are partly based on a guarantee issued by TerreStar Corporation on EB's accounts receivable from TerreStar Corporation's subsidiary, TerreStar Networks Inc, and partly based on TerreStar Corporation's direct contractual obligations towards EB. EB expects to vigorously defend its claims against the objections, but speculation regarding the likely outcome of the dispute is premature at this time.

During 2011 there were no changes in the valuation of EB's receivables from TerreStar companies. More information on collecting the receivables from TerreStar companies' and other matters related to risks and uncertainties are presented in the Report by the Board of Directors on page 32.

Financial Performance in 2011

CONSOLIDATED INCOME STATEMENT (MEUR)	1–12/2011 12 months	1–12/2010 12 months
Net sales	**162.2**	**161.8**
Operating profit (loss)	**-4.0**	**-17.3**
Financial income and expenses	-0.4	-1.3
Result before tax	**-4.5**	**-18.6**
Result for the period from continuing operations	**-5.1**	**-15.7**
Total comprehensive income for the period	**-5.2**	**-14.9**
Result for the period attributable to:		
Equity holders of the parent	-5.3	-16.1
Non-controlling interests	0.2	0.5
Total comprehensive income for the period attributable to:		
Equity holder of the parent	-5.5	-15.4
Non-controlling interests	0.2	0.5
Earnings per share from continuing operations, EUR	-0.04	-0.12

- Cash flow from operating activities was EUR 5.3 million (EUR 1.5 million in 2010)
- Equity ratio was 62.8% (62.4% in 2010)
- Net gearing was -1.4% (-10.3% in 2010)

Report by the Board of Directors 2011

QUARTERLY FIGURES

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

	4Q 11	3Q 11	2Q 11	1Q11	4Q10
Net sales	49.0	37.0	39.7	36.5	41.8
Operating profit (loss)	3.5	-3.1	-0.5	-3.9	-7.7
Operating profit (loss) without non-recurring costs	3.5	-3.1	-0.5	-3.9	-3.2
Result before taxes	3.8	-3.1	-0.8	-4.3	-8.0
Result for the period	3.2	-3.1	-0.8	-4.3	-5.4

Non-recurring items are exceptional gains and costs that are not related to normal business operations and occur only seldom. These items include capital gains or losses, significant changes in asset values such as write-downs or reversals of write-downs, significant restructuring costs, or other items that the management considers to be non-recurring. When evaluating a non-recurring item, the euro translation value of the item is considered, and in case of a change in an asset value, it is measured against the total value of the asset.

The distribution of net sales by Business Segments, MEUR:

	4Q 11	3Q 11	2Q 11	1Q 11	4Q 10
Automotive	28.0	23.9	22.7	23.6	23.1
Wireless	21.0	13.0	17.1	12.7	18.6
Corporation total	49.0	37.0	39.7	36.5	41.8

The distribution of net sales by market areas, MEUR and %:

	4Q 11	3Q 11	2Q 11	1Q 11	4Q 10
Asia	5.5 (11.2%)	3.3 (8.8%)	4.0 (10.2%)	2.7 (7.4%)	4.4 (10.6%)
Americas	7.6 (15.5%)	4.9 (13.4%)	5.5 (14.0%)	5.1 (13.9%)	10.8 (25.8%)
Europe	36.0 (73.3%)	28.8 (77.8%)	30.1 (75.9%)	28.7 (78.7%)	26.6 (63.6%)

Net sales and operating profit development by Business Segments and other businesses, MEUR:

	4Q 11	3Q 11	2Q 11	1Q 11	4Q 10
Automotive					
Net sales to external customers	28.0	23.9	22.7	23.6	23.1
Net sales to other segment	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	2.1	-1.4	-0.5	0.6	1.1
Wireless					
Net sales to external customers	21.1	12.9	16.9	12.7	18.6
Net sales to other segment	0.1	0.1	0.2	0.0	0.0
Operating profit (loss)	1.4	-1.7	0.1	-4.6	-8.8
Other businesses					
Net sales to external customers	0.0	0.2	0.0	0.1	0.2
Operating profit (loss)	0.0	-0.1	-0.1	0.1	0.1
Total					
Net sales	49.0	37.0	39.7	36.5	41.8
Operating profit (loss)	3.5	-3.1	-0.5	-3.9	-7.7

Business Segments

EB's reporting is based on two segments which are the Automotive and Wireless Business Segments.

AUTOMOTIVE BUSINESS SEGMENT IN JANUARY-DECEMBER 2011

In Automotive Business Segment EB offers software products and R&D services for carmakers, car electronics suppliers and other suppliers to the automotive industry. The offering includes in-car infotainment solutions, such as navigation and human machine interfaces (HMI), as well as software for electronic control units (ECU) and driver assistance. By combining its software products and R&D services, EB is creating unique, customized solutions for the automotive industry.

Net sales of the Automotive Business Segment grew strongly in 2011 to EUR 98.3 million (EUR 80.1 million in 2010), representing a 22.7% growth year-on-year. The operating profit was EUR 0.8 million (EUR 1.9 million in 2010). During the first and fourth quarter the operating result of the Automotive Business Segment developed as planned, but was lower than expected during the second and third quarters due to the higher than estimated project costs.

Products and Services of Automotive Business Segment:

- EB GUIDE – an innovative, flexible HMI development and speech dialog platform
- EB street director – a versatile navigation software platform with customization capabilities for automotive and consumer markets
- EB Assist ADTF – an extensive software development kit for driver assistance solutions
- EB tresos – a product line of seamlessly collaborating AUTOSAR software components used in ECUs (Electronic Control Units) and tools for their configuration
- Engineering services - comprehensive services concerning the software development for infotainment, driver assistance and ECU in the automotive industry

Press Releases of Automotive Business Segment in 2011:

- In November Mr. Alexander Kocher (M. Sc., Electrical Engineering) started at EB as President of the Automotive Business Segment and Managing Director of Elektrobit Automotive GmbH.
- In November EB announced a software development initiative with IBM to deliver an integrated development solution that allows carmakers and suppliers to manage the growing complexity of Electronic Control Units (ECUs) software in automotive development, speed up development cycles and standardize software to increase re-usability across car platforms.
- In October EB announced the availability of production-ready software development toolset supporting AUTOSAR 4.0 and was the first company to deliver a compliant software stack according to BMW standards.
- In June EB announced collaboration with Freescale and QNX to jointly develop a solution that addresses reconfigurable graphical instrument clusters.
- In May EB announced that it will provide the navigation and speech dialog system for the VW Group's new high-end infotainment system, developed by e.solutions, the joint venture of EB and Audi Electronics Venture.
- May 2011 also represented the availability of EB tresos Debug & Trace, a debugging module for the quick location of runtime errors in AUTOSAR (AUTomotive open System ARchitecture). EB tresos Debug & Trace is an extension of the AUTOSAR stack EB tresos AutoCore.
- In May EB announced to have enhanced its navigation solution, EB street director with connected services from Aloqa. With Aloqa, the navigation will benefit from integrated services of other content providers like Wikipedia and Qype.
- In April EB broadened its offering with a joint solution together with SIMTOOLS for connecting the cluster emulation tool EB tresos Busmirror to MATLAB/ Simulink. That simplifies the porting of application functions to real-time hardware and synchronized processing with FlexRay.
- In March EB appointed Automotive Business Segment's Vice President, Finance, Mr. Gregor Zink, M.Sc. (Econ), as Acting President of Automotive Business Segment.
- In January EB presented Functional Safety Team that supports the efficient development of safety-related software. The team can manage safety mechanisms for AUTOSAR-compliant software, including the highest safety classification of ASIL Level D.
- In January EB presented the new release of its tool chain for HMI development EB GUIDE 5 with 3D rendering concept and integrated scripting increasing the flexibility.

Automotive Market Outlook

The demand for EB's products and services is estimated to develop positively during 2012 in Automotive Business Segment. Carmakers continue to invest in automotive software for new car models and the market for automotive software products and services is estimated to continue growing.

The move to greater electronic content in cars has been underway for several years and has been responsible for such major innovations as security systems, anti-lock brakes, engine control units, driver assistance, and infotainment. These features proved so enormously popular that they are now widely available, in both low-end and high-end vehicles, demonstrating that consumers are willing to pay for technology that enhances their driving experience. As a result from this and the reduced costs as production volumes ramp up, carmakers have been steadily integrating more electronic components into each vehicle. A Roland Berger study predicts the share of electronics in cars will grow from 23 percent in 2010 to 33 percent until 2020.

The increasingly sophisticated and networked features and growing performance foster the complexity of automotive electronics. At the same time consumers expect the same richness of features and user experience they know from the internet and mobile devices also within the car. These development trends are driving the industry towards gradual separation of software and hardware in electronics solutions in order to manage the architectural software layer

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appropriately and to aim for efficiency in innovation and implementation. The use of standard software solutions is expected to increase in the automotive industry. This enables faster innovation, improves quality and development efficiency and reduces complexity related to deployment of software.

The fundamental industry migration and consequent growth of the automotive software market will continue. Cost pressures of the automotive industry are expected to accelerate the need for productized and efficient software solutions EB is offering. The estimated annual automotive software market growth rate until 2018 is expected to exceed the growth rate of passenger car production volume that is estimated to be 5.6% CAGR (LMC Automotive's Q4 2011 Forecast).

EB's net sales cumulating from the automotive industry is currently primarily driven by the development of software and software platforms for new cars. Hence the dependency of EB's net sales on car production volumes is currently limited; however, the direct dependency on production volumes is expected to increase as a result of the EB's transition towards software product business models over the forthcoming years.

WIRELESS BUSINESS SEGMENT IN JANUARY–DECEMBER 2011

In Wireless Business Segment EB offers development services and customized solutions for wireless communications markets, radio channel emulator products for industries and authorities utilizing wireless technologies, and products for authority markets.

The Wireless Business Segment's net sales in January-December 2011 fell by 21.1% year-on-year to EUR 63.9 million (EUR 81.0 million in 2010). The significant decrease in net sales was mainly due to the remarkable decline in the volume of the satellite terminal business. The net sales in the third quarter of 2011 was almost at the level of the net sales in the third quarter of 2010, and the net sales in the fourth quarter grew by 13.1 per cent year-on-year.

The operating loss of the Wireless Business Segment during January-December 2011 was EUR -4.7 million, including EUR 0.9 million costs related to collecting the receivables from TerreStar (EUR -19.3 million in 2010, including non-recurring costs and impairments of EUR 12.3 million). The operating loss in the reporting period mainly resulted from the first quarter of 2011, as the order book development in the new satellite communication solution business, to replace the discontinued satellite terminal business for TerreStar at the end of 2010, was slower than expected. In addition, the operating result was affected by the increased competition in the area of smart phone related R&D services. During the third quarter the operating result weakened due to the seasonality of EB's business and delays in the customer projects. Increased net sales and cost saving actions during 2011 contributed significantly to Wireless Business Segment's good operating result in the last quarter of 2011.

Products and services of Wireless Business Segment:

- Technologically the most advanced radio channel emulator, the EB Propsim F8 and its related test applications
- EB Tactical Wireless IP Network for tactical communications
- EB Wideband COMINT Sensor for signals intelligence
- EB Counter RCIED Platform for electronic warfare
- EB Tough Voip for tactical IP-based communication
- EB Specialized Device Platform, an Android-based mobile device platform for specialized markets
- For the latest wireless technologies and applications EB offers a broad range of R&D services like consulting, integration, software and hardware development

Press releases of Wireless Business Segment in 2011:

- In December EB Specialized Device Platform won the Technology of the Year award by the Wireless Innovation Forum.
- In November EB strengthened its testing offering for commercial airborne and satellite communication by launching the Aerospace application for its EB Propsim F8 and the co-operation with US-based Analytical Graphics, Inc. (AGI). With the co-operation, the companies ensure that the EB Propsim F8 and the AGI STO software work seamlessly together, giving the companies the possibility to offer an advanced test solution to the market.
- In September EB announced that that the Finnish Defence Forces have decided to deploy EB's Tactical Wireless IP Network for their growing data throughput.
- In September EB strengthened its defense product portfolio with the EB Tactical Wireless IP Network for tactical communications, the EB Wideband COMINT Sensor for signals intelligence and the EB Counter RCIED Platform for electronic warfare.
- In August EB launched the EB Specialized Device Platform, an Android-based mobile device platform for the defense and authority markets.
- In March, April and May, EB launched improvements for EB Propsim F8 LTE technology testing with the MIMO OTA, Beamforming and Virtual Drive Test features.

Wireless Market Outlook

The demand for EB's products and services is estimated to develop positively during 2012 in Wireless Business Segment.

In the mobile infrastructure market the use of LTE standard, which improves the performance of radio channel and mobile networks, is expected to continue to gain strength. EB's business driven by LTE is expected to increase. Mastering of multiradio technologies and end-to-end system architectures covering both terminals and networks has gained importance in the complex wireless technology industry. Fast implementation of LTE technology and wide radio spectrum bandwidth needed are creating opportunities for EB.

The market for communications, interference and intelligence solutions targeted for defense and public authorities is estimated to remain stable. EB's competence and long term experience in software radio based solutions is expected to bring new business opportunities. The trend of adopting new commercial technologies, such as LTE and smart phone related software applications, is expected to continue on special verticals such as public safety and other authority markets. The networks used by public authorities often utilize dedicated spectrum blocks outside the commercial frequency bands, which generates the need for special user terminal variants for these networks.

The smart phone related R&D services market for device manufacturers decreased strongly during 2011 due to the strategy change of Nokia, and the demand is not expected to grow during 2012. In the mobile satellite communication industry the demand for terminals for new data and mobile communications services is expected to slowly increase during the next few years.

The performance of radio channel is going to increase quickly when introducing new LTE technologies. This will create demand for advanced test tools during the next few years. The test tool market is expanding from the performance testing of LTE base stations to LTE terminals, where the over-the-air (OTA) technology will be widely used. EB provides world leading channel emulation tools for the development of MIMO based LTE, LTE-Advanced and other advanced radio technologies.

Research and Development in 2011

EB continued its investments in R&D in the automotive software products and tools, in radio channel emulation products and in next generation special terminals product platforms.

The total R&D investments during the reporting period grew to EUR 24.0 million (EUR 21.6 million in 2010), representing 14.8% of the net sales (13.3%in 2010). EUR 6.6 million of R&D investments were capitalized (EUR 5.6 million in 2010). The amount of capitalized R&D investments at the end of the fiscal year was EUR 11.5 million. A significant part of these capitalizations is related to customer agreements of Automotive Business Segment, where future license fees are expected to accumulate based on the actual car delivery volumes.

Outlook for 2012

The demand for EB's products and services is estimated to develop positively during 2012 in both Automotive and Wireless Business Segments. Carmakers continue to invest in software for new car models and the market for automotive software products and services is estimated to continue growing. In Wireless Business Segment the demand growth will be driven by especially the increasing use of the LTE technology that increases the performance of mobile networks and the authorities' needs for new communication solutions that use commercial technologies of smart phones and mobile networks.

EB expects for the year 2012 that net sales and operating result will grow clearly from the previous year (net sales of EUR 162.2 million, and operating loss of EUR -4.0 million in 2011). For the first half of 2012 EB expects that the net sales will grow clearly (EUR 76.1 million in 1H 2011) and operating result will be positive (EUR -4.4 million in 1H 2011). The operating result of the first quarter of 2012 is expected to remain below the level of the operating result of the fourth quarter 2011 (EUR 3.5 million in 4Q 2011).

Despite of the uncertainty regarding world economy development, EB believes that the visibility has slightly improved through the somewhat improved visibility in demand and improved cost structure in Wireless Business Segment, as well as through the grown business volume in the mobile infrastructure and authorities markets. Hence it is possible to give an estimate of the probable business development for a slightly longer time period than before. Therefore, in addition to earlier half-year outlook, in future, EB also estimates the probable development of the whole financial period.

The profit outlook for the year 2012 is based on the assumption that there will be no further bookings of impairments of EB's accounts receivable from TerreStar Networks Inc. and TerreStar Corporation. It is possible that, based on later information related to reorganizations of TerreStar Networks and TerreStar Corporation, this view may need to be reconsidered. Due to the uncertainties related to the outcome of reorganization processes of TerreStar Networks and TerreStar Corporation, the credit risk may still grow during 2012. More specific market outlook is presented under the "Business Segments" section, and uncertainties regarding reorganization of TerreStar Networks and TerreStar Corporation, the amount of the receivables and collecting the receivables as well as other uncertainties regarding the outlook under "Risks and Uncertainties" section.

Information on TerreStar Networks' and TerreStar Corporation's reorganizations are presented in the October 20 and 25, November 20 and December 30, 2010, February 17, 2011, and November 18, 2011 stock exchange releases as well as in EB's interim reports and financial statement at www.elektrobit.com.

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Events after the Review Period

The company has no significant events subsequent to the reporting period.

Risks and Uncertainties

EB has identified a number of business, market and finance related risk factors and uncertainties that can affect the level of sales and profits. Those of the greatest significance on a short term are those affecting the utilization and chargeability levels and average hourly prices of R&D services. On the ongoing financial period the global economic uncertainty may affect the demand for EB's services, solutions and products and provide pressure on e.g. pricing. It may also increase the risk for credit losses and weaken the availability and terms of financing.

On February 15, 2012, EB's significant receivables from TerreStar amounted to approximately USD 25.8 million (EUR 19.6 million as per exchange rate of February 14, 2012), which it has claimed in the Chapter 11 cases of both TerreStar Networks and TerreStar Corporation. In addition to the booked receivables, EB has also claimed additional costs in the amount of approximately USD 2.1 million (EUR 1.6 million as per exchange rate of February 14, 2012) and resulting mainly from the ramp down of the business operations between the parties. Thus, EB has asserted claims against each of the TerreStar entities in amounts totaling USD 27.9 million (EUR 21.2 million as per exchange rate of February 14, 2012). Due to uncertainties related to the accounts receivable, EB booked an impairment of the accounts receivable in the amount of EUR 8.3 million during the second half of 2010.

On October 19, 2010, TerreStar Networks and certain other affiliates of TerreStar Corporation and on February 16, 2011, the parent company TerreStar Corporation filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code to strengthen their financial position. Generally in a Chapter 11 case, any distribution of cash or other assets by a debtor to satisfy pre-bankruptcy claims of its creditors must be made under a Chapter 11 plan of reorganization or liquidation. Such plans must be approved by the United States Bankruptcy Court and (with limited exceptions) an affirmative vote of all classes of creditors whose claims will not be paid fully and immediately after the plan is approved by the court and becomes effective by its terms. Recoveries by holders of claims against TerreStar Networks and TerreStar Corporation are to be funded by separate pools or streams of assets.

Within the first four months of its Chapter 11 case, TerreStar Networks filed, then withdrew, a proposed plan of reorganization. Subsequently, on July 7, 2011, the United States Bankruptcy Court approved the sale of substantially all TerreStar Networks' assets to Gamma Acquisition L.L.C., an acquisition subsidiary formed by Dish Network Corporation for about USD 1.375 billion. Based upon filings made by TerreStar Networks with the Bankruptcy Court, USD 1.345 billion of the purchase price has been funded to date, with the remainder of the purchase price payable at closing, and payments have been made to secured creditors from the sale proceeds in the amount of about USD 1.128 billion. However, the sale will not result in an immediate distribution to general unsecured creditors. Any such distribution must be provided for under a Chapter 11 plan of liquidation that has been filed, voted on and submitted to the court for approval. On December 6, 2011, TerreStar Networks again filed, and thereafter amended, a Chapter 11 plan. The Bankruptcy Court scheduled a hearing for February 14, 2012 to consider this second amended plan, which according to the debtors has received the approval of all creditor classes entitled to vote on the plan. If approved by the court, TerreStar Networks' second amended plan is to provide each holder of an unsecured claim (such as EB) with a pro rata share of cash available for distribution. Based upon information contained in the debtors' disclosure statement accompanying the plan, EB estimates that its pro rata distribution may be in the range of 8–10% of the face amount of its claim. However, this estimate is subject to various assumptions, and therefore the amount and timing of EB's distribution cannot be predicted with certainty at this time.

On July 22, 2011, TerreStar Corporation filed a plan of reorganization, which was thereafter amended on December 27, 2011 and further amended on January 12, 2012. The second amended plan proposes that unsecured claims (such as EB's), if allowed by the Bankruptcy Court, will be exchanged for new notes to be issued by a reorganized TerreStar Corporation in the face amount of the claim. The notes are to be issued as unsecured notes in a total aggregate principal amount not to exceed $35 million, with a seven-year maturity, bearing interest at the rate of 6% per annum. Payment of the note obligations is to be funded by future revenues and profits of reorganized TerreStar Corporation. It is premature to speculate regarding distributions to creditors under this plan because the plan TerreStar Corporation filed may or may not obtain the necessary approvals, and the terms of the plan may change through negotiation with creditors. EB filed a preliminary objection to an earlier version of the plan, asserting that it failed to satisfy applicable provisions of the Bankruptcy Code and therefore could not be confirmed. EB intends to file a further objection to the second amended plan of TerreStar Corporation, to vote against the proposed plan, and to vigorously contest confirmation of the plan at a hearing to be held by the Bankruptcy Court on March 7, 2012.

As part of the process of reconciling accounts in preparation for making distributions under a plan, Chapter 11 debtors often challenge the amount or validity of some creditor claims. On November 16, 2011, after EB filed its preliminary objection to the proposed Chapter 11 plan of TerreStar Corporation, two objections to EB's claim were filed, one by TerreStar Corporation and its affiliated debtors (not including TerreStar Networks) and a joint objection by a group of holders of TerreStar Corporation preferred stock that support the proposed plan. The preferred stockholders alleged, among other things, that EB's guaranty claim in the amount of approximately $24.8 million (at least) should be disallowed pursuant to various legal theories. TerreStar Corporation joined in the preferred stockholders' argument that TerreStar Corporation has no liability to EB under its guaranty. On December 12, 2011, EB filed a sworn opposition to both objections, stating that the objections are flawed as a matter of law and wholly without evidentiary support, and maintaining its right to payment in the full amount claimed. The Bankruptcy Court has scheduled a trial on the merits of EB's claim and the objections for May 10, 2012. EB intends to vigorously defend such objections to its claims, but speculation regarding the likely outcome of these contested matters is premature at this time. To date TerreStar Networks has asserted no objection to the amount or validity of EB's claims in its bankruptcy proceeding, and EB is not aware that any such objection is contemplated.

Further, as part of the Chapter 11 process, debtors often seek to recover payments previously made to creditors pursuant to various provisions of the Bankruptcy Code. The risk that the TerreStar debtors may attempt to recover payments from EB, or that such recovery actions, if attempted, may be successful, likewise cannot be ruled out at this time.

Based on EB's current understanding, there is no reason to believe that there would be further impairment losses on EB's account receivable from TerreStar Networks and TerreStar Corporation. EB aims to collect the amounts owed to it in full through the Chapter 11 cases of TerreStar Networks and TerreStar Corporation, and/or for example through selling of the earlier mentioned accounts receivable. It is possible that based on later information related to the TerreStar Networks' and TerreStar Corporation's Chapter 11 cases, the above views may need to be reconsidered. Despite the TerreStar companies' efforts to reorganize, it is possible that the credit risk may still grow during 2012. Should the accounts receivable not be collected at all, either from TerreStar Networks or TerreStar Corporation, an impairment loss and costs related to the collection process would additionally lower EB's operating result on a non-recurring basis by approximately EUR 10 million, at maximum (USD-nominated items as per exchange rate of February 14, 2012). However, this would not have any significant negative effect on the EB's cash flow.

As EB's customer base consists mainly of companies operating in the fields of automotive and telecommunications and defense and security authorities, the company is exposed to market changes in these industries. EB believes that expanding the customer base will reduce dependence on individual companies and that the company will thereby be mainly affected by the general business climate in automotive and telecommunication industries. However, some parts of EB's business are more sensitive to customer dependency than others. Respectively, this may translate as accumulation of risk with respect to outstanding receivables and ultimately with respect to credit losses. The more specific market outlook is presented under the "Business Segments" section.

EB's operative business risks are mainly related to following items: uncertainties and short visibility on customers' product program decisions, their make or buy decisions and on the other hand, their decisions to continue, downsize or terminate current product programs, execution and management of large customer projects, ramping up and down project resources, availability of personnel in labour markets (in particular in Germany and Finland), timing and on the other hand successful utilization of the most important technologies and components, competitive situation and potential delays in the markets, timely closing of customer and supplier contracts with reasonable commercial terms, delays in R&D projects, realization of expected return on capitalized R&D investments, obsolescence of inventories and technology risks in product development causing higher than planned R&D costs. Revenues expected to come from either existing or new products and customers include normal timing risks. EB has certain significant customer projects and deviation in their expected continuation could result also significant deviations in the Company's outlook. In addition there are typical industry warranty and liability risks involved in selling EB's services, solutions and products.

Some of EB's businesses operate in the industries that are heavily patented and therefore include risks related to management of intellectual property rights, on the one hand related to accessibility on commercially acceptable terms of certain technologies in the EB's products and services, and on the other hand related to an ability to protect technologies, which EB develops or licenses from others, from claims that third parties' intellectual property rights are infringed. Also parties outside of the industries operate actively in order to protect and commercialize their patents and therefore in their part increase the risks related to the management of intellectual property rights. At worst, claims that third parties' intellectual property rights are infringed, could lead to substantial liabilities for damages. Also EB has been formally requested by one of its customer for indemnification that is unspecified both in terms of the grounds and the amount. While the analysis of the situation is pending, based on preliminary information available it does not seem likely that the claim would result to a significant liability on a short term. It is possible that based on later information, the above views may need to be reconsidered.

Product delivery business model includes such risks as high dependency on actual product volumes and development of the cost of materials. The above-mentioned risks may manifest themselves as lower amounts product delivery or higher cost of production, and ultimately, as lower profit.

More information on the risks and uncertainties affecting EB can be found on the Company's website at www.elektrobit.com.

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Statement of Financial Position and Financing

The figures presented in the statement of financial position of December 31, 2011, are compared with the statement of the financial position of December 31, 2010 (MEUR). The figures for the period under review contain provision of EUR 1.5 million.

	12/2011	12/2010
Non-current assets	44.1	41.2
Current assets	71.0	83.0
Total assets	115.1	124.2
Share capital	12.9	12.9
Other equity	52.6	57.6
Non-controlling interests	1.5	1.3
Total shareholders' equity	67.0	71.8
Non-current liabilities	6.9	11.6
Current liabilities	41.3	40.7
Total shareholders' equity and liabilities	115.1	124.2

Net cash flow from operations during the period under review:

+ net profit +/- adjustment of accrual basis items	EUR +2.1 million
+ decrease in net working capital	EUR +0.6 million
- interest, taxes and dividends	EUR +2.6 million
= cash generated from operations	EUR +5.3 million
- net cash used in investment activities	EUR -11.1 million
- net cash used in financing	EUR -4.7 million
= net change in cash and cash equivalents	EUR -10.6 million

Operating cash flow includes tax refunds of EUR 3.8 million in US subsidiary. The amount of accounts and other receivables, booked in current receivables, was EUR 59.3 million (EUR 60.6 million on December 31. 2010). Accounts and other payables, booked in interest-free current liabilities, were EUR 36.3 million (EUR 35.6 million on December 31, 2010).

The amount of non-depreciated consolidation goodwill at the end of the period under review was EUR 19.3 million (EUR 18.5 million on December 31. 2010).

The amount of gross investments in the period under review was EUR 12.4 million including R&D capitalizations of EUR 6.6 million. Net investments for the reporting period totaled EUR 11.9 million. The total amount of depreciation during the period under review was EUR 8.7 million, including EUR 1.6 million of depreciation owing to business acquisitions.

The amount of interest-bearing debt at the end of the reporting period was EUR 9.0 million. The distribution of net financing expenses on the income statement was as follows:

interest dividend and other financial income	EUR 0.3 million
interest expenses and other financial expenses	EUR -0.6 million
foreign exchange gains and losses	EUR -0.1 million

EB's equity ratio at the end of the period was 62.8% (62.4% at the end of 2010).

Cash and other liquid assets at the end of the reporting period were EUR 10.0 million. EB has a binding overdraft credit facility agreement of EUR 10 million, valid until mid 2012. At the end of the reporting period, this facility was not used.

EB follows a hedging strategy, the objective of which is to ensure the margins of business operations in changing market circumstances by minimizing the influence of exchange rates. In accordance with the hedging strategy, the agreed customer commitments 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 9.8 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 environmental impacts are not significant.

Elektrobit Corporation has had ISO 14001 certified management systems since 2001. The certification was updated to confirm ISO14001.2004 requirements in 2007, enhanced to China in 2008 and to USA in 2010. EB is applying ISO14001 standards in its Wireless Segment business operations. Additional information about the certificate www.elektrobit.com/file.php?fid=1377

EB is monitoring globally the environmental requirements for products and derived national regulations to the extent that they are related to the corporate operations. EB has also 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.

Since 2009 the applied environmental standards and regulations in EB's operations have been consolidated as uniform EB substance list, applicable also to EB's significant suppliers. The substance list includes also the requirements of so called ROHS2 standards application. During 2011, EB has updated and applied the substance list to the products or solutions in which EB has partial or total responsibility of environmental requirements. The imposed requirements will be observed in business operations on a country-specific basis.

Personnel

At the end of 2011 EB employed 1607 persons. The number of employees increased by 68 persons compared to the previous year.

The following table presents the average personnel amounts and salaries of the Continuing operations from the past two years:

	2011	2010
Average personnel	1553	1561
Salaries and wages (MEUR)	79,5	81,9

At the end of 2011 about 62 per cent of the employees worked in Automotive Business Segment, about 37 per cent in Wireless Business Segment, and about 1 per cent in corporate functions. When compared to 2010, the number of personnel in Automotive Business Segment increased by 7 per cent, in Wireless Business Segment decreased by 5 per cent and in corporate functions and common support functions decreased by 2 per cent.

Incentive System

PERSONNEL FUND

A personnel fund was established on April 27, 2005. The members of the fund include EB's personnel working in Finland. A profit-related pay scheme, in accordance with the Act on Personnel Funds, was implemented within EB 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. For the years 2009, 2010, 2011 and 2012 the Board has decided not to pay any profit-related payment to the fund.

STOCK OPTIONS

2005A-D

The Annual General Meeting of Shareholders decided on March 17, 2005, to issue stock options to the management of the Elektrobit Corporation. The purpose of the scheme was to encourage the management to work on a long-term basis to increase the shareholder value and to commit them further to their employer. The total number of stock options 2005 has been 4,500,000. The stock options were divided into stock option classes 2005A, 2005B, 2005C and 2005D. No subscriptions were made by the end of the share subscription period for stock options 2005A-B.

A total of 372,000 2005 A stock options, 1,002,500 2005B stock options, 60,000 2005C stock options and 60,000 2005D stock options have been distributed to EB's management. The rest of the stock options were granted to Elektrobit Technologies Ltd., a wholly-owned subsidiary of Elektrobit Corporation.

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–2005D stock options are subject to preconditions relating to EB'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.

2006A

The Annual General Meeting decided on March 15, 2006, that option rights with a commitment to shareholding would be granted to Elektrobit Corporation's Chairman of the Board and CEO.

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 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).

2008A-C

The Annual General Meeting decided on March 14, 2008 that there is a weighty financial reason for the company to issue stock options since the stock options are intended for use as part of the incentive and commitment program for key personnel.

The maximum total number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B, and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares.

The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki Ltd. in January 2009, January 2010 and January 2011. At the end of 2011 1,074,327 stock options with symbol 2008A, 1,139,000 stock options with symbol 2008B, and 775,000 stock options with symbol 2008C were distributed to the key employees of Elektrobit Corporation.

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VARIABLE PAY SYSTEM

A limited amount of EB's employees are participating into Variable Pay (VP) program. The criteria for the short-term merit pay are the financial strategic targets of the Company. In addition, part of the targets may be other objectives of the Company of Business Segment or personal targets. Personal targets vary between duties. In 2011 the earning period for the Variable Pay was changed to 12 months with respect to corporate functions and Wireless Business Segment management whereas otherwise bi-annual Variable Pay system was applied. The targets are determined separately for each earnings period. The setting of targets and the review of their achievement is decided on one-over-one basis.

Authorization of the Board of Directors at the End of the Reporting Period

AUTHORIZING THE BOARD OF DIRECTORS TO DECIDE ON THE REPURCHASE OF THE COMPANY'S OWN SHARES

The General Meeting, held on March 31, 2011, authorized the Board of Directors to decide on the repurchase of the Company's own shares as follows.

The amount of own shares to be repurchased shall not exceed 12,500,000 shares, which corresponds to approximately 9.66 per cent of all of the shares in 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 formed in public trading on the date of the repurchase or otherwise at a price formed on the market.

The Board of Directors decides how own shares will be repurchased. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The authorization cancels the authorization given by the General Meeting on March 25, 2010, to decide on the repurchase of the Company's own shares. The authorization is effective until June 30, 2012.

AUTHORIZING THE BOARD OF DIRECTORS TO DECIDE ON THE ISSUANCE OF SHARES AS WELL AS THE ISSUANCE OF SPECIAL RIGHTS ENTITLING TO SHARES

The General Meeting, held on March 31, 2011, authorized the Board of Directors to decide on the issuance of shares and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows.

The amount of shares to be issued shall not exceed 25,000,000 shares, which corresponds to approximately 19.32 per cent of all of the shares in the Company.

The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization cancels the authorization given by the General Meeting on March 25, 2010, to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares. The authorization is effective until June 30, 2012.

Shares and Shareholders

The Shares of Elektrobit Corporation are quoted on the NASDAQ OMX Helsinki. The Company has one series of shares. All shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The Company's shares have been entered into the Euroclear Finland Ltd's book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 129,412,690. The accounting par value of the Company's share is EUR 0.10. The Company has not its own shares in its possession.

Shareholding and control related information is presented in section 38 of the notes to the Financial Statement.

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.

Stock Options

I. The Annual General Meeting held on March 17, 2005, decided to authorize the Board of Directors to issue option rights. By virtue of the authorization 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. The share subscription period for stock options 2005A shall be 1 April 2008–30 April 2010, for stock options 2005B 1 April 2009–30 April 2011, for stock options 2005C 1 April 2010–30 April 2012, and for stock options 2005D 1 April 2011–30 April 2013.

No subscriptions were made by the end of the share subscription period for stock options 2005A-B.

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. The share subscription period for stock options 2006A shall be 1 May 2009–31 May 2012.

III. The Annual General Meeting of March 14, 2008, decided to issue stock options to EB's key personnel. The maximum number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares. The proportion of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1 per cent of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription. The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki Ltd. in January 2009, January 2010 and January 2011. The subscription price will be recorded in the fund for invested unrestricted equity. The share subscription period for stock options 2008A shall be 1 April 2012–31 March 2014, for stock options 2008B 1 April 2013–31 March 2015, and for stock options 2008C 1 April 2014–31 March 2016.

Changes in the Company's Management

Mr. Alexander Kocher (M. Sc., Electrical Engineering) was appointed as President of the Automotive Business Segment and Managing Director of Elektrobit Automotive GmbH as of November 1, 2011.

EB's Board of Directors and the rest of the management are presented at: www.elektrobit.com

Board of Directors, Board Committees and Auditor

The Annual General Meeting held on March 31, 2011 decided that the Board of Directors shall comprise five (5) members. Jorma Halonen, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen were elected members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting.

At its assembly meeting held on March 31, 2011, the Board of Directors elected Mr. Seppo Laine Chairman of the Board. Further, the Board resolved to keep the Audit and Financial Committee with Mr. Staffan Simberg (Chairman of the committee) and Mr. Seppo Laine as committee members.

Ernst & Young Ltd., authorized public accountants, was re-elected auditor of the Company for a term of office ending at the end of the next Annual General Meeting. Ernst & Young Ltd. notified that Mr. Jari Karppinen, authorized public accountant, will act as responsible auditor.

Dividend from 2010

The General Meeting held on March 31, 2011 decided in accordance with the proposal of the Board of Directors that no dividend shall be distributed.

Corporate Governance Statement

The Board of Directors has issued corporate governance statement separate from this report.

Financial Statements 2011

Consolidated Statement of Comprehensive Income

Continuing operations	Notes	2011 1000 EUR	2010 1000 EUR
NET SALES	1, 4	**162 175**	**161 766**
Other operating income	5	2 811	2 384
Change in work in progress and finished goods		44	-250
Work performed by the undertaking for its own purpose and capitalised		427	187
Raw materials		-11 749	-15 391
Personnel expenses	8	-95 224	-97 693
Depreciation	7	-8 717	-8 528
Other operating expenses	6	-53 811	-59 796
OPERATING PROFIT		**-4 044**	**-17 321**
Financial income and expenses	10	-430	-1 256
PROFIT BEFORE TAX		**-4 474**	**-18 577**
Income tax	11	-602	2 912
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**-5 077**	**-15 664**
Profit after tax for the year from discontinued operations	2		
PROFIT FOR THE YEAR		**-5 077**	**-15 664**
Other comprehensive income:			
Exchange differences on translating foreign operations		-166	753
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-5 243**	**-14 911**
Profit for the period attributable to			
Equity holders of the parent		-5 325	-16 114
Non-controlling interests		249	450
Total		**-5 077**	**-15 664**
Total comprehensive income for the period attributable to			
Equity holders of the parent		-5 492	-15 361
Non-controlling interests		249	450
Total		**-5 243**	**-14 911**
Earnings per share for profit attributable to the shareholders of the parent company:			
Earnings per share from continuing operations, EUR			
Basic earnings per share	12	-0.04	-0.12
Diluted earnings per share	12	-0.04	-0.12
Earnings per share from discontinued operations, EUR			
Basic earnings per share	12		
Diluted earnings per share	12		
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	12	-0.04	-0.12
Diluted earnings per share	12	-0.04	-0.12
Average number of shares, 1000 pcs		129 413	129 413
Average number of shares, diluted, 1000 pcs		130 051	130 277

Consolidated Statement of Financial Position

	Notes	31.12.2011 1000 EUR	31.12.2010 1000 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	13	8 950	10 522
Goodwill	14	19 264	18 519
Intangible asssets	14	15 691	11 627
Other financial assets	18	134	155
Receivables	18		250
Deferred tax assets	19	78	108
		44 117	**41 181**
Current assets			
Inventories	20	1 797	1 864
Trade and other receivables	21	59 282	60 553
Financial assets at fair value through profit or loss	22		7 677
Cash and short-term deposits	23	9 954	12 880
		71 033	**82 975**
Total assets		**115 150**	**124 156**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	24		
Share capital		12 941	12 941
Translation differences		446	613
Invested non-restricted equity fund		38 697	38 697
Retained earnings		13 425	18 256
		65 509	**70 507**
Non-controlling interests		1 504	1 255
Total equity		**67 013**	**71 761**
Non-current liabilities			
Deferred tax liabilities	19	1 030	1 440
Pension obligations	26	1 311	1 185
Interest-bearing loans and borrowings (non-current)	28	4 010	8 048
Provisions	27	501	974
		6 851	**11 647**
Current liabilities			
Trade and other payables	29	34 934	33 255
Financial liabilities at fair value through profit or loss	29	335	
Provisions	27	1 020	2 392
Interest-bearing loans and borrowings (current)	28	4 996	5 100
		41 286	**40 747**
Total liabilities		**48 137**	**52 394**
Total equity and liabilities		**115 150**	**124 156**

Consolidated Statement of Cash Flows

	Notes	2011 1000 EUR	2010 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the financial year		**-5 077**	**-15 664**
Adjustments			
Effects of non-cash business activities	32	6 096	19 158
Finance costs		773	1 914
Finance income		-342	-651
Income tax		602	-2 912
Change in net working capital			
Change in short-term receivables		-2 351	-6 830
Change in inventories		-268	526
Change in interest-free short-term liabilities		3 246	9 774
Interest paid on operating activities		-387	-2 275
Interest and dividend received from operating activities		342	642
Income taxes paid		2 631	-2 215
Net cash from operating activities		**5 266**	**1 467**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of business unit, net cash acquired		-836	-265
Purchase of property, plant and equipment		-1 949	-1 652
Purchase of intangible assets		-8 492	-6 207
Purchase of other investments		-25	-13
Sale of property, plant and equipment		94	113
Sale of intangible assets		63	1
Proceeds from sale of other investments		45	131
Net cash from investing activities		**-11 099**	**-7 892**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing		247	
Repayment of borrowing		-2 200	-2 800
Payment of finance lease liabilities		-2 782	-3 427
Distribution of funds from the share premium fund			-25 883
Net cash from financing activities		**-4 735**	**-32 109**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**-10 568**	**-38 534**
Cash and cash equivalents at 1 January		20 522	59 055
Change in fair value of investments			57
Cash and cash equivalents at 31 December		9 954	20 522

Consolidated Statement of Changes in Equity

1000 EUR	Share capital	Share premium	Invested non-restricted equity fund	Translation difference	Retained earnings	Total	Non-controlling interests	Total equity
	Equity attributable to equity holders of the parent							
Shareholders equity 1.1.2011	12 941	0	38 697	613	18 256	70 507	1 255	71 761
Comprehensive income for the period								
Result for the period					-5 325	-5 325	249	-5 077
Exchange differences on translating foreign operations				-166		-166		-166
Total comprehensive income for the period	0	0	0	-166	-5 325	-5 492	249	-5 243
Transactions between the shareholders								
Share-related compensation					422	422		422
Other changes					73	73		73
Shareholders equity 31.12.2011	12 941	0	38 697	446	13 425	65 509	1 504	67 013
Shareholders equity 1.1.2010	12 941	64 579		-141	35 016	112 395	437	112 833
Comprehensive income for the period								
Result for the period					-16 114	-16 114	450	-15 664
Exchange differences on translating foreign operations				753		753		753
Total comprehensive income for the period	0	0	0	753	-16 114	-15 361	450	-14 911
Transactions between the shareholders								
Decrease of the share premium fund		-38 697	38 697			0		0
Distribution of the share premium fund to the shareholders		-25 883				-25 883		-25 883
Share-related compensation					551	551		551
Other changes					-1 197	-1 197	368	-829
Shareholders equity 31.12.2010	12 941	0	38 697	613	18 256	70 507	1 255	71 761

PRIOR PERIOD ERROR

The retained earnings and current receivables have been corrected retrospectively. The correction applies to the tax asset of a foreign subsidiary. The corrections decreases the current receivables by EUR 0.7 million and retained earnings by EUR 0.7 million. The correction has no relevant effect on the exchange differences on translating foreign operations, net gearing, equity ratio or equity per share.

Notes to the Consolidated Financial Statements

Corporate Information

The company's field of activities is the development, production and selling of software, equipment and other products for the automotive and electronics industry, the production of R&D services and other services as well as other industrial operations. The company may administer product and other rights and conduct research- and development operations, hold and trade securities and real-estate and conduct other investment activities.

The parent company of the Group is Elektrobit Corporation, which is a Finnish public company. The parent company is domiciled in Oulu and its registered address is Tutkijantie 8, 90590 Oulu.

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 31st, 2011. The financial statements are presented in thousands of euro. The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

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 recorded 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.

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.

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.

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..

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.

Intangible Assets

GOODWILL

After January 1st, 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.

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.

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.

Notes to the Consolidated Financial Statements

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 23rd, 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.

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.

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 non-current 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, 22 and 29.

Notes to the Consolidated Financial Statements

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.

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.

Financial statements may include non-recurring incomes or expenses that are not related to normal operative business or that occur only infrequently. Such items are among others sales profits or losses, substantial changes in asset values, like impairment or reversal of impairment, substantial restructuring costs or other substantial items that are considered as non-recurring by the management. Substantiality of the item is based on item's euro amount and the relative share of total value of the asset.

THE APPLICATION OF NEW AND REVISED IFRS -REGULATIONS

The Group has applied the following new or revised standards and interpretations issued by IASB from 1.1.2011. The new interpretations or revised standards will not have material impact on the consolidated financial statements.

- IAS 24 Related Party Disclosures (revised)
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (revised)
- IFRIC 14 IAS 19 Prepayment of a Minimum Funding Requirement (new interpreation)
- IFRIC 19 Extinguishing financial Liabilities with Equity Instruments (new interpretation)

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.

Effective date 1st of January, 2012. The revised standards will not have material impact on the consolidated financial statements.

- IFRS 1 First-time Adoption of IFRSs issued, amended for fixed transition dates and severe hyperinflation (revised)
- IFRS 7 Financial Instruments: Disclosures (revised)
- IAS 12 Deferred Tax: Recovery of Underlying Assets (revised)

Effective date 1st of January, 2013.

- IFRS 9 Financial Instruments: classification and measurement (revised) The revised standard will not have material impact on the consolidated financial statements
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements. The new standard may have impact on consolidation of one subsidiary in to the consolidated financial statement. The more accurate analysis will be done during year 2012.
- IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures. The new standard may have impact in to the consolidated financial statement. The more accurate analysis will be done during year 2012.
- IFRS 12 Disclosure of Interests in Other Entities. The new standard will not have material impact on the consolidated financial statements.
- IFRS 13 Fair Value Measurements. The new standard will not have material impact on the consolidated financial statements.
- IAS 1 Presentation of Financial Statements (revised) The revised standard will not have material impact on the consolidated financial statements.
- IAS 19 Employee Benefits. The new standard will not have material impact on the consolidated financial statements.
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine. The new interpretation will not have material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. OPERATING SEGMENTS

Segment information will be shown according to Group's business segment distribution. Operating segments are premised on the group internal organization structure and group internal financial management reporting. Inter-segment pricing is determined on an arm's length basis. IFRS-adjustments are allocated to segments.

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 is based on two operating segments, Automotive and Wireless.

Automotive

The Automotive Business Segment's offering consists of in-car software products, navigation software for aftermarket devices and development services for the automotive industry with leading car manufacturers, car electronics suppliers and automotive chipset suppliers as customers. By combining its software products and R&D services EB is creating unique, customized solutions for its automotive customers.

Wireless

The Wireless Business Segment offers development services, customized solutions and radio channel emulator products for industries and authorities utilizing wireless technologies.

Other items

Other items consis of parent company's services and Group's support function services.

Operating segments 2011 1000 EUR	Automotive segment	Wireless segment	Other items	Eliminations	Group total
Net sales					
Net sales to external customers	98 269	63 554	351		162 175
Net sales to other segments	3	355	0	-358	0
Net sales total	**98 271**	**63 909**	**351**	**-358**	**162 175**
Depreciation	-5 271	-3 132	-314		-8 717
Operating Profit	**760**	**-4 737**	**-67**	**0**	**-4 044**
Unallocated expenses					-1 033
Profit for the year from continuing operations					-5 077
Profit for the year from discontinued operations					
Profit for the year					**-5 077**
Assets and liabilities					
Segments assets	64 894	39 584	1 963	-1 686	104 754
Unallocated assets					10 395
Total assets	**64 894**	**39 584**	**1 963**	**-1 686**	**115 150**
Segment liabilities	20 168	17 196	2 140	-1 686	37 819
Unallocated liabilities					10 318
Total liabilities	**20 168**	**17 196**	**2 140**	**-1 686**	**48 136**
Capital expenditure					
Tangible assets	1 230	1 954	0		3 184
Intangible assets	7 942	536	14		8 492
Investments	25				25
Goodwill	736				736

Notes to the Consolidated Financial Statements

Operating segments 2010 1000 EUR	Automotive segment	Wireless segment	Other items	Eliminations	Group total
Net sales					
Net sales to external customers	80 094	80 909	763		161 766
Net sales to other segments	2	47	0	-49	0
Net sales total	**80 096**	**80 956**	**763**	**-49**	**161 766**
Depreciation	-3 942	-1 014	-3 571		-8 528
Operating Profit	**1 875**	**-19 276**	**80**	**0**	**-17 321**
Unallocated expenses					1 657
Profit for the year from continuing operations					-15 664
Profit for the year from discontinued operations					
Profit for the year					**-15 664**
Assets and liabilities					
Segments assets	59 945	29 298	9 785	-9	99 020
Unallocated assets					25 861
Total assets	**59 945**	**29 298**	**9 785**	**-9**	**124 881**
Segment liabilities	16 447	14 680	6 171	-9	37 290
Unallocated liabilities					15 104
Total liabilities	**16 447**	**14 680**	**6 171**	**-9**	**52 394**
Capital expenditure					
Tangible assets	3 305	332	848		4 486
Intangible assets	5 312	869	26		6 207
Investments	13		0		13
Goodwill					0

GEOGRAPHICAL AREAS

EB's two segments operates in three geographical areas which are Europe, The Americas and Asia. In presenting the geographical information, the revenue is based on the geographical location of customers. Geographical assets are based on the geographical location of the assets.

Geographical areas 2011 1000 EUR	Finland	Other Europe	The Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	10 878	112 641	23 176	15 479		162 175
Non-current assets	7 026	36 088	673	251		44 039
Unallocated non-current assets						
Total non-current assets (does not include deferred tax assets)						**44 039**
Capital expenditure						
Tangible assets	1 704	1 114	256	97		3 171
Intangible assets	533	7 924	27	8		8 492
Investments		37				37
Goodwill		736				736

Geographical areas 2010 1000 EUR	Finland	Other Europe	The Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	29 181	67 575	53 396	11 614		161 766
Non-current assets	8 526	31 610	660	276		41 073
Unallocated non-current assets						
Total non-current assets (does not include deferred tax assets)						41 073
Capital expenditure						
Tangible assets	892	3 270	197	127		4 486
Intangible assets	887	5 286	34			6 207
Investments	0	13				13
Goodwill						0

Information of primary customers

Group's revenues from the 10 largest customers in year 2011 was 93 million euros (113 million euros 2010) representing 57.1 per cent of the net sales (70.0 per cent in 2010)

Notes to the Consolidated Financial Statements

2. DISCONTINUED OPERATIONS

There are no discontinued operations during the annual period.

3. ACQUISITIONS

There are no new acquisitions during the annual period.

4. NET SALES

	2011 1000 EUR	2010 1000 EUR
Income recognized from construction contracts	79 834	47 778
Net sales other	82 341	113 988
Total	**162 175**	**161 766**

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.

Income recognized as sales based on the stage of completion of long-term construction contracts	79 834	47 778
Revenue recognized from long-term construction contracts in progress amounted to	26 612	13 418
Advances received from long-term construction contracts recognized in the balance sheet amounted to	4 079	4 745
Receivables recognized from long-term construction contracts amounted to	4 890	3 340

5. OTHER OPERATING INCOME

Government grants	1 581	1 421
Other income	1 230	963
Total	**2 811**	**2 384**

6. OTHER OPERATING EXPENSES

External services	-24 690	-18 879
Voluntary staff expenses	-1 981	-2 218
Premises expenses	-7 918	-8 583
Travel expenses	-2 673	-3 138
IT expenses	-5 084	-6 227
Other expenses	-11 465	-20 751
Total	**-53 811**	**-59 796**

Auditors charges		
Ernst & Young		
Auditing	153	155
Certificates and statements	20	2
Tax advice	41	40
Other services	22	93
	237	**290**

Others		
Auditing	38	31
Other services	39	38
Yhteensä	**77**	**69**

Notes to the Consolidated Financial Statements

7. DEPRECIATIONS AND IMPAIRMENTS	2011 1000 EUR	2010 1000 EUR
Depreciations		
Intangible assets		
Capitalized development expenditure	-1 614	-103
Intangible rights	-2 270	-2 461
Other intangible assets	-478	-876
Tangible assets		
Buildings and constructions	-272	-269
Machinery and equipment	-4 082	-4 819
Total	**-8 717**	**-8 528**

8. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL

Number of personnel		
Average number of personnel during the fiscal period		
Wireless	609	720
Automotive	932	784
Other businesses	12	58
Total	**1 553**	**1 561**
Number of personnel at the year end	1 607	1 539
Personnel expenses 1000 EUR		
Personnel expenses		
Management salaries	-1 361	-1 217
Board of directors	-178	-135
Expense of share-based payments	-422	-551
Other salaries and wages	-77 545	-79 990
	-79 505	**-81 894**
Pension expenses, defined contribution plans	-5 222	-5 725
Pension expenses, defined benefit plans	-147	-92
Other personnel expenses	-10 350	-9 983
Total	**-95 224**	**-97 693**

9. RESEARCH AND DEVELOPMENT EXPENSES

	2011 1000 EUR	2010 1000 EUR
The research and development expenses total	24 025	21 584
Recognition as an asset	-6 569	-5 584
The expensed research and development expenses recongized in the income statement amounted to	17 456	16 000

10. FINANCIAL EXPENSES (NET)

Interest expenses	-550	-751
Interest income	281	55
Dividend income	0	0
Exchange gains and losses	246	-1 471
Change of financial assets and liabilities at fair value through profit or loss	-428	510
Other financial expenses	-97	-131
Other financial incomes	118	539
Reduction in value of investments	0	-7
Total	**430**	**1 256**

11. INCOME TAXES

Income taxes, current year	-631	2 153
Income taxes, previous years	-353	-159
Deferred taxes	383	918
Total	**-602**	**2 912**
A reconciliation between the effective tax rate and domestic tax rate (26%) of the Group:		
Profit before taxes	**-4 474**	**-18 577**
Tax at the domestic tax rate	1 163	4 830
Effect of tax rates of foreign subsidiaries	162	495
Taxes for prior years	-353	-159
Tax free income	178	964
Non-deductible expenses	-7	-424
Temporary difference between carrying amounts and tax base	383	918
Deferred tax assets	-1 737	-3 503
Others	-390	-210
Income taxes in the consolidated income statement	**-602**	**2 912**

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.

	2011	2010
Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	-5 325	-16 114
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)		
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	-5 325	-16 114
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Basic earnings per share, continuing operations, EUR	-0.04	-0.12
Basic earnings per share, discontinued operations, EUR	0.00	0.00
Basic earnings per share, continuing and discontinued operations, EUR	-0.04	-0.12

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 (14.3.2008) which has a diluting effect, when the exercise price is lower than the closing share price.

The exercise price of the stock options at 31 December 2011 is lower than the closing share price, hence the stock options has dilutive effect.

Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	-5 325	-16 114
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)		
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	-5 325	-16 114
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Effect of dilution (1000 PCS)	638	864
Weighted average number of ordinary shares during the financial year (1000 PCS)	130 051	130 277
Diluted earnings per share, continuing operations, EUR	-0.04	-0.12
Diluted earnings per share, discontinued operations, EUR	0.00	0.00
Diluted earnings per share, continuing and discontinued operations, EUR	-0.04	-0.12

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.

	2011 1000 EUR	2010 1000 EUR
Buildings and constructures		
Acquisition cost Jan. 1	2 401	2 607
Translation differences	5	60
Additions during the period	169	284
Transfer to assets	0	-118
Acquisition cost Dec. 31	2 575	2 833
Accumulated depreciations Jan. 1	-1 070	-1 192
Translation differences	-5	-41
Depreciation for the period	-272	-269
Carrying amount Dec. 31	1 228	1 331
No revaluations or capitalizations of the interest costs have been done.		
Machinery and equipment		
Acquisition cost Jan. 1	45 365	54 354
Translation differences	131	264
Additions during the period	2 996	4 072
Disposals during the period	-515	-347
Transfer to assets	0	40
Acquisition cost Dec. 31	47 977	58 383
Accumulated depreciations Jan. 1	-36 263	-44 509
Translation differences	-119	-186
Depreciations on disposals	121	234
Depreciation for the period	-4 082	-4 819
Carrying amount Dec. 31	7 634	9 103
Advance payments		
Acquisition cost Jan. 1	0	28
Additions during the period	0	15
Transfer to assets	0	-43
Acquisition cost Dec. 31	0	0

Notes to the Consolidated Financial Statements

	2011 1000 EUR	2010 1000 EUR
Other tangible assets		
Acquisition cost Jan. 1	88	226
Acquisition cost Dec. 31	88	226
Accumulated depreciations Jan. 1		-138
Depreciation for the period		
Carrying amount Dec. 31	88	88
Property, plant and equipment total		
Acquisition cost Jan. 1	47 854	57 215
Translation differences	136	323
Additions during the period	3 166	4 371
Disposals during the period	-515	-347
Transfer to assets	0	-121
Acquisition cost Dec. 31	50 640	61 442
Accumulated depreciations Jan. 1	-37 333	-45 839
Translation differences	-124	-227
Depreciations on disposals	121	234
Depreciation for the period	-4 355	-5 088
Carrying amount Dec. 31	8 950	10 522

Finance leases

The Group had the following amounts of property, plant and equipment acquired by finance leases:

Machinery and equipment		
Acquisition cost Jan. 1	34 058	33 564
Accumulated depreciations	-29 685	-27 017
Carrying amount Dec. 31	4 374	6 547

Additions of property, plant and equipment include assets acquired by finance leases of 895 TEUR in 2011 (2,719 TEUR 2010)

14. INTANGIBLE ASSETS

	2011 1000 EUR	2010 1000 EUR
Capitalized development expenditure		
Acquisition cost Jan. 1	6 648	1 065
Additions during the period	6 569	5 584
Acquisition cost Dec. 31	13 217	6 648
Accumulated depreciations Jan. 1	-103	
Depreciation for the period	-1 614	-103
Carrying amount Dec. 31	11 501	6 545
Intangible rights		
Acquisition cost Jan. 1	1 373	10 625
Translation differences	0	7
Additions during the period	1 533	211
Disposals during the period	0	-2
Acquisition cost Dec. 31	2 906	10 842
Accumulated depreciations Jan. 1	-719	-9 881
Translation differences	0	-7
Depreciation for the period	-671	-299
Carrying amount Dec. 31	1 517	654
Goodwill allocated to Intangible rights		
Acquisition cost Jan. 1	14 695	16 643
Acquisition cost Dec. 31	14 695	16 643
Accumulated depreciations Jan. 1	-10 897	-10 683
Depreciation for the period	-1 599	-2 162
Carrying amount Dec. 31	2 198	3 798
Other intangible assets		
Acquisition cost Jan. 1	1 985	6 103
Translation differences	15	8
Additions during the period	389	412
Disposals during the period	-63	
Transfer to assets	0	121
Acquisition cost Dec. 31	2 325	6 645
Accumulated depreciations Jan. 1	-1 356	-5 133
Translation differences	-16	-7
Depreciation for the period	-478	-876
Carrying amount Dec. 31	476	629

Notes to the Consolidated Financial Statements

	2011 1000 EUR	2010 1000 EUR
Intangible assets total		
Acquisition cost Jan. 1	24 701	34 436
Translation differences	15	16
Additions during the period	8 492	6 207
Disposals during the period	-63	-2
Transfer to assets	0	121
Acquisition cost Dec. 31	33 144	40 778
Accumulated depreciations Jan. 1	-13 074	-25 697
Translation differences	-16	-14
Depreciation for the period	-4 363	-3 441
Carrying amount Dec. 31	15 691	11 627
Goodwill		
Acquisition cost Jan. 1	18 519	18 503
Translation differences	9	16
Additions during the period	736	
Carrying amount Dec. 31	19 264	18 519
Goodwill has been allocated to cash generating units as follows:		
Wireless segment	182	175
Automotive segment	19 082	18 344
Total	**19 264**	**18 519**

Impairment test

Goodwill is allocated to the Group's Cash-Generating Units (CGU), which are based on the business segments (i.e. Automotive and Wireless). The recoverable amounts of each CGU are based on the calculations of value in use and the management estimations.

The cash flow forecasts employed in these calculations are based on the cash flow targets for 2012 and the Long Range Plans (LRP) for 2012-2016 approved by management for the strategical period. Forecasting method has been substantially the same as in previous financial years. Cash flows beyond five-year period are calculated by using the terminal value method. Cash flows beyond the explicit forecasting period are extrapolated using an estimated constant 2 % terminal growth rate that does not exceed the long-term average growth rates for the industry and economies in which the CGU operates. Future cash flows are exposed to the risks that are discussed in section "Risks and uncertainties" in the Report by the Board of Directors.

The used discount rate in imairment testing is Weighted Average Cost of Capital (WACC) after tax defined for EB. WACC defines average costs of equity and debt by noticing the risks belonging to the each component. The components of WACC are risk-free interest rate, market risk premium, beta, cost of debt, corporate income tax rate and target capital structure.

The WACC used in the calculations was 12,59 % in 2011 (13,06 % in 2010). The decrease in WACC rate is due to decrease in long-term interest rate. Other components in the WACC were estimated to be in line with the previous year's estimations.

In 2011 Wireless business segment did not reach the cash flow forecasted in the impairment test in 2010. Major cause for this was the termination of significant customer relationship when the customer applied for voluntary petition for reorganization at the end of year 2010. Because of this sales volumes declined and business segment had to re-organize its' business by decreasing employee amount. Additionally, efforts for developing new, replacing business and relatively slow development of new customer relationships have had negative effects on the cash flow.

In 2011 Automotive business segment's cash flow was slightly below forecasts made in the impairment test in 2010. There has not happend any fundamental changes in the Automotive segment business environment that would make an impact to the cash flow expectations compared to the previous financial year.

The impairment test is done when needed, but at least once per year. Impairment tests made in December 2011 did not indicate need for impairment bookings. Recoverable amounts exceed significantly the book value of goodwill and other assets. The terminal value represents 58% of Wireless business segment's value and 60% in Automotive business segment's value.

Sensitivity analysis was also carried out during the impairment test. CGU's cash flow forecast was either decreased by 20 % or the discount factor was increased by 5 %. It was noticed that cash flows are relatively sensitive to decrease in turnover, because cost structure can not easily be adapted simultaneously with declining turnover. However, there are no expectations for impairment losses in the future, because in both segments recoverable amounts exceed significantly the book values of the assets.

Notes to the Consolidated Financial Statements

15. INVESTMENT PROPERTIES AND INVESTMENTS IN AN ASSOCIATES

The Group does not have any investment properties and investements in an associates.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group does not have any non-current financial assets at fair value through profit or loss

17. OTHER FINANCIAL ASSETS	2011 1000 EUR	2010 1000 EUR
At 1 January	155	280
Additions	25	13
Disposals	-45	-131
Impairment		-7
At 31 December	134	155

18. RECEIVABLES

At 1 January	250	429
Impairment	-250	-179
At 31 December	0	250

19. DEFERRED TAX LIABILITIES AND ASSET

1000 EUR	Jan. 1, 2011	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Dec. 31, 2011
Deferred tax assets						
Other items	108	-30				78
Total	**108**	**-30**	**0**	**0**	**0**	**78**
Non booked deferred tax receivables of loss-making domestic companies						16 837

Group had EUR 87.2 million (EUR 89.0 million at 31th of December 2010) of confirmed and unconfirmed losses at 31th of December 2010 from which has not booked deferred tax receivable because group does not have confidence of point of time for future profits, tax treatment and in which company the profits will be generated. The losses will start aging from year 2016.

Deferred tax liabilities						
Allocated goodwill	959	-471				488
Other items	481	58	2			542
Total	**1 440**	**-412**	**2**	**0**	**0**	**1 030**

1000 EUR	Jan. 1, 2010	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Dec. 31, 2010
Deferred tax assets						
Tax losses	0	0				0
Other items	81	27				108
Total	**81**	**27**	**0**	**0**	**0**	**108**
Non booked deferred tax receivables of loss-making domestic companies						18 649

Group had EUR 89.0 million (EUR 76.4 million at 31th of December 2009) of confirmed and unconfirmed losses at 31th of December 2010 from which has not booked deferred tax receivable because group does not have confidence of point of time for future profits, tax treatment and in which company the profits will be generated. The losses will start aging from year 2016.

Deferred tax liabilities						
Allocated goodwill	1 473	-514				959
Other items	783	-377	74			481
Total	**2 256**	**-891**	**74**	**0**	**0**	**1 440**

Notes to the Consolidated Financial Statements

20. INVENTORIES	2011 1000 EUR	2010 1000 EUR
Raw materials and supplies	516	676
Finished products	1 066	909
Other inventories	214	279
Total	**1 797**	**1 864**

21. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	44 866	44 635
Receivables from construction contracts	4 890	4 534
Prepaid expenses and accrued income	7 467	9 992
Other receivables	2 059	2 118
Total	**59 282**	**61 279**

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

EB's significant default risk concentration is EUR 9,7 million which represents approximately 22 % of the total accounts receivable. The major part of the risk concentration is related to accounts receivable from TerreStar Networks Inc that filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code on October 20, 2010.

Further information, Notes to the Consolidated Financial Statements, 30. Financial Risk Management

Age distribution of accounts receivable.		
Current	24 879	25 955
Aged Overdue Amounts		
0–3 months	9 967	9 343
4–6 months	429	2 947
7–12 months		6 390
> 12 months	9 593	
Total	**44 866**	**44 635**

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 1000 EUR	2010 1000 EUR
Currency derivatives		
Balance sheet value on Jan. 1	36	
Changes in fair-value	-36	36
Balance sheet value on Dec. 31	0	36

23. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits	9 954	12 880
Total	**9 954**	**12 880**

Cash and cash equivalents at consolidated cash flow statement consist of:		
Financial assets at fair value through profit or loss	0	7 641
Cash and short-term deposits	9 954	12 880
Total	**9 954**	**20 522**

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

Notes to the Consolidated Financial Statements

24. ISSUED CAPITAL AND RESERVES

	Shares 1000 PCS	Share premium 1000 EUR	Premium fund 1000 EUR	Invested non-restricted equity fund 1000 EUR	Total 1000 EUR
At 1 January 2010	129 413	12 941	64 579		77 521
The distribution and decrease of the share premium fund			-64 579	38 697	-25 883
At 31 December 2010	129 413	12 941	0	38 697	51 638
At 31 December 2011	129 413	12 941	0	38 697	51 638

Shares and the Share Capital

The shares of Elektrobit Corporation are listed on the NASDAQ OMX Helsinki Ltd. The Corporation has one series of shares. All the shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The company's shares have been entered into the Euroclear Finland Ltd. book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 129,412,690. The accounting per value of the company's share is EUR 0.10. The company is not in the possession of its own shares.

Translation differences

The translation reserve copmrises all foreign exhange differences arising from the transition of the financial statements of foreign subsidiaries.

Dividends

After the balance sheet date the Board of Directors has proposed that no dividend shall be paid.

25. SHARE-BASED PAYMENT PLANS

The Board of Directors of Elektrobit Oyj decided on June 23, 2005 on the distribution of stock options to Elektrobit 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 Elektrobit . 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 Elektrobit Technologies Ltd, a wholly-owned subsidiary of Elektrobit 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 Elektrobit shares, as decided by the Board of Directors.

The Stock options, aimed at encouraging long-term equity commitment, were originally issued at the Annual General Shareholder's Meeting held on March 15, 2006 were granted to the Chairman of the Board and CEO of Elektrobit 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

The Annual General Meeting held on March 14. 2008 approved a proposal by the Board of Directors to issue stock options to key personnel of the Elektrobit Group as follows.

The maximum total number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or own shares held by it. The proportion of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1% of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription.

The subscription price for the shares be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at OMX Nordic Exchange Helsinki Ltd in January 2009, January 2010 and January 2011. The subscription price will be recorded in the fund for invested unrestricted equity.

The share subscription period for stock options 2008A shall be 1 April 2012–31 March 2014, for stock options 2008B 1 April 2013–31 March 2015, and for stock options 2008C 1 April 2014–31 March 2016.

Notes to the Consolidated Financial Statements

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 (1,000 PCS)	
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 2011	Number of options 2010
Outstanding at the beginning of the year		372
Granted during the year		0
Forfeited during the year		0
Exercised during the year		0
Expired during the year		-372
Outstanding at the end of the year		0
Exercisable at the end of the year		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 (1,000 PCS)	1 003
Exercise price, EUR	2.27
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 2011	Number of options 2010
Outstanding at the beginning of the year	1 003	1 003
Granted during the year	0	0
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	-1 003	
Outstanding at the end of the year	0	1 003
Exercisable at the end of the year	0	0

Notes to the Consolidated Financial Statements

Share-option plan 2005C	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	26.3.2008
Number of instruments granted (1,000 PCS)	60
Exercise price, EUR	2.14
Share price at the grant date, EUR	1.45
Contractual life of the options (years)	4.2
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	46%
Expected contractual life of the options (years)	4.2
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 2011	Number of options 2010
Outstanding at the beginning of the year	60	60
Granted during the year		
Outstanding at the end of the year	60	60
Exercised during the year	0	0

Share-option plan 2005D	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	26.3.2008
Number of instruments granted (1,000 PCS)	60
Exercise price, EUR	2.14
Share price at the grant date, EUR	1.45
Contractual life of the options (years)	4.2
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	46%
Expected contractual life of the options (years)	4.2
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 2011	Number of options 2010
Outstanding at the beginning of the year	60	60
Granted during the year		
Outstanding at the end of the year	60	60
Exercised during 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 (1,000 PCS)	1 750
Exercise price, EUR	2.12
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 2011	Number of options 2010
Outstanding at the beginning of the year	1 750	1 750
Granted during the year	0	0
Forfeited during the year		
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

Share-option plan 2008A	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	14.8.2009
Number of instruments granted (1,000 PCS)	1 088
Exercise price, EUR	0.19
Share price at the grant date, EUR	0.68
Contractual life of the options (years)	4.7
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	43%
Expected contractual life of the options (years)	4.7
Risk-free interest rate (%)	2.65%
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 2011	Number of options 2010
Outstanding at the beginning of the year	1 088	1 175
Granted during the year	233	45
Forfeited during the year	-246	-133
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	1 074	1 088
Exercisable at the end of the year	0	0

Notes to the Consolidated Financial Statements

Share-option plan 2008B	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	31.5.2010
Number of instruments granted (1,000 PCS)	1 282
Exercise price, EUR	0.85
Share price at the grant date, EUR	1.05
Contractual life of the options (years)	4.9
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	44%
Expected contractual life of the options (years)	4.9
Risk-free interest rate (%)	2.65%
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 2011	Number of options 2010
Outstanding at the beginning of the year	1 282	0
Granted during the year	100	1390
Forfeited during the year	-243	-108
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	1 139	1 282
Exercisable at the end of the year	0	0

Share-option plan 2008C	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	19.8.2011
Number of instruments granted (1,000 PCS)	775
Exercise price, EUR	0.73
Share price at the grant date, EUR	0.56
Contractual life of the options (years)	4.7
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	45%
Expected contractual life of the options (years)	4.7
Risk-free interest rate (%)	2.07%
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 2011	Number of options 2010
Outstanding at the beginning of the year		
Granted during the year	775	
Forfeited during the year	0	
Exercised during the year	0	
Expired during the year	0	
Outstanding at the end of the year	775	
Exercisable at the end of the year	0	

Notes to the Consolidated Financial Statements

26. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS	2011 1000 EUR	2010 1000 EUR
Benefit pension plan liability consists of following items:		
Present value of funded obligations	1 340	1 530
Fair value of plan assets	-286	-272
Unrecognized actuarial gains (+) / losses (-)	256	-93
Net liability	**1 311**	**1 164**
Net periodic pension cost in income statement:		
Unrecognized net liability on Jan. 1		
Current service cost	67	48
Interest cost	73	64
Expected return on plan assets	-8	-8
Recognized net actuarial gains and losses	0	-7
Employee contributions	-6	-6
	126	**92**
Balance sheet reconciliation:		
Net liability on Jan. 1	1 164	1 072
Net periodic pension cost in income statement	147	92
Net liability on Dec. 31	**1 311**	**1 164**
Principal actuarial assumptions:		
Europe		
Discount rate	5.70	4.80
Expected return on plan assets	2.80	2.80

27. PROVISIONS 1000 EUR	Provisions for reorganising operations	Unprofitable rental agreements	Others	Total
31.12.2010	999	1 253	1 114	3 366
Increase in provisions			700	700
Used provisions	-671	-654	-1 221	-2 545
Reversal of unused provisions				0
31.12.2011	328	599	594	1 521
Long-term provisions		501		501
Short-term provisions	328	98	594	1 020
Total	**328**	**599**	**594**	**1 521**

28. FINANCIAL LIABILITIES

	2011 1000 EUR	2010 1000 EUR
Non-current loans		
Bank loans	1 647	3 900
Finance lease liabilities	2 363	4 148
Total	**4 010**	**8 048**
Current loans		
Finance lease liabilities	2 296	2 700
Repayments of long-term bank loans	2 700	2 400
Total	**4 996**	**5 100**
Repayment schedule of long-term loans:		
2011		5 100
2012	4 992	4 614
2013	2 942	2 759
2014	675	533
2015	108	101
2016	289	42
Later		
Total	**9 006**	**13 148**

Loans and borrowings have mainly floating interest rates, from which 2.9 million euro loan principal has been changed into fixed interest rate loan by using SWAP agreement.

The interest-bearing non-current loans are distributed by currency as follows:	2011 1000 EUR	2010 1000 EUR
EUR	4 010	8 048
Total	**4 010**	**8 048**
The interest-bearing current loans are distributed by currency as follows:		
EUR	4 996	5 100
Yhteensä	**4 996**	**5 100**
Maturities of the finance lease liabilities:		
Finance lease liabilities -minimum lease payments	4 893	7 313
Within one year	2 458	2 961
After one year but no more than five years	2 435	4 310
After five years		42
Finance lease liabilities -Present value of minimum lease payments	4 659	6 848
Within one year	2 292	2 700
After one year but no more than five years	2 367	4 106
After five years		42
Future finance charges	234	465
Total amount of finance lease liabilities	4 893	7 313

Notes to the Consolidated Financial Statements

29. TRADE AND OTHER PAYABLES	2011 1000 EUR	2010 1000 EUR
Current liabilities		
Trade and other payables		
Trade liabilities	11 374	6 996
Accrued liabilities, deferred income	12 737	12 685
Other liabilities	10 823	13 648
Total	**34 934**	**33 329**

Material of accrued expenses and deferred income consist of personnel expenses and other accruals.

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 derivates		
Balance sheet value on Jan. 1	0	417
Changes in fair-value	335	-417
Balance sheet value on Dec. 31	**335**	**0**

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. External professional portfolio managers are employed for investing activities.

The Group's general financial 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 viewpoint of business activities, taking into consideration shared factors between underlying variables such as those arising from changes in eco-nomic 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 and group account overdraft credit limits.

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, surely considered and the most probable net cash flow in a particular currency is hedged. The cash flow is defined based on the net position of the trade receivables, trade payables, order intake and forecasted 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 25% to 125% of the forecasted net position. At the end of the financial period the counter value of the hedged net position was 9.8 million euros. During the financial year the amount of the hedged position has been changing between 8.3–18.0 million euros.

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. Foreign currencies denominated equities of foreign subsidiaries on December 31, 2011 was 2.3 million euros (2010: 3.5 million euros) from which dollar denominated equities of foreign subsidiaries was 0.6 million euros (2010: 2.8 million euros).

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):

	2011 1000 EUR	2010 1000 EUR
Forward contracts		
Market value	-310	-23
Nominal value	5 500	11 000
Buyed currency options		
Market value	101	138
Nominal value	4 300	5 000
Sold currency options		
Market value	-126	-78
Nominal value	8 600	10 000

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

	2011 1000 EUR	2010 1000 EUR
Long-term assets	492	485
Long-term liabilities	580	561
Current assets	21 868	23 248
Current liabilities	21 175	20 417

Notes to the Consolidated Financial Statements

The table below describes the 10% appreciation or depreciation of the Euro against the US dollar, other variables remaining constant. 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.

	Changes in income statement		**Changes in equity**	
1000 EUR	before tax, 2011	2010	before tax, 2011	2010
EUR appreciates	-100	-300	-100	-300
EUR depreciates	100	300	100	300

Interest rate risk

The majority of the Group's debt is tied to fixed interest rates. Interest rate swaps are also utilized to an extent to reduce cash flow risk due to interest rate fluctuations. At closing date, all the Group loans was either tied to fixed interest rates or secured with interest rate swaps. At closing date, the Group had the following fixed interest rate debts and interest rate swaps outstanding:

	2011 1000 EUR	2010 1000 EUR
Fixed interest rate debts	6 406	9 848
Interest rate swaps	2 600	2 900

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 to low-risk interest rate funds has not exposed security price risk due to fluctuations in the price of these securi-ties. According to the Group's principles investments related to cash management are made in liquid and low-risk money market instru-ments and thus have not been hedged using derivatives.

The value of the Group's money market investments during the financial period has been maximum of approximately 7.6 million euros. Group did not have any money market investments at closing date.

Default risk

EB's credit risks are mainly related to accounts receivable, cash, financial investments and derivatives used in hedging. In its' deposit, financial investment and hedging activities EB operates only with well-known partners who have good credit rating.

The Group's trade receivables are distributed among a wide customer base and across several geographical areas and credit risk is mitigated for example by documentary credits or bank guarantees. Default risk concentration is mainly assessed as a single customer's share of total trade receivables but also according to receivables date of maturity.

EB's significant default risk concentration is 9.7 million euros which represents approximately 22% of the total accounts receivable. The major part of the risk concentration is related to accounts receivable from TerreStar Networks Inc that filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code during 2010. Also TerreStar Networks Inc's parent company TerreStar Corporation filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code at February 16, 2011. More information of the TerreStar Networks Inc's and TerreStar Corporation's voluntary petitions are available in report by the Board of Directors in chapter risks and uncertainties.

During the past financial year the amount of recognized credit losses was approximately 0.0 million euros (2010: 10.3 million euros). Group did not have capital loans granted to outside Group at the end of 2011 (2010: 0.3 million euros).

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 and business segments strive to continuously evaluate and monitor the amount of liquid funds needed for business operations and loan repayments 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. The Group has also binding overdraft credit facility agreement of 10 million euros that is valid until mid 2012. EBITDA, equity ratio and interest bearing debt covenants are associated to the credit facility agreement. At the end of the reporting period, this facility was not used. For the maturity distribution of the Group's debt, see note 28.

Notes to the Consolidated Financial Statements

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 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 2011 was -0.9 million euros (2010: -7.4 million euros) and net gearing was -1.4% (2010: -10.3%). The Group's solvency ratio at the end of 2011 was 62.8% (2010: 62.4%).

Fair values of financial assets and liabilities

This section presents the Group's fair valuing principles for all financial instruments. The table below 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.

1000 EUR	Note	Book value 2011	Fair value 2011	Book value 2010	Fair value 2010
Financial assets					
Other financial assets		134	134	155	155
Trade receivables and other receivables	18, 21	59 282	59 282	60 803	60 803
Financial assets at fair value through profit or loss	17, 22			7 641	7 641
Cash and cash equivalents	22	9 954	9 954	12 880	12 880
Currency forwards and options	22		36	36	
Financial liabilities					
Bank loans	28	4 347	4 394	6 300	6 438
Finance lease liabilities	28	4 659	4 659	6 848	6 848
Trade payables and other debts	26, 27, 29	37 766	37 766	37 806	37 806
Currency forwards and options	29	335	335		

Investments in shares and funds and other investments

For-sale financial assets consist mainly of money market investments that fair values are based on the quotes of the closing day (IFRS 7 fair value hierarchy level 1; quoted prices (unadjusted) in active markets for identical assets or liabilities).

Derivatives

The fair values of forward exchange and option contracts are defined based on publicly quoted currency and interest rate information and using commonly accepted valuation methods (IFRS 7 fair value hierarchy level 2; instruments whose fair value is observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)). These calculations have been carried out by an outside professional party.

Bank loans

In assigning fair values for bank loans, the cash flows have been discounted. Interest rate swaps are considered when the cash flows are defined.

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	2011 1000 EUR	2010 1000 EUR
Business transactions without payments		
Depreciations	8 717	8 528
Employee benefits	422	551
Other adjustments	-3 042	10 079
Total	**6 096**	**19 158**

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	6 879	5 994
Later than one year and not later than five years	16 335	11 134
Later than five years	1 565	3 834

The Group has rented most of its facilities. In average the maturities of the lease agreements are from 1 month 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

	2011 1000 EUR	2010 1000 EUR
Against own liabilities		
Floating charges	11 419	3 119
Pledges	7 793	2 256
Guarantees	2 865	2 028
Other liabilities	12 000	10 116
Rental liabilities		
Falling due in the next year	6 879	5 994
Falling due after one year	17 900	14 968
Other contractual liabilities		
Falling due in the next year	2 479	3 852
Falling due after one year		2 148
Mortgages are pledged for liabilities totalled		
Loans from financial institutions	4 100	6 300
Other liabilities	244	

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 Oyj	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 Wireless UK Ltd.	Great Britain	100.00	100.00
Elektrobit France SAS	France	0.00	100.00
Elektrobit Automotive GmbH	Germany	100.00	100.00
Elektrobit Austria GmbH	Austria	0.00	100.00
Elektrobit Inc	USA	0.00	100.00
Elektrobit Automotive Inc.	USA	0.00	100.00
Elektrobit Nippon KK	Japan	0.00	100.00
Elektrobit Wireless (Beijing) Ltd.	China	0.00	100.00
e.solutions GmbH	Germany	0.00	51.00

	2011 1000 EUR	2010 1000 EUR
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Jukka Harju 1.1.–31.12.2011 and 1.1.–31.12.2010	287	287
Total	**287**	**287**
Remuneration of the members of the Board of the parent, the Financial Committee and the Managing Directors of the business segments		
Jorma Halonen 1.1.–31.12.2011 and 1.1.–31.12.2010	34	24
Juha Hulkko 1.1.–31.12.2011 and 1.1.–31.12.2010	24	25
Seppo Laine 1.1.–31.12.2011 and 1.1.–31.12.2010	52	38
Staffan Simberg 1.1.–31.12.2011 and 1.1.–31.12.2010	35	24
Erkki Veikkolainen 1.1.–31.12.2011 and 1.1.–31.12.2010	33	24
Total	**178**	**135**
There have not been any business transactions or open balances between the related parties.		
Members of the group executive board	**996**	**1 470**
Loans and guarantees to related party		
There are no loans or guarantees granted between the related parties		
Stock option expenses	**108**	**206**

36. SUBSEQUENT EVENTS

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

Notes to the Consolidated Financial Statements

37. KEY RATIOS	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007
INCOME STATEMENT, (MEUR)					
Net sales, (MEUR)	162.2	161.8	153.8	172.3	144.3
Net sales change, %	0.3	5.2	-10.7	19.4	19.8
Operating profit/loss, (MEUR)	-4.0	-17.3	-1.4	-42.7	-20.3
% of net sales	-2.5	-10.7	-0.9	-24.8	-14.1
Profit/loss for continuing operations before taxes, (MEUR)	-4.5	-18.6	-2.0	-47.4	-20.0
% of net sales	-2.8	-11.5	-1.3	-27.5	-13.9
Profit for the year from continuing operations, (MEUR)	-5.1	-15.7	-3.3	-49.8	-20.0
% of net sales	-3.1	-9.7	-2.2	-28.9	-13.9
Profit after tax for the year from discontinued operations, (MEUR)			1.3	0.3	13.1
% of net sales			0.9	0.2	9.1
Profit for the year attributalble to equity holders of the parent, (MEUR)	-5.3	-16.1	-2.2	-49.5	-6.9
% of net sales	-3.3	-10.0	-1.4	-28.7	-4.8
BALANCE SHEET (MEUR)					
Non-current assets	44.1	41.2	39.4	46.7	77.2
Inventories	1.8	1.9	2.4	3.3	7.6
Current assets	69.2	81.1	118.4	130.5	151.4
Shareholders' equity	67.0	71.8	112.8	115.1	165.7
Non-current liabilities	6.9	11.6	15.0	19.7	28.9
Current liabilities	41.3	40.7	32.4	45.7	41.5
Balance sheet total	115.1	124.2	160.2	180.5	236.1
PROFITABILITY AND OTHER KEY FIGURES					
Return on equity % (ROE) **	-7.3	-17.0	-2.9	-35.5	-11.3
Return on investment % (ROI) **	-4.8	-16.5	-0.8	-26.2	-8.7
Interest-bearing net liabilities, (MEUR)	-0.9	-7.4	-42.4	-46.2	-39.7
Net gearing, %	-1.4	-10.3	-37.6	-40.2	-24.0
Equity ratio, % (nominal, net of deferred taxes)	62.8	62.4	71.5	64.9	70.9
Gross investments, (MEUR) **	12.4	10.7	4.0	9.8	44.1
Gross investments, % of net sales	7.7	6.6	2.6	5.7	30.6
R&D costs, (MEUR) **	24.0	21.6	14.7	37.9	38.3
R&D costs, % of net sales	14.8	13.3	9.6	22.0	26.6
Average personnel during the period **	1 553	1 561	1 589	1 768	1 695

	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007
STOCK-RELATED FINANCIAL RATIOS					
Earnings per share from continuing operations, EUR					
Basic earnings per share	-0.04	-0.12	-0.03	-0.38	-0.15
Diluted earnings per share	-0.04	-0.12	-0.03	-0.38	-0.15
Earnings per share from discontinued operations, EUR					
Basic earnings per share			0.01	0.00	0.10
Diluted earnings per share			0.01	0.00	0.10
Earnings per share from continuing and discontinued operations, EUR					
Basic earnings per share	-0.04	-0.12	-0.02	-0.38	-0.05
Diluted earnings per share	-0.04	-0.12	-0.02	-0.38	-0.05
Equity per share, EUR	0.51	0.55	0.87	0.89	1.28
Dividend per share EUR *					0.02
Dividend per earnings, %					-12.9
P/E ratio	-9.2	-5.4	-34.5	-0.9	-10.6
Effective dividend yield, %					1.2
Market values of shares (EUR)					
Highest	0.76	1.25	1.40	1.79	2.48
Lowest	0.36	0.66	0.33	0.29	1.51
Average	0.55	0.92	0.62	0.82	1.93
At the end of period	0.38	0.67	0.94	0.33	1.64
Market value of the stock, (MEUR)	49.2	86.7	121.6	42.7	212.2
Trading value of shares					
MEUR	5.0	16.8	11.1	9.6	53.4
1000 PCS	9 169	18 190	17 822	11 770	27 656
Related to average number of shares %	7.1	14.1	13.8	9.1	21.4
Adjusted number of the shares at the end of the period (1000 PCS)	129 413	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period (1000 PCS)	129 413	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	130 051	130 277	129 580	129 413	129 413

* According to Board of Director's proposal, year 2011
** Year 2007 data does not include discontinued operations

Notes to the Consolidated Financial Statements

CALCULATION OF KEY RATIOS

Return on equity, % (ROE) $= \dfrac{\text{Profit for the year} \times 100}{\text{Total equity (average for the accounting period)}}$

Return on investment, % (ROI) $= \dfrac{\text{Profit before tax + interest and other financial expenses} \times 100}{\text{Balance sheet total - interest-free liabilities (average for the accounting period)}}$

Net gearing, % $= \dfrac{\text{Interest-bearing liabilities - cash and deposits and short-term investments} \times 100}{\text{Total equity}}$

Equity ratio, % $= \dfrac{\text{Total equity} \times 100}{\text{Balance sheet total - advances received}}$

Earnings per share $= \dfrac{\text{Profit attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares average for the period}}$

Equity per share $= \dfrac{\text{Equity attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares at the end of the period}}$

Dividend per share $= \dfrac{\text{Dividend for the period (Board's proposal) per share}}{\text{Adjustment coefficient of post-fiscal share issues}}$

Dividend per earnings, % $= \dfrac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$

P/E ratio $= \dfrac{\text{Share issue adjusted share price at the end of the period}}{\text{Earnings per share}}$

Effective dividend yield, % $= \dfrac{\text{Dividend per share} \times 100}{\text{Share issue adjusted share price at the end of the period}}$

38. SHAREHOLDINGS AND SHARES

Breakdown of shares by shareholding, December 31, 2011

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1–100	10 837	46.0%	514 995	0.4%
101–500	6 748	28.6%	1 773 914	1.4%
501–1,000	2 367	10.0%	1 862 531	1.4%
1,001–5,000	2 630	11.2%	6 143 900	4.7%
5,001–10,000	452	1.9%	3 466 427	2.7%
10,001–50,000	376	1.6%	8 460 608	6.5%
50,001–100,000	77	0.3%	5 741 207	4.4%
100,001–500,000	48	0.2%	11 892 674	9.2%
500,001–999,999,999,999	21	0.1%	89 556 434	69.2%
	23 556	**100.0%**	**129 412 690**	**100.0%**
Nominee-registered	10		1 834 983	1.4%

Breakdown of shareholders by shareholder type, December 31, 2011

Shareholdes by shareholder type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
Companies	813	3.5	23 473 745	18.1%
Financial institutes and insurance companies	16	0.1	2 856 624	2.2%
Public corporations	3	0.0	500 560	0.4%
Non-profit organizations	61	0.3	1 005 675	0.8%
Private investors	22 549	95.7	97 395 620	75.3%
Foreign owned	104	0.4	2 345 483	1.8%
Nominee-registered	10	0.0	1 834 983	1.4%
	23 556	**100.0**	**129 412 690**	**100.0%**

Notes to the Consolidated Financial Statements

Largest shareholders, December 31, 2011	Number of shares	Percentage of shares and votes
Number of shares total	**129 412 690**	**100.0**
Hulkko Juha, Member of the Board	27 214 362	21.0
Hilden Kai	10 831 316	8.4
Veikkolainen Erkki, Member of the Board	9 388 719	7.3
Halonen Eero	7 703 011	6.0
Harju Jukka, CEO *	7 644 630	5.9
Fortel Oy	7 205 497	5.6
Mariatorp Oy	2 750 000	2.1
Vakuutusosakeyhtiö Henki-Fennia	2 732 000	2.1
Laine Seppo, Chairman of the Board **	2 220 051	1.7
Ehrnrooth Helene	2 000 000	1.5
	79 689 586	**61.6**
Others (includes nominee-registered)	49 723 104	38.4

The Board and CEO		
Juha Hulkko, Member of the Board	27 214 362	
Harju Jukka, CEO *	7 644 630	
Laine Seppo, Chairman of the Board **	2 220 051	
Simberg Staffan, Member of the Board ***	450 000	
Veikkolainen Erkki, Member of the Board	9 388 719	
Halonen Jorma, Member of the Board	21 000	
	46 938 762	**36.3**

* Including the shareholdings of company controlled by Jukka Harju.
** Including the shareholdings of a company controlled by Seppo Laine.
*** Including the shareholdings of a company controlled by Staffan Simberg.

Income Statement, Parent

	Notes	2011 1000 EUR	2010 1000 EUR
NET SALES	1, 2	**5 051**	**7 218**
Other operating income	3	796	1 407
Raw materials and services		-56	-35
Personnel expenses	4	-2 857	-4 593
Depreciation and reduction in value	5	-314	-721
Other operating expenses	6	-3 837	-5 577
OPERATING PROFIT		**-1 216**	**-2 302**
Financial income and expenses	7	420	2 356
PROFIT BEFORE EXTRAORDINARY ITEMS		**-796**	**54**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-796**	**54**
Income tax	8	-16	-3
NET PROFIT FOR THE FINANCIAL YEAR		**-813**	**51**

Balance Sheet, Parent

	Notes	2011 1000 EUR	2010 1000 EUR
ASSETS			
Non-current assets			
Intangible assets	9	186	392
Tangible assets	10	86	179
Investments	11	98 479	75 480
Non-current assets total		98 751	76 051
Current assets			
Receivables			
Non-current receivables	12	10	2 749
Current receivables	13	20 299	30 528
Receivables total		20 309	33 277
Cash and bank deposits		5 857	15 153
Current assets total		**26 166**	**48 430**
TOTAL ASSETS		**124 917**	**124 481**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholder's equity	14		
Share capital		12 941	12 941
Invested non-restricted equity fund		38 697	38 697
Retained earnings		66 597	66 547
Net profit for the year		-813	51
Shareholders' equity total		117 423	118 236
Liabilities			
Current liabilities	15	7 494	6 245
Liabilities total		7 494	6 245
Shareholders' equity and liabilities total		**124 917**	**124 481**

Cash Flow, Parent

	2011 1000 EUR	2010 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before extraordinary items	-796	54
Adjustments:		
Depreciation according to plan	314	721
Other non-cash items		300
Reduction in value in non-current assets	0	
Financial income and expenses	-420	-2 356
Cash flow before change in net working capital	-902	-1 281
Change in net working capital		
Change in interest-free short-term receivables	-226	10 427
Change in interest-free short-term payables	-719	280
Cash flow before financing activities	-1 847	9 427
Interest paid	-985	-3 021
Dividends received	0	2 700
Interest received	1 776	2 224
Income taxes paid	-16	-3
Cash flow before extraordinary items	-1 073	11 326
Net cash from operating activities	-1 073	11 326

Cash Flow, Parent

	2011 1000 EUR	2010 1000 EUR
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-14	-18
Purchase of investments	-23 000	-5 000
Proceeds from repayments of loans	3 048	2 284
Net cash used in investing activities	-19 966	-2 733
CASH FLOW FROM FINANCIAL ACTIVITIES		
Change in interest-free short-term receivables in Group	10 109	31 323
Change in interest-free short-term payables in Group	1 634	-8 184
Dividends paid	0	-25 883
Net cash used in financial activities	11 743	-2 744
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-9 296**	**5 849**
Cash and cash equivalents at beginning of period	15 153	9 304
Cash and cash equivalents at end of period	5 857	15 153
Change in cash and cash equivalents in balance sheet	-9 296	5 849

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	3–10 years
Tangible assets	3–5 years

VALUATION OF FINANCIAL SECURITIES

Financial securities are valued at fair value. The fair value of forward exchange are defined based on forward exchange prices on balance sheet date and option contracts are defined based on market prices on balance sheet date.

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.

Notes to the Financial Statements of the Parent Company

	2011 1000 EUR	2010 1000 EUR
1. NET SALES BY SEGMENTS		
Common functions	5 051	7 218
Total	**5 051**	**7 218**
2. NET SALES BY MARKET AREAS		
Europe	4 912	6 971
America	67	135
Asia	72	112
Total	**5 051**	**7 218**
3. OTHER OPERATING INCOME		
Other operating income	796	1 407
Total	**796**	**1 407**
4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel		
during the fiscal period		
Common functions	43	55
Total	**43**	**55**
Number of personnel at year end	41	50
Personnel expenses		
Management salaries	287	287
Board of directors	168	135
Other salaries and wages	1 932	3 476
Total	**2 388**	**3 898**
Pension expenses	410	569
Other social expenses	59	126
Total	**2 857**	**4 593**
5. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	27	25
Other capitalized long-term expenditures	193	563
Machinery and equipment	93	133
Total	**314**	**721**

	2011 1000 EUR	2010 1000 EUR
6. OTHER OPERATING CHARGES		
IT equipment and SW expenses	2 208	3 103
Premises expenses	315	375
Administrative services	48	553
Travel expenses	150	336
Voluntary staff expenses	172	271
Other business expenses	944	939
Total	**3 837**	**5 577**
Auditors charges		
Auditing	27	27
Tax advice	9	29
Other services	4	10
Total	**40**	**65**
7. FINANCIAL INCOME AND EXPENSES		
Income from investments		
From Group companies		2 700
From others	102	449
Total	**102**	**3 149**
Other interest and financial income		
From Group companies	586	283
From others	1 088	1 528
Total	**1 674**	**1 811**
Other interest and financial expenses		
To Group companies	-8	-12
To others	-1 348	-2 593
Total	**-1 356**	**-2 604**
Reduction in value of investement	0	
Net financial income and expenses	**420**	**2 356**
Net financial income and expenses includes exchange gains and losses	-291	-1 084
8. INCOME TAX		
Other direct taxes	-16	-3
Total	**-16**	**-3**

Notes to the Financial Statements of the Parent Company

	2011 1000 EUR	2010 1000 EUR
9. INTANGIBLE ASSETS		
Intangible rights		
Acquisition cost Jan. 1	262	252
Investments during the period	14	18
Acquisition cost Dec. 31	276	270
Accumulated depreciations Jan. 1	-74	-57
Depreciation for the period	-27	-25
Book value Dec. 31	175	187
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	1 383	4 116
Acquisition cost Dec. 31	1 383	4 116
Accumulated depreciations Jan. 1	-1 178	-3 348
Depreciation for the period	-193	-563
Book value Dec. 31	12	205
Intangible assets total		
Acquisition cost Jan. 1	1 644	4 368
Investments during the period	14	18
Acquisition cost Dec. 31	1 658	4 386
Accumulated depreciations Jan. 1	-1 252	-3 405
Depreciation for the period	-220	-588
Book value Dec. 31	186	392

	2011 1000 EUR	2010 1000 EUR
10. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost Jan. 1	387	1 933
Acquisition cost Dec. 31	387	1 933
Accumulated depreciations Jan. 1	-279	-1 692
Depreciation for the period	-93	-133
Book value Dec. 31	14	108
Other tangible assets		
Acquisition cost Jan. 1	71	71
Deduction during the period		
Acquisition cost Dec. 31	71	71
Book value Dec. 31	71	71
Tangible assets total		
Acquisition cost Jan. 1	458	2 004
Acquisition cost Dec. 31	458	2 004
Accumulated depreciations Jan. 1	-279	-1 692
Depreciation for the period	-93	-133
Book value Dec. 31	86	179
11. INVESTMENTS		
Investments in subsidiaries		
Acquisition cost Jan. 1	75 470	70 470
Investments during the period	23 000	5 000
Acquisition cost Dec. 31	98 470	75 470
Investments in other shares		
Acquisition cost Jan. 1	9	9
Disposals during the period	0	
Acquisition cost Dec. 31	9	9
Investments total		
Acquisition cost Jan. 1	75 480	70 480
Investments during the period	23 000	5 000
Acquisition cost Dec. 31	98 479	75 480
12. NON-CURRENT RECEIVABLES		
Loan receivables		
From Group companies	10	2 749
Total	**10**	**2 749**
Long-term receivables total	**10**	**2 749**

Notes to the Financial Statements of the Parent Company

	2011 1000 EUR	2010 1000 EUR
13. CURRENT RECEIVABLES		
Accounts receivable		
From Group companies	1 364	962
From others	50	3
Total	**1 414**	**965**
Loan receivables		
From Group companies	0	310
Total	**0**	**310**
Other receivables		
From Group companies	18 595	28 710
From others	53	13
Total	**18 648**	**28 723**
Prepaid expenses and accrued income		
From Group companies	6	0
From others	231	530
Total	**237**	**531**
Short-term receivables total	**20 299**	**30 528**
14. SHAREHOLDERS' EQUITY		
Share capital at the beginning of the period	12 941	12 941
Share capital at the end of the period	**12 941**	**12 941**
Share premium fund at the beginning of the period	0	64 579
Distribution of the share premium fund	0	-25 883
Decreace of the share premium fund	0	-38 697
Share premium fund at the end of the period	**0**	**0**
Invested unrestricted equity fund	38 697	0
Transfer from the share premium fund	0	38 697
Invested unrestricted equity fund at the end of the period	**38 697**	**38 697**
Retained earnings at the beginning of period	66 597	66 547
Net profit for the financial year	-813	51
Retained earnings at the end of period	**65 785**	**66 597**
Distributable earnings at the end of the period	104 482	105 294
Shareholders’ equity total	**117 423**	**118 236**

	2011 1000 EUR	2010 1000 EUR
15. CURRENT LIABILITIES		
Accounts payable		
To Group companies	8	6
To others	331	438
Total	**338**	**444**
Other short-term liabilities		
To Group companies	5 354	3 720
To others	1 036	1 286
Total	**6 391**	**5 006**
Accrued expenses and deferred income		
To Group companies		
To others	766	795
Total	**766**	**795**
Short-term liabilities total	**7 494**	**6 245**
16. SECURITIES AND CONTINGENT LIABILITIES		
On behalf of Group companies		
Guarantees	14 702	11 497
Against own liabilities		
Floating charges	5 000	
Pledges		25
Leasing liabilities		
Falling due in the next year	1 741	1 765
Falling due after one year	1 734	2 815
Rental liabilities		
Falling due in the next year	204	223
Falling due after one year		
Contractual liablities		
Falling due in the next year	2 141	2 640
Falling due after one year		68
17. NOMINAL VALUE OF CURRENCY DERIVATES		
Foreign exchange forwards		
Market value	-335	-23
Nominal value	5 500	11 000
Options		
Buyed options		
Market value	101	138
Nominal value	4 300	5 000
Sold options		
Market value	-126	-78
Nominal value	8 600	10 000

Notes to the Financial Statements of the Parent Company

	Owned by parent, %	Owned by group, %	Book value 1000 EUR
18. SHARES AND HOLDINGS			
Subsidiaries	100.00	100.00	0
EB Wireless UK Ltd.	100.00	100.00	58 749
Elektrobit Technologies Oy	100.00	100.00	39 721
Elektrobit Automotive GmbH			
Other holdings by Parent			
Oulun Golf Oy			8
Oulu ICT Oy			1

Proposal by the Board of Directors on the Use of the Profit Shown on the Balance Sheet and the Payment of Dividend

According to the parent company's balance sheet at December 31, 2011, the distributable assets of the parent company are EUR 104,481,807.25 of which the profit of the financial year is EUR 812,533.81.

The Board of Directors proposes to the General Meeting to be held on March 26, 2012, that no dividend shall be paid.

Oulu, February 15, 2012

Seppo Laine
Chairman of the Board

Jorma Halonen
Member of the Board

Juha Hulkko
Member of the Board

Staffan Simberg
Member of the Board

Erkki Veikkolainen
Member of the Board

Jukka Harju
CEO

The Auditor's Note

Our Auditors Report has been issued today.

Oulu, February 15, 2012

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Auditor's report

TO THE ANNUAL GENERAL MEETING OF ELEKTROBIT OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elektrobit Oyj for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Oulu, February 15, 2012

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

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