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ANNUAL REPORT

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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.



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EB in 2010

2010 in Brief

EB'S NET SALES FOR 2010 GREW FROM THE PREVIOUS YEAR DUE TO STRONG GROWTH IN THE AUTOMOTIVE BUSINESS SEGMENT, OPERATING LOSS WAS SIGNIFICANT DUE TO IMPAIRMENT OF ACCOUNTS RECEIVABLES AND RESTRUCTURING COSTS IN THE WIRELESS BUSINESS SEGMENT

Net sales for 2010 increased by 5.2 per cent to EUR 161.8 million (EUR 153.8 million in 2009). Operating loss totaled to EUR -17.3 million (EUR -1.4 million in 2009). Operating result was impacted by non-recurring costs and impairments of EUR 12.7 million during the second half of the year. Excluding non-recurring items operating loss amounted to EUR -4.6 million (EUR 0.5 million in 2009). TerreStar Networks Inc., a significant customer of EB, filed for reorganization in the United States, which led to a decreased business level in the Wireless Business Segment during the second half of the year. Due to the risk of losing accounts receivables, EB booked an impairment of accounts receivables during the third quarter of the year.

The Automotive Business Segment's net sales increased by 30.2 per cent compared to the previous year and totaled to EUR 80.1 million (EUR 61.5 million in 2009). Operating profit was EUR 1.9 million (EUR -3.8 million in 2009).

The Wireless Business Segment's net sales decreased by 11.7 per cent compared to the previous year and totaled to EUR 80.9 million (EUR 91.6 million in 2009). Operating loss was EUR -19.3 million (EUR 1.0 million in 2009). Operating loss excluding non-recurring costs and impairments amounted to EUR -7.0 million (EUR 2.6 million in 2009).

The total R&D investments during 2010 were EUR 21.6 million (EUR 14.7 million in 2009), representing 13.3 per cent of net sales (9.6 per cent in 2009).

MAIN EVENTS DURING 2010

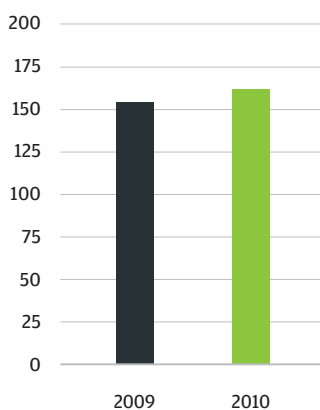
The main objective for EB in 2010 was to continue the clear profitability improvement started the previous year. During the first half of the year the financial performance improved as planned but during the second half of the year the operating profit was strongly negative due to the challenges in the satellite terminal business in the Wireless Business Segment. In the Automotive Business Segment the market recovered from the downturn in 2009 and the sales increased considerably. The Automotive Business Segment's operating profit improved from last year and it was positive.

In June EB started personnel negotiations to adjust its cost level in the second half of 2010 to correspond its temporarily decreased order volumes. The negotiations concerned employees working in Elektrobit Wireless Communications Ltd. and Elektrobit Corporation in Finland. After the conclusion of the negotiations EB announced to dismiss and temporarily dismiss 100 employees in July-August full or part-time for a maximum of 90 days.

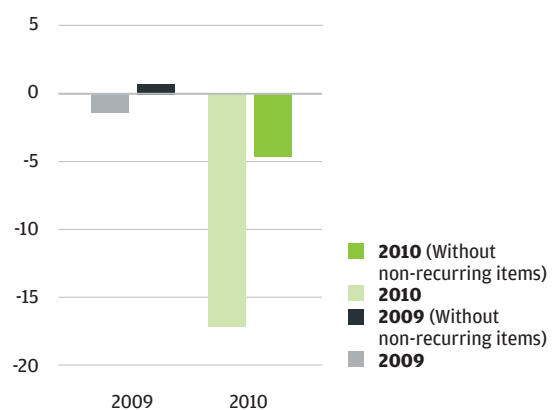
In August the Finnish National Board of Patents and Registration gave its consent for the distribution and decrease of the share premium fund of Elektrobit Corporation according to the proposal approved by the Annual General Meeting on March 25, 2010. The shareholders were distributed EUR 0.20 per share from the share premium fund, EUR 25,882,538.00 in total, and EUR 38,696,853.50 remaining in the share premium fund after the distribution was transferred to the invested unrestricted equity fund of the company.

In October EB announced that a customer of EB's subsidiary Elektrobit Inc., TerreStar Networks Inc., filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in order to strengthen their financial position. EB booked an impairment of accounts receivables of EUR 8.3 million due to risk related to losing accounts receivables. EB also informed to start personnel negotiations to improve its profitability and to adjust the number of personnel to the lower sales volumes.

Net sales 2009 and 2010 (MEUR)



Operating result development 2009 and 2010 (MEUR)



EB appointed Hannu Huttunen (M. Econ.) as President of Wireless Business Segment and Managing Director of Elektrobot Technologies Ltd effective November 1, 2010. The position was new. EB's Wireless Business Segment includes the Wireless Solutions and Wireless Communications Tools businesses.

In November EB's subsidiary Elektrobot Inc. initiated legal proceedings against its customer TerreStar Corporation in the Supreme Court of the State of New York seeking payment of its outstanding receivables in the amount of approximately USD 25.8 million from TerreStar Networks Inc. The claim is partly based on a guarantee issued by TerreStar Corporation for EB's accounts receivables from TerreStar Networks and partly based on TerreStar Corporation's direct contractual obligations towards EB.

In December EB concluded the personnel negotiations started in October with its personnel in Elektrobot Wireless Communications Ltd and Elektrobot Corporation. As the result of the negotiations EB dismissed 60 employees and temporarily dismissed 85 employees in Wireless Solutions Business and EB corporate functions based on financial and production-related reasons. The temporary dismissals were going to be indefinite but estimated to remain in force until August 1, 2011. Based on the current understanding the dismissals will not be executed in full in order to secure resourcing for the received project orders.

In December EB announced that the employment of Jarkko Sairanen (MSc.(Eng), MBA), the President of the Automotive Business Segment and Managing Director of Elektrobot Automotive GmbH, will end on March 31, 2011.

Purpose and Vision

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

The Vision of the company is that EB is the innovation partner for its customers by offering value creating solutions in the selected automotive and wireless industry environments.

Strategic Guidelines

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. Our main customers include leading car manufacturers, car electronics suppliers and chipset 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 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, 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, satellite and mobile phone network operators, defence and security industry and authorities 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 its partnerships and identify M&A opportunities that will increase the company's competitiveness and broaden the market opportunities.

Business Segments

Automotive Segment

Automotive Software Business

Wireless Segment

Wireless Solutions Business

Wireless Communications Tools Business

EB in 2010

Consolidated Statement of Comprehensive Income (MEUR)

	1-12/2010 12 months	1-12/2009 12 months
Net sales	161.8	153.8
Other operating income	2.4	4.0
Change in work in progress and finished goods	-0.2	-0.9
Work performed by the undertaking for its own purpose and capitalized	0.2	0.4
Raw materials	-15.4	-8.3
Personnel expenses	-97.7	-90.9
Depreciation	-8.5	-9.7
Other operating expenses	-59.8	-49.8
Operating profit (loss)	-17.3	-1.4
Financial income and expenses	-1.3	-0.6
Result before taxes	-18.6	-2.0
Income taxes	2.9	-1.3
Result for the period from continuing operations	-15.7	-3.3
Result after taxes for the period from discontinued operations		1.3
Result for the period	-15.7	-2.0
Other comprehensive income:		
Exchange differences on translating foreign operations	0.8	-0.3
Other comprehensive income for the period total	0.8	-0.3
Total comprehensive income for the period	-14.9	-2.4
Result for the period attributable to		
Equity holders of the parent	-16.1	-2.2
Non-controlling interests	0.5	0.2
Total comprehensive income attributable to		
Equity holders of the parent	-15.4	-2.5
Non-controlling interests	0.5	0.2
Earnings per share EUR continuing operations		
Basic earnings per share	-0.12	-0.03
Diluted earnings per share	-0.12	-0.03
Earnings per share EUR discontinued operations		
Basic earnings per share		0.01
Diluted earnings per share		0.01
Earnings per share EUR continuing and discontinued operations		
Basic earnings per share	-0.12	-0.02
Diluted earnings per share	-0.12	-0.02
Net gearing, %		
	-10.2%	-37.6%
Equity ratio, %		
	62.6%	71.5%

CEO's Review

The main objective in 2010 was to continue the clear profitability improvement started the previous year. During the first half of the year the financial performance improved as planned but during the second half of the year the operating profit was strongly negative due to the challenges in the satellite terminal business in the Wireless Business Segment. TerreStar Networks Inc., a significant customer of EB, filed for reorganization in the United States, which led to a decreased business level in the Wireless Business Segment during the second half of the year. Due to the risk of losing accounts receivables, EB booked an impairment of accounts receivables during the third quarter of the year. The amount of personnel was adjusted to correspond to the lower sales volumes and sales outlook at the end of the year.

In the Automotive Business Segment the market recovered from the downturn in 2009 and the business developed according to our plans in 2010. The Business Segment's net sales increased considerably. Operating profit improved from last year and it was positive. EB launched several customized Infotainment projects including factory-installed EB street director navigation solutions, in which part of EB's net sales after the R&D stage is dependent on car delivery volumes during several years. We continued significant R&D investments in our software products. Growing use of software product business model is one of our strategic tools to support the growth and positive profitability development in the future. We took steps to broaden our business scope into Driver Assistance applications, The development of Infotainment Software Suite, Volkswagen Group's next generation high-end infotainment platform, proceeded as planned by e.solutions (EB and Audi Joint Venture).

In the Wireless Business Segment EB's financial performance was very weak. EB-designed GENUS smartphone for TerreStar became available in the market in September and we began the deliveries of the phone, but the filing for reorganization of the customer in the United States led to a significant operating loss and a decreased business level. EB continues the

efforts to collect the accounts receivables, and this will need special attention also during 2011. We expanded our radio channel emulator offering with new features and the sales of the radio channel test tools increased from the previous year. EB's business with Defence & Security customers developed well. EB continued to strengthen its competence development in Open Source Software area.

We increased R&D investments clearly from last year, and the biggest investment areas were EB street director navigation software, EB GUIDE user interface development tools and EB tresos ECU AUTOSAR software components in the Automotive Business Segment, and EB Proprietary F8 radio channel emulators in the Wireless Business Segment. We launched a new Tough VoIP product portfolio for the Defence sector.

The objective for 2011 is a positive operating profit and profitability development.

I want to express my appreciation to our personnel for their strong input for both EB and our customers during 2010. Our employees have shown flexibility and commitment even during challenging times. I would also like to thank our customers for their continuing trust on EB, and on our products and services.

Jukka Harju
CEO



"Growing use of software product business model is one of our strategic tools to support the growth and positive profitability development in the future in the Automotive Business Segment. "

Business Segments and Market Outlook

EB's reporting is based on two Business Segments; the Automotive and Wireless Business Segments.

Automotive Business Segment in 2010

The Automotive Business Segment's product offering consists of in-car software products, navigation software for after market 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.

Net sales of the Automotive Business Segment amounted to EUR 80.1 (EUR 61.5 million in 2009), representing a growth of 30.2% from last year. Operating profit was EUR 1.9 million (EUR -3.8 million). The profitability improvement year-on-year was mainly attributable to the market recovery resulting in increased net sales and solid overall market demand for EB's software products, services and solutions based on own automotive grade software products adapted and integrated to the customer specific requirements.

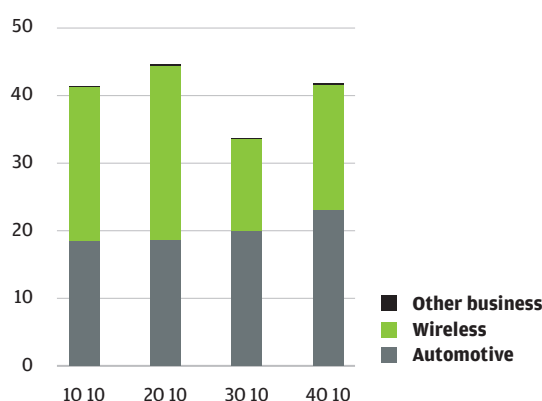
EB's Automotive Software products currently include:

- EB street director navigation software for automotive-grade navigation systems, Personal Navigation Devices (PND) and other mobile devices,
- EB GUIDE product line of HMI (Human Machine Interface) design tools and runtime frameworks,
- EB tresos® AUTOSAR (Automotive Open System Architecture) software components used in automotive electronic control units (ECU) and tools for their configuration and testing,
- High performance network communications protocol standards and solutions for automotive electronics including FlexRay™, CAN (Controller Area Network) and LIN (Local Interconnect Network) solutions, and
- EB Assist ADF, a development environment that significantly accelerates the software development process of driver assistance systems. The software functions can be evaluated and validated in near-real time.

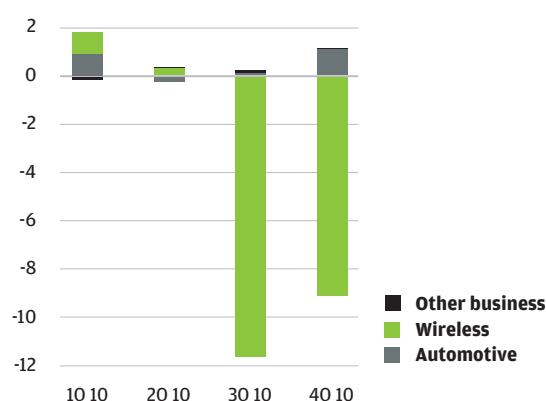
Some product and partnership announcements of the business year include:

- In January EB announced it is working with Ford Motor Company in providing phone application developers secure access to the in-car infotainment system Ford SYNC. The AppLink™ application programming interface (API) significantly helps the developers to create new applications for the vehicle.
- In March EB and dSPACE announced the harmonization of their AUTOSAR tools in order to offer a coordinated tool chain for developers of automotive electronic control unit (ECU) software.
- In June EB announced in an Automotive Industry Conference in Germany that EB will bring to the market the Infotainment Software Suite developed by e.solutions (an EB and Audi Joint Venture) as a pre-integrated, cost-efficient, and highly customizable software solution to its customers. Volkswagen Group had earlier announced that they will use the Infotainment Software Suite as their next generation high-end infotainment platform.

Net sales (MEUR) by Business Segments quarterly 2010



Operating result (MEUR) by Business Segments quarterly in 2010



- In July EB announced having developed a multicore reference implementation in collaboration with Infineon Technologies AG. A basic software core is now available that enables scalable software solutions according to the recommendations of the German manufacturer software initiative (Hersteller Initiative Software, HIS).
- In September EB announced that it provides both navigation software and speech dialog software for the standard control and display unit of the new Audi A1. The navigation software is based on the navigation solution EB street director. Audi integrated a speech dialog system using the Speech Target Framework (STF) of EB GUIDE, the software tool for HMI development and speech dialog design tools for user interface design and speech.
- In December EB launched a new version of its integrated HMI development environment EB GUIDE 5.0. It offers significant improvements to enhance development of advanced graphical elements and offers growth potential in the future in the market of fully configurable cluster instruments.

AUTOMOTIVE MARKET OUTLOOK

The majority of the innovation and differentiation in the automotive industry is brought about by software and electronics. The share of electronics and software in cars has grown significantly during the past years. It is expected that the use of software in automotives continues to increase. The estimated annual automotive software market long-term growth rate in passenger cars is some 15% (Frost & Sullivan). The underlying world automotive market is also expected to grow steadily with a yearly rate of about 6% between 2010 and 2015 (CSM).

The increasingly sophisticated and networked features and growing performance increase the complexity of automotive electronics. The increasing complexity is driving the industry towards gradual separation of software and hardware in the electronics solutions. It is necessary for managing the architectural software layer appropriately and 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 of productized and efficient software solutions EB is offering.

EB's net sales cumulating from the automotive industry are 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 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 2010

The Wireless Business Segment comprises the following businesses:

- Wireless Solutions provides customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies.

- Wireless Communications Tools provides test tools for measuring, modeling and emulating radio channel environments.

Net sales of the Wireless Business Segment amounted to EUR 80.9 million (EUR 91.6 million in 2009), representing a decline of 11.7 per cent. Operating loss was EUR -19.3 million (EUR 1.0 million). The decline was mostly attributable to the filing for reorganization of a significant customer and hence resulting impairment of accounts receivables, lower sales volumes, and restructuring costs. The sales of radio channel emulators and related services increased compared to the previous year. Excluding the non-recurring costs and impairments the operating loss of the Wireless Business Segment was EUR -7.0 million (EUR -2.6 million).

WIRELESS SOLUTIONS

Wireless Solutions provides customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies. EB has unique competences in both mobile devices and infrastructure.

The customers of Wireless Solutions include wireless device and infrastructure OEM's, mobile and satellite operators, defence and security industry and authorities, and semiconductor vendors.

Wireless Solutions integrates own and 3rd party technology assets into customized solutions, creating new revenue opportunities for its customers.

Product and partnership announcements of the business year include:

- In January EB joined the OS (Operating System) independent Qt Partner Program. EB creates value to the Qt community by offering consulting services, software, OS and hardware platform adaptation and complete product solutions.

Business Segments and Market Outlook

- In March EB announced to strengthen its capabilities in the emerging Open Source technologies such as MeeGo and Android complementing its already strong competencies in Symbian and Windows Mobile. The use of open source platforms and ecosystems was estimated to grow within the device ecosystem.
- In June EB introduced two new VoIP terminals, EB Tough VoIP Field Phone and Desktop Phone, as part of the EB Tough VoIP product portfolio. These ruggedged products increased the ability of militaries to communicate and bring broadband data connectivity to the field, vehicles, and command posts.
- In September EB-designed TerreStar Genus smartphone became available in the USA via AT&T. Combining the power of wireless connectivity with all-IP satellite network, the device offers users the ability to access voice and data coverage anywhere in the US and its offshore coastal waters.
- In October EB announced the EB Tough VoIP Power over Ethernet (PoE) Injector for military communications equipment. PoE is a flexible option for providing both secure data connections and the required power supply needed to perform tactical military communication over a single Ethernet cable.

- In November EB's customer Datame Oy launched Finland's first 4G network based on WiMAX (Worldwide Interoperatory for Microwave Access) technology only eleven months after the decision to start the project. EB's role was crucial in the selection process of both technology and vendor, and in commercial modeling of traffic in the network. EB and Datame analysed together the end-user devices and defined the content related services.

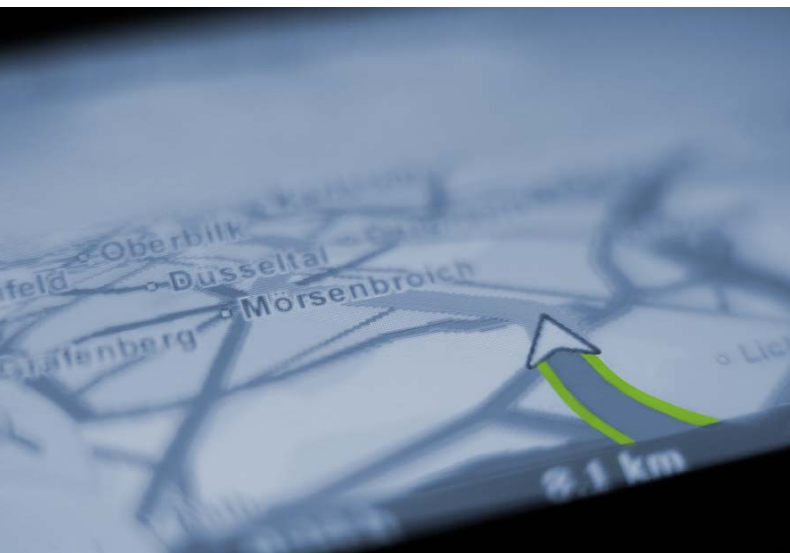
The business situation in the Wireless Business Segment became very challenging since May 2010. In order to adapt the organization to the situation personnel negotiations took place starting June 1. The negotiations led to a temporary dismissal of approximately 100 employees in Finland for a maximum of 90 days on June 22. Second negotiations were announced on October 28, and resulted into a dismissal of 60 employees and to a temporarily dismissal of 85 employees in December. Based on current understanding the temporary dismissals will not be executed in full in order to secure resourcing for the received project orders.

WIRELESS COMMUNICATIONS TOOLS

Wireless Communications Tools provides test tools for measuring, modeling and emulating radio channel environments. EB PropSim radio channel emulator product family provides realistic and repeatable fading and interference test conditions for physical layer testing. The test labs of leading players in the wireless, defense and aerospace industries' R&D, research and testing laboratories are equipped with EB wireless communications tools and solutions.

Product launches of the business year include:

- In February EB launched the industry's first commercially available Multiple-Input-Multiple-Output (MIMO) Over-the-Air (OTA) emulator to increase the performance and data rate of MIMO mobile terminals.
- In July EB announced the availability of EB PropSim F8 Aerospace and Satellite channel emulation Option (ASO) for the aerospace and defence markets. The ASO emulator is designed specifically for the creation of realistic radio channel models for airborne or space radio communications, including avionics as well as missile, satellite and space communications. The wireless connection can be tested in laboratory settings at a fraction of the field testing cost.



- EB continued its investments in radio channel emulators and introduced more powerful EB Prosim F8 radio channel emulator. EB announced a new affordable baseline hardware configuration of EB Prosim F8 in November.

WIRELESS MARKET OUTLOOK

The growth of demand for smartphones and transitions in the related software architectures and platforms are expected to continue during 2011. In the mobile infrastructure market the use of LTE standard, which improves the performance of radio channel and mobile phone networks, is expected to continue to gain strength. EB's business driven by LTE is expected to increase. Mastering of multi-radio 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 a wide spectrum of bandwidth needed are creating opportunities for EB.

The mobile satellite communication service industry is introducing new data and mobile communication services with new operators being formed and traditional ones upgrading their solutions and offerings. The Satellite Terrestrial and Mobile Satellite Services (MMS) market demand is expected to move from the current reference design phase towards the launch of commercial products and services during the next few years. The filing for reorganization of TerreStar Networks Inc. has delayed and brought uncertainties to the development of demand of the satellite terrestrial "Genus" terminal. Potential implications due to the filing for reorganization to the business relations between the two parties cannot be currently evaluated in a precise manner but based on the current understanding the total business volume between the two parties will not be significant in the near future.

The market for communications, interference and intelligence solutions targeted for public authorities is estimated to remain stable. The systems used by authorities are expected to be based on commercial technology in the future. EB's competence on commercial technologies and mastering the radio channel and software radio solutions are creating opportunities for EB.

The R&D services market for wireless communications continues to be challenging and the continuing price pressure drives increasing off-shoring in the industry. However, OEMs are expected to increase their R&D flexibility that can create new partnering opportunities for EB. New open software architectures and platforms are creating opportunities for companies such as EB with strong integration capabilities.

The performance of radio channel is going to increase quickly when introducing new LTE-technologies. This will create demand for advanced development tools during the next few years. EB provides world leading channel emulation tools for the development of MIMO based LTE, LTE-Advanced and other advanced radio technologies.



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.

Personnel

General

EB employed 1,539 people at the end of 2010. EB has employees in Austria, Japan, China, Finland, France, Germany, and the United States. The average age of the personnel is 36. Design engineers constitute the most significant proportion of the personnel. The number of employees grew in Germany following the growth of the Automotive business, and the number of employees decreased in Finland.

Challenging Business Situation Led to Personnel Negotiations in the Wireless Business Segment and EB Corporate Functions

The business situation in the Wireless Business Segment became very challenging since May 2010. In order to adjust to the situation personnel negotiations took place starting June 1. These negotiations led to a temporary dismissal of approximately 100 employees in Finland for a maximum of 90 days on June 22. Second negotiations were announced on October 28, and resulted into a dismissal of 60 employees and to a temporarily dismissal of 85 employees in December. Both negotiations were conducted in an atmosphere of good co-operation as employees and their representatives understood the difficult business situation.

Well Working Processes Form the Basis for EB's Personnel Development

EB is known for its competences in its focus technologies and for its unique development and product integration capabilities. Therefore a continuous development of expertise is important for future success. This includes systematic development of key expertise, offering new and inspiring challenges to experts and encouraging them to solve different technological challenges by working together. This is supported by an atmosphere which inspires creativity and by modern tools and processes.

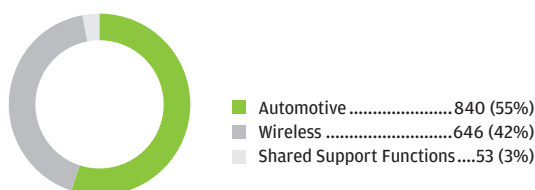
In 2010 EB continued the systematic process development work started earlier. EB believes that processes improve efficiency and increase employees' job satisfaction. During 2010 EB increased the use of Agile techniques in project management and software development. Scrum project management method is one of the Agile techniques. The number of certified Scrum masters and Product Owners increased to approximately 90 by the end of 2010. These competencies were practiced in all the continents in practical projects. The first ideas of Lean and Agile concepts were also piloted. Lean concept concentrates on transparency of projects. Project management competence development was addressed in order to succeed in practical project execution. By using these techniques EB aims to increase customer satisfaction and project quality and to decrease costs through faster project execution.

During 2010 a new competence management method for personnel was piloted in the Automotive Business Segment. In the first phase it is applied to employees working with ECU (Electronic Control Unit) area. The target is to fully satisfy the demanding customer requirements in safety critical applications. In the next phase the method is planned to be applied to other employees.

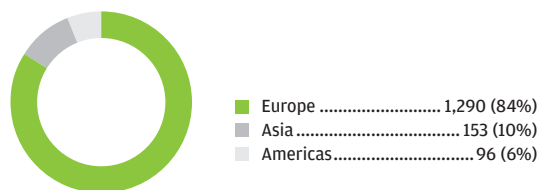
Performance Management

Clear processes are also essential at EB in setting goals, as well as in developing and rewarding the personnel enabling the systematic monitoring and future development of the functions. When setting objectives at EB, each person's individual goals are linked to the company's objectives. Working towards a common goal increases efficiency and strengthens the employees' commitment. In addition to goal-oriented working, it is important that goals are documented and monitored regularly and that persons receive feedback about their performance. In 2010 EB's performance management process was developed with particular focus on the quality of targets and in process streamlining.

Personnel according to Business Segments Dec. 31, 2010



Personnel at market areas Dec. 31, 2010



In addition to setting objectives, EB's performance management process emphasized the planning of personal development areas so that they are in line with EB's overall development goals. This planning is done by supervisor and employee together. EB believes, that it is important for both to be jointly involved in planning an employee's individual competence development.

The working atmosphere is monitored annually through the EB Spirit personnel survey. The results improved in the Automotive Business Segment and joint Support Functions, and remained in the same level than the previous year in the Wireless Business Segment. The 2010 survey indicated that overall work motivation at EB is still in line with other ICT companies. The willingness to solve customer problems is higher compared to the other companies. (Source: Promenade Research Oy).

Rewarding

The main principle of the EB reward programs is that they follow the strategy and the most important business objectives. The evaluation period for the Short Term Incentive program usually covers six months. The emphasis is in financial targets and in current situation in reaching the operating profit targets. About 280 persons mainly in managerial positions are included in the Short Term Incentive program.

The current Long Term Incentive program is based on the option program for the EB's key personnel, which was approved by the shareholders' general meeting in March 2008. According to the program rules the 2nd series of options (Option Rights 2008B) were allocated to EB's key persons. About 1,282,000 options out of the maximum 1,400,000 were allocated. The option rights are intended to form part of the key personnel's incentive and commitment system.

EB's Core Competences

Core competence refers to the deep knowledge which has been accumulated at EB and enables success in business operations. Core competence includes the competence accumulated within the company, and the knowledge and skills of individuals. It is important for competences that personnel are able to cooperate and create networks internally and externally.

EB's core competence areas are:

- Automotive software
- Wireless systems
- Systems architecture and solutions.

Corporate Governance Statement

Reporting Period 1.1.2010–31.12.2010

Introduction

The governance of Elektrobitt 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's Corporate Governance Code follows to the extent applicable the Finnish Corporate Governance Code 2010 prepared by the Finnish Securities Market Association ("Finnish Governance Code"). The Company has, however, departed from certain individual recommendations of the Finnish Governance Code. These departures are concerning the number of the Audit and Financial Committee members and their independence as explained in further detail below. The members of the Audit and Financial Committee have been Staffan Simberg (chairman of the committee) and Seppo Laine, Authorised Public Accountant. Taking into consideration the composition and the number of Board members in 2010 and the financial expertise held in particular by Seppo Laine, it has been resolved to deviate from the recommendation concerning a minimum of three committee members and on the other hand from the independence recommendation for committee members by the Finnish Governance Code.

This Corporate Governance Statement has been made according to recommendation 51 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 governing bodies, such as the Corporate Executive Board, support the statutory governing bodies. The Company's domicile is Oulu.

The Company's Corporate Governance Code and this Corporate Governance Statement are publicly available at the Company's website at www.elektrobitt.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 25, 2010 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 25, 2010. The Board had the same composition already from the beginning of the year 2010 until the Annual General Meeting with the exception that Juha Hulkko was the Chairman of the Board from January 1, 2010 to March 25, 2010.

In addition, the Board of Directors decided in its assembly meeting held on March 25, 2010 that Staffan Simberg (Chairman of the Committee) and Seppo Laine shall continue as members of the Audit and Finance 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 25, 2010 Jorma Halonen, Staffan Simberg and Erkki Veikkolainen were considered independent members of the Board whereas Juha Hulkko and Seppo Laine were not considered independent of immediate company interests due to major ownership in the company or participation in the company management during the previous three years prior to the Annual General Meeting of 2010.



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

Elektrobit Corporation, Member of the Board 2008-, Member of the Audit and Financial Committee 2010-, Chairman of the Audit and Financial Committee 2009-2010 and Member of Automotive- and Wireless Committee 2009-2010. Chairman of the Board, Condia Oy, Member of the Board, Oulu ICT Oyj, Cor Group Oy, Paikallis-Sähkö Oy and Taxpayers Association of Finland. 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.

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)

Elektrobit Corporation, Member of the Board of Directors 2009- and Chairman of the Automotive Committee 2009-2010. 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-. Niscayah Group Ab, Chairman of the Board of Directors 2008-. Semcon Ab, Member of the Board of Directors 2008-. National Industrial Cluster Development Program, Riyadh, Member of the Board of Directors 2008-. 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.

Holds 21,000 shares in Elektrobit Corporation.

JUHA HULKKO

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

Elektrobit Corporation, Member of the Board 2006-, Chairman of the Board 2002-2005 and 2008-2010 and Member of the Audit and Financial Committee 2008-2009. Gamga Oy, Chairman of the Board. CWC (Centre for Wireless Communications) -research institute, Chairman of the Steering Committee. 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.

Holds 27,214,362 shares in Elektrobit Corporation.

STAFFAN SIMBERG

b. 1949, MBA

Elektrobit Corporation, Member of the Board 2008- and Chairman of the Audit and Financial Committee 2010-, Member of the Audit and Financial Committee 2009-2010. Business Consultant, Simberg & Partners AB, Chairman of the Board 1994-. NEZ-Invest AB, Chairman of the Board. Karnell, investment advisor 2009-. Landis & Gyr AG, Member of the Advisory Board 2007-. 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.

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

ERKKI VEIKKOLAINEN

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

Elektrobit Corporation, Member of the Board 2008- and Chairman of the Wireless Committee 2009-2010. MEVi Invest Oy, CEO. Member of the Board in Technopolis Plc., Aplicom Oy, Elcoflex (Suzhou) Co. Ltd, Maustaja Oy, Mecanova Oy and Mevita Invest Oy. 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. Elcoflex Oy, Chairman of the Board.

Holds 9,388,719 shares in Elektrobit Corporation.

Corporate Governance Statement

Reporting Period 1.1.2010–31.12.2010

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 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 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 board meetings. The agendas are prepared by the CEO and the Chief Legal Officer.

In 2010, the Board convened 24 times. The Board members attended to the meetings as follows:

1.1.-31.12.2010	Board	Audit and Finance Committee
Seppo Laine	24/24	4/4
Jorma Halonen	22/24	
Juha Hulkko	23/24	
Staffan Simberg	24/24	4/4
Erkki Veikkolainen	24/24	

The most important subject during the year was profitability improvement, transition to a segment based management system and in particular during the second half of the year evaluating potential profit and balance sheet implications due to reorganization process of group's significant customer, TerreStar Networks Inc, as well as evaluating and planning related actions.

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 Directors 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;
- 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, Authorised Public Accountant. Taking into consideration the current composition and the number of Board members and the financial expertise held in particular by Seppo Laine, it has been resolved to depart from the recommendation concerning a minimum of three committee members and on the other hand from the independence recommendation for committee members by the Finnish Governance Code.

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 2010, the Audit and Financial Committee convened 4 times to ordinary meetings and held few teleconferences to review current matters. In addition to the focus areas specified above, most important subjects during 2010 were accrual principles for significant customer projects; financial forecasts and related risks and potential implications on profit and financial position; business models and related risk management; changes in the group structure and financial reporting in a new segment based management model. During the latter half of the year the Committee's focus was on evaluating potential profit and balance sheet implications due to reorganization process of TerreStar Networks Inc. The Committee has actively participated on evaluating debt collecting and other related actions proposed by the operative management.

During 2011 the Committee's focus areas are functionality of risk management processes; renewal of internal control operating model and focusing internal control measures to business segments as well as enhancing financial reporting on a segment based management model.



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.

Corporate Governance Statement

Reporting Period 1.1.2010–31.12.2010

CHIEF EXECUTIVE OFFICER

Jukka Harju, Chief Executive Officer, 4 June 2009–

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

JUKKA HARJU
Chief Executive Officer

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

Holds 7,776,064 shares in Elektrobitt Corporation (includes shareholdings of Harju's related persons and corporations controlled by Harju).

OTHER MANAGEMENT OF THE COMPANY

Corporate Management Board

The Corporate Management Board supports the CEO in his tasks and consists of the CEO, the CFO and the Chief Legal Officer of the Group. The CEO acts as the Chairman of the Corporate Management Board. The Corporate Management Board 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. The Corporate Management Board convenes once a month.



Veli-Pekka Paloranta

JUKKA HARJU
Chief Executive Officer

VELI-PEKKA PALORANTA
Chief Financial Officer

b. 1972, M.Sc. (Econ.). Elektrobitt Corporation, member of the Corporate Executive Board 2010-. Elektrobitt Corporation, Director, Finance 2008-2010. JOT Automation Oy, Financial Director 2007-2008. Elektrobitt Group Oyj, Business Controller 2000-2007.

Holds 1,200 shares, 10,000 stock options 2008A and 40,000 stock options 2008B in Elektrobitt Corporation.

PÄIVI TIMONEN
Chief Legal Officer

b. 1970, LL.M., trained on the bench. Elektrobitt Corporation, Member of the Corporate Executive Board 2002-. Roschier Holmberg Oy, Lawyer 1998-2002.

Holds 11,800 shares in Elektrobitt Corporation, 24,000 stock options 2005A, 45,000 stock options 2008A and 40,000 stock options 2008B.

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 Managing Directors 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 Board member of the Company. In addition, one external expert member is intended to be elected to each Segment Board later on. Operative business decisions are made in each business segment.



Päivi Timonen

WIRELESS BUSINESS SEGMENT

Wireless business segment comprises the following businesses:

- Wireless Solutions provides customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies.
- Wireless Communications Tools provides test tools for measuring, modeling and emulating radio channel environments.

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) 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

Member
ERKKI VEIKKOLAINEN

b. 1952, M.Sc. (EE), eMBA. Elektrobit Corporation, Member of the Board 2008- and Chairman of the Wireless Committee 2009-. MEVita Invest Oy, CEO. Member of the Board in Technopolis Plc., Aplicom Oy, Elcoflex (Suzhou) Co. Ltd, Maustaja Oy, Mecanova Oy and Mevita Invest Oy. 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. Elcoflex Oy, Chairman of the Board.

Holds 9,388,719 shares in Elektrobit Corporation.



Hannu Huttunen

ELEKTROBIT TECHNOLOGIES LTD

Managing Director

HANNU HUTTUNEN
President, Wireless Business Segment

s. 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.

AUTOMOTIVE SEGMENT

The Automotive Business Segment consists of in-car software products, navigation software for after market 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. 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) and Seppo Laine. The CEO of Elektrobit Automotive GmbH is Jarkko Sairanen.



Jarkko Sairanen

ELEKTROBIT AUTOMOTIVE GMBH

Management Board *

Chairman of the Management Board
JUKKA HARJU
Chief Executive Officer

Member
SEPPO LAINE

b. 1953, Authorized Public Accountant. Elektrobit Corporation, Member of the Board 2008-, Member of the Audit and Financial Committee 2010-, Chairman of the Audit and Financial Committee 2009-2010 and Member of Automotive- and Wireless Committee 2009-2010. Chairman of the Board, Condia Oy, Member of the Board, Oulu ICT Oyj, Cor Group Oy and Taxpayers Association of Finland. 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.

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

ELEKTROBIT AUTOMOTIVE GMBH

Managing Director

JARKKO SAIRANEN
President, Automotive Business Segment

b. 1963, M.Sc. (Eng.), MBA. Elektrobit Corporation, member of the Corporate Executive Board 2007-. Nokia Oyj, Vice President, Corporate Strategy 2006-2007, Vice President, Strategy & Planning, Technology Platforms 2004-2006 and Vice President, Insight & Foresight, Nokia Ventures Organization 2001-2004. Boston Consulting Group, Vice President 1999-2001.

Does not hold shares, but holds 200,000 stock options 2005B, 77,500 stock options 2008A and 60,000 stock options 2008B in Elektrobit Corporation.

* Organ based on the articles of a sociation of Elektrobit Automotive GmbH.

Corporate Governance Statement

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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 biannual planning the CEO of the Company and Managing Directors 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 shall 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.

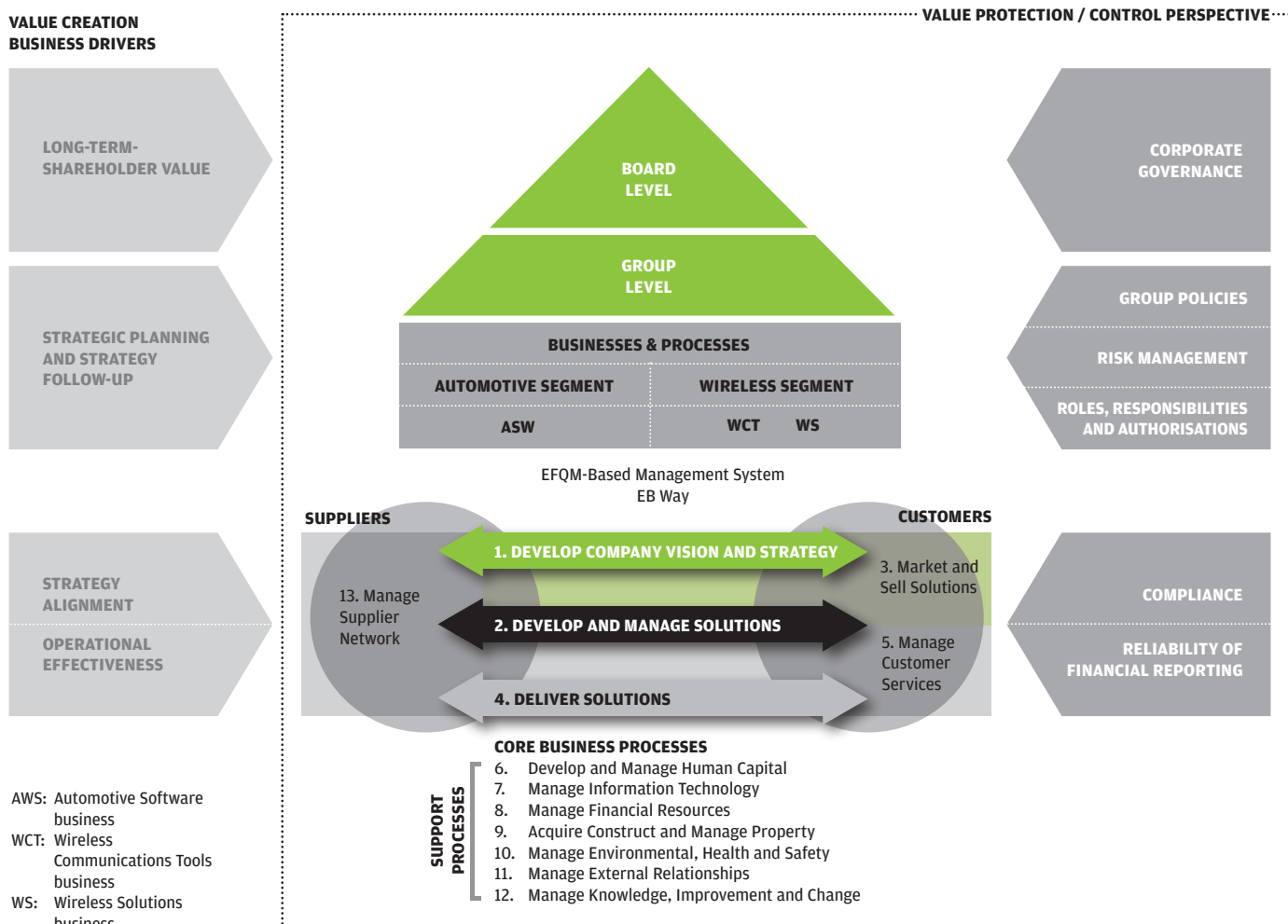
GENERAL DESCRIPTION OF INTERNAL CONTROL AND OPERATIONAL PROCEDURES

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



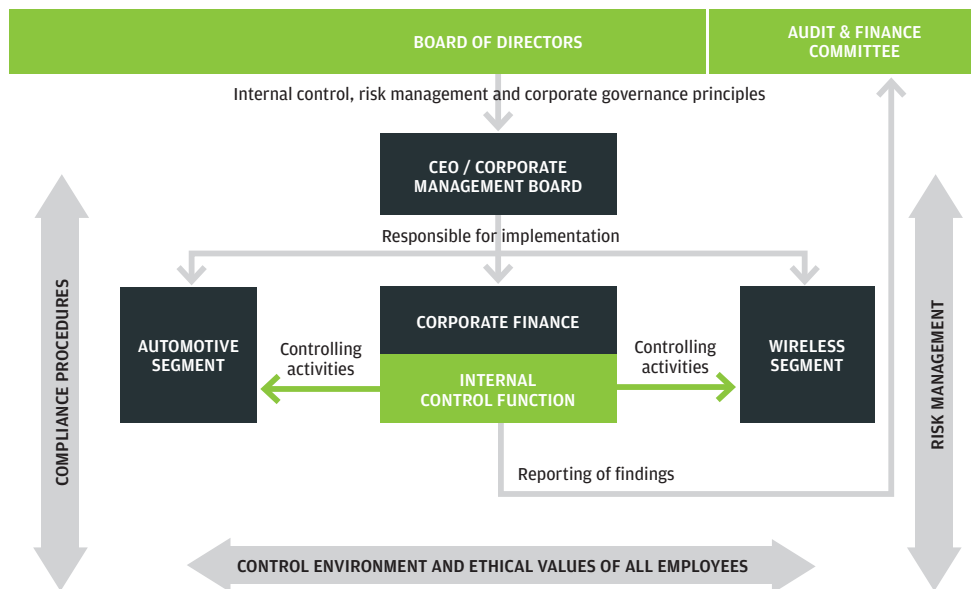
Governance and Internal Control Framework.

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, internal control 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 organisational levels including control activities tailored for each process 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 1.1.2010–31.12.2010



Key areas of the EB internal control framework in 2010.

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 organisation, 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 organising the accounting, money transactions and other daily financial operations of the companies belonging to the segment as well as organising the internal reporting that supports the segments' business. The financial management of the business segment controls and supervises the operation of the financial administration organisations of the segment companies, and it reports primarily to the Managing Director of the business segment but matrix-wise also to the CFO of the company. 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, manage-

ment of liabilities, protection of exchange risk, and transfer pricing.

The Group's internal control operates under the Group's CFO but the internal control reports directly 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 their own accounting departments. Accounting functions in smaller subsidiaries in France and Japan are organised in the external accounting offices. 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 and one of the two German subsidiaries 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 organised 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 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 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 organisation 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 with respect to 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 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 has an internal control function which reports 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 Elektrobitt 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 PRICES AND TRADING VOLUMES

The closing price of Elektrobitt Corporation's share was EUR 0.67 in 2010; the share reached a high of EUR 1.25 and a low of EUR 0.66. During the year, a total of 18.2 million shares with a value of EUR 16.8 million changed hands on the NASDAQ OMX Helsinki. This is 14.1 per cent of the share capital. Elektrobitt Corporation's market capitalization at the end of 2010 was EUR 86.7 million.

DIVIDEND POLICY

Elektrobitt 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 Elektrobitt Corporation proposes that no dividend shall be paid for 2010.

TRADING CODES

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

The trading codes are:

NASDAQ OMX Helsinki	EBC1V
Reuters	EBC1V.HE
Bloomberg	EBC1VFH

SHAREHOLDERS

At the end of 2010, Elektrobitt Corporation had 24,824 shareholders. The ten largest shareholders owned 61.3 per cent of the shares. Private ownership was 75.3 per cent. The percentage of foreign and nominee-registered shareholders was 3.8 per cent at the end of 2010.

SHAREHOLDING OF THE BOARD OF DIRECTORS AND CEO

Shareholding of the Board of Directors, CEO and the companies controlled by them was 36.4 per cent, corresponding to 47,070,196 shares.

Information to Shareholders

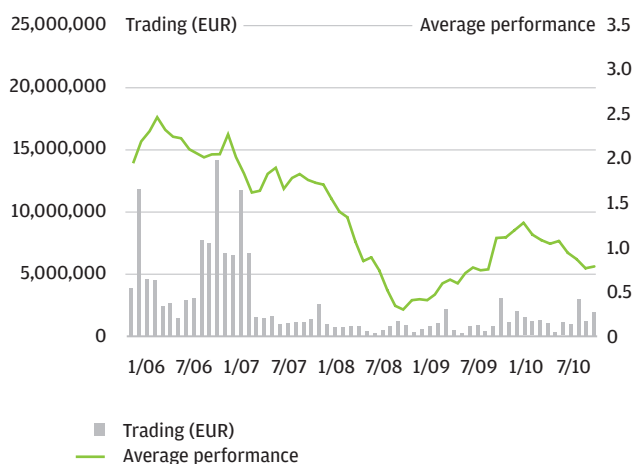
FINANCIAL REPORTS 2011

Elektrobitt Corporation reports its financial development quarterly. In 2011 EB will publish financial reports as follows:

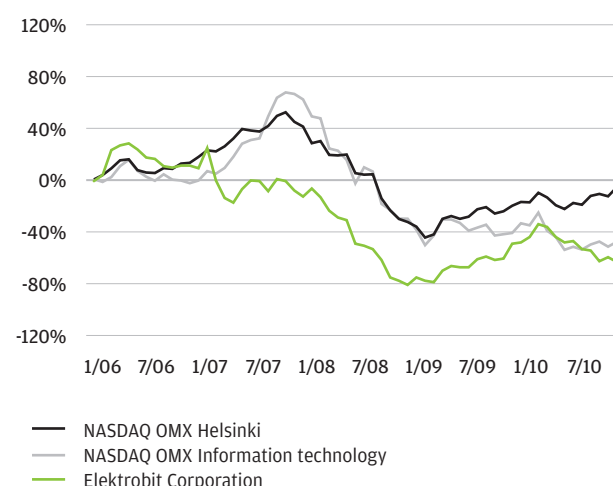
February 17	Financial Statement Bulletin 2010
April 29	Interim Report, January-March
August 5	Interim Report, January-June
November 1	Interim Report, January-September

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

Trading and average performance 2006-2010



Share performance in NASDAQ OMX Helsinki 2006-2010



Source: NASDAQ OMX Helsinki, status 31 December 2010

SILENT PERIOD

Elektrobit Corporation will observe a Silent Period prior to announcing its results. The Silent Periods in 2011 are as follows:

January 27 – February 17, 2011
April 8 – April 29, 2011
July 15 – August 5, 2011
October 11 – November 1, 2011

ELEKTROBIT CORPORATION'S ANNUAL GENERAL MEETING

Elektrobit Corporation's Annual General Meeting will be held on Thursday, March 31, 2011, at 1.00 p.m. (CET +1) at the University of Oulu, Saalastinsali, Pentti Kaiterankatu 1, 90590 Oulu, Finland.

Each shareholder, who is registered on 21 March 2011 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 Monday 28 March 2011 by 10.00 a.m. by giving a prior notice of participation, which shall be received by the Company no later than on the above-mentioned date. Such notice can be given:

- a) by e-mail: yhtiokokous@elektrobit.com
- b) by telephone +358 40 344 3322 or +358 40 344 5425 between 9 a.m. and 4 p.m.
- 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.

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 the record date of the General Meeting, i.e. on Monday 21 March 2011, 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 by Monday 28 March 2011 by 10 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 necessary instructions regarding the registration in the temporary shareholder's register of the Company, 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 the participation in the General Meeting can also be found on the Company's website www.elektrobit.com.

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 at the General Meeting. When 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 to the address Elektrobit Oyj, Yhtiökokous, Tutkijantie 8, 90590 Oulu, Finland, before the last date for registration.

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.

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 4 March 2011. 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 14 April 2011.

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 2010

2010 in Brief

NET SALES GREW FROM LAST YEAR DUE TO STRONG GROWTH IN THE AUTOMOTIVE BUSINESS SEGMENT, OPERATING WAS LOSS SIGNIFICANT DUE TO IMPAIRMENT OF ACCOUNTS RECEIVABLES AND RESTRUCTURING COSTS IN THE WIRELESS BUSINESS SEGMENT

EB's net sales for 2010 increased by 5.2 per cent to EUR 161.8 million (EUR 153.8 million in 2009). Operating loss totaled to EUR -17.3 million (EUR -1.4 million in 2009). Operating result was impacted by non-recurring costs and impairments of EUR 12.7 million during the second half of the year. Excluding non-recurring items operating loss amounted to EUR -4.6 million (EUR 0.5 million in 2009). TerreStar Networks Inc., a significant customer of EB, filed for reorganization in the United States, which led to a decreased business level in the Wireless Business Segment during the second half of the year. Due to the risk of losing accounts receivables, EB booked an impairment of accounts receivables during the third quarter of the year.

The Automotive Business Segment's net sales increased by 30.2 per cent compared to the previous year, and totaled to EUR 80.1 million (EUR 61.5 million in 2009). Operating profit was EUR 1.9 million (EUR -3.8 million in 2009).

The Wireless Business Segment's net sales decreased by 11.7 per cent compared to the previous year, and totaled to EUR 80.9 million (EUR 91.6 million in 2009). Operating loss was EUR -19.3 million (EUR 1.0 million in 2009). Operating loss excluding non-recurring costs and impairments amounted to EUR -7.0 million (EUR 2.6 million in 2009).

The total R&D investments during 2010 were EUR 21.6 million (EUR 14.7 million in 2009) equaling 13.3 per cent of net sales (9.6 per cent in 2009).

MAIN EVENTS DURING 2010

The main objective for EB in 2010 was to continue the clear profitability improvement started the previous year. During the first half of the year the financial performance improved as planned but during the second half of the year the operating profit was strongly negative due to the challenges in the satellite terminal business in the Wireless Business Segment. In the Automotive Business Segment the market recovered from the downturn in 2009 and the sales increased considerably. The Automotive Business Segment's operating profit improved from last year and it was positive.

In June EB started personnel negotiations to adjust its cost level in the second half of 2010 to correspond its temporarily decreased order volumes. The negotiations concerned employees working in Elektrobit Wireless Communications Ltd and Elektrobit Corporation in Finland. After the conclusion of the negotiations EB announced to dismiss and temporary dismiss 100 employees full or part-time in July-August for a maximum of 90 days. If necessary, EB could execute additional temporary dismissals at a maximum of approximately 100 employees during the autumn. If the temporary dismissals were executed in full, to the cost savings would have been EUR 1.7 million in the second half of 2010. The temporary dismissals were not executed in full and the cost savings were approximately EUR 0.9 million during the second half of the year.

In August the Finnish National Board of Patents and Registration gave its consent for the distribution and decrease of the share premium fund of Elektrobit Corporation according to the proposal approved by the Annual General Meeting on March 25, 2010. The shareholders were distributed EUR 0.20 per share from the share premium fund, EUR 25,882,538.00 in total, and EUR 38,696,853.00 remaining in the share premium fund after the distribution was transferred to the invested unrestricted equity fund of the company.

In October EB announced that a customer of EB's subsidiary Elektrobit Inc., TerreStar Networks Inc., filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in order to strengthen their financial position. EB booked an impairment of accounts receivables of EUR 8.3 million due to risk related to losing accounts receivables. EB also informed to start personnel negotiations to improve its profitability and to adjust the number of personnel to the lower sales volumes. EB proposed to dismiss or temporarily dismiss approximately 150 employees, at the maximum, in Wireless Solutions business and EB corporate functions. The estimated cost savings resulting from these measures would be EUR 4 million by the end of the first half of 2011.

EB appointed Hannu Huttunen (M. Econ.) as President of Wireless Business Segment and Managing Director of Elektrobit Technologies Ltd effective November 1, 2010. The position was new. EB's Wireless Business Segment includes the Wireless Solutions and Wireless Communications Tools businesses.

In November EB's subsidiary Elektrobit Inc. initiated legal proceedings against its customer TerreStar Corporation in the Supreme Court of the State of New York seeking payment of its outstanding receivables in the amount of approximately USD 25.8 million from TerreStar Networks Inc. The claim is partly based on a guarantee issued by TerreStar Corporation for EB's accounts receivables from TerreStar Networks and partly based on TerreStar Corporation's direct contractual obligations towards EB.

In December EB concluded the personnel negotiations started on October 28, 2010, with its personnel in Elektrobitt Wireless Communications Ltd and Elektrobitt Corporation. As the result of the negotiations EB dismissed 60 employees and temporarily dismissed 85 employees in Wireless Solutions Business and EB corporate functions based on financial and production-related reasons. The temporary dismissals were going to be indefinite but are estimated to remain in force until August 1, 2011. Based on the current understanding the dismissals will not be executed in full in order to secure resourcing for the received project orders.

In December EB announced that the employment of Jarkko Sairanen (MSc. (Eng), MBA), the President of the Automotive Business Segment and Managing Director of Elektrobitt Automotive GmbH, will end on March 31, 2011.

FINANCIAL PERFORMANCE IN 2010

EB's reporting is based on the Automotive and Wireless Business Segments and businesses divided under them as follows:

Automotive Business Segment	Wireless Business Segment
Automotive Software Business	Wireless Solutions Business
	Wireless Communications Tools Business

According to the IFRS5 standard, EB reports its financial results divided between Discontinued and Continuing Operations.

Consolidated Income Statement (MEUR)

	1-12/2010 12 months	1-12/2009 12 months
CONSOLIDATED INCOME STATEMENT (MEUR)		
Net sales	161.8	153.8
Operating profit (loss)	-17.3	-1.4
Financial income and expenses	-1.3	-0.6
Result before tax	-18.6	-2.0
Result for the period from continuing operations	-15.7	-3.3
Profit after tax for the year from discontinued operations		1.3
Result for the period	-15.7	-2.0
Total comprehensive income for the period	-14.9	-2.4
Result for the period attributable to:		
Equity holders of the parent	-16.1	-2.2
Non-controlling interests	0.5	0.2
Total comprehensive income for the period attributable to:		
Equity holder of the parent	-15.4	-2.5
Non-controlling interests	0.5	0.2
Earnings per share EUR continuing operations	-0.12	-0.03
Earnings per share EUR discontinued operations		0.01
Earnings per share EUR continuing and discontinued operations	-0.12	-0.02

- Cash flow from Business Operations amounted to EUR 1.5 million (EUR 0.4 million).
- Equity ratio was 62.6% (71.5%).
- Net gearing was -10.2% (-37.6%).

Report by the Board of Directors 2010

QUARTERLY FIGURES

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

	4Q 10	3Q 10	2Q 10	1Q 10	4Q 09
Net sales	41.8	33.7	44.7	41.5	40.1
Operating profit (loss)	-7.7	-11.5	0.1	1.7	0.5
Operating profit (loss) without non-recurring costs	-3.2	-3.2	0.1	1.7	0.8
Result before taxes	-8.0	-10.6	-0.7	0.7	0.1
Result for the period	-5.4	-9.0	-0.9	-0.3	-0.3

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 10	3Q 10	2Q 10	1Q 10	4Q 09
Automotive	23.1	19.9	18.6	18.5	16.8
Wireless	18.6	13.7	25.9	22.8	23.0
Corporation total	41.8	33.7	44.7	41.5	40.1

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

	4Q 10	3Q 10	2Q 10	1Q 10	4Q 09
Asia	4.4 (10.6%)	1.8 (5.4%)	2.6 (5.9%)	2.7 (6.5%)	4.4 (11.0%)
Americas	10.8 (25.8%)	9.4 (27.7%)	17.4 (39.0%)	15.8 (38.1%)	13.7 (34.2%)
Europe	26.6 (63.6%)	22.5 (66.8%)	24.6 (55.2%)	23.0 (55.4%)	22.0 (54.8%)

Net sales (external) and operating profit development by Business Segments and Other businesses, MEUR:

	4Q 10	3Q 10	2Q 10	1Q 10	4Q 09
Automotive					
Net sales	23.1	19.9	18.6	18.5	16.8
Operating profit (loss)	1.1	0.1	-0.2	0.9	0.3
Wireless					
Net sales	18.6	13.7	25.9	22.8	23.0
Operating profit (loss)	-8.8	-11.7	0.3	0.9	-0.3
Other businesses					
Net sales	0.2	0.2	0.2	0.2	0.2
Operating profit (loss)	0.1	0.1	0.0	-0.1	0.5
Total					
Net sales	41.8	33.7	44.7	41.5	40.1
Operating profit (loss)	-7.7	-11.5	0.1	1.7	0.5

Business Segments

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

Automotive Business Segment January–December 2010

The Automotive Business Segment's product offering consists of in-car software products, navigation software for after market 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.

The Automotive Business Segment's net sales amounted to EUR 80.1 (EUR 61.5 million in 2009), representing a growth of 30.2 per cent from last year. Operating profit was EUR 1.9 million (EUR -3.8 million). The profitability improvement year-on-year was mainly attributable to the market recovery resulting in increased net sales and solid overall market demand for EB's software products, services and solutions based on own automotive grade software products adapted and integrated to the customer specific requirements.

EB's Automotive Software products currently include:

- EB street director navigation software for automotive-grade navigation systems, Personal Navigation Devices (PND) and other mobile devices,
- EB GUIDE product line of HMI (Human Machine Interface) design tools and runtime frameworks,
- EB tresos® AUTOSAR (Automotive Open System Architecture) software components used in automotive electronic control units (ECU) and tools for their configuration and testing,
- High performance network communications protocol standards and solutions for automotive electronics including FlexRay™, CAN (Controller Area Network) and LIN (Local Interconnect Network) solutions, and

- EB Assist ADTF, a development environment that significantly accelerates the software development process of driver assistance systems. The software functions can be evaluated and validated in near-real time.

Some highlights of the business year include:

- In January EB announced it is working with Ford Motor Company in providing phone application developers secure access to the in-car infotainment system Ford SYNC. The AppLink™ application programming interface (API) significantly helps the developers to create new applications for the vehicle.
- In March EB and dSPACE announced the harmonization of their AUTOSAR tools in order to offer a coordinated tool chain for developers of automotive electronic control unit (ECU) software.
- In June EB announced in an Automotive Industry Conference in Germany that EB will bring to the market the Infotainment Software Suite developed by e.solutions (an EB and Audi Joint Venture) as a pre-integrated, cost-efficient, and highly customizable software solution to its customers. Volkswagen Group had earlier announced that they will use the Infotainment Software Suite as their next generation high-end infotainment platform.
- In July EB announced having developed a multicore reference implementation in collaboration with Infineon Technologies AG. A basic software core is now available that enables scalable software solutions according to the recommendations of the German manufacturer software initiative (Hersteller Initiative Software, HIS).
- In September EB announced that it provides both navigation software and speech dialog software for the standard control and display unit of the new Audi A1. The navigation software is based on the navigation solution EB street director. Audi integrated a speech dialog system using the Speech Target Framework (STF) of EB GUIDE, the software tool for HMI development and speech dialog design tools for user interface design and speech.

- In December EB launched a new version of its integrated HMI development environment EB GUIDE 5.0. It offers significant improvements to enhance development of advanced graphical elements and offers growth potential in the future in the market of fully configurable cluster instruments.

AUTOMOTIVE MARKET OUTLOOK

The majority of the innovation and differentiation in the automotive industry is brought about by software and electronics. The share of electronics and software in cars has grown significantly during the past years. It is expected that the use of software in automobiles continues to increase. The estimated annual automotive software market long-term growth rate in passenger cars is some 15% (Frost & Sullivan). The underlying world automotive market is also expected to grow steadily with a yearly rate of about 6% between 2010 and 2015 (CSM).

The increasingly sophisticated and networked features and growing performance increase the complexity of automotive electronics. The increasing complexity is driving the industry towards gradual separation of software and hardware in the electronics solutions. It is necessary for managing the architectural software layer appropriately and 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 of productized and efficient software solutions EB is offering.

EB's net sales cumulating from the automotive industry are 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 is expected to increase as a result of the EB's transition towards software product business models over the forthcoming years.

Report by the Board of Directors 2010

Wireless Business Segment January–December 2010

The Wireless Business Segment comprises the following businesses:

- Wireless Solutions provides customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies.
- Wireless Communications Tools provides test tools for measuring, modeling and emulating radio channel environments.

The Wireless Business Segment's net sales amounted to EUR 80.9 million (EUR 91.6 million in 2009), representing a decline of 11.7 per cent. Operating loss was EUR -19.3 million (EUR 1.0 million). The decline was mostly attributable to the filing for voluntary petition for reorganization of a significant customer and hence resulting impairment of accounts receivables, lower sales volumes and restructuring costs. The sales of radio channel emulators and related services increased compared to the previous year. Excluding the non-recurring costs and impairments the operating loss of the Wireless Business Segment was EUR -7.0 million (EUR 2.6 million).

WIRELESS SOLUTIONS

Wireless Solutions provides customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies. EB has unique competences in both mobile devices and infrastructure.

The customers of Wireless Solutions include wireless device and infrastructure OEM's, mobile and satellite operators, defence and security industry and authorities, and semiconductor vendors.

Wireless Solutions integrates own and 3rd party technology assets into customized solutions, creating new revenue opportunities for its customers.

Some highlights of the business year include:

- In January EB joined the OS (Operating System) independent Qt Partner Program. EB creates value to the Qt community by offering consulting services, software, OS and hardware platform adaptation and complete product solutions.
- In March EB announced to strengthen its capabilities in the emerging Open Source technologies such as MeeGo and Android complementing its already strong competencies in Symbian and Windows Mobile. The use of open source platforms and ecosystems was estimated to grow within the device ecosystem.
- In June EB introduced two new VoIP terminals, EB Tough VoIP Field Phone and Desktop Phone, as part of the EB Tough VoIP product portfolio. These rugged products increased the ability of militaries to communicate and bring broadband data connectivity to the field, vehicles, and command posts.
- In September EB-designed TerreStar Genus smartphone became available in the USA via AT&T. Combining the power of wireless connectivity with all-IP satellite network, the device offers users the ability to access voice and data coverage anywhere in the US and its offshore coastal waters.
- In October EB announced the EB Tough VoIP Power over Ethernet (PoE) Injector for military communications equipment. PoE is a flexible option for providing both secure data connections and the required power supply needed to perform tactical military communication over a single Ethernet cable.
- In November EB's customer Datame Oy launched Finland's first 4G network based on WiMAX (Worldwide Interoperability for Microwave Access) technology only eleven months after the decision to start the project. EB's role was crucial in the selection process of both technology and vendor, and in commercial modelling of traffic in the network. EB and Datame analysed together the end-user devices and defined the content related services.

The business situation in the Wireless Business Segment became very challenging since May 2010. In order to adapt the organization to the situation personnel negotiations took place starting June 1. The negotiations led to a temporary dismissal of approximately 100 employees in Finland for a maximum of 90 days on June 22. Second negotiations were announced on October 28, and resulted into a dismissal of 60 employees and to a temporarily dismissal of 85 employees in December. Based on current understanding the temporary dismissals will not be executed in full in order to secure resources for the received project orders.

WIRELESS COMMUNICATIONS TOOLS

Wireless Communications Tools provides test tools for measuring, modeling and emulating radio channel environments. EB Prosim radio channel emulator product family provides realistic and repeatable fading and interference test conditions for physical layer testing. The test labs of leading players in the wireless, defense and aerospace industries' R&D, research and testing laboratories are equipped with EB wireless communications tools and solutions.

Some highlights of the business year include:

- In February EB launched the industry's first commercially available Multiple-Input-Multiple-Output (MIMO) Over-the-Air (OTA) emulator to increase the performance and data rate of MIMO mobile terminals.
- In July EB announced the availability of EB Prosim F8 Aerospace and Satellite channel emulation Option (ASO) for the aerospace and defense markets. The ASO emulator is designed specifically for the creation of realistic radio channel models for airborne or space radio communications, including avionics as well as missile, satellite and space communications. The wireless connection can be tested in laboratory settings at a fraction of the field testing cost.

- EB continued its investments in radio channel emulators and introduced more powerful EB Prosim F8 radio channel emulator. EB announced a new affordable baseline hardware configuration of EB Prosim F8 in November.

WIRELESS MARKET OUTLOOK

The growth of demand for smartphones and transitions in the related software architectures and platforms are expected to continue during 2011. In the mobile infrastructure market the use of LTE standard, which improves the performance of radio channel and mobile phone networks, is expected to continue to gain strength. EB's business driven by LTE is expected to increase. Mastering of multi-radio 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 a wide spectrum of bandwidth needed are creating opportunities for EB.

The mobile satellite communication service industry is introducing new data and mobile communication services with new operators being formed and traditional ones upgrading their solutions and offerings. The Satellite Terrestrial and Mobile Satellite Services (MMS) market demand is expected to move from the current reference design phase towards the launch of commercial products and services during the next few years. The filing for reorganization of TerreStar Networks Inc. has delayed and brought uncertainties to the development of demand of the satellite terrestrial "Genus" terminal. Potential implications due to the filing for reorganization to the business relations between the two parties cannot be currently evaluated in a precise manner but based on the current understanding the total business volume between the two parties will not be significant in the near future.

The market for communications, interference and intelligence solutions targeted for public authorities is estimated to remain stable. The systems used by authorities are expected to be based on commercial technology in the future. EB's competence on commercial technologies and mastering the radio channel and software radio solutions are creating opportunities for EB.

The R&D services market for wireless communications continues to be challenging and the continuing price pressure drives increasing off-shoring in the industry. However, OEMs are expected to increase their R&D flexibility that can create new partnering opportunities for EB. New open software architectures and platforms are creating opportunities for companies such as EB with strong integration capabilities.

The performance of radio channel is going to increase quickly when introducing new LTE-technologies. This will create demand for advanced development tools during the next few years. 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 2010

EB continued its investments in R&D in the automotive software products and tools, in radio channel emulation products and in Wireless Solutions' product platforms.

The total R&D investments during the year 2010 were EUR 21.6 million (EUR 14.7 million, 2009), equaling 13.3% of the net sales (9.6%, 2009). EUR 5.6 million of R&D investments were capitalized.

Outlook for the First Half of 2011

The demand for software products and services is estimated to grow in the automotive industry and EB's net sales is expected to increase in the Automotive Business Segment. The technological changes, driving the demand, are expected to continue in the wireless communications market. The net sales of EB's Wireless Business Segment is expected to remain in the same level than in the second half of 2010. The continuing challenges of TerreStar Networks Inc., a significant customer of EB, in obtaining funding has resulted in payment delays. TerreStar Network and certain affiliates of TerreStar Corporation have filed for voluntary petitions for reorganization to strengthen their financial position on October 19, 2010. Despite the filing for reorganization and the legal proceedings initiated by EB against TerreStar Corporation, the risk of credit losses may still increase during the first half of 2011. More specific market outlook is presented under the "Business Segments" section, and uncertainties regarding the TerreStar Networks filing for reorganization, collecting the receivables, and other uncertainties regarding the outlook under "Risks and Uncertainties" section.

EB expects for the first half of 2011 that net sales will be lower than in the first half of 2010 (EUR 86.2 million) and operating profit will be lower than in the first half of 2010 (EUR 1.8 million). The profit estimate for the first half of 2011 is based on the assumption that there will not be further bookings of impairments of EB's accounts receivables from TerreStar Networks. It is possible that, based on later information related to TerreStar Networks' reorganization and EB's legal proceedings against TerreStar Corporation, this outlook may need to be reconsidered.

Report by the Board of Directors 2010

Information on the development of TerreStar Networks' filing for reorganization and EB's initiated legal proceedings against TerreStar Corporation are presented in the October 20 and 25, November 20, and December 30, 2010 stock exchange releases at www.elektrobit.com.

Material Events After the Reporting Period

The Company had 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. volumes and pricing. It may also increase the risk for credit losses.

Challenges in obtaining funding have resulted in payment delays by TerreStar Networks, a significant customer of EB's subsidiary Elektrobit Inc., and increased the risk of credit losses. While TerreStar Networks and certain other affiliates of TerreStar have on October 19, 2010, in order to strengthen their financial position, filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code, the credit risk may still grow during the first half of 2011. Chapter 11 establishes a process for reorganizing financially troubled companies. Under such reorganization process, payment by TerreStar Networks of amounts owed to its creditors will require approval by the United States Bankruptcy Court and, if made pursuant to a plan of

reorganization, an affirmative vote of TerreStar Networks' creditors. The plan of reorganization filed by TerreStar Networks and its affiliated debtors suggests that payment of EB's receivables may take the form of newly issued common stock in the reorganized debtors.

As previously published on November 20, 2010, EB initiated legal proceedings against TerreStar Corporation. The claim is partly based on a guarantee issued by TerreStar Corporation for EB's accounts receivables from TerreStar Networks and partly based on TerreStar Corporation's direct contractual obligations towards EB. Currently TerreStar Corporation is not part of the reorganization proceedings initiated by TerreStar Networks. According to the court filings relating to the reorganization proceedings, it is contemplated by TerreStar Networks that TerreStar Corporation (and its subsidiary TerreStar Holdings Inc.) will file their own voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the near term. It is EB's understanding that if TerreStar Corporation did file for reorganization, the legal proceedings brought by EB against TerreStar Corporation would be stayed under the United States bankruptcy law, but EB could bring the claim to the reorganization process.

On February 15, 2011, EB's receivables from TerreStar Networks amounted to approximately USD 25.8 million (EUR 19.1 million as per exchange rate of February 15, 2011). Due to uncertainties related to the accounts receivables EB booked an impairment of the accounts receivables in the amount of approximately EUR 8.3 million during the second half of 2010. Based on EB's current understanding there is no reason to believe that there would be further impairment losses on EB's receivables from TerreStar Networks. EB aims to collect the amounts owed to it in full through the reorganization process of TerreStar Networks or through legal proceedings against TerreStar Corporation initiated on November 20, 2010, and/or for example through selling of the earlier mentioned accounts receivables.

More exact implications of the customer's reorganization process for the parties' future business relations cannot be currently evaluated. Based on the current understanding it is likely that TerreStar Networks may, in an exercise of its business judgment (and subject to Court approval) determine that it will not comply with its contractual obligations towards EB as provided by EB. Such determination would result termination of the parties' further obligations under the current contracts between them, but this does not change the EB's current view that there would not be further impairment losses on EB's receivables from TerreStar Networks. At worst, TerreStar Networks' reorganization process and challenges in obtaining funding may, however, result in significant credit losses for EB. Should the business relationship completely terminate in short term and the accounts receivables not be collected, either from TerreStar Networks or TerreStar Corporation, this would additionally lower EB's operating profit non-recurringly by approximately EUR 11 million, at maximum (USD-nominated items as per exchange rate of February 15, 2011). However, this would not have any significant negative effect on the EB's cash flow. Further, it is possible that under Chapter 11 reorganization process, debtors may seek to recover payments made prior to their bankruptcy filing. In addition to the above, the risk of potential recovery claims by TerreStar Networks against EB cannot be out ruled at this time.

It is possible that based on later information related to the TerreStar Networks' reorganization and to the legal proceedings against TerreStar Corporation, the view may need to be reconsidered.

As the EB's customer base consists mainly of companies operating in the fields of automotive and telecommunications, 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' development during the fourth quarter 2010 and market outlook" 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, ramping up and down project resources, 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, activations based on customer contracts, obsolescence of inventories and technology risks in product development causing higher than planned R&D costs. In addition there are typical industry warranty and liability risks involved in selling EB's services, solutions and products. Product delivery business model includes such risks as high dependency on actual product volumes, development of the cost of materials and production yields. The abovementioned risks may manifest themselves as higher cost of product delivery, and ultimately, as lower profit. Revenues expected to come from new products for existing and new customers include normal timing risks.

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

Statement of Financial Position and Financing

The figures presented in the statement of financial position of December 31, 2010, are compared with the statement of the financial position of December 31, 2009 (MEUR). The figures for the period under review contain provision of EUR 3.4 million.

	12/2010	12/2009
Non-current assets	41.2	39.4
Current assets	83.7	120.8
Total assets	124.9	160.2
Share capital	12.9	12.9
Other equity	58.3	99.5
Non-controlling interests	1.3	0.4
Total shareholders' equity	72.5	112.8
Non-current liabilities	11.6	16.2
Current liabilities	40.8	31.2
Total shareholders' equity and liabilities	124.9	160.2

Net cash flow from operations during the period under review:

+ net profit +/- adjustment of accrual basis items	+1.8 MEUR
+ decrease in net working capital	3.5 MEUR
- interest, taxes and dividends	-3.8 MEUR
= cash generated from operations	1.5 MEUR
- net cash used in investment activities	-7.9 MEUR
- net cash used in financing	-32.1 MEUR
= net change in cash and cash equivalents	-38.5 MEUR

The amount of accounts and other receivables, booked in current receivables, was EUR 61.3 million (EUR 59.3 million on December 31, 2009). As announced on December 8, 2010, EB adjusted the balance sheet posting of the statutory provision in the amount of approximately EUR 8.3 million related to its receivables from TerreStar Networks Inc. by replacing the statutory provision with the impairment

that will directly reduce the carrying value of accounts receivable in the Financial Statements. Accounts and other payables, booked in interest-free current liabilities, were EUR 35.7 million (EUR 26.3 million on December 31, 2009). The amount of non-depreciated consolidation goodwill at the end of the period under review was EUR 18.5 million (EUR 18.5 million on December 31, 2009).

The amount of gross investments in the period under review was EUR 10.7 million, consisting of replacement investments. Net investments for the reporting period totaled EUR 10.5 million. The total amount of depreciation during the period under review was EUR 8.5 million, including EUR 2.2 million of depreciation owing to business acquisitions.

The amount of interest-bearing debt at the end of the reporting period was EUR 13.1 million. The distribution of net financing expenses on the income statement was as follows:

interest, dividend and other financial income	0.7 MEUR
interest expenses and other financial expenses	-0.9 MEUR
foreign exchange gains and losses	-1.0 MEUR

EB's equity ratio at the end of the period was 62.6% (71.5% at the end of 2009).

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 16.0 million.

Report by the Board of Directors 2010

Environmental Factors

EB's own business operations focus mostly on the design, assembly performed by manufacturing partners and marketing of products. This represents only a minor part of the environmental impacts over the entire life cycle of the products. The products manufactured by the company have not significant environmental impacts.

Elektrobit Corporation has had ISO 14001 certified management systems since 2001. The certification was updated to confirm ISO14001:2004 requirements in 2007, and it was enhanced to China in 2008 and to USA in 2010.

EB is monitoring the global environmental product requirements and the national regulations deriving from them, and considers their impact on EB's corporate operations. EB has also observed and applied the requirements of the ROHS (use of hazardous substances) including WEEE (recycling of electrical and electronic equipment) directives in design since 2002.

During 2009 the applied environmental standards and regulations in EB operations were consolidated into an uniform EB substance list the requirements of which were enhanced to cover also EB's suppliers. The substance list includes also the requirements of so called ROHS2 standards application. During 2010, EB has updated and applied the substance list to the products or solutions that EB has partial or total responsibility of environmental requirements. Similarly the material declaration processes have been further defined related to the environmental factors. The imposed requirements will be observed in business operations on a country-specific basis

Personnel

EB employed 1,539 people at the end of 2010. The number of employees increased by 11 persons compared to the previous year.

The following table presents the average personnel amounts and salaries of the Continuing Operations from the past two financial years.

	2010	2009
Average personnel	1,561	1,589
Salaries and wages (MEUR)	81.9	75.8

At the end of the year 2010 about 55 per cent of the employees worked at the Automotive Business Segment, about 42 per cent at the Wireless Business Segment, and about 3 per cent for shared support functions. Compared to the year 2009, the share of Automotive Segment of the total personnel increased by eleven (11) percentage units, Wireless Segment decreased by seven (7) percentage units, and shared support functions decreased by four (4) percentage units, respectively.

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 and 2011 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.

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 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 or through companies under their control, a predetermined number of Elektrobit Corporation shares, as decided by the Annual General Meeting on March 15, 2006 (a minimum of 75,000 shares for the Chairman of the Board and a minimum of 100,000 shares for the CEO).

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 2010 1,087,500 stock options with symbol 2008A and 1,282,000 stock options with symbol 2008B were distributed to the key employees of Elektrobit Corporation.

VARIABLE PAY

A limited amount of EB's employees are participating into Variable Pay (VP) program. The short-term variable pay is determined based on the Corporation's ability to reach the pre-determined financial and strategic goals. Further, a part of the goals can be other set targets of the Corporation, Business Segments or individuals. The individual goals are determined according to each person's job description. The incentive system in 2010 was based on the achievement of the bi-annual targets. During the year 2011 the incentive system for the corporate management and the management of the Wireless Business Segment will be changed to be based on the achievements of the annual targets. The targets are determined separately for each earnings period. The decisions regarding the targets and achievements observe the "two rungs up" principle.

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

AUTHORIZING THE BOARD OF DIRECTORS TO DECIDE ON THE REPURCHASE OF OWN SHARES

The General Meeting held on March 25, 2010, decided to authorize 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 share-holders (directed repurchase). The authorization cancels the authorization given by the General Meeting on 19 March 2009 to decide on the repurchase of the company's own shares. The authorization is effective until 30 June 2011.

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

The General Meeting held on March 25, 2010 decided to authorize the Board of Directors to decide on the issuance of shares as well as the issuance of options 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 19 March 2009 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 30 June 2011.

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.

Report by the Board of Directors 2010

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.

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.

Option Rights

I. The Annual General Meeting held on March 17, 2005, decided to authorise the Board of Directors to issue option rights. By virtue of the authorisation the Board of Directors granted 4,500,000 option rights to the company's management and EB's fully owned subsidiary serving as a reserve company in the stock option scheme. Subscriptions made by virtue of the 2005 option rights may increase the share capital of Elektrobit Corporation by a maximum of EUR 450,000 and the number of shares by a maximum of 4,500,000. 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 sub no subscriptions were made by the end of the share subscription period for stock options 2005A.

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 Company's Management

Hannu Huttunen (M. Econ.), 44, was appointed President of the Wireless Business Segment and Managing Director of Elektrobit Technologies Ltd. effective November 1, 2010.

EB announced on December 15, 2010, the employment of Jarkko Sairanen (MSc.(Eng), MBA), the President of the Automotive Business Segment and Managing Director of Elektrobit Automotive GmbH, will end on March 31, 2011.

EB's Board of Directors and Corporate Executive Board can be found from the Company's website at: www.elektrobit.com/corporate_governance.

Board of Directors, Board Committees and Auditor

The General Meeting held on March 25, 2010, fixed the number of members of the Board of Directors to five (5). Mr. Jorma Halonen, Mr. Juha Hulkko, Mr. Seppo Laine, Mr. Staffan Simberg and Mr. Erkki Veikkolainen were elected members of the Board of Directors. The term of office of the members of the Board of Directors expires at the end of the next Annual General Meeting. At its assembly meeting held on March 25, 2010, the Board of Directors elected Mr. Seppo Laine Chairman of the Board.

In order to organize Board work efficiently, the Board of Directors has established Audit and Financial Committee. The main duties and operating principles are described in the corporate governance statement published by the company. The members of the Audit and Financial Committee have been Staffan Simberg (chairman of the committee) and Seppo Laine, Authorized Public Accountant, during the fiscal year 2010.

The General Meeting elected Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, Auditor of the company, with Jari Karppinen, APA, as responsible Auditor.

Dividend from 2009

The General Meeting on March 25, 2010, decided in accordance with the proposal of the Board of Directors that no dividend shall be distributed.

Distribution and Decrease of the Share Premium Fund

The Annual General Meeting of Elektrobit Corporation, held on March 25, 2010, approved the proposal of the Board of Directors to distribute the shareholders EUR 0.20 per share from the parent company's share premium fund. In addition, it approved the Board's proposal to decrease the share premium fund by transferring to the company's invested unrestricted equity fund the funds remaining in the share premium fund after the above distribution. The distribution and decrease required an authorization by the Finnish National Board of Patents and Registration. The resolutions were booked on the balance sheet in March 2010. The Finnish National Board of Patents and Registration gave its consent on August 12, 2010, for the distribution and decrease of the share premium fund. On September 2, 2010, the shareholders were distributed EUR 0.20 per share from the share premium fund, EUR 25,882,538.00 in total, and EUR 38,696,853.50 remaining in the share premium fund after the distribution was transferred to the invested unrestricted equity fund of the company.

Amendment of the Articles of Association

The General Meeting held on March 25, 2010, decided in accordance with the proposal of the Board of Directors to amend section 7 of the Articles of Association of the company so that notice to the General Meeting shall be delivered three weeks before the General Meeting, and at the latest, nine days prior to the record date of the Annual General Meeting.

Corporate Governance Statement

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

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Consolidated Statement of Comprehensive Income

	Notes	2010 1000 EUR	2009 1000 EUR
Continuing operations			
NET SALES	1, 4	161 766	153 764
Other operating income	5	2 384	3 972
Change in work in progress and finished goods		-250	-896
Work performed by the undertaking for its own purpose and capitalised		187	360
Raw materials		-15 391	-8 254
Personnel expenses	8	-97 693	-90 923
Depreciation	7	-8 528	-9 715
Other operating expenses	6	-59 796	-49 752
OPERATING PROFIT		-17 321	-1 444
Financial income and expenses	10	-1 256	-601
PROFIT BEFORE TAX		-18 577	-2 045
Income tax	11	2 912	-1 305
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		-15 664	-3 350
Profit after tax for the year from discontinued operations	2		1 314
PROFIT FOR THE YEAR		-15 664	-2 036
Other comprehensive income:			
Exchange differences on translating foreign operations		753	-317
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-14 911	-2 353
Profit for the period attributable to			
Equity holders of the parent		-16 114	-2 215
Non-controlling interests		450	180
Total		-15 664	-2 036
Total comprehensive income for the period attributable to			
Equity holders of the parent		-15 361	-2 532
Non-controlling interests		450	180
Total		-14 911	-2 353
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	-0.12	-0.03
Diluted earnings per share	12	-0.12	-0.03
Earnings per share from discontinued operations, EUR			
Basic earnings per share	12		0.01
Diluted earnings per share	12		0.01
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	12	-0.12	-0.02
Diluted earnings per share	12	-0.12	-0.02
Average number of shares, 1,000 pcs		129 413	129 413
Average number of shares, diluted, 1,000 pcs		130 277	129 580

Consolidated Statement of Financial Position

	Notes	31.12.2010 1000 EUR	31.12.2009 1000 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	13	10 522	11 376
Goodwill	14	18 519	18 503
Intangible assets	14	11 627	8 739
Other financial assets	18	155	280
Receivables	18	250	429
Deferred tax assets	19	108	81
		41 181	39 407
Current assets			
Inventories	20	1 864	2 390
Trade and other receivables	21	61 279	59 320
Financial assets at fair value through profit or loss	22	7 677	40 239
Cash and short-term deposits	23	12 880	18 816
		83 701	120 765
Total assets		124 881	160 172
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		12 941	12 941
Share premium			64 579
Translation differences		613	-141
Invested non-restricted equity fund		38 697	
Retained earnings		18 982	35 016
		71 232	112 395
Non-controlling interests		1 255	437
Total equity		72 487	112 833
Non-current liabilities			
Deferred tax liabilities	19	1 365	2 256
Pension obligations	26	1 185	1 210
Interest-bearing loans and borrowings (non-current)	28	8 048	11 806
Provisions	27	974	905
		11 572	16 177
Current liabilities			
Trade and other payables	29	33 329	24 429
Financial liabilities at fair value through profit or loss	29		417
Provisions	27	2 392	1 455
Interest-bearing loans and borrowings (current)	28	5 100	4 862
		40 822	31 162
Total liabilities		52 394	47 339
Total equity and liabilities		124 881	160 172

Consolidated Statement of Cash Flows

	Notes	2010 1000 EUR	2009 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the financial year		-15 664	-2 036
Adjustments			
Effects of non-cash business activities	32	19 158	5 760
Finance costs		1 914	1 499
Finance income		-651	-898
Income tax		-2 912	1 305
Change in net working capital			
Change in short-term receivables		-6 830	1 043
Change in inventories		526	1 328
Change in interest-free short-term liabilities		9 774	-6 166
Interest paid on operating activities		-2 275	-1 956
Interest and dividend received from operating activities		642	1 578
Income taxes paid		-2 215	-1 066
Net cash from operating activities		1 467	392
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of business unit, net cash acquired		-265	-671
Disposal of business unit, net of cash acquired			-577
Purchase of property, plant and equipment		-1 652	-1 230
Purchase of intangible assets		-6 207	-1 483
Purchase of other investments		-13	-60
Sale of property, plant and equipment		113	305
Sale of intangible assets		1	125
Proceeds from sale of other investments		131	165
Net cash from investing activities		-7 892	-3 427
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans granted			
Proceeds from borrowing			1 555
Repayment of borrowing		-2 800	-3 932
Payment of finance lease liabilities		-3 427	-4 131
Distribution of funds from the share premium fund		-25 883	
Net cash from financing activities		-32 109	-6 508
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		-38 534	-9 543
Cash and cash equivalents at 1 January		59 055	68 598
Change in fair value of investments		57	221
Cash and cash equivalents at 31 December		20 522	59 055

Consolidated Statement of Changes in Equity

1000 EUR	Equity attributable to equity holders of the parent							Total equity
	Share capital	Share premium	Invested non-restricted equity fund	Translation difference	Retained earnings	Total	Non-controlling interests	
Shareholders equity 1.1.2009	12 941	64 579		176	37 426	115 123		115 123
Comprehensive income for the period								
Result for the period					-2 215	-2 215		-2 215
Exchange differences on translating foreign operations				-317		-317		-317
Total comprehensive income for the period	0	0	0	-317	-2 215	-2 532	0	-2 532
Transactions between the shareholders								
Share-related compensation					256	256		256
Other changes					-451	-451	437	-14
Shareholders equity 31.12.2009	12 941	64 579	0	-141	35 016	112 395	437	112 833
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		-16 114
Exchange differences on translating foreign operations				753		753		753
Total comprehensive income for the period	0	0	0	753	-16 114	-15 361	0	-15 361
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					-471	-471	818	347
Shareholders equity 31.12.2010	12 941	0	38 697	613	18 982	71 232	1 255	72 487

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, 2010. 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.

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

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

Property, Plant and Equipment

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

Assets are depreciated using the straight-line or reducing balance method over their useful life.

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.

Notes to the Consolidated Financial Statements

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.

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.

Notes to the Consolidated Financial Statements

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.

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 1.1.2010. The new interpretations will not have material impact on the consolidated financial statements.

- IFRIC 12 Service Concession Arrangements (new)
- IFRIC 15 Agreements for the Construction of real Estate (new)
- IFRIC 16 Hedges of a Net Investments in a Foreign Operations (new)
- IFRS 2 Share-based Payment – Group-cash-settle share –based payment transactions (revised)

- IAS 27 Consolidated and Separate Financial Statements (revised)
- IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (revised)
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (revised)
- IFRIC 17 Distributions of Non-Cash Assets to Owners (new)
- IFRIC 18 Transfers of Assets from Customers (new)

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, 2011.

- 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
- IFRIC 19 Extinguishing financial Liabilities with Equity Instruments

Effective date 1st of January, 2012

- IFRS 7 Financial Instruments: Disclosures *
- IAS 12 Deferred Tax: Recovery of Underlying Assets *
- IFRS 9 Financial Instruments: classification and measurement *

* This revised standard / interpretation has not been approved for application in EU.

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.

The implementation of IFRS 8 on January 1, 2009, has not changed the operating segments reported by EB because the segment information that was reported earlier was based on the managements internal reporting in which measurement basis of assets and liabilities has been and still are in accordance with the IFRS-standards.

EB's reporting is based on two operating segments, Automotive and Wireless.

Automotive

The Automotive Business Segment consists of in-car software products, navigation software for after market devices (PND, personal navigation devices) and R&D services for the automotive industry with leading car manufacturers, car electronics suppliers (Tier 1) and automotive chipset suppliers as customers. By combining its software products and engineering services EB is creating unique, customized solutions for its automotive customers.

Wireless

The Wireless Business Segment comprises the following businesses:

- Wireless Solutions provides customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies
- Wireless Communications Tools provides test tools for measuring, modeling and emulating radio channel environments

Other items

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

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

Notes to the Consolidated Financial Statements

Operating segments 2009 1000 EUR	Automotive segment	Wireless segment	Other items	Eliminations	Group total
Net sales					
Net sales to external customers	61 530	91 594	641		153 764
Net sales to other segments	0	174	0	-174	0
Net sales total	61 530	91 767	641	-174	153 764
Depreciation	-3 460	-1 597	-4 657		-9 715
Operating Profit	-3 783	1 027	1 312	0	-1 444
Unallocated expenses					
					-1 906
Profit for the year from continuing operations					
					-3 350
Profit for the year from discontinued operations					
					1 314
Profit for the year					-2 036
Assets and liabilities					
Segments assets	46 039	40 863	12 930	0	99 833
Unallocated assets					60 339
Total assets	46 039	40 863	12 930	0	160 172
Segment liabilities					
	10 893	10 792	6 349	0	28 034
Unallocated liabilities					
					19 305
Total liabilities	10 893	10 792	6 349	0	47 339
Capital expenditure					
Tangible assets	581	453	1 134		2 168
Intangible assets	1 123	296	64		1 483
Investments	60				60
Goodwill	250				250

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 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

Geographical areas 2009 1000 EUR	Finland	Other Europe	The Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	18 960	72 452	49 160	13 192		153 764
Non-current assets	11 052	27 108	727	440		39 327
Unallocated assets						
Total assets (does not include deferred tax assets)						39 327
Capital expenditure						
Tangible assets	772	1 281	84	30		2 168
Intangible assets	346	1 108	29			1 483
Investments		60				60
Goodwill		250				250

Information of primary customers

Group's revenues from the 10 largest customers in year 2010 was 113 million euros (101 million euros 2009) representing 70.0 per cent of the net sales (65.8 per cent in 2009).

Notes to the Consolidated Financial Statements

2. DISCONTINUED OPERATIONS

According to the IFRS5 standard, EB reports its financial results divided between Discontinued and Continuing Operations. In this Financial Statements, financial figures concerning the income statement of 2009 is reported based on Continuing Operations, without the Production Solutions business (sold in June 2007) figures.

	2010 1000 EUR	2009 1000 EUR
Income statement, discontinued operations:		
Production Solutions businesses		
Net sales		
Expenses		
Profit before tax		1 000
Profit after tax for the year		1 000
Profit before tax for the year from discontinued operations		314
Profit after tax for the year from discontinued operations		314
Profit after tax for the year from discontinued operations		1 314
Cash flow statement from discontinued operations:		
Net cash from investing activities		314
Net change in cash and cash equivalents	0	314

3. ACQUISITIONS

There are no new acquisitions during the annual period.

4. NET SALES	2010 1000 EUR	2009 1000 EUR
Income recognized from construction contracts	47 778	51 233
Net sales other	113 988	102 531
Total	161 766	153 764

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	47 778	51 233
Revenue recognized from long-term construction contracts in progress amounted to	13 418	14 104
Advances received from long-term construction contracts recognized in the balance sheet amounted to	4 745	1 838
Receivables recognized from long-term construction contracts amounted to	3 340	4 534

5. OTHER OPERATING INCOME

Government grants	1 421	2 858
Other income	963	1 113
Total	2 384	3 972

6. OTHER OPERATING EXPENSES

External services	-18 879	-19 445
Voluntary staff expenses	-2 218	-2 795
Premises expenses	-8 583	-8 464
Travel expenses	-3 138	-4 354
IT expenses	-6 227	-6 545
Other expenses	-20 751	-8 149
Total	-59 796	-49 752

Auditors charges

Ernst & Young		
Auditing	155	129
Certificates and statements	2	10
Tax advice	40	83
Other services	93	47
	290	269

Others

Auditing	31	34
Other services	38	32
	69	66

Notes to the Consolidated Financial Statements

7. DEPRECIATIONS AND IMPAIRMENTS

	2010 1000 EUR	2009 1000 EUR
Depreciations		
Intangible assets		
Capitalized development expenditure	-103	
Intangible rights	-2 461	-2 600
Other intangible assets		-84
Other capitalized long-term expenditures	-876	-793
Tangible assets		
Buildings and constructions	-269	-462
Machinery and equipment	-4 819	-5 638
Other tangible assets		-138
Total	-8 528	-9 715

8. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL

Number of personnel

Average number of personnel during the fiscal period		
Wireless	720	774
Automotive	784	686
Other businesses	58	129
Total	1 561	1 589
Number of personnel at the year end		
	1 539	1 528

Personnel expenses 1000 EUR

Personnel expenses		
Management salaries	-1 217	-1 561
Board of directors	-135	-130
Expense of share-based payments	-551	-289
Other salaries and wages	-79 990	-73 791
	-81 894	-75 770
Pension expenses, defined contribution plans	-5 725	-6 031
Pension expenses, defined benefit plans	-92	-68
Other personnel expenses	-9 983	-9 054
Total	-97 693	-90 923

9. RESEARCH AND DEVELOPMENT EXPENSES

2010
1000 EUR

2009
1000 EUR

The research and development expenses total	21 584	14 708
Recognition as an asset	-5 584	-1 065
The expensed research and development expenses recongized in the income statement amounted to	16 000	13 643

10. FINANCIAL EXPENSES (NET)

Interest expenses	-751	-946
Interest income	55	396
Dividend income	0	3
Exchange gains and losses	-1 471	-195
Change of financial assets and liabilities at fair value through profit or loss	510	-57
Other financial expenses	-131	-80
Other financial incomes	539	279
Reduction in value of investments	-7	
Total	1256	601

11. INCOME TAXES

Income taxes, current year	2 153	-1 592
Income taxes, previous years	-159	-65
Deferred taxes	918	352
Total	2 912	-1 305

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

Profit before taxes	-18 577	-731
Tax at the domestic tax rate	4 830	190
Effect of tax rates of foreign subsidiaries	495	-240
Taxes for prior years	-159	-54
Tax free income	964	296
Non-deductible expenses	-424	-247
Temporary difference between carrying amounts and tax base	918	352
Deferred tax assets	-3 503	-1 649
Others	-210	47
Income taxes in the consolidated income statement	2 912	-1 305

Accounting period tax expense is positive mainly because of booked accounts receivables impairment loss and deferred tax liabilities change during accounting period.

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.

	2010	2009
Profit attributable to the equity holders of the parent, continuing operations (1,000 EUR)	-16 114	-3 529
Profit attributable to the equity holders of the parent, discontinued operations (1,000 EUR)		1 314
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1,000 EUR)	-16 114	-2 215
Weighted average number of ordinary shares during the financial year (1,000 PCS)	129 413	129 413
Basic earnings per share, continuing operations, EUR	-0.12	-0.03
Basic earnings per share, discontinued operations, EUR	0.00	0.01
Basic earnings per share, continuing and discontinued operations, EUR	-0.12	-0.02

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 2010 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 (1,000 EUR)	-16 114	-3 529
Profit attributable to the equity holders of the parent, discontinued operations (1,000 EUR)		1 314
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1,000 EUR)	-16 114	-2 215
Weighted average number of ordinary shares during the financial year (1,000 PCS)	129 413	129 413
Effect of dilution (1,000 PCS)	864	167
Weighted average number of ordinary shares during the financial year (1,000 PCS)	130 277	129 580
Diluted earnings per share, continuing operations, EUR	-0.12	-0.03
Diluted earnings per share, discontinued operations, EUR	0.00	0.01
Diluted earnings per share, continuing and discontinued operations, EUR	-0.12	-0.02

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.

	2010 1000 EUR	2009 1000 EUR
Buildings and constructsures		
Acquisition cost Jan. 1	2 607	2 155
Translation differences	60	-18
Additions during the period	284	469
Transfer to assets	-118	
Acquisition cost Dec. 31	2 833	2 607
Accumulated depreciations Jan. 1	-1 192	-743
Translation differences	-41	13
Depreciation for the period	-269	-462
Carrying amount Dec. 31	1 331	1 415
No revaluations or capitalizations of the interest costs have been done.		
Machinery and equipment		
Acquisition cost Jan. 1	54 354	53 471
Translation differences	264	-98
Additions during the period	4 072	1 736
Disposals during the period	-347	-754
Transfer to assets	40	
Acquisition cost Dec. 31	58 383	54 354
Accumulated depreciations Jan. 1	-44 509	-38 943
Translation differences	-186	68
Depreciations on disposals	234	4
Depreciation for the period	-4 819	-5 638
Carrying amount Dec. 31	9 103	9 845
Advance payments		
Acquisition cost Jan. 1	28	
Additions during the period	15	28
Transfer to assets	-43	
Acquisition cost Dec. 31	0	28

Notes to the Consolidated Financial Statements

	2010 1000 EUR	2009 1000 EUR
Other tangible assets		
Acquisition cost Jan. 1	226	226
Acquisition cost Dec. 31	226	226
Accumulated depreciations Jan. 1	-138	
Depreciation for the period		-138
Carrying amount Dec. 31	88	88
Property, plant and equipment total		
Acquisition cost Jan. 1	57 215	55 852
Translation differences	323	-116
Additions during the period	4 371	2 233
Disposals during the period	-347	-754
Transfer to assets	-121	
Acquisition cost Dec. 31	61 442	57 215
Accumulated depreciations Jan. 1	-45 839	-39 685
Translation differences	-227	81
Depreciations on disposals	234	4
Depreciation for the period	-5 088	-6 238
Carrying amount Dec. 31	10 522	11 376
Finance leases		
The Group had the following amounts of property, plant and equipment acquired by finance leases:		
Machinery and equipment		
Acquisition cost Jan. 1	33 564	30 845
Accumulated depreciations	-27 017	-23 594
Carrying amount Dec. 31	6 547	7 251

Additions of property, plant and equipment include assets acquired by finance leases of 2,719 TEUR in 2010 (1,062 TEUR 2009).

14. INTANGIBLE ASSETS2010
1000 EUR2009
1000 EUR**Capitalized development expenditure**

Acquisition cost Jan. 1	1 065	
Additions during the period	5 584	1 065
Acquisition cost Dec. 31	6 648	1 065
Depreciation for the period	-103	
Carrying amount Dec. 31	6 545	1 065

Intangible rights

Acquisition cost Jan. 1	10 625	10 409
Translation differences	7	-2
Additions during the period	211	335
Disposals during the period	-2	-117
Acquisition cost Dec. 31	10 842	10 625
Accumulated depreciations Jan. 1	-9 881	-9 469
Translation differences	-7	2
Depreciation for the period	-299	-414
Carrying amount Dec. 31	654	744

Goodwill allocated to Intangible rights

Acquisition cost Jan. 1	16 643	16 763
Disposals during the period		-120
Acquisition cost Dec. 31	16 643	16 643
Accumulated depreciations Jan. 1	-10 683	-8 505
Depreciation for the period	-2 162	-2 178
Carrying amount Dec. 31	3 798	5 960

Other intangible assets

Acquisition cost Jan. 1	0	308
Acquisition cost Dec. 31	0	308
Accumulated depreciations Jan. 1		-224
Depreciation for the period		-84
Carrying amount Dec. 31	0	0

Notes to the Consolidated Financial Statements

	2010 1000 EUR	2009 1000 EUR
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	6 103	6 073
Translation differences	8	-4
Additions during the period	412	59
Disposals during the period		-25
Transfer to assets	121	
Acquisition cost Dec. 31	6 645	6 103
Accumulated depreciations Jan. 1	-5 133	-4 349
Translation differences	-7	3
Depreciations on disposals		7
Depreciation for the period	-876	-793
Carrying amount Dec. 31	629	971
Intangible assets total		
Acquisition cost Jan. 1	34 436	33 553
Translation differences	16	-6
Additions during the period	6 207	1 459
Disposals during the period	-2	-262
Transfer to assets	121	0
Acquisition cost Dec. 31	40 778	34 744
Accumulated depreciations Jan. 1	-25 697	-22 546
Translation differences	-14	5
Depreciations on disposals		7
Depreciation for the period	-3 441	-3 469
Carrying amount Dec. 31	11 627	8 739
Goodwill		
Acquisition cost Jan. 1	18 503	18 258
Translation differences	16	-5
Additions during the period		250
Carrying amount Dec. 31	18 519	18 503
Goodwill has been allocated to cash generating units as follows:		
Wireless segment	175	159
Automotive segment	18 344	18 344
Total	18 519	18 503

Impairment test

Goodwill is allocated to the Group's Cash-Generating Units (CGU), which are defined according to 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 evaluations.

The cash flow forecasts employed in these calculations are based on the cash flow targets for 2011 and the Long Range Plans (LRP) for 2012-2015 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.

Wireless business segment did not reach the total cash flow during 2010 as forecasted in the impairment test in 2009. After voluntary petition for reorganization of a significant customer of the segment, the business segment has to re-organize its' business by decreasing employee amount and also a sales volume declined. These changes have declined the short and the medium term cash flow expectations of the segment. Because of the low goodwill valuation of the Wireless business segment, the decline in the cash flow expectations do not have substantial impact to the fair value of the goodwill.

Automotive business segment reached the cash flow during 2010 as forecasted in the impairment test in 2009. There has not happened 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 cash flow forecasts are subject to the risks mentioned in the chapter Risks and Uncertainties of the Report by the of Board of Directors.

The used discount rate at these calculations is the Weighted Average Cost of Capital (WACC) after tax defined for EB. WACC defines total 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 13.06% in 2010 (13.06% in 2009). It was noticed during the impairment test that the components of the impairment calculation were in line with the previous year estimations of the costs of equity and debt and the market interest rates. Therefore there was no need to do any adjustments to the WACC.

The impairment test is done when necessary - latest update in December 2010. The impairment test did not reveal any need for impairment charges.

Sensitivity analysis was also carried out during the impairment test, where the CGU cash flow forecast was either decreased by 20% or the discount factor was increased by 5%. According to the performed sensitivity analysis there are no expectations for future impairment losses. Recoverable amounts exceed significantly the book value of goodwill. The forecasted cash flows are estimated to be received by 69% from the Wireless business and 74% from the Automotive business during the terminal period.

Notes to the Consolidated Financial Statements

15. INVESTMENT PROPERTIES AND INVESTMENTS IN AN ASSOCIATES

The Group does not have any investment properties and Investments 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

	2010 1000 EUR	2009 1000 EUR
At 1 January	280	385
Additions	13	60
Disposals	-131	-165
Impairment	-7	
At 31 December	155	280

18. RECEIVABLES

At 1 January	429	838
Impairment	-179	-409
At 31 December	250	429

19. DEFERRED TAX LIABILITIES AND ASSET

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						
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				407
Total	2 256	-891	0	0	0	1 365

1000 EUR	Jan. 1, 2009	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Dec. 31, 2009
Deferred tax assets						
Other items	70	11				81
Total	70	11	0	0	0	81

Non booked deferred tax receivables of loss-making domestic companies 17 467

Deferred tax liabilities						
Allocated goodwill	2 096	-591			-32	1 473
Other items	502	281				783
Total	2 598	-310	0	0	-32	2 256

Notes to the Consolidated Financial Statements

20. INVENTORIES	2010 1000 EUR	2009 1000 EUR
Raw materials and supplies	676	928
Work in progress		6
Finished products	909	1 100
Other inventories	279	356
Total	1 864	2 390

21. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	44 635	44 789
Receivables from construction contracts	3 340	4 534
Prepaid expenses and accrued income	11 186	7 819
Other receivables	2 118	2 178
Total	61 279	59 320

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

During the financial year group has booked accounts receivable impairment losses in value for approximately 10.3 million euros.

EB's significant default risk concentration is EUR 10.6 million which represents approximately 23% 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	25 955	24 954
Aged Overdue Amounts		
0-3 months	9 343	18 946
4-6 months	2 947	703
7-12 months	6 390	
> 12 months		186
Total	44 635	44 789

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS2010
1000 EUR2009
1000 EUR**Currency derivatives**

Balance sheet value on Jan. 1

Changes in fair-value

Balance sheet value on Dec. 31

36

36

23. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits

Total

12 880

12 880

18 816

18 816

Cash and cash equivalents at consolidated cash flow statement consist of:

Financial assets at fair value through profit or loss

Cash and short-term deposits

Total

7 641

12 880

20 522

40 239

18 816

59 055

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 2009	129 413	12 941	64 579		77 521
At 31 December 2009	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

Shares and the Share Capital

The shares of Elektrobitt 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 Finnish Central Securities Depository 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 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 comprises all foreign exchange differences arising from the transition of the financial statements of foreign subsidiaries.

Distribution of funds from the share premium fund

The General Meeting held on March 25, 2010 decided in accordance with the proposal of the Board of Directors that the shareholders will be distributed EUR 0.20 per share from the parent company's share premium fund, corresponding at the date of the General Meeting an aggregate amount of EUR 25,882,538 based on the number of shares.

Transfer of the funds from the share premium fund to the invested non-restricted equity fund

The General Meeting decided in accordance with the proposal of the Board of Directors that the share premium fund in the parent company's balance sheet as at 31 December 2009 will be decreased by transferring to the company's invested non-restricted equity fund all the funds remaining in the share premium fund after the distribution of the share premium fund.

EUR 38,696,853.50 remaining in the share premium fund was transferred to the invested unrestricted equity fund of the company.

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

A total of 612,000 2005A-stock options were distributed to Group management. The rest, 288,000 stock options 2005A, 1,200,000 stock options 2005B, 1,200,000 stock options 2005C and 1,200,000 stock options 2005D were granted to Elektrobitt Technologies Ltd, a wholly-owned subsidiary of Elektrobitt Oyj, to be further distributed to the present and future managers of the Group at a later date. In accordance with the terms and conditions of the stock options, the prerequisite for receiving 2005A- stock options was that the participating managers purchase a predetermined number of Elektrobitt shares, as decided by the Board of Directors.

The 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 Elektrobitt Oyj.

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

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 Elektrobitt 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 Elektrobitt 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 2010	Number of options 2009
Outstanding at the beginning of the year	372	372
Granted during the year	0	0
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	-372	0
Outstanding at the end of the year	0	372
Exercisable at the end of the year	0	0

Share-option plan 2005B

Share-based options, granted to group management

Nature of arrangement	Granted share-options
Grant date	31.5.2006
Number of instruments granted (1,000 PCS)	1003
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 2010	Number of options 2009
Outstanding at the beginning of the year	1 003	1 055
Granted during the year	0	0
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year		-52
Outstanding at the end of the year	1 003	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 2010	Number of options 2009
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 2010	Number of options 2009
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 2010	Number of options 2009
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)	1088
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 2010	Number of options 2009
Outstanding at the beginning of the year	1 175	0
Granted during the year	45	1 175
Forfeited during the year	-133	
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	1 088	1 175
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	0.83
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 2010	Number of options 2009
Outstanding at the beginning of the year	0	0
Granted during the year	1 390	0
Forfeited during the year	-108	
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	1 282	0
Exercisable at the end of the year	0	0

26. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

	2010	2009
	1000 EUR	1000 EUR

Benefit pension plan liability consists of following items:

Present value of funded obligations	1 530	1 089
Fair value of plan assets	-272	-259
Unrecognized actuarial gains (+) / losses (-)	-93	242
Net liability	1 164	1 072

Net periodic pension cost in income statement:

Unrecognized net liability on Jan. 1

Current service cost	48	41
Interest cost	64	56
Expected return on plan assets	-8	-9
Recognized net actuarial gains and losses	-7	-14
Employee contributions	-6	-6
Total	92	68

Balance sheet reconciliation:

Net liability on Jan. 1	1 072	1 004
Net periodic pension cost in income statement	92	68
Net liability on Dec. 31	1 164	1 072

Principal actuarial assumptions:

Europe

Discount rate	4.80	5.90
Expected return on plan assets	2.80	3.00

27. PROVISIONS

1000 EUR	Provisions for reorganising operations	Unprofitable rental agreements	Others	Total
31.12.2009	0	2 075	285	2 360
Increase in provisions	999	165	1 114	2 279
Used provisions		-987	-285	-1 272
Reversal of unused provisions				0
31.12.2010	999	1 253	1 114	3 366
Long-term provisions	375	599		974
Short-term provisions	624	654	1 114	2 392
Total	999	1 253	1 114	3 366

Notes to the Consolidated Financial Statements

28. FINANCIAL LIABILITIES	2010 1000 EUR	2009 1000 EUR
Non-current loans		
Bank loans	3 900	6 300
Finance lease liabilities	4 148	5 006
Other liabilities interest bearing		500
Total	8 048	11 806
Current loans		
Bank loans		
Finance lease liabilities	2 700	2 562
Repayments of long-term bank loans	2 400	2 300
Total	5 100	4 862
Repayment schedule of long-term loans:		
2010		4 862
2011	5 100	4 485
2012	4 614	4 051
2013	2 759	2 848
2014	533	422
2015	101	
Later	42	
Total	13 148	16 668

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:	2010 1000 EUR	2009 1000 EUR
EUR	8 048	11 806
Total	8 048	11 806
The interest-bearing current loans are distributed by currency as follows:		
EUR	5 100	4 862
Total	5 100	4 862
Maturities of the finance lease liabilities:		
Finance lease liabilities - minimum lease payments	7 313	8 214
Within one year	2 961	2 873
After one year but no more than five years	4 310	5 341
After five years	42	
Finance lease liabilities - Present value of minimum lease payments	6 848	7 568
Within one year	2 700	2 562
After one year but no more than five years	4 106	5 006
After five years	42	
Future finance charges	465	646
Total amount of finance lease liabilities	7 313	8 214

Notes to the Consolidated Financial Statements

29. TRADE AND OTHER PAYABLES

2010
1000 EUR

2009
1000 EUR

Current liabilities

Trade and other payables		
Trade liabilities	6 996	6 937
Accrued liabilities, deferred income	12 685	13 412
Other liabilities	13 648	4 080
Total	33 329	24 429

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	417	138
Changes in fair-value	-417	278
Balance sheet value on Dec. 31	0	417

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 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 economic conditions or other variables. Operations and funding programs executed in the financial markets are mainly concentrated into the parent company. Subsidiaries are mainly funded through intra-company loans 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, sure 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 16.0 million euros. During the financial year the amount of the hedged position has been changing between 11.0–20.0 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. Dollar denominated equities of foreign subsidiaries on December 31, 2010 was 2.8 million euros (2009: 8.4 million euros). Equities of subsidiaries denominated in currencies other than the Euro or the US dollar are not considered to have practical significance. On the closing date, the Group had the following foreign exchange derivative contract nominal amounts out-standing (the nominal amounts do not represent the amounts exchanged by the parties):

	2010 1000 EUR	2009 1000 EUR
Forward contracts		
Market value	-23	-333
Nominal value	11 000	11 000
Bought currency options		
Market value	138	63
Nominal value	5 000	11 500
Sold currency options		
Market value	-78	-146
Nominal value	10 000	23 000

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

Long-term assets	485	567
Long-term liabilities	561	266
Current assets	23 248	17 720
Current liabilities	20 417	9 652

Notes to the Consolidated Financial Statements

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

1000 EUR	Changes in income statement		Changes in equity	
	before tax, 2010	2009	before tax, 2010	2009
EUR appreciates	-300	-800	-300	-800
EUR depreciates	300	900	300	900

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, the Group had the following fixed interest rate debts and interest rate swaps outstanding:

	2010 1000 EUR	2009 1000 EUR
Fixed interest rate debts	9 848	12 568
Interest rate swaps	2 900	2 900

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

1000 EUR	Changes in income statement		Changes in equity	
	before tax, 2010	2009	before tax, 2010	2009
Loan stock January, 1	16 700	22 400		
Loan stock December, 31	13 100	16 700		
Average loan stock	14 900	19 500		
Change in interest	+/- 0	+/- 0	+/- 0	+/- 0

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 securities. According to the Group's principles investments related to cash management are made in liquid and low-risk money market instruments and thus have not been hedged using derivatives.

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

	2010	2009
Stock shares	0.0 %	0.0 %
Bonds	0.0 %	0.0 %
Money market investments	100.0 %	100.0 %
Total	100.0%	100.0 %

The combined value of the above instruments during the financial period has ranged from approximately 7.6 million euros to approximately 50.5 million euros. At closing date their value was approximately 7.6 million euros. This risk concentration has been managed by investing to well spread and low-risk money market funds.

The table below describes the price risk of the investments if they had exhibited a +/-1% change in a market rate of interest, other variables remaining constant. Financial assets that are recognized at market value in the income statement affect after-tax net income. Changes in the value of for-sale financial assets affect equity. In the calculations it is presumed that the Group's investments change with the interest rate level in question. The sensitivity analysis describes the total market risk of investment activity because all investments are in the interest rate instruments.

1000 EUR	Changes in income statement		Changes in equity	
	before tax, 2010	2009	before tax, 2010	2009
Interest-income portfolio	+/- 0	+/- 100	+/- 0	+/- 100

Notes to the Consolidated Financial Statements

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 10,6 million euros which represents approximately 23% 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.

TerreStar Networks inc is majority-owned subsidiary of TerreStar Corporation. EB has filed a lawsuit against TerreStar Corporation in the Supreme Court of the State of New York seeking payment of its outstanding receivables in the amount of approximately USD 25.8 million from TerreStar Corporation. The claim is based on a guarantee issued by TerreStar Corporation for EB's receivables from TerreStar Networks Inc. Further, the claim is also based TerreStar Corporation's direct contractual obligations towards EB.

The lawsuit filed by EB is not expected to affect EB's rights in the reorganization proceedings initiated by TerreStar Networks. The court filings relating to such proceedings contain limited information on how EB's receivables will be treated in the reorganization, but the plan of reorganization filed by TerreStar Networks and its affiliated debtors suggests that payment of EB's receivables may take the form of newly issued common stock and rights to purchase newly issued preferred stock in the reorganized debtors. The plan of reorganization is subject to court and creditor approval under United States bankruptcy law.

By the finalization of 2010 financial statements TerreStar Corporation is not part of the reorganization proceedings initiated by TerreStar Networks. According to court filings relating to the reorganization proceedings, it is contemplated by TerreStar Networks that TerreStar Corporation (and its subsidiary TerreStar Holdings Inc.) will file their own voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the near term. It is EB's understanding that if TerreStar did file for reorganization, the legal proceedings brought by EB against TerreStar would be stayed under the United States bankruptcy law.

EB aims to collect the amounts owed to it in full either through the re-organization process of TerreStar Networks or through legal proceedings against TerreStar Corporation, and/or for example through selling of the earlier mentioned accounts receivables. It is possible that based on later information related to the TerreStar Networks' reorganization and to the legal proceedings against TerreStar Corporation this view may need to be reconsidered.

During the past financial year the amount of recognized impairment losses was approximately 10.3 million euros from which 8.3 million euros were made related to reorganization of TerreStar Networks Inc. The amount of capital loans granted to outside Group were 0.3 million euros at the end of 2010 (2009: 0.4 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 strives to continuously evaluate and monitor the amount of liquid funds needed for business operations and loan repayments. The Group's parent company raises most of the Group's interest-bearing debt. The Group strives to guarantee the availability and flexibility of financing by its strong financial position and liquid investments. The Group's loan covenants are conventional in nature. For the maturity distribution of the Group's debt, see note 28.

Capital structure management

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

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

The management has continuously monitored the development of the Group's net gearing and equity ratio. The Group's interest bearing net debt at the end of 2010 was -7.4 million euros (2009: -42.4 million euros) and net gearing was -10.2% (2009: -37.6%). The Group's solvency ratio at the end of 2010 was 62.6% (2009: 71.5%).

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 2010	Fair value 2010	Book value 2009	Fair value 2009
Financial assets					
Other financial assets		155	155	280	280
Trade receivables and other receivables	18,21	61 529	61 529	59 748	59 748
Financial assets at fair value through profit or loss	17,22	7 641	7 641	40 239	40 239
Cash and cash equivalents	22	12 880	12 880	18 816	18 816
Currency forwards and options	22	36	36		
Financial liabilities					
Bank loans	28	6 300	6 438	9 100	9 560
Finance lease liabilities	28	6 848	6 848	7 568	7 568
Trade payables and other debts	26,27,29	37 881	37 881	27 998	27 998
Currency forwards and options	29			417	417

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. DERIVATIVE 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

	2010 1000 EUR	2009 1000 EUR
Business transactions without payments		
Depreciations	8 528	9 715
Employee benefits	551	289
Profit and loss from sale of property, plant and equipment		77
Other adjustments	10 079	-4 320
Total	19 158	5 760

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 *	5 994	5 947
Later than one year and not later than five years *	11 134	11 963
Later than five years	3 834	5 953

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

The Group has rented most of its facilities. In average the maturities of the lease agreements are from 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 LIABILITIES2010
1000 EUR2009
1000 EUR

Against own liabilities		
Floating charges	3 119	3 119
Pledges	2 256	972
Against other liabilities		
Guarantees	2 028	3 763
Other liabilities	10 116	
Rental liabilities		
Falling due in the next year	5 994	5 947
Falling due after one year	14 968	17 916
Other contractual liabilities		
Falling due in the next year	3 852	4 307
Falling due after one year	2 148	681
Total	44 481	36 704

Mortgages are pledged for liabilities totalled

Loans from financial institutions	6 300	8 600
Other liabilities		
Total	6 300	8 600

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
Decomsys Beteiligungs-GmbH	Austria	0.00	100.00
Elektrobit Austria GmbH	Austria	0.00	100.00
Elektrobit 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

	2010 1000 EUR	2009 1000 EUR
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Employee benefits for key management

Salaries and remuneration

Managing director of the parent

Pertti Korhonen 1.1.-4.6.2009	0	397
Jukka Harju 4.6.-31.12.2009 and 1.1.-31.12.2010	287	146
Total	287	543

Members of the board of the parent

Jorma Halonen 19.3.-31.12.2009 and 1.1.-31.12.2010	24	19
Jukka Harju 1.1.-3.6.2009	0	10
Juha Hulkko 1.1.-31.12.2009 and 1.1.-31.12.2010	25	29
Laine Seppo 1.1.-31.12.2009 and 1.1.-31.12.2010	38	24
Staffan Simberg 1.1.-31.12.2009 and 1.1.-31.12.2010	24	24
Erkki Veikkolainen 1.1.-31.12.2009 and 1.1.-31.12.2010	24	24
Total	135	130

There have not been any business transactions or open balances between the related parties.

Members of the group executive board	1 470	1 360
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Loans and guarantees to related party

There are no loans or guarantees granted between the related parties

Stock option expenses	206	198
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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 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006
Income statement, (MEUR)					
Net sales, (MEUR)	161.8	153.8	172.3	144.3	120.5
Net sales change, %	5.2	-10.7	19.4	19.8	-36.6
Operating profit/loss, (MEUR)	-17.3	-1.4	-42.7	-20.3	-6.0
% of net sales	-10.7	-0.9	-24.8	-14.1	-5.0
Profit/loss for continuing operations before taxes, (MEUR)	-18.6	-2.0	-47.4	-20.0	-6.1
% of net sales	-11.5	-1.3	-27.5	-13.9	-5.0
Profit for the year from continuing operations, (MEUR)	-15.7	-3.3	-49.8	-20.0	-6.1
% of net sales	-9.7	-2.2	-28.9	-13.9	-5.1
Profit after tax for the year from discontinued operations, (MEUR)		1.3	0.3	13.1	80.3
% of net sales		0.9	0.2	9.1	66.7
Profit for the year attributable to equity holders of the parent, (MEUR)	-16.1	-2.2	-49.5	-6.9	73.9
% of net sales	-10.0	-1.4	-28.7	-4.8	61.3
Balance sheet (MEUR)					
Non-current assets	41.2	39.4	46.7	77.2	66.3
Inventories	1.9	2.4	3.3	7.6	13.9
Current assets	81.8	118.4	130.5	151.4	182.6
Shareholders' equity	72.5	112.8	115.1	165.7	188.6
Non-current liabilities	11.6	15.0	19.7	28.9	23.7
Current liabilities	40.8	32.4	45.7	41.5	50.5
Balance sheet total	124.9	160.2	180.5	236.1	262.8
Profitability and other key figures					
Return on equity, % (ROE) ***	-16.9	-2.9	-35.5	-11.3	-3.9
Return on investment, % (ROI) ***	-16.4	-0.8	-26.2	-8.7	-2.7
Interest-bearing net liabilities, (MEUR)	-7.4	-42.4	-46.2	-39.7	-92.7
Net gearing, %	-10.2	-37.6	-40.2	-24.0	-49.2
Equity ratio, % (nominal, net of deferred taxes)	62.6	71.5	64.9	70.9	72.2
Gross investments, (MEUR) ***	10.7	4.0	9.8	44.1	16.4
Gross investments, % of net sales	6.6	2.6	5.7	30.6	13.6
R&D costs, (MEUR) ***	21.6	14.7	37.9	38.3	23.7
R&D costs, % of net sales	13.3	9.6	22.0	26.6	19.6
Average personnel during the period ***	1561	1589	1768	1695	1424

	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006
Stock-related financial ratios *					
Earnings per share from continuing operations, EUR					
Basic earnings per share	-0.12	-0.03	-0.38	-0.15	-0.05
Diluted earnings per share	-0.12	-0.03	-0.38	-0.15	-0.05
Earnings per share from discontinued operations, EUR					
Basic earnings per share		0.01	0.00	0.10	0.62
Diluted earnings per share		0.01	0.00	0.10	0.62
Earnings per share from continuing and discontinued operations, EUR					
Basic earnings per share	-0.12	-0.02	-0.38	-0.05	0.57
Diluted earnings per share	-0.12	-0.02	-0.38	-0.05	0.57
Equity per share, EUR	0.55	0.87	0.89	1.28	1.30
Dividend per share, EUR **				0.02	0.11
Dividend per earnings, %				-12.9	-220.4
P/E ratio	-5.4	-34.5	-0.9	-10.6	-41.3
Effective dividend yield, %				1.2	5.3
Market values of shares, (EUR)					
Highest	1.25	1.40	1.79	2.48	2.56
Lowest	0.66	0.33	0.29	1.51	1.82
Average	0.92	0.62	0.82	1.93	2.18
At the end of period	0.67	0.94	0.33	1.64	2.06
Market value of the stock, (MEUR)	86.7	121.6	42.7	212.2	266.6
Trading value of shares					
MEUR	16.8	11.1	9.6	53.4	72.4
1,000 PCS	18 190	17 822	11 770	27 656	33 206
Related to average number of shares, %	14.1	13.8	9.1	21.4	25.7
Adjusted number of the shares at the end of the period (1,000 PCS)	129 413	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period (1,000 PCS)	129 413	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period diluted with stock options (1,000 PCS)	130 277	129 580	129 413	129 413	129 413

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

** According to Board of Director's proposal, year 2010.

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

Notes to the Consolidated Financial Statements

CALCULATION OF KEY RATIOS

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

38. SHAREHOLDINGS AND SHARES

Breakdown of shares by shareholding, December 31, 2010

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1-100	11 306	45.5%	536 879	0.4%
101-500	7 116	28.7%	1 872 938	1.4%
501-1,000	2 555	10.3%	2 011 794	1.6%
1,001-5,000	2 834	11.4%	6 605 282	5.1%
5,001-10,000	473	1.9%	3 643 136	2.8%
10,001-50,000	399	1.6%	9 072 397	7.0%
50,001-100,000	69	0.3%	5 042 422	3.9%
100,001-500,000	52	0.2%	12 734 075	9.8%
500,001-999,999,999,999	20	0.1%	87 893 767	67.9%
	24 824	100.0%	129 412 690	100.0%
Nominee-registered	9		1 822 264	1.4%

Breakdown of shareholders by shareholder type, December 31, 2010

Shareholders by shareholder type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
Companies	882	3.6	22 659 738	17.5%
Financial institutes and insurance companies	19	0.1	2 710 844	2.1%
Public corporations	4	0.0	620 560	0.5%
Non-profit organizations	69	0.3	1 041 256	0.8%
Private investors	23 734	95.6	97 460 702	75.3%
Foreign owned	107	0.4	3 097 326	2.4%
Nominee-registered	9	0.0	1 822 264	1.4%
	24 824	100.0	129 412 690	100.0%

Notes to the Consolidated Financial Statements

Largest shareholders, December 31, 2010

	Number of shares	Percentage of shares and votes
Number of shares total	129 412 690	100.0
Hulkko Juha, Member of the Board	27 395 362	21.2
Hilden Kai	10 831 316	8.4
Veikkolainen Erkki, Member of the Board	9 388 719	7.3
Harju Jukka, CEO *	7 776 064	6.0
Halonen Eero	7 691 011	5.9
Fortel Invest Oy	7 205 497	5.6
Vakuutusyhtiö Henki-Fennia	2 535 000	2.0
Mariatorp	2 400 000	1.9
Laine Seppo, Chairman of the Board **	2 220 051	1.7
eQ Pikkujättiläiset	1 850 000	1.4
	79 293 020	61.3
Others (includes nominee-registered)	50 119 670	38.7

The Board and CEO

Hulkko Juha, Member of the Board	27 395 362	
Harju Jukka, CEO *	7 776 064	
Laine Seppo, Chairman of the Board **	2 220 051	
Simberg Staffan, Member of the Board ***	290 000	
Veikkolainen Erkki, Member of the Board	9 388 719	
	47 070 196	36.4

* including the shareholding's of Harju's related persons and a company controlled by Jukka Harju

** including the shareholding of a company controlled by Seppo Laine

*** including the shareholding of a company controlled by Staffan Simberg

Income Statement, Parent

	Notes	2010 1000 EUR	2009 1000 EUR
NET SALES	1, 2	7 218	10 323
Other operating income	3	1 407	2 317
Raw materials and services		-35	-14
Personnel expenses	4	-4 593	-5 664
Depreciation and reduction in value	5	-721	-1 031
Other operating expenses	6	-5 577	-8 759
OPERATING PROFIT		-2 302	-2 829
Financial income and expenses	7	2 356	47 051
PROFIT BEFORE EXTRAORDINARY ITEMS		54	44 223
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		54	44 223
Income tax	8	-3	-12
NET PROFIT FOR THE FINANCIAL YEAR		51	44 211

Balance Sheet, Parent

	Notes	2010 1000 EUR	2009 1000 EUR
ASSETS			
Non-current assets			
Intangible assets	9	392	963
Tangible assets	10	179	312
Investments	11	75 480	70 480
Non-current assets total		76 051	71 754
Current assets			
Receivables			
Long-term receivables	12	2 749	2 926
Short-term receivables	13	30 528	74 348
Receivables total		33 277	77 275
Cash and bank deposits		15 153	9 304
Current assets total		48 430	86 579
TOTAL ASSETS		124 481	158 333
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	12 941	12 941
Share issue premium			64 579
Invested non-restricted equity fund		38 697	
Retained earnings		66 547	22 336
Net profit for the year		51	44 211
Shareholders' equity total		118 236	144 068
Liabilities			
Short-term liabilities	15	6 245	14 265
Liabilities total		6 245	14 265
Shareholders' equity and liabilities total		124 481	158 333

Cash Flow, Parent

	2010 1000 EUR	2009 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before extraordinary items	54	44 223
Adjustments:		
Depreciation according to plan	721	824
Other non-cash items	300	-43
Reduction in value in non-current assets		207
Financial income and expenses	-2 356	-47 051
Cash flow before change in net working capital	-1 281	-1 840
Change in net working capital		
Change in interest-free short-term receivables	10 427	11 773
Change in interest-free short-term payables	280	-1 022
Cash flow before financing activities	9 427	8 911
Interest paid	-3 021	-1 599
Dividends received	2 700	
Interest received	2 224	2 066
Income taxes paid	-3	-12
Cash flow before extraordinary items	11 326	9 368
Net cash from operating activities	11 326	9 368

Cash Flow, Parent

	2010 1000 EUR	2009 1000 EUR
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-18	-60
Proceeds from sale of tangible and intangible assets		21
Purchase of investments	-5 000	-6 000
Proceeds from repayments of loans	2 284	3 250
Net cash used in investing activities	-2 733	-2 790
CASH FLOW FROM FINANCIAL ACTIVITIES		
Change in interest-free short-term receivables in Group	31 323	-6 286
Change in interest-free short-term payables in Group	-8 184	656
Distribution of funds from the share premium fund	-25 883	
Net cash used in financial activities	-2 744	-5 630
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	5 849	948
Cash and cash equivalents at beginning of period	9 304	8 356
Cash and cash equivalents at end of period	15 153	9 304
Change in cash and cash equivalents in balance sheet	5 849	948

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

	2010 1000 EUR	2009 1000 EUR
1. NET SALES BY SEGMENTS		
Common functions	7 218	10 323
Total	7 218	10 323
2. NET SALES BY MARKET AREAS		
Europe	6 971	9 931
America	135	188
Asia	112	205
Total	7 218	10 323
3. OTHER OPERATING INCOME		
Other operating income	1 407	2 317
Total	1 407	2 317
4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel during the fiscal period		
Common functions	55	77
Total	55	77
Number of personnel at year end		
	50	63
Personnel expenses		
Management salaries	287	543
Board of directors	135	130
Other salaries and wages	3 476	4 052
Total	3 898	4 725
Pension expenses	569	681
Other social expenses	126	259
Total	4 593	5 664
5. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	25	36
Other capitalized long-term expenditures	563	666
Other tangible goods	0	138
Machinery and equipment	133	191
Total	721	1 031

	2010 1000 EUR	2009 1000 EUR
6. OTHER OPERATING CHARGES		
IT equipment and SW expenses	3 103	3 653
Premises expenses	375	2 277
Administrative services	553	1 187
Travel expenses	336	453
Voluntary staff expenses	271	316
Other business expenses	939	873
Total	5 577	8 759
Auditor's charges		
Auditing	27	27
Certificates and Statements	0	2
Tax advice	29	8
Other services	10	14
Total	65	49
7. FINANCIAL INCOME AND EXPENSES		
Income from investments		
From Group companies	2 700	47 000
Total	2 700	47 000
Other interest and financial income		
From Group companies	283	533
From others	1 977	1 533
Total	2 260	2 066
Other interest and financial expenses		
To Group companies	-12	-76
To others	-2 593	-1 940
Total	-2 604	-2 015
Net financial income and expenses	2 356	47 051
Net financial income and expenses includes exchange gains and losses	-1 084	-466
8. INCOME TAX		
For operations	-3	-12
Total	-3	-12

Notes to the Financial Statements of the Parent Company

	2010 1000 EUR	2009 1000 EUR
9. INTANGIBLE ASSETS		
Intangible rights		
Acquisition cost Jan. 1	252	234
Investments during the period	18	55
Disposals during the period		-37
Acquisition cost Dec. 31	270	252
Accumulated depreciations Jan. 1	-57	-31
Depreciation for the period	-25	-27
Book value Dec. 31	187	195
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	4 116	4 165
Investments during the period		10
Disposals during the period		-59
Acquisition cost Dec. 31	4 116	4 116
Accumulated depreciations Jan. 1	-3 348	-2 741
Depreciation for the period	-563	-607
Book value Dec. 31	205	768
Intangible assets total		
Acquisition cost Jan. 1	4 368	4 399
Investments during the period	18	64
Disposals during the period		-96
Acquisition cost Dec. 31	4 386	4 368
Accumulated depreciations Jan. 1	-3 405	-2 772
Depreciation for the period	-588	-633
Book value Dec. 31	392	963
10. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost Jan. 1	1 933	1 931
Investments during the period		2
Acquisition cost Dec. 31	1 933	1 933
Accumulated depreciations Jan. 1	-1 692	-1 501
Depreciation for the period	-133	-191
Book value Dec. 31	108	241
Other tangible assets		
Acquisition cost Jan. 1	71	209
Deduction during the period		-138
Acquisition cost Dec. 31	71	71
Book value Dec. 31	71	71
Tangible assets total		
Acquisition cost Jan. 1	2 004	2 140
Investments during the period		2
Deduction during the period		-138
Acquisition cost Dec. 31	2 004	2 004
Accumulated depreciations Jan. 1	-1 692	-1 501
Depreciation for the period	-133	-191
Book value Dec. 31	179	312

	2010	2009
	1000 EUR	1000 EUR

11. INVESTMENTS

Investments in subsidiaries		
Acquisition cost Jan. 1	70 470	70 470
Investments during the period	5 000	
Acquisition cost Dec. 31	75 470	70 470
Investments in other shares		
Acquisition cost Jan. 1	9	9
Acquisition cost Dec. 31	9	9
Investments total		
Acquisition cost Jan. 1	70 480	70 480
Investments during the period	5 000	
Acquisition cost Dec. 31	75 480	70 480

12. LONG-TERM RECEIVABLES

Loan receivables		
From Group companies	2 749	2 926
Total	2 749	2 926
Long-term receivables total	2 749	2 926

Notes to the Financial Statements of the Parent Company

	2010 1000 EUR	2009 1000 EUR
13. SHORT-TERM RECEIVABLES		
Accounts receivable		
From Group companies	962	11 319
From others	3	2
Total	965	11 321
Loan receivables		
From Group companies	310	2 416
Total	310	2 416
Other receivables		
From Group companies	28 710	60 032
From others	13	15
Total	28 723	60 047
Prepaid expenses and accrued income		
From Group companies	0	0
From others	530	564
Total	531	564
Short-term receivables total	30 528	74 348
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	64 579	64 579
Distribution of the share premium fund	-25 883	
Decrease of the share premium fund	-38 697	
Share premium fund at the end of the period	0	64 579
Invested unrestricted equity fund at the beginning of the period	0	0
Transfer from the share premium fund	38 697	
Invested unrestricted equity fund at the end of the period	38 697	0
Retained earnings at the beginning of period	66 547	22 336
Net profit for the period	51	44 211
Retained earnings at the end of period	66 597	66 547
Distributable earnings at the end of the period	105 294	66 547
Shareholders' equity total	118 236	144 068

2010
1000 EUR

2009
1000 EUR

15. SHORT-TERM LIABILITIES

Accounts payable		
To Group companies	6	74
To others	438	437
Total	444	511
Other short-term liabilities		
To Group companies	3 720	11 904
To others	1 286	770
Total	5 006	12 674
Accrued expenses and deferred income		
To others	795	1 080
Total	795	1 080
Short-term liabilities total	6 245	14 265

16. SECURITIES AND CONTINGENT LIABILITIES

On behalf of Group companies		
Guarantees	11 497	13 177
Other direct and contingent liabilities	25	25
Leasing liabilities		
Falling due in the next year	1 765	2 783
Falling due after one year	2 815	5 247
Rental liabilities		
Falling due in the next year	223	895
Falling due after one year		781
Contractual liabilities		
Falling due in the next year	2 640	3 405
Falling due after one year	68	1 374
Total	19 033	27 687

17. NOMINAL VALUE OF CURRENCY DERIVATES

Foreign exchange forwards		
Market value	-23	-333
Nominal value	11 000	11 000
Options		
Buyed options		
Market value	138	63
Nominal value	5 000	11 500
Sold options		
Market value	-78	-147
Nominal value	10 000	23 000

Notes to the Financial Statements of the Parent Company

	Owned by parent, %	Owned by group, %	Book value 1000 EUR
18. SHARES AND HOLDINGS			
Subsidiaries			
Elektrobit Wireless UK Ltd.	100.00	100.00	0
Elektrobit Technologies Oy	100.00	100.00	39 749
Elektrobit Automotive GmbH	100.00	100.00	30 721
Other holdings by Parent			
Oulun Golf Oy			8
Oulun Puhelin Oy			1
Oulun Innovation Oy			0

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, 2010, the distributable assets of the parent company are EUR 105,294,341.06 of which the profit of the financial year is EUR 50,596.03.

The Board of Directors proposes to the General Meeting to be held on March 31, 2011, that no dividend shall be paid.

Oulu, February 16, 2011



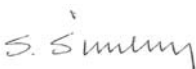
Seppo Laine
Chairman of the Board



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 auditor's report has been issued today.

Oulu, February 16, 2011

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, 2010. 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 and 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 Standard (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 16, 2011

Ernst & Young Oy
Authorized Public Accountant Firm


Jari Karppinen
Authorized Public Accountant



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