Annual Report 2008

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 2008

2008 in Brief

NET SALES GREW, CHALLENGES IN PROFITABILITY

During the year 2008, EB's net sales amounted to EUR 172.3 million (EUR 144.3 million in 2007), indicating a growth of 19.4 per cent. The operating loss from Business Operations amounted to EUR -29.1 million and the non-recurring restructuring costs, write-offs and bad dept reserves totaled to EUR -13.6 million, resulting in a total operating loss of EUR -42.7 million (EUR -20.3 million in 2007).

The Automotive Business Segment continued on its solid growth path with net sales during January–December 2008 of EUR 63.3 million (EUR 52.6 million in 2007), representing a growth of 20.3 per cent compared to 2007. The operating loss was EUR -12.1 million (EUR 0.7 million in 2007) due to weaker than planned profitability of some large customer projects and long-term investments into development of leading automotive software products and expansion to new geographical market areas. Through these investments EB is executing its strategy to become a leading automotive software partner for automotive OEM's and their vendors globally.

The net sales of the Wireless Business Segment amounted to EUR 108.6 million (EUR 90.9 million in 2007), representing a growth of 19.5 per cent. The net sales included extraordinary low-margin through-licencing revenues of approximately EUR 3 million. The operating loss from Business Operations amounted to EUR -17.5 million and the write-offs and restructuring costs totaling to EUR -11.0 million, resulting to a total operating loss of EUR -28.5 million (EUR -22.8 million in 2007). The losses were caused by larger than originally anticipated R&D investments and the delay of the accumulation of net sales of Mobile WiMAX base station module products, rapid deceleration of the market of wireless communications emulation and design tools, heavy investment and lack of demand in RFID reader systems and weaker than expected demand of radio network and mobile terminals R&D services.

In fourth quarter of 2008 EB launched a profit improvement and cost structure adjustment program targeting to total of EUR 40 million annual cost savings in comparison to the cost level of the first half of 2008. The cost savings measures totaling to EUR 30 million have been completed during 4Q 2008 and they are gaining their full impact from the beginning of 2009. The additional measures targeting to EUR 10 million savings have been mostly identified and are currently being implemented.

On October 1st EB announced a change of the business model in the Mobile WiMAX by shifting from investing upfront in the development of radio base station module products to the development of customer-financed WiMAX solutions. The change of business model reduces significantly EB's own R&D investment going forward, while maintaining the opportunity to develop and implement demanding Mobile WiMAX solutions for customers.

MAIN EVENTS DURING 2008

In 2008 EB continued to focus its business operations in order to concentrate on growth businesses in Automotive and Wireless Segments. EB's strategic intent is to become a global market leader and number 1–2 player in each of its focus businesses. EB is seeking for a profitable growth with a balanced customer portfolio and scalable business models.

In March 2008, EB decided to outsource the main part of the emulator production activities of Wireless Communications Tools. EB buys non-core production services from its outsourcing partners, aiming at improving the cost efficiency and flexibility of its supply chain. However, the final assembly, configuration, testing and service operations of Wireless Communications Tools are maintained within EB. Due to the change in Wireless Communications Tools production and personnel negotiations also in Radio Network Solutions (RNS) business the personnel was reduced by 59 employees.

In the beginning of the third quarter EB combined Mobile Terminal Solutions (MTS) and Radio Network Solutions (RNS) businesses into a single Wireless Solutions (WS) business seeking to offer customers customized solutions in a more flexible manner, to improve profitability and to penetrate into new market domains and customers in a need of a strong wireless solution partner.

During the third quarter, EB extended its capability to conduct automotive business in the global market. In July EB acquired a French company Net Consulting & Services S.A.R.L, which now constitutes the base for EB's automotive business in France. In August, EB launched its automotive activities in China in Shanghai and Beijing.

In October EB changed the business model in the Mobile WiMAX by shifting from investing upfront in the development of radio base station module products to the development of demanding, customer-financed WiMAX solutions. This reduces significantly EB's own R&D investment going forward, while maintaining the opportunity to develop and implement demanding Mobile WiMAX solutions for customers. EB also continued to adjust downwards its other R&D investments, increase further the resource utilization and reduce high cost subcontracting.

In fourth quarter EB launched a profit improvement and cost structure adjustment program targeting to total of EUR 40 million annual cost savings in comparison to the cost level of the first half of 2008. The cost savings measures totaling to EUR 30 million have been completed during 4Q 2008 and are gaining their full impact from the beginning of 2009. The additional measures targeting to EUR 10 million savings have been mostly identified and are currently being implemented.

As part of the profit improvement program EB has decided to reduce personnel by 170 employees globally by the end of the first half of 2009. Earlier in October 2008 EB reduced its personnel in support functions by 42 employees. In December EB reduced 57 employees in Wireless business and agreed upon a maximum of 6 week's temporary dismissals of employees in Wireless Communications Tools.

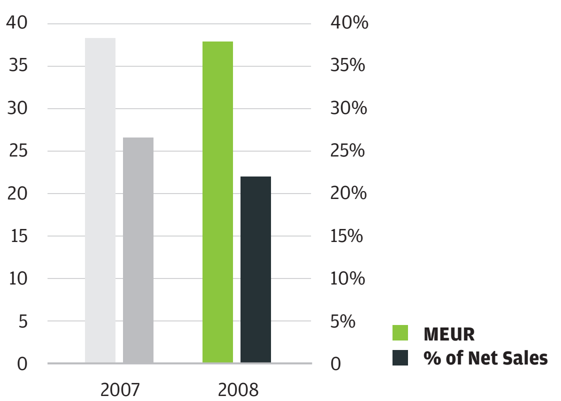
The funding structure continued to be strong. The equity ratio at year-end 2008 was 64.9 per cent (70.9 per cent in 2007). The cash flow from operations amounted to EUR -24.7 million (EUR -27.1 million in 2007).

The share price decreased. The closing price of the Elektrobit Corporation's share was EUR 0.33 at the end of 2008. Elektrobit Corporation's share price quoted on NASDAQ OMX Helsinki decreased by 79.9 per cent during the period under review and the company's market value at the end of 2008 was EUR 42.7 million (EUR 212.2 million in 2007).

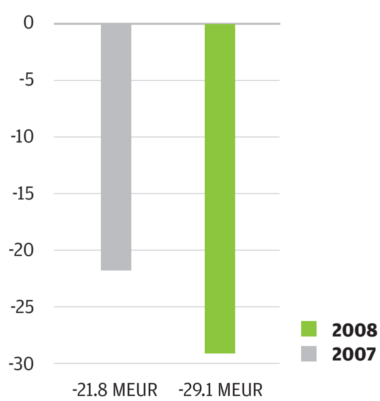
The Board of Directors of Elektrobit Corporation proposes that no dividend shall be paid. The consolidated income statement is presented on the next page.

According to the IFRS5 standard, EB reports its financial results divided between Discontinued and Continuing Operations. In this Annual Report, financial figures concerning the income statement of 2007 and 2008 are reported based on Continuing Operations, without the Network Test (sold in November 2006) and Production Solutions (sold in June 2007) business figures. Discontinued business figures are reported separately after Continuing Operations' net profit. Regarding the sales price of the Production Solutions business, there is an additional purchase price component that will depend on the financial performance of 2008. According to the initial information given by the buyer no substantial additional payment for 2008 is foreseeable.

R&D Investments in MEUR and % of the Net Sales, 2007 and 2008



Operating Loss from Business Operations Without Non-Recurring Costs, 2007 and 2008




STATUS
IN
OUT
RFLO IN
RFLO OUT
CH8
RF8
CH7
RF7
CH6
RF6
CH5
RF5
CH4
RF4
CH3
RF3
CH2
RF2
CH1
RF1
IEEE 488
GPIO
CONTROL
C1
C2
C3
C4

Consolidated Income Statement (MEUR)

	1-12/2008 12 months	1-12/2007 12 months
Net sales	**172.3**	**144.3**
Operating profit (loss)	**-42.7**	**-20.3**
Financial income and expenses	-4.7	0.3
Profit before tax	**-47.4**	**-20.0**
Profit for the year from continuing operations	**-49.8**	**-20.0**
Profit after tax for the year from discontinued operations	0.3	13.1
Profit for the year	**-49.5**	**-6.9**
Attributable to		
Equity holders of the parent	-49.5	-6.9
Minority interest	0.0	0.0
Earnings per share EUR continuing operations	-0.38	-0.15
Earnings per share EUR discontinued operations	0.00	0.10
Earnings per share EUR continuing and discontinued operations	-0.38	-0.05
Net gearing, %	-40.2%	-24.0%
Equity ratio, %	64.9%	70.9%

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 automotive and selected wireless environments.

EB's strategic intent and long-term target is to become a global market leader and number 1–2 player in each of its focus businesses.

Business Segments

Automotive Business Segment

Automotive Software Business

Wireless Business Segment

Wireless Solutions Business

Wireless Communications Tools Business

Wireless Sensor Solutions Business

CEO’s Review

The year 2008 was challenging for EB. Net sales grew to EUR 172.3 million, indicating growth of nearly 20 per cent but, at the same time, the operating loss from business operations increased to EUR -42.7 million, consisting of losses of EUR -29 million in business operations and EUR -13.6 million of non-recurring costs.

Automotive Business continued its solid growth, and net sales increased to EUR 63.3 million (EUR 52.6 million in 2007), representing growth of 20.3 per cent. The growth in net sales was due to increasingly competitive EB product offering in both Infotainment software solutions as well as in ECU software solutions (basic software and tooling). This led to solidifying EB’s position among current customers as well as winning new customers. The operating loss from the Automotive Business Segment amounted to EUR -12.1 million (EUR 0.7 million in 2007). This was caused by weaker than planned profitability of some large customer projects, continuous long-term investments in automotive software products, and expansion of the geographical footprint and business development in France, the United States, Japan and China. Through these continuous investments, EB is executing its strategy of becoming one of the world’s leading automotive software partners for automotive OEMs and their vendors.

The net sales of the Wireless Business grew 19.5 per cent to EUR 108.6 million (EUR 90.9 million in 2007). The operating loss amounted to EUR -28.5 million (EUR -22.8 million in 2007). The weakening of profitability was mainly due to significant product development investments in the mobile WiMAX base station module products and the RFID reader systems. Deceleration of the market for wireless communications emulation and design tools and, thus, the slowing of sales during the second and third quarter weakened the profitability for their part. Other reasons for the weakened profitability were slower demand for radio network solutions during the first half of the year, and slower than expected demand in mobile terminals solutions’ R&D services in the third quarter.

At the beginning of October, due to the slower than expected growth of the mobile WiMAX market and the weak profitability, we changed the business model for mobile WiMAX technology by shifting from investing upfront in the development of radio base station module products to the development of customer-financed WiMAX solutions. The change of business model significantly reduces EB’s own R&D investment going forward, while maintaining the opportunity to develop and implement demanding Mobile WiMAX solutions for customers.

In the middle of the year, we initiated a change in the operational model of the Wireless Business Segment by combining Mobile Terminal Solutions and Radio Network Solutions Businesses into a single Wireless Solutions Business. With this change, we are able to increase our profitability by optimizing our operations and serve our customers in a more flexible manner than before. In addition, we are able to penetrate into new market areas, and acquire new customers in need of a strong wireless solution partner.

At the end of the year, UHF RFID reader systems’ sales saw a downturn from the already low levels due to weaker demand for especially automotive supply chain solutions. By the end of the year, we started to investigate the possibilities to exit from the unprofitable RFID business. At the beginning of February 2009, the business was sold to the acting management of the RFID business in Austria.

During the last quarter of the year, the sales of the wireless communications emulation and design tools started to recover. In the medium term, the market is expected to increase, driven by 3GPP LTE.

The end of the year was characterized by actions to adjust our cost structure and consequently improvements in profitability. In the fall, we launched a program targeting a total of EUR 40 million annual cost savings and it is gaining impact from the beginning of 2009. The result for the last quarter of 2008 shows that, as a result of the measures taken, the operating loss from Business Operations clearly decreased compared to the third quarter (EUR -2.8 million, 4Q 2008 vs. EUR -11.3 million, 3Q 2008) and the cash flow increased into the positive (EUR +1.4 million).

EB's financing position is strong. Improving profitability will be our most important priority also in the future, and at the same time, we will continue to make long-term investments in future possibilities in a sustainable way. The objective of the Automotive Business is to continue to grow and to build on its position as one of world’s leading automotive software suppliers. The objective of the Wireless Business is to establish its position in the market as a partner who offers its customers the possibility to create new business using innovative wireless technology solutions. The slowing of the economy and insecurity in all markets is making the forecasting challenging and market visibility is short. However, it is possible that the market situation will create new partnering possibilities for EB when companies are reviewing their R&D costs and project portfolio, increase their flexibility and focus on their own core businesses.

I wish to thank our personnel for their co-operation, efforts and perseverance in developing EB and improving our profitability during these economically difficult times. I would also like to thank our customers for their long-term co-operation and trust, and our shareholders for supporting the development of the company.

Pertti Korhonen
CEO

Personnel

General

EB employed 1,735 people at the end of 2008. EB has employees in Austria, Japan, China, France, Germany, Finland and the United States. During the year it was decided to withdraw from Switzerland. The average age of the personnel is 34. Product development engineers constitute a significant proportion of the personnel.

Functional Processes and Personnel Development

EB is known for its competence in technology and unique research and development culture. As a result, the continuous development of expertise is important. The requirements for this development include the systematic development of key expertise, offering new and inspiring challenges to experts and encouraging them to solve different problems by working together. This is supported by an atmosphere which inspires creativity together with modern tools.

In 2008, processes were a particular focus of emphasis in the development of EB's personnel. Functional processes improve efficiency and increase employees' job satisfaction. Clear processes in setting goals, as well as developing and rewarding the personnel enable 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. In 2008, process development was carried out focusing on these themes in particular.

In addition to setting objectives, personnel development emphasizes the planning of development trends performed in cooperation between supervisors and employees. It is important to be involved in planning individual competence development. Therefore, supervisory work at EB emphasizes open discussions.

EB provides annually training related to management and leadership. Both of these themes include the development of business competence and personnel competence. In addition open interaction and learning together are important in striving for the continuous development of expertise. Open interaction and the development of the organizational culture were also emphasized in the EB Way program. The company's entire personnel took part in events relating to the program in 2008.

The working atmosphere is monitored annually through the EB Spirit personnel survey. The results are analyzed in teams, while agreeing upon the teams' development measures for the forthcoming period. The personnel survey also identifies the personnel's engagement to work performed at EB. The 2008 survey indicated that EB's customer orientation and commitment to problem-solving are at an excellent level compared with other ICT companies (Source: Promenade Research Oy).

Rewarding Personnel

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 reward program usually covers six months. Process and tool development related to the reward systems was also carried out in 2008.

The option program for the EB's key personnel was approved by the shareholders' general meeting held in March 2008. The option rights are intended to form part of the key personnel's incentive and commitment system.

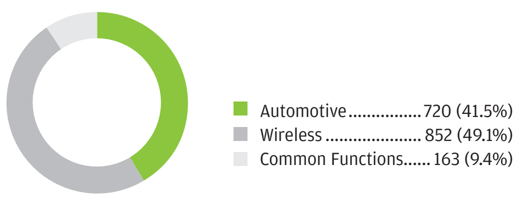
EB's Core Competence

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.

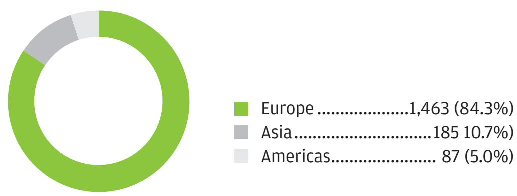
EB's core competence areas are:

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

Personnel by Business Segment, 2008



Personnel by Market Area, 2008



Business Segments and Business Environment

EB's Business Segments are "Automotive" and "Wireless".

Automotive Business Segment

The Automotive Business Segment consists of in-car software products and tooling, navigation software for in-car navigation solutions and after market devices (PND, personal navigation devices) and R&D services for the automotive industry with leading car manufacturers (OEMs), car electronics suppliers (Tier 1) and automotive chipset suppliers (Tier 2) as customers. By combining its software products and engineering services, EB is creating unique customized solutions for its automotive customers.

The Automotive Business Segment continued on its solid growth path with net sales during January–December 2008 of EUR 63.3 million (EUR 52.6 million in 2007) representing a growth of 20.3 per cent compared to January–December 2007. The net sales growth was thanks to increasingly competitive EB product offering both in Infotainment software solutions (HMI and navigation) as well as in ECU software solutions (basic software and tooling). This led to solidifying position among current customers as well as winning new customers. The investments into global operations started to generate growth outside of Germany in the USA, France, Italy, China and Japan.

The operating loss from Automotive Business Operations amounted to EUR -10.3 million and with bad debt reserve of EUR 1.0 million and restructuring costs of EUR 0.8 million, the total operating loss was EUR -12.1 million (EUR 0.7 million in 2007). The operating loss has been caused by weaker than planned profitability of some large customer projects, increased long-term investments into leading automotive Infotainment and ECU software products, and expansion of the geographical footprint and business development in France, USA, Japan and China. Through these investments EB is executing its strategy to become a leading automotive software partner for automotive OEM's and their vendors globally.

EB's Automotive Software products currently include:

- EB street director navigation software for line-fit car navigation systems, Personal Navigation Devices (PND), Personal Digital Assistants (PDA) and smartphones,
- EB GUIDE product family 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, and
- High performance network communications protocol standards and solutions for automotive electronics including FlexRay™, CAN (Controller Area Network) and LIN (Local Interconnect Network) solutions.

Some of the high-lights of the business year include:

- Since the beginning of the year EB has been working for Ford in USA in developing the next versions of Ford's car connectivity and entertainment platform called Sync.
- EB's navigation software won important commitments from Automotive OEMs to install it as an application software in their head units as an original line-fit, in-dash software.
- In July EB extended its capability to conduct automotive business in the French market and acquired Net Consulting & Services S.A.R.L, which now constitutes the base for EB's automotive business in France.
- In August, EB launched its automotive activities in China in Shanghai and Beijing.
- In December launched the next versions of EB street director navigation software including features like 3D navigation with 3D landmark models and historic traffic flow data.
- A new version of EB tresos Standard Software tooling was also launched supporting the latest AUTOSAR version 3.0 across the complete product family with improved interoperability between all tools.

Wireless Business Segment

The Wireless Business Segment comprises the following businesses:

- Wireless Solutions business providing customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies.
- Wireless Communications Tools business providing test tools for measuring, modeling and emulating radio channel environments.
- Wireless Sensor Solutions business providing complete RFID reader network solutions.

The Wireless Business Segment's net sales during January–December 2008 amounted to EUR 108.6 million (EUR 90.9 million in 2007), representing a growth of 19.5 per cent. The growth was achieved both by developing the business with existing long-term customers, and by changing the WiMAX business model from asset development to customer financed model, which started to create revenue during the fourth quarter. The net sales included extraordinary low-margin through-licensing revenues of approximately EUR 3 million.

Business Segments and Business Environment

The operating loss from Business Operations amounted to EUR -17.5 million and the write-offs and restructuring costs totaling to EUR -11.0 million, resulting to a total operating loss of EUR -28.5 million (EUR -22.8 million in 2007) reflecting:

- significant and larger than originally anticipated investments in the R&D of Mobile WiMAX standard base station module products until end of 3Q,
- the delay of the accumulation of net sales of WiMAX base station module products until end of 3Q,
- rapid deceleration of the market and therefore the sales of wireless communications emulation and design tools during the 2Q and 3Q,
- weaker demand and stronger than expected price competition in radio network solutions' R&D services in the first half 2008,
- significant investments and lack of demand in RFID reader systems,
- slower than expected demand in mobile terminals R&D services during 3Q.

WIRELESS SOLUTIONS

Wireless Solutions provides customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies. Wireless Solutions integrates own and 3rd party technology assets into customized solutions, creating new revenue opportunities for its customers. The customers of Wireless Solutions include wireless device and infrastructure OEM's and ODM's, mobile and satellite operators, defence and security industry and authorities, and semiconductor vendors.

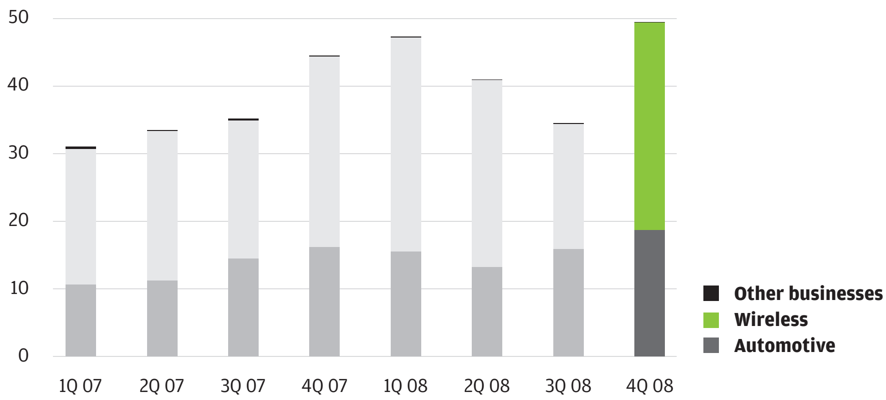
EB provides its customers value creating solutions which combine development services and integration services and reference designs. EB has unique competences in both devices and infrastructure.

In February, NextWave Wireless demonstrated successfully VoIP calling over mobile WiMAX in a handset form-factor at the 2008 GSMA Mobile World Congress in Barcelona, Spain. In this development, EB worked as the main platform integrator.

During the first quarter EB signed a contract with the Finnish Armed Forces Technical Research Center to develop a Software Defined Radio (SDR) prototype for tactical communications. The prototype will be used in both national and European software radio development activities.

In third quarter EB initiated a change into the operational mode in the Wireless Business Segment by combining Mobile Terminal Solutions (MTS) and Radio Network Solutions (RNS) businesses into a single Wireless Solutions (WS) Business. With this change EB is able to provide customized solutions integrating EB's own and third party technology assets and creating new revenue opportunities to customers. This change also enables EB to execute a number of profitability improvement actions and to serve its current customers in a more flexible manner as well as to penetrate into new market domains and customers in a need of a strong wireless solution partner. EB intends to continue creating new and reusable intellectual property (IP) through partnering with customers and with well focused own investments.

Quarterly Net Sales (MEUR) by Business Segments, 2007 and 2008



EB announced in October that it has changed the business model in the mobile WiMAX by shifting from investing upfront in the development of radio base station module products to the development of demanding, customer-financed Mobile WiMAX solutions. EB sold its Mobile WiMAX baseband software asset to Nokia Siemens Networks. The parties have agreed to continue the WiMAX baseband software related product development together, with Nokia Siemens Networks purchasing WiMAX product development from EB as a service. According to the agreement, EB will in the future have the license to use the WiMAX baseband software and its subsequent versions when developing demanding customer solutions. The business model change will reduce significantly EB's own R&D investment going forward, while maintaining the opportunity to develop and implement demanding Mobile WiMAX solutions for customers.

During 2008, the development of handset technologies and reference designs for TerreStar Networks' upcoming satellite-terrestrial all-IP mobile network continued according to the plan, while its share of the mobile terminal business' net sales started to decrease as planned. EB and TerreStar Networks were showcasing the first-ever dual-mode satellite-terrestrial HSPA reference design handset in a PDA form factor in April. In November EB introduced a satellite-terrestrial Connectivity Model proof of concept. The prototype expands the satellite-terrestrial smartphone PDA reference design announced earlier.

During 2008 EB was preparing to join ESSOR (European Secure Software Defined Radio) program. ESSOR's aim is to develop technology for future wireless communications for defence and public safety.

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, aerospace and automotive industries are equipped with EB wireless communications tools and solutions.

The sales of wireless communications emulation and design tools were low during second and third quarter especially in the USA and Asia, in comparison with the corresponding period in 2007. The low sales resulted from the repeated delays of test tool investments in the LTE standard research and development programs and of large scale Mobile WiMAX network deployments. The sales of wireless communications emulation and desigh tools started to recover during the fourth quarter and geographically the radio channel emulator business was in balance between different regions of the world.

In March 2008, EB decided to outsource the main part of the emulator production activities of Wireless Communications Tools. EB buys non-core production services from its outsourcing partners, aiming at improving the cost efficiency and flexibility of its supply chain. However, the final assembly, configuration, testing and service operations of Wireless Communications Tools are maintained within EB.

In 2008 the Wireless Communications Tools product portfolio was renewed significantly with an enhanced support for the latest technologies such as MIMO. During the first quarter new product releases included EB Propsim FE version for 3GPP LTE testing. The new emulator platform with the first product Propsim F8 was introduced in September. It is ready for future technologies and already exceeds the performance requirements for WiMAX, LTE and 4G. The new platform generated strong global interest and the first EB Propsim F8 product was delivered in December 2008.

In November EB introduced ASO (Aerospace and Satellite modeling tool Option) testing solution for the aerospace, aviation and defense market. The solution is designed for measuring, modeling and emulating radio channel environments to enable testing of wireless communication links in such applications as aerospace, commercial and defense aviation and satellite communication.

WIRELESS SENSOR SOLUTIONS

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

In March EB sold its Swiss subsidiary Elektrobit AG to the acting management of the said company and consolidated its RFID development to Graz, Austria.

In the last quarter the UHF RFID reader systems sales saw a downturn from the already low levels of sales earlier year 2008 due to weaker demand for automotive supply chain solutions. The size of the individual deployment programs remained small during the year, as the market consists mostly of pilots and trial cases.

During the fourth quarter EB started to investigate the possibility of exit from the RFID business.

Business Segments and Business Environment

Business Environment

The share of electronics and software in cars has grown significantly during the past years and it is expected that the trend of increased use of software in automotive continues to prevail in the market. The majority of the innovation and differentiation in the automotive industry is brought about by software and electronics. In order to enable faster innovation and to improve quality, development efficiency and complexity related to software, the use of standard software solutions is expected to increase. The automotive software market is expected to enjoy a 15 per cent Compound Annual Growth Rate (CAGR) during 2007–2012 in Europe (Frost & Sullivan). This may in the near-term be affected by the current downturn of the automotive industry. However, the underlying growth of the automotive software market is expected to continue past the downturn.

The global mobile infrastructure market is decreasing to some extent and the consolidation of the industry is expected to continue. The commercial market start of Mobile WiMAX has delayed when compared to the original schedule, but the operator service market has started in the first cities in the USA.

The global mobile phone market is leveling off and is expected to decrease in volume in short-term. The value share is expected to move towards higher-end due to the increased demand for new features and services. Open architectures and software platforms are emerging faster than earlier anticipated, creating opportunities for companies with strong integration capabilities.

The mobile satellite services industry is undergoing a large paradigm shift to the next generation solutions with new operators being formed and traditional operators upgrading their solutions and offerings. Mastering of multi-radio technologies and end-to-end system architectures covering both terminal and network technologies, has gained importance in the complex wireless technology industry.

The R&D services market is facing price pressures continuing to drive increased off-shoring in the industry. However, attractive niches continue to exist (OVUM). Because of the economical slowdown, it is estimated that companies will be reviewing their R&D costs and project portfolio resulting to reduction of the overall R&D expenditures and activities during the next couple of years. OEMs need to reduce their fixed costs and increase flexibility. This can create new opportunities for partnering.

The wireless communications tools market has been weak as the expected market drivers (MIMO technologies, 3GPP LTE and Mobile WiMAX) have so far generated only moderate demand for advanced development tools. The demand may have been impacted also by the economical downturn but it is expected that in the medium and long term the wireless communications tools market will see an era of growth driven by 3GPP LTE.

Corporate Governance

General

The governance of the company is determined by the company's Articles of Association, the laws of Finland (such as the Finnish Companies Act and Securities Market Act) and the company's Corporate Governance Code (available at www.elektrobit.com), which follows to the extent applicable the Finnish Corporate Governance Code 2008 prepared by the Finnish Securities Market Association.

The statutory governing bodies of the company are the General Meeting, Board of Directors, CEO and the Auditor. Other governing bodies, such as the Corporate Executive Board, have a supporting role.

The General Meeting

The General Meeting is the highest decision-making body of EB, where the shareholders participate in the supervision and control of EB by using their right to speak and vote. The most important tasks of the General Meeting are, among others, the election of the Board of Directors and the adoption of the Annual Accounts. Other tasks of the General Meeting appear from the Articles of Association of the company and from the Finnish Companies Act. The company shall convene one Annual General Meeting for each financial period. An Extraordinary General Meeting shall be convened when necessary.

The Board of Directors

The Board of Directors is responsible for the company's governance and proper organization of the operations. The Board of Directors comprises three to seven (3-7) members and in addition it may have one to three (1-3) deputy members. 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 Board of Directors shall implement the decisions of the General Meeting. Furthermore, the Board of Directors supervises the operations and management and makes decisions on the company's guiding principles for operation, strategy and budget. The Board of Directors decides on mergers and acquisitions and other strategic alliances as well as significant investments and significant matters regarding organization and finance. The Board of Directors supervises the group companies' duly organized accounting and financial management. The Board of Directors appoints the CEO and possible Deputy for him or her as well as approves the company's organization structure.

The Board has defined a working order and evaluates its performance annually. The Board of Directors convenes once a month.

On December 31, 2008, the Board of Directors had five members. In 2008, the Board convened 21 times and all the members attended nearly 100 per cent of the meetings.

The Annual General Meeting held on March 14, 2008 elected six members to the Board of Directors. On November 18, 2008 J.T. Bergqvist informed his resignation mid-term from the chairmanship and membership of the EB's Board. Jukka Harju, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen continued to serve as EB Board members. On November 19, 2008 the Board of Directors elected M.Sc Juha Hulkko as the new (non-executive) Chairman of the Board.

A corporate governance target is that at least half of the members of the EB's Board are considered independent of immediate company interests. In addition, at least two of the Directors representing this majority shall be independent of significant shareholders of the company. However, after the mid-term resignation by J.T. Bergqvist on November 2008, the majority of the Board members are not independent as provided by the Finnish Corporate Governance Code. On December 31, 2008 Staffan Simberg and Erkki Veikkolainen are considered independent members of the Board whereas Jukka Harju, Juha Hulkko and Seppo Laine were not considered independent of immediate company interests, be it through major ownership in the company or recent participation in the company management. While the Board of Directors is competent and has a quorum with its five members and while the Annual General Meeting will decide upon the composition of the Board by electing members of the Board for the next term already on March 19, 2009, the matter was not considered to require immediate convening of an Extraordinary General Meeting.

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 EB established three Board committees:

- Audit and Financial Committee
- Automotive Committee
- Wireless 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.

JUHA HULKKO

b. 1954, MSc (Eng), eMBA

Elektrobit Corporation, Chairman of the Board 2008–, and member of the Board 2006–. Chairman of the Board, Gamga Oy. Member of the Board, Kaleva Kustannus Ltd. 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. Hulkko holds 27,535,362 Elektrobit Corporation shares.

JUKKA HARJU

b. 1956, MSc (Eng), MSc (Econ)

Elektrobit Corporation, Member of the Board 2006–. Partner of Boier Capital Ltd 2007–. Incap Corporation, Member of the Board 2007–. Elektrobit Corporation, Chief Operating Officer 2005–2006 and Executive Vice President, Business Development 2000–2004. Tellabs Ltd, Managing Director 1994–1999. Nokia Telecommunications Ltd, Vice President, Microwave Radios 1990–1994 and other duties in the same organization 1981–1990. Harju holds 7,776,064 Elektrobit Corporation shares (includes the shareholdings of Harju's related persons and controlled companies).

SEPPO LAINE

b. 1953, Authorised Public Accountant

Elektrobit Corporation, Member of the Board 2008–. Member of the Board, Oulun Puhelin Holding Oyj, 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 2,220,051 Elektrobit Corporation shares.

STAFFAN SIMBERG

b. 1949, MBA

Elektrobit Corporation, Member of the Board 2008–. Chairman of the Board, NEZ-Invest AB. Chairman of the Board, Simberg & Partners AB. Staffan Simberg has 20 years experience with Nokia and he has since been active as business consultant and industrial advisor. He has served as board member and executive of a number of unlisted international companies. He has mainly been engaged in business development and restructuring and has years of international experience. He is familiar with the following sectors: telecommunications, information technologies, electric- and electronics industries, defense- and metal industries as well as the public sector. Simberg holds 150,000 Elektrobit Corporation shares (through Simberg's controlled company).

ERKKI VEIKKOLAINEN

b. 1952, MSc (EE), eMBA

Elektrobit Corporation, Member of the Board 2008–. MEVita Invest Oy, CEO. Chairman of the Board, Elcoflex Oy and Pancomp International Oy. Member of the Board, Technopolis Plc, Aplicom Oy, Elcoflex (Suzhou) Co. Ltd, Maustaja Oy, Mecanova Oy, Mevita Invest Oy and Newtest 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, latest Vice President and General Manager, 1985–1998. Veikkolainen holds 9,388,719 Elektrobit Corporation shares.

Corporate Governance

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 EB 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 addressed and the measures taken by the committee. The EB's Board committees were established on November 2008 and each of them convened once during the financial period 2008 with all the members attending.

The central duties and operating principles of the committees are described below.

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, particularly the provision of related services to the company to be audited;
- 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. 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 are Seppo Laine, Authorised Public Accountant (chairman of the committee) and Juha Hulkko. 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 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 Corporate Governance Code.

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

AUTOMOTIVE COMMITTEE

The Automotive Committee has the following duties:

- support the CEO and the ASW business unit head in preparing matters for the Board;
- regularly review the business including, for example, the previous month and the business outlook for the coming months, strategic issues including potential M&A related matters, the budget, scorecard, competitor analysis and the market situation;
- ensure efficient and high quality preparation of automotive business related matters to the EB's Board of Directors;
- increase transparency to the business operations;
- regularly report on its work to the Board including at least a summary of the matters addressed and the measures taken by the Automotive Committee.

The Chairman and the members of the Automotive Committee are appointed by the Board of Directors. At least one committee member must have a significant knowledge and experience regarding the automotive markets. The members of the Automotive Committee are Jukka Harju (chairman of the committee) and Seppo Laine. In addition to committee members other regular participants to the committee meetings are ASW business unit head and CEO of EB.

WIRELESS COMMITTEE

The Wireless Committee has the following duties

- support the CEO and Wireless segment business unit heads in preparing matters for the Board;
- regularly review the business including, for example, the previous month and the business outlook for the coming months, strategic issues including potential M&A related matters, the budget, scorecard, competitor analysis and the market situation;
- ensure efficient and high quality preparation of wireless business related matters to the Board of EB;
- increase transparency to the business operations;
- regularly report on its work to the Board including at least a summary of the matters addressed and the measures taken by the Wireless Committee.

The Chairman and the members of the Wireless Committee are appointed by the Board of Directors. At least one committee member must have a significant knowledge and experience regarding the wireless markets. The members of the Wireless Committee are Erkki Veikkolainen (chairman of the committee) and Seppo Laine. In addition to committee members other regular participants to the Committee meetings are business unit head(s) of the Wireless segment and CEO of EB.

The Remuneration of the Board of Directors

The Annual General Meeting decides the remuneration of the Board. As a rule, there has not been a separate remuneration for executive members of the Board of Directors.

For non-executive members of the Board, the remuneration has been EUR 1,700 per month between December 1, 2000–March 14, 2008 and as of March 15, 2008 EUR 2,000 per month.

For non-executive Chairman of the Board, the remuneration has been EUR 2,500 per month as of March 17, 2005. The remuneration for the semi-executive Chairman of the Board was EUR 12,500 per month between March 15, 2006–March 14, 2007, EUR 15,500 per month between March 15, 2007–March 14, 2008 and EUR 16,500 per month as of March 15, 2008. Travelling expenses will be remunerated in accordance with the travel policy of the company.

Board Remuneration, EUR

	Chairman	Board members
2006	125,640*	85,995
2007	178,636	102,000
2008	116,955**	68,558

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

** Includes remuneration for semi-executive Chairman J.T. Bergqvist between January 1, 2008–November 18, 2008. Non-executive Chairman Juha Hulkko (as of November 19, 2009) has not withdrawn remuneration for the chairmanship.

Chief Executive Officer (CEO)

Pertti Korhonen, Chief Executive Officer (CEO)

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.

CEO'S SERVICE CONTRACT

The CEO's service contract is effective until further notice and can be terminated by both by the company and the CEO with six (6) months' notice. If the company terminates the CEO's service contract for other than cause, the CEO is entitled to full salary for the notice period, and a non-recurring severance payment equivalent to twelve (12) months' salary. Respectively, if the CEO terminates the service contract for cause attributable to the company, the CEO is entitled to full salary for the notice period and a non-recurring severance payment equivalent to twelve (12) months' salary.

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).

THE REMUNERATION OF CEO

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.

In 2006 the EB's CEO was awarded with company stock options aimed at encouraging long-term equity commitment. The CEO was awarded with 1,000,000 stock options, all marked with the symbol 2006A. According to the option terms, the 2006A stock options were granted on the condition that recipients of the options shall purchase the amount, determined at the Annual General Meeting held on March 15, 2006, of the company's shares either directly or through companies under their control (CEO at least 100,000 shares).

CEO's Remuneration, EUR

2006	269,505*
2007	437,786
2008	423,165

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

Corporate Governance

Corporate Executive Board

The Corporate Executive Board supports the CEO in his tasks. The CEO acts as the Chairman to the Corporate Executive Board. The Corporate Executive Board supports the CEO in operative management and implementation and follow-up in the CEO's competence area. The Corporate Executive Board convenes once a month.

PERTTI KORHONEN
Chief Executive Officer

b. 1961, MSc (EE). Chief Executive Officer of Elektrobit Corporation since 2006. Member of the Board, Elisa Oyj since 2008. Member of the Board, Veho Group Oy Ab since 2007. Chief Technology Officer at Nokia Corporation and Executive Vice President, Technology Platforms in 2004–2006. Nokia Group Executive Board member in 2002–2006. Executive Vice President of Nokia Mobile Software in 2001–2003. In various managerial positions at Nokia Mobile Phones in 1993–2003. Holds 244 450 Elektrobit Corporation's shares (includes shareholdings of Korhonen's related persons) and 1,000,000 stock options marked with the symbol 2006A.

PANU MIETTINEN
Chief Financial Officer

b. 1968, M. Econ. Member of the Corporative Executive Board of Elektrobit Corporation since 2007. Senior Manager, Finance & Performance Management at Accenture Ltd in 2001–2007. Senior Consultant, World Class Finance at KPMG Consulting Oy in 1998–2001. Holds no shares in Elektrobit Corporation and holds 50,000 stock options, all marked with the symbol 2005B.

OLLI PEKKA NASTAMO
Senior Vice President, Operations Platforms

b. 1956, MSc (Eng). Member of the Corporative Executive Board of Elektrobit Corporation since 2007. Head R&D Services at Nokia Siemens Networks in 2007. At Nokia Oyj, Networks various managerial positions during 1996–2007 (i.e. Head of R&D contracting and collaboration substream in Nokia Siemens Networks integration in 2006–2007, Director, Operational Efficiency and R&D Collaboration / Radio Networks in 2005–2006). Holds 900 Elektrobit Corporation shares (Includes shareholdings of Nastamo's related persons) and 100,000 stock options, all marked with the symbol 2005B.

RITVA-LIISA NISKANEN
Senior Vice President, Human Resources

b. 1962, LLM, trained on the bench. Member of the Corporative Executive Board of Elektrobit Corporation since 2003. Director, Human Resources at JOT Automation Group Plc in 2000–2002. Various positions at Oulun Osuuspankki in 1988–2000: Member of OP Bank Group and Development Director, Branch Director, HR Manager and Bank Lawyer. Holds 7,940 Elektrobit Corporation's shares and 24,000 stock options marked with the symbol 2005A and 30,000 stock options marked with symbol 2005B.

ARTO PIETILÄ
Senior Vice President, Engineering and Technology Assets,
Wireless Solutions

b. 1958, MSc (Eng), applied electronics. Member of the Corporative Executive Board of Elektrobit Corporation since 2004. Elektrobit Corporation's Executive Vice President, Mobile Terminal Solutions in 2006–2008 and Executive Vice President, Contract R&D in 2004–2006. Managing Director of Elektrobit Ltd in 2002–2004 and Vice President in 2001–2002. President and CEO of Polar Electro Ltd in 1999–2001. Holds 182.803 Elektrobit Corporation shares and 24,000 stock options marked with the symbol 2005A and 30,000 stock options marked with symbol 2005B.

JARKKO SAIRANEN
Executive Vice President, Automotive Software

b. 1963, MSc (Eng), MBA. Member of the Corporative Executive Board of Elektrobit Corporation since 2007. Nokia Corporation's Vice President, Corporate Strategy in 2006–2007, Vice President, Strategy & Planning, Technology Platforms in 2004–2006 and Vice President, Insight & Foresight, Nokia Ventures Organization in 2001–2004. Vice President of Boston Consulting Group in 1999–2001. Holds no shares in Elektrobit Corporation and holds 200,000 stock options, all marked with the symbol 2005B.

ANTTI SIVULA
Senior Vice President, Wireless Communications Tools,
Wireless Sensor Solutions

b. 1961, MSc (EE). Member of the Corporative Executive Board of Elektrobit Corporation since 2007. Vice President of Sales and Marketing at Orbis Group and Orbis International Technologies Inc. during 2004–2007. Several managerial and sales positions at Tektronix Inc. during 2000–2004. Various roles in General Management and Marketing at Tektronix Ltd in 1996–2000. Holds no shares in Elektrobit Corporation and holds 75,000 stock options, all marked with the symbol 2005B.

OUTI TORNIAINEN
Director, Communications and Marketing

b. 1965, MSc (Social Sciences, Communications). Member of the Corporative Executive Board of Elektrobit Corporation since 2008. Stonesoft Corporation's Vice President, Marketing and Communications in 2005–2008 and member of the Executive Board in 2006–2008. Senior Consultant at Pohjoisranta Porter Novell in 2003–2005. Director, Marketing and Communications at Nixu in 2000–2003. Holds no shares or stock options in Elektrobit Corporation.

PÄIVI VASANKARI
Chief Legal Officer

b. 1970, LLM, trained on the bench 1997. Member of the Corporative Executive Board of Elektrobit Corporation since 2002. Lawyer at Roschier Holmberg Oy in 1998–2002. Holds 11.800 Elektrobit Corporation's shares and 24,000 stock options, all marked with the symbol 2005A.

ARI VIRTANEN
Executive Vice President, Wireless Solutions

b. 1966, MSc (Computer Science and Industrial Economics). Member of the Corporative Executive Board of Elektrobit Corporation since 2008. Nokia Oyj's Vice President, Convergence Products, Devices R&D in 2008 and Vice President, Convergence Products, Multimedia in 2005–2007. Nokia Networks' Vice President, Systems Technologies in 2004–2005, Vice President & General Manager, IP Network Services Core in 2003–2004 and Vice President & Director, Network Platforms in 2000–2003. Holds no shares in Elektrobit Corporation and 150,000 stock options marked with the symbol 2005 (2005B 30,000, 2005C 60,000 and 2005D 60,000).

Standing, from left to right: Outi Torniainen, Panu Miettinen, Pertti Korhonen, Antti Sivula, Ari Virtanen, Olli Pekka Nastamo, Jarkko Sairanen and Ritva-Liisa Niskanen. Seated, from left to right: Arto Pietilä and Päivi Vasankari.

Internal Control and Audit

FINANCIAL INFORMATION

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

The company has one auditor approved by the Central Chamber of Commerce and if such auditor is not an auditing entity defined by the law, one deputy auditor shall be elected. Fees paid to the company's auditor and companies belonging to the same chain totalled approximately EUR 119,000 in 2008 (about EUR 231,000 in 2007). Fees for non-audit services paid to the company auditor and companies belonging to the same chain amounted to EUR 129,000 (about EUR 182,000 in 2007). Other services consisted mainly of tax consultation and services related tax consultation and services related to the mergers and acquisitions.

INTERNAL CONTROL AND AUDIT

The company's Board of Directors is responsible for ensuring that the company has defined operating principles of internal control and that the company regularly monitors the effectiveness of such control. According to applicable legislation the Board shall supervise the CEO and make sure he runs the company's business operations and administration in accordance with the Board's orders and instructions. The CEO is responsible for the practical arrangements associated with internal control, and ensures that the company's accounting and asset management control is appropriately organized.

Internal control methods include internal instructions (e.g. administrative instructions), a reporting system that supports control, and various technical systems related to operations. The company has no specific internal control organisation. Special attention is therefore paid to the organisation of operations (e.g. controller function and the Board work of subsidiaries), operating instructions, the personnel's competence, and reporting. The company's financial development is monitored monthly using reports that cover the entire group.

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

Shareholders

Shares and Shareholders

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

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

SHARE PRICES AND TRADING VOLUMES

The closing price of Elektrobit Corporation's share was EUR 0.33 in 2008; the share reached a high of EUR 1.79 and a low of EUR 0.29. During the year, a total of 11.8 million shares with a value of EUR 9.6 million changed hands on the NASDAQ OMX Helsinki. This is 9.1 per cent of the share capital. Elektrobit Corporation's market capitalisation at the end of 2008 was EUR 42.7 million.

DIVIDEND POLICY

Elektrobit Corporation follows a dividend policy that takes into account the group's net income, financial situation, need for capital and financing of growth. The Board of Directors of Elektrobit Corporation proposes that no dividend shall be paid for 2008.

TRADING CODES

Elektrobit Corporation has been listed on NASDAQ OMX Helsinki (previously Helsinki Stock Exchange) since 1998. Elektrobit Corporation's company code and trading code in the NASDAQ OMX Helsinki SAXESS system has changed as of August 18, 2008. The former company code was EBG and the former trading code EBG1V. The new company code is EBC and the new trading code EBC1V.

The trading codes are:

NASDAQ OMX Helsinki	EBC1V
Reuters	EBC1V.HE
Bloomberg	EBC1VFH

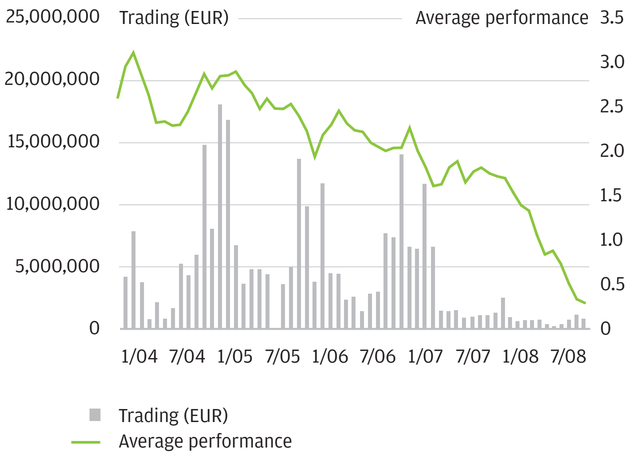
SHAREHOLDERS

At the end of 2008, Elektrobit Corporation had 27,012 shareholders. The ten largest shareholders owned 62.3 per cent of the shares. Private ownership was 75.5 per cent. The percentage of foreign and nominee-registered shareholders was 3.9 per cent at the end of 2008.

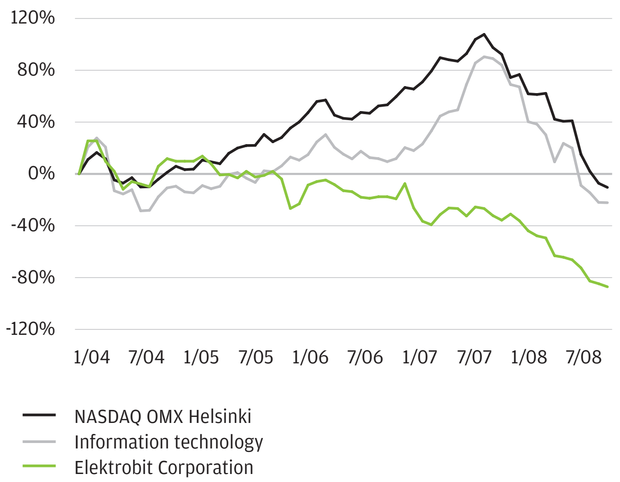
SHAREHOLDING OF THE BOARD OF DIRECTORS AND CEO

Shareholding of the Board of Directors, CEO and the companies controlled by them was 36.2 per cent, corresponding to 46,898,862 shares.

Trading and Average Performance 2004–2008



Share Performance in NASDAQ OMX Helsinki 2004–2008



Source: NASDAQ OMX Helsinki, December 30, 2008

Information for Shareholders

FINANCIAL REPORTS 2009

Elektrobit Corporation reports its financial development quarterly. In 2009 EB will publish financial reports as follows:

February 13	Financial Statement Bulletin 2008
April 30	Interim Report, January–March
August 7	Interim Report, January–June
October 29	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.elektrobit.com/investors. The company will hold press and telephone conference regarding the reports on dates to be specified later.

SILENT PERIOD

Elektrobit Corporation will observe a Silent Period prior to announcing its results. The Silent Periods in 2009 are as follows:

23 January–13 February 2009
9 April–30 April 2009
17 July–7 August 2009
8 October–29 October 2009

ELEKTROBIT CORPORATION'S ANNUAL GENERAL SHAREHOLDERS MEETING

Elektrobit Corporation's Annual General Meeting will be held on Thursday, March 19, 2009 at 1.00 p.m. (CET +1) at the University of Oulu, Saalastinsali, Pentti Kaiterankatu 1, 90570 Oulu, Finland.

A shareholder who

- by 9 March 2009 has been registered as a shareholder in the shareholders' register of the Company maintained by Euroclear Finland Ltd; and
- has registered for the Annual General Meeting in the manner described below at the latest on Monday, 9 March 2009.

has the right to participate at the Annual General Meeting of shareholders.

A shareholder must register for the Annual General Meeting at the latest on Monday, 9 March 2009 as follows:

- by phone +358 40 344 3322 or +358 40 344 5425;
- by fax +358 8 343 032;
- by e-mail yhtiokokous@elektrobit.com; or
- by mail to the address Elektrobit Corporation, Yhtiökokous, Tutkijantie 8, 90570 Oulu, Finland.

If the Annual General Meeting is attended by proxy, the Power of Attorney is requested to be delivered at the latest before the last date for registration to the above postal address.

The Board of Directors proposes to the Annual General Meeting that no dividend shall be paid. The proposals by the Board of Directors relating to the agenda of the General Meeting are available on Elektrobit Corporation's website at www.elektrobit.com. The proposals by the Board of Directors and the Annual Accounts are also available at the General Meeting. Copies of these documents will be sent to shareholders upon request. The minutes of the General Meeting will be available on the above-mentioned website as from 2 April 2009.

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

Report by the Board of Directors and Financial Statements 2008

Report by the Board of Directors 2008

2008 in brief

NET SALES GREW, CHALLENGES IN PROFITABILITY

EB's net sales in January–December 2008 amounted to EUR 172.3 million (EUR 144.3 million in 2007), indicating a growth of 19.4 per cent. The operating loss from Business Operations amounted to EUR -29.1 million and the non-recurring restructuring costs, write-offs and bad dept reserves totaled to EUR -13.6 million, resulting in a total operating loss of EUR -42.7 million (EUR -20.3 million in 2007).

The Automotive Business Segment continued on its solid growth path with net sales during January–December 2008 of EUR 63.3 million (EUR 52.6 million in 2007), representing a growth of 20.3 per cent compared to 2007. The operating loss was EUR -12.1 million (EUR 0.7 million in 2007) due to weaker than planned profitability of some large customer projects and long-term investments into development of leading automotive software products and expansion to new geographical market areas. Through these investments EB is executing its strategy to become a leading automotive software partner for automotive OEM's and their vendors globally.

The net sales of the Wireless Business Segment in January–December 2008 amounted to EUR 108.6 million (EUR 90.9 million in 2007), representing a growth of 19.5 per cent. The net sales included extraordinary low-margin through-licencing revenues of approximately EUR 3 million. The operating loss from Business Operations amounted to EUR -17.5 million and the write-offs and restructuring costs totaling to EUR -11.0 million, resulting to a total operating loss of EUR -28.5 million (EUR -22.8 million in 2007). The losses were caused by larger than originally anticipated R&D investments and the delay of the accumulation of net sales of Mobile WiMAX base station module products, rapid deceleration of the market of wireless communications emulation and design tools, heavy investment and lack of demand in RFID reader systems and weaker than expected demand of radio network and mobile terminals R&D services.

In fourth quarter 2008 EB launched a profit improvement and cost structure adjustment program targeting to total of EUR 40 million annual cost savings in comparison to the cost level of the first half of 2008. The cost savings measures totaling to EUR 30 million have been completed during 4Q 2008 and are gaining their full impact from the beginning of 2009. The additional measures targeting to EUR 10 million savings have been mostly identified and are currently being implemented.

On October 1st EB announced a change of the business model in the Mobile WiMAX by shifting from investing upfront in the development of radio base station module products to the development of customer-financed WiMAX solutions. The change of business model reduces significantly EB's own R&D investment going forward, while maintaining the opportunity to develop and implement demanding Mobile WiMAX solutions for customers.

MAIN EVENTS DURING 2008

In 2008 EB continued to focus its business operations in order to concentrate on growth businesses in Automotive and Wireless Segments. EB's strategic intent is to become a global market leader and number 1–2 player in each of its focus businesses. EB is seeking for a profitable growth with a balanced customer portfolio and scalable business models.

In March, EB decided to outsource the main part of the emulator production activities of Wireless Communications Tools. EB buys non-core production services from its outsourcing partners, aiming at improving the cost efficiency and flexibility of its supply chain. However, the final assembly, configuration, testing and service operations of Wireless Communications Tools are maintained within EB. Due to the change in Wireless Communications Tools production and personnel negotiations also in Radio Network Solutions (RNS) business the personnel was reduced by 59 employees.

In the beginning of the third quarter EB combined Mobile Terminal Solutions (MTS) and Radio Network Solutions (RNS) businesses into a single Wireless Solutions (WS) business seeking to offer customers customized solutions in a more flexible manner, to improve profitability and to penetrate into new market domains and customers in a need of a strong wireless solution partner.

During the third quarter, EB extended its capability to conduct automotive business in the global market. EB acquired in July a French company Net Consulting & Services S.A.R.L, which now constitutes the base for EB's automotive business in France. In August, EB launched its automotive activities in China in Shanghai and Beijing.

In October EB changed the business model in the Mobile WiMAX by shifting from investing upfront in the development of radio base station module products to the development of demanding, customer-financed WiMAX solutions. This reduces significantly EB's own R&D investment going forward, while maintaining the opportunity to develop and implement demanding Mobile WiMAX solutions for customers. EB also continued to adjust downwards its other R&D investments, increase further the resource utilization and reduce high cost subcontracting.

In fourth quarter EB launched a profit improvement and cost structure adjustment program targeting to total of EUR 40 million annual cost savings in comparison to the cost level of the first half of 2008. The cost savings measures totaling to EUR 30 million have been completed during 4Q 2008 and are gaining their full impact from the beginning of 2009. The additional measures targeting to EUR 10 million savings have been mostly identified and are currently being implemented.

As part of the profit improvement program EB has decided to reduce personnel by 170 employees globally by the end of the first half of 2009. Earlier in October 2008 EB reduced its personnel in support functions by 42 employees. In December 2008 EB reduced 57 employees in Wireless Business and agreed upon a maximum of 6 week's temporary dismissals of employees in Wireless Communications Tools.

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

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

According to the IFRS5 standard, EB reports its financial results divided between Discontinued and Continuing Operations. In this Annual Report, financial figures concerning the income statement of 2007 and 2008 are reported based on Continuing Operations, without the Network Test (sold in November 2006) and Production Solutions (sold in June 2007) business figures. Discontinued business figures are reported separately after Continuing Operations' net profit. Regarding the sales price of the Production Solutions business, there is an additional purchase price component that will depend on the financial performance of 2008. According to the initial information given by the buyer no substantial additional payment for 2008 is foreseeable.

Consolidated Income Statement (MEUR)

	1–12 2008 12 months	1–12 2007 12 months
Net sales	**172.3**	**144.3**
Operating profit (loss)	**-42.7**	**-20.3**
Financial income and expenses	-4.7	0.3
Profit before tax	**-47.4**	**-20.0**
Profit for the year from continuing operations	**-49.8**	**-20.0**
Profit after tax for the year from discontinued operations	0.3	13.1
Profit for the year	**-49.5**	**-6.9**
Attributable to		
Equity holders of the parent	-49.5	-6.9
Minority interest	0.0	0.0
Earnings per share EUR continuing operations	-0.38	-0.15
Earnings per share EUR discontinued operations	0.00	0.10
Earnings per share EUR continuing and discontinued operations	-0.38	-0.05
Net gearing, %	-40.2%	-24.0%
Equity ratio, %	64.9%	70.9%

Comparison between the Continuing Operations figures from January to December 2008 and the figures for the corresponding period in 2007:

- Net sales amounted to EUR 172.3 million (EUR 144.3 million in 2007), indicating a growth of 19.4 per cent. The net sales of Automotive Business Segment was EUR 63.3 million (EUR 52.6 million in 2007), representing a growth of 20.3 per cent and the net sales of the Wireless Business Segment amounted to EUR 108.6 million (EUR 90.9 million in 2007), representing a growth of 19.5 per cent.
- The operating loss from Business Operations amounted to EUR -29.1 million and the non-recurring restructuring costs, write-offs and bad dept reserves totaled to EUR -13.6 million, resulting in a total operating loss of EUR -42.7 million (EUR -20.3 million in 2007). The loss was distributed as follows: the Automotive Business Segment EUR -12.1 million (EUR 0.7 million in 2007) and the Wireless Business Segment EUR -28.5 million (EUR -22.8 million in 2007).
- Cash flow from operations amounted to EUR -24.7 million (EUR -27.1 million).
- Equity ratio was 64.9% (70.9%).

Report by the Board of Directors 2008

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

	4Q 08	3Q 08	2Q 08	1Q 08	4Q 07
Net sales	49.5	34.5	41.0	47.3	44.6
Operating profit (loss)	-8.5	-12.9	-13.3	-8.0	-2.4
Operating profit (loss) without non-recurring costs	-2.8	-11.3	-9.9	-5.1	-3.9
Result before taxes	-11.8	-14.4	-13.6	-7.7	-3.3
Result for the period from continuing operations	-14.0	-14.6	-13.5	-7.7	-3.3

The distribution of the net sales by Business Segment, MEUR

	4Q 08	3Q 08	2Q 08	1Q 08	4Q 07
Automotive	18.7	15.9	13.2	15.5	16.2
Wireless	30.7	18.5	27.7	31.7	28.2
Corporation total	49.5	34.5	41.0	47.3	44.6

The distribution of the net sales by market area, MEUR and %

	4Q 08	3Q 08	2Q 08	1Q 08	4Q 07
Asia	3.1 (6.2%)	0.9 (2.6%)	2.1 (5.2%)	2.0 (4.3%)	2.0 (4.5%)
Americas	10.9 (22.0%)	7.1 (20.7%)	12.7 (31.0%)	18.5 (39.2%)	14.5 (32.5%)
Europe	35.5 (71.8%)	26.4 (76.7%)	26.2 (63.8%)	26.8 (56.5%)	28.1 (63.0%)

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

	4Q 08	3Q 08	2Q 08	1Q 08	4Q 07
Automotive					
Net sales	18.7	15.9	13.2	15.5	16.2
Operating profit (loss)	-2.3	-4.1	-4.1	-1.6	1.0
Wireless					
Net sales	30.7	18.5	27.7	31.7	28.2
Operating profit (loss)	-4.9	-8.1	-9.1	-6.5	-4.1
Other businesses					
Net sales	0.1	0.1	0.1	0.1	0.1
Operating profit (loss)	-1.3	-0.7	-0.2	0.1	0.7
Total					
Net sales	49.5	34.5	41.0	47.3	44.6
Operating profit (loss)	-8.5	-12.9	-13.3	-8.0	-2.4

Business Segments and Business Environments

EB's business segments are "Automotive" and "Wireless".

Automotive Business Segment from January to December 2008

The Automotive Business Segment consists of in-car software products and tooling, navigation software for in-car navigation solutions and after market devices (PND, personal navigation devices) and R&D services for the automotive industry with leading car manufacturers (OEMs), car electronics suppliers (Tier 1) and automotive chipset suppliers (Tier 2) as customers. By combining its software products and engineering services, EB is creating unique customized solutions for its automotive customers.

The Automotive Business Segment continued on its solid growth path with net sales during January–December 2008 of EUR 63.3 million (EUR 52.6 million in 2007) representing a growth of 20.3 per cent compared to January–December 2007. The net sales growth was thanks to increasingly competitive EB product offering both in Infotainment software solutions (HMI and navigation) as well as in ECU software solutions (basic software and tooling). This led to solidifying position among current customers as well as winning new customers. The investments into global operations started to generate growth outside of Germany in the USA, France, Italy, China and Japan.

The operating loss from Automotive Business Operations amounted to EUR -10.3 million and with bad debt reserve of EUR 1.0 million and restructuring costs of EUR 0.8 million, the total operating loss was EUR -12.1 million (EUR 0.7 million in 2007). The operating loss has been caused by weaker than planned profitability of some large customer projects, increased long-term investments into leading automotive Infotainment and ECU software products, and expansion of the geographical footprint and business development in France, USA, Japan and China. Through these investments EB is executing its strategy to become a leading automotive software partner for automotive OEM's and their vendors globally.

EB's Automotive Software products currently include:

- EB street director navigation software for line-fit car navigation systems, Personal Navigation Devices (PND), Personal Digital Assistants (PDA) and smartphones,
- EB GUIDE product family 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, and
- High performance network communications protocol standards and solutions for automotive electronics including FlexRay™, CAN (Controller Area Network) and LIN (Local Interconnect Network) solutions.

Some of the high-lights of the business year include:

- Since the beginning of the year EB has been working for Ford in USA in developing the next versions of Ford's car connectivity and entertainment platform called Sync.
- EB's navigation software won important commitments from Automotive OEMs to install it as an application software in their head units as an original line-fit, in-dash software.
- In July EB extended its capability to conduct automotive business in the French market and acquired Net Consulting & Services S.A.R.L, which now constitutes the base for EB's automotive business in France.
- In August, EB launched its automotive activities in China in Shanghai and Beijing.
- In December launched the next versions of EB street director navigation software including features like 3D navigation with 3D landmark models and historic traffic flow data.
- A new version of EB tresos Standard Software tooling was also launched supporting the latest AUTOSAR version 3.0 across the complete product family with improved interoperability between all tools.

Wireless Business Segment from January to December 2008

The Wireless Business Segment comprises the following businesses:

- Wireless Solutions business providing customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies.
- Wireless Communications Tools business providing test tools for measuring, modeling and emulating radio channel environments.
- Wireless Sensor Solutions business providing complete RFID reader network solutions.

Report by the Board of Directors 2008

The Wireless Business Segment's net sales during January–December 2008 amounted to EUR 108.6 million (EUR 90.9 million in 2007), representing a growth of 19.5 per cent. The growth was achieved both by developing the business with existing long-term customers, and by changing the WiMAX business model from asset development to customer financed model, which started to create revenue during the fourth quarter. The net sales included extraordinary low-margin through-licensing revenues of approximately EUR 3 million.

The operating loss from Business Operations amounted to EUR -17.5 million and the write-offs and restructuring costs totaling to EUR -11.0 million, resulting to a total operating loss of EUR -28.5 million (EUR -22.8 million in 2007) reflecting:

- significant and larger than originally anticipated investments in the R&D of Mobile WiMAX base station module products until end of 3Q,
- the delay of the accumulation of net sales of WiMAX base station module products until end of 3Q,
- rapid deceleration of the market and therefore the sales of wireless communications emulation and design tools during the 2Q and 3Q,
- weaker demand and stronger than expected price competition in radio network solutions' R&D services in the first half 2008,
- significant investments and lack of demand in RFID reader systems,
- slower than expected demand in mobile terminals R&D services during 3Q.

WIRELESS SOLUTIONS

Wireless Solutions provides customized solutions and R&D services for wireless industry and other industries utilizing wireless technologies. Wireless Solutions integrates own and 3rd party technology assets into customized solutions, creating new revenue opportunities for its customers. The customers of Wireless Solutions include wireless device and infrastructure OEM's and ODM's, mobile and satellite operators, defence and security industry and authorities, and semiconductor vendors.

EB provides its customers value creating solutions which combine development services and integration services and reference designs. EB has unique competences in both devices and infrastructure.

In February, NextWave Wireless demonstrated successfully VoIP calling over mobile WiMAX in a handset form-factor at the 2008 GSMA Mobile World Congress in Barcelona, Spain. In this development, EB worked as the main platform integrator.

During the first quarter EB signed a contract with the Finnish Armed Forces Technical Research Center to develop a Software Defined Radio (SDR) prototype for tactical communications. The prototype will be used in both national and European software radio development activities.

In third quarter EB initiated a change into the operational mode in the Wireless Business Segment by combining Mobile Terminal Solutions (MTS) and Radio Network Solutions (RNS) businesses into a single Wireless Solutions (WS) business. With this change EB is able to provide customized solutions integrating EB's own and third party technology assets and creating new revenue opportunities to customers. This change also enables EB to execute a number of profitability improvement actions and to serve its current customers in a more flexible manner as well as to penetrate into new market domains and customers in a need of a strong wireless solution partner. EB intends to continue creating new and reusable intellectual property (IP) through partnering with customers and with well focused own investments.

EB announced in October that it has changed the business model in the mobile WiMAX by shifting from investing upfront in the development of radio base station module products to the development of demanding, customer-financed Mobile WiMAX solutions. EB sold its Mobile WiMAX baseband software asset to Nokia Siemens Networks. The parties have agreed to continue the WiMAX baseband software related product development together, with Nokia Siemens Networks purchasing WiMAX product development from EB as a service. According to the agreement, EB will in the future have the license to use the WiMAX baseband software and its subsequent versions when developing demanding customer solutions. The business model change will reduce significantly EB's own R&D investment going forward, while maintaining the opportunity to develop and implement demanding Mobile WiMAX solutions for customers.

During 2008, the development of handset technologies and reference designs for TerreStar Networks' upcoming satellite-terrestrial all-IP mobile network continued according to the plan, while its share of the mobile terminal business' net sales started to decrease as planned. EB and TerreStar Networks were showcasing the first-ever dual-mode satellite-terrestrial HSPA reference design handset in a PDA form factor in April. In November EB introduced a satellite-terrestrial Connectivity Model proof of concept. The prototype expands the satellite-terrestrial smartphone PDA reference design announced earlier.

During 2008 EB was preparing to join ESSOR (European Secure Software Defined Radio) program. ESSOR's aim is to develop technology for future wireless communications for defence and public safety.

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, aerospace and automotive industries are equipped with EB wireless communications tools and solutions.

The sales of wireless communications emulation and design tools were low during second and third quarter especially in the USA and Asia, in comparison with the corresponding period in 2007. The low sales resulted from the repeated delays of test tool investments in the LTE standard research and development programs and of large scale Mobile WiMAX network deployments. The sales of wireless communications emulation and desigh tools started to recover during the fourth quarter and geographically the radio channel emulator business was in balance between different regions of the world.

In March 2008, EB outsourced the main part of the emulator production activities of Wireless Communications Tools. EB buys non-core production services from its outsourcing partners, aiming at improving the cost efficiency and flexibility of its supply chain. However, the final assembly, configuration, testing and service operations of Wireless Communications Tools are maintained within EB.

During 2008 the Wireless Communications Tools product portfolio was renewed significantly with an enhanced support for the latest technologies such as MIMO. During the first quarter new product releases included EB Propsim FE version for 3GPP LTE testing. The new emulator platform with the first product Propsim F8 was introduced in September. It is ready for future technologies and already exceeds the performance requirements for WiMAX, LTE and 4G. The new platform generated strong global interest and the first EB Propsim F8 product was delivered in December 2008.

In November EB introduced ASO (Aerospace and Satellite modeling tool Option) testing solution for the aerospace, aviation and defense market. The solution is designed for measuring, modeling and emulating radio channel environments to enable testing of wireless communication links in such applications as aerospace, commercial and defense aviation and satellite communication.

WIRELESS SENSOR SOLUTIONS

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

In March, the sale of Elektrobit AG in Switzerland and consolidation of EB's RFID development to Graz, Austria was announced. The Swiss subsidiary, Elektrobit AG, was sold to the acting management of the said company.

In the last quarter the UHF RFID reader systems sales saw a downturn from the already low levels of sales earlier year 2008 due to weaker demand for automotive supply chain solutions. The size of the individual deployment programs remained small during the year, as the market consists mostly of pilots and trial cases.

During the fourth quarter EB started to investigate the possibility of exit from the RFID business.

Research and Development in 2008

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

- Automotive software products and tools
- Radio channel emulation product portfolio
- RFID reader systems product portfolio
- Mobile WiMAX radio base station module product till the end of third quarter.

The total R&D investments were EUR 37.9 million (EUR 38.3 million in 2007), equaling 22.0 per cent of the net sales (26.6 per cent in 2007). During the second half of 2008 EB has adjusted its R&D investments to a sustainable level.

Business Environment

The share of electronics and software in cars has grown significantly during the past years and it is expected that the trend of increased use of software in automotive continues to prevail in the market. The majority of the innovation and differentiation in the automotive industry is brought about by software and electronics. In order to enable faster innovation and to improve quality, development efficiency and complexity related to software, the use of standard software solutions is expected to increase. The automotive software market is expected to enjoy a 15 per cent Compound Annual Growth Rate (CAGR) during 2007–2012 in Europe (Frost & Sullivan). This may in the near-term be affected by the current downturn of the automotive industry. However, the underlying growth of the automotive software market is expected to continue past the crisis.

The global mobile infrastructure market is decreasing to some extent and the consolidation of the industry is expected to continue. The commercial market start of Mobile WiMAX has delayed when compared to the original schedule, but the operator service market has started in the first cities in the USA.

Report by the Board of Directors 2008

The global mobile phone market is leveling off and is expected to decrease in volume in short-term. The value share is expected to move towards higher-end due to the increased demand for new features and services. Open architectures and software platforms are emerging faster than earlier anticipated, creating opportunities for companies with strong integration capabilities.

The mobile satellite services industry is undergoing a large paradigm shift to the next generation solutions with new operators being formed and traditional operators upgrading their solutions and offerings. Mastering of multi-radio technologies and end-to-end system architectures covering both terminal and network technologies, has gained importance in the complex wireless technology industry.

The R&D services market is facing price pressures continuing to drive increased off-shoring in the industry. However, attractive niches continue to exist (OVUM). Because of the economical slowdown, it is estimated that companies will be reviewing their R&D costs and project portfolio resulting to reduction of the overall R&D expenditures and activities during the next couple of years. OEMs need to reduce their fixed costs and increase flexibility. This can create new opportunities for partnering.

The wireless communications tools market has been weak as the expected market drivers (MIMO technologies, 3GPP LTE and Mobile WiMAX) have so far generated only moderate demand for advanced development tools. The demand may have been impacted also by the economical downturn but it is expected that in the medium and long term the wireless communications tools market will see an era of growth driven by 3GPP LTE.

Outlook for the First Half of 2009

Current economic downturn and turbulence in all markets is making forecasting challenging and the visibility is short. Based on the current limited visibility, EB expects that the turnover of the first half of 2009 will be on the same level or lower as in the second half of 2008 (EUR 84.0 million). The announced annual EUR 40 million cost savings actions will continue to gain effect during the first half of 2009 and consequently the profitability is expected to improve significantly compared to the operative result of the second half of 2008 (EUR -14.1 million).

Main Events after the Reporting Period

EB exited from RFID technology business in the beginning of February 2009 by selling 7iD Technologies GmbH to the acting management of the said company in Austria. RFID business has been part of Wireless Sensor Solution business in EB. Due to this transaction Wireless Sensor Solution business ceases to exits. The write-offs caused by the transaction are included in the earlier announced (20 November, 2008) maximum 5 MEUR non-recurring restructuring costs and write-offs for the second half of 2008. The transaction will not have significant impact on EB's balance sheet or result.

Risks and Uncertainties

The global economic slowdown may affect the demand for the EB's services, solutions and products and provide pressure on e.g. volumes and pricing. It may also increase the risk for credit losses. Further the following risks are related to the company's business operations in the ongoing financial period:

In R&D services businesses the risks are mainly related to uncertainties of 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 of project resources, timing of the most important technology components and, competitive situation in the market, which all may affect the R&D service demand and price levels. Further, there are typical industry warranty and liability risks involved in selling R&D services. Additional risks emanate from ongoing restructuring of the telecommunications infrastructure industry.

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

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

Balance Sheet and Financing

The figures presented in the balance sheet of December 31, 2008, have been compared with the balance sheet of December 31, 2007 (EUR 1,000).

	12/2008	12/2007
Non-current assets	46,724	77,196
Current assets	133,797	158,918
Total assets	180,520	236,114
Share capital	12,941	12,941
Other equity	102,181	152,710
Total shareholders' equity	115,123	165,651
Non-current liabilities	19,690	28,937
Current liabilities	45,708	41,526
Total shareholders' equity and liabilities	180,520	236,114

Net cash flow from operations during the period under review:

+ net profit +/- adjustment of accrual basis items	EUR -22.4 million
+ decrease in net working capital	EUR 2.4 million
+ interest, taxes and dividends	EUR -4.7 million
= cash generated from operations	EUR -24.7 million
- net cash used in investment activities	EUR +31.8 million
- net cash used in financing	EUR -10.5 million
= net change in cash and cash equivalents	EUR -3.3 million

The amount of accounts and other receivables, booked in current receivables, was EUR 61.9 million (EUR 78.8 million on December 31, 2007). Accounts and other payables, booked in interest-free current liabilities, were at EUR 38.7 million (EUR 33.2 million on December 31, 2007).

The amount of non-depreciated consolidation goodwill at the end of the period under review was EUR 18.3 million (EUR 19.6 million on December 31, 2007).

The amount of gross investments in the period under review was EUR 9.8 million, consisting of replacement investments and acquisition of Net Consulting & Services S.A.R.L. Net investments for the reporting period totaled to EUR -11.5 million including the aforementioned items, the termination of a long-term investment portfolio and items created by the sales of Elektrobit AG and Kiinteistö Oy Automaatiotie 1. The total amount of depreciation during the period under review was EUR 16.4 million, including EUR 5.5 million of depreciation owing to business acquisitions.

The amount of interest-bearing debt at the end of the reporting period was EUR 22.4 million. The distribution of net financing expenses on the income statement was as follows:

interest, dividend and other financial income	EUR 4.2 million
interest expenses and other financial expenses	EUR -3.5 million
foreign exchange gains and losses	EUR -5.4 million

EB's equity ratio at the end of the period was 64.9 per cent (70.9 per cent at the end of 2007).

The figures from the period under review includes the statutory reserves EUR 3.6 million.

EB follows a currency 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 principles of the currency 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 11.9 million.

Environmental Factors

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

Elektrobit Corporation has had ISO 14001 certified management systems since 2001. EB's company level environmental management system certification was updated according to ISO14001.2004 system requirements during 2007 and expanded to China in 2008.

EB has observed and applied the requirements of the ROHS (use of hazardous substances) and WEEE (recycling of electrical and electronic equipment) directives in design since 2002.

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

Report by the Board of Directors 2008

Personnel

EB employed 1,735 people at the end of 2008. Compared with the previous year, the number of personnel increased by 10.

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

	2008	2007
Average personnel	1,768	1,695
Salaries and wages (MEUR)	85.1	80.2

At the end of the year 2008 about 42% of the employees worked at Automotive Segment, about 49% at Wireless Segment and about 9% for support functions. When compared these percentages to the figures of the year 2007, it is shown that Automotive Segment grew from 30% to 42% in the whole company. The Wireless Segment decreased from 59% to 49% and the support functions' representation decreased from 11% (2007) to 9% of the company.

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.

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.

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.

Incentive Schemes

PERSONNEL FUND

A personnel fund was established on April 27, 2005. The members of the fund include EB's personnel working in Finland. The top management is not included in the fund.

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 2008 and 2009 it has been decided not to pay any profit-related payment to the fund.

STOCK OPTIONS

2005A-D

The Annual General Meeting of Shareholders decided on 17 March 2005 to issue stock options to the management of the Elektrobit. 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, 1.055,000 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.

The distributed stock options commit managers to long-term shareholding in the EB. 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 of 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. These stock options have not been distributed yet.

VARIABLE PAY

Limited amount of personnel is participating into Variable Pay (VP) program. Most goals of this program are financial and all of them should be in alignment with the Company strategy. These incentives are based on the achievement of the bi-annual targets.

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

AUTHORIZATION OF THE BOARD OF DIRECTORS TO REPURCHASE SHARES OF THE COMPANY

The Annual General Meeting held on March 14, 2008 resolved to authorize the Board of Directors to repurchase shares of the company as follows: The number of repurchased shares shall not exceed 12,500,000 shares, which represents approximately 9.66 per cent of all the shares of the company. Only unrestricted equity of the company can be used to repurchase shares on the basis of the authorization. Shares can be repurchased at a price formed in public trading on the date of repurchase or otherwise at a price formed on the market. The Board of Directors shall resolve how the repurchase of shares is carried out. The repurchase can be carried out by using, among others, derivatives. Shares may be repurchased in deviation from the shareholder's pre-emptive rights (directed repurchase of shares). The authorization is effective until 30 June 2009.

AUTHORIZATION OF THE BOARD OF DIRECTORS TO RESOLVE ON THE ISSUANCE OF SHARES AND OF STOCK OPTIONS AND OTHER SPECIAL RIGHTS ENTITLING TO SHARES

The Annual General Meeting held on March 14, 2008 authorized the Board of Directors to resolve on the issuance of shares and of stock options and other special rights entitling to shares referred to in chapter 10, section 1 of the Companies Act as follows: The aggregate number of shares issued on the basis of the authorization may not exceed 25,000,000 shares, which represents approximately 19.32 per cent of all the current shares of the company. The Board of Directors is authorized to resolve on all the terms and conditions concerning the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares and the transfer of treasury shares. Issuance of shares and of special rights entitling to shares can be carried out in deviation from the shareholder's pre-emptive rights (directed issue). The authorization is effective until 30 June 2009.

Report by the Board of Directors 2008

Flagging Notifications

There were no changes in the company's shareholdings during the reporting period that would have caused flagging notifications subject to disclosure obligations in accordance with Chapter 2, section 9 of the Securities Market Act.

Board of Directors and Auditor

The Annual General Meeting held on March 14, 2008 fixed the number of Board members to six (6). Mr. J.T. Bergqvist, Mr. Jukka Harju, Mr. Juha Hulkko, Mr. Seppo Laine, Mr. Staffan Simberg and Mr. Erkki Veikkolainen were elected Board members. At its assembly meeting held on March 14, 2008, the Board of Directors elected Mr. J.T. Bergqvist to continue as semi-executive chairman of the Board. On November 2008, J.T. Bergqvist resigned from the chairmanship and the membership of the Board. MSc Juha Hulkko was elected as the new Chairman of the Board as of November 19, 2008 and the Board of Directors decided to establish three committees to prepare matters falling within the competence of the Board. The committees are audit and financial committee and committees for Automotive and Wireless segments.

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

Dividend from 2007

The Annual General Meeting held on March 14, 2008 approved a proposal by the Board of Directors to pay a dividend of EUR 0.02 per share, i.e. a total of EUR 2,588,253.80. The undistributed portion of the profit for the financial period remained on the retained earnings account.

Amendment of the Articles of Association

The Annual General Meeting held on March 14, 2008 approved a proposal by the Board of Directors to amend the Articles of Association as follows:

- Section 1 was amended so that the company's domicile is Oulu.
- Section 2 concerning the company's field of activities was updated as follows: 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.

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

According to the parent company's balance sheet December 31, 2008, the distributable funds are EUR 22,335,962.13. The loss for the financial period is EUR -4,874,599.42.

The Board of Directors proposes to the Annual General Meeting that no dividend shall be paid.

Financial Statements 2008

Consolidated Income Statement

Continuing operations	Notes	2008 1000 EUR	2007 1000 EUR
NET SALES	1, 4	**172 264**	**144 304**
Other operating income	5	6 206	14 363
Change in work in progress and finished goods		-2 756	1 519
Work performed by the undertaking for its own purpose and capitalised		90	548
Raw materials		-17 990	-10 107
Personnel expenses	8	-104 018	-96 501
Depreciation	7	-16 366	-15 916
Other operating expenses	6	-80 141	-58 491
OPERATING PROFIT		**-42 711**	**-20 281**
Financial income and expenses	10	-4 688	265
PROFIT BEFORE TAX		**-47 399**	**-20 016**
Income tax	11	-2 389	12
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**-49 788**	**-20 003**
Profit after tax for the year from discontinued operations	2	296	13 113
PROFIT FOR THE YEAR		**-49 492**	**-6 890**
Attributable to			
Equity holders of the parent		-49 492	-6 882
Minority interest			-8
Earnings per share from continuing operations, EUR			
Basic earnings per share	12	-0.38	-0.15
Diluted earnings per share	12	-0.38	-0.15
Earnings per share from discontinued operations, EUR			
Basic earnings per share	12	0.00	0.10
Diluted earnings per share	12	0.00	0.10
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	12	-0.38	-0.05
Diluted earnings per share	12	-0.38	-0.05
Average number of shares, 1000 pcs		129 413	129 413

Consolidated Balance Sheet

	Notes	2008 1000 EUR	2007 1000 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	13	16 166	25 077
Goodwill	14	18 258	19 597
Intangible asssets	14	11 006	17 968
Investment properties	15		
Financial assets at fair value through profit or loss	17		10 815
Other financial assets	18	385	261
Receivables		838	669
Deferred tax assets	19	70	2 808
		46 724	**77 196**
Current assets			
Inventories	20	3 341	7 560
Trade and other receivables	21	61 858	78 799
Financial assets at fair value through profit or loss	22		50 918
Cash and short-term deposits	23	68 598	21 641
		133 797	**158 918**
Total assets		**180 520**	**236 114**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	24		
Share capital		12 941	12 941
Share premium		64 579	64 579
Translation differences		176	-387
Retained earnings		37 426	88 518
		115 123	**165 651**
Minority interest			
Total equity		**115 123**	**165 651**
Non-current liabilities			
Deferred tax liabilities	19	2 598	4 438
Interest-bearing loans and borrowings (non-current)	28	15 382	23 892
Provisions	27	1 043	
Other liabilities		667	607
		19 690	**28 937**
Current liabilities			
Trade and other payables	29	35 067	31 075
Financial liabilities at fair value through profit or loss	29	138	
Pension obligations	26	1 004	914
Current tax liabilities			1 250
Provisions	27	2 519	
Interest-bearing loans and borrowings (current)	28	6 979	8 287
		45 708	**41 526**
Total liabilities		**65 398**	**70 463**
Total equity and liabilities		**180 520**	**236 114**

Consolidated Cash Flow Statement

	Notes	2008 1000 EUR	2007 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the financial year		**-49 492**	**-6 882**
Adjustments			
Effects of non-cash business activities	32	19 967	-6 464
Finance costs		8 893	2 063
Finance income		-4 205	-2 166
Income tax		2 389	201
Change in net working capital			
Change in short-term receivables		-2 184	-17 058
Change in inventories		2 202	-80
Change in interest-free short-term liabilities		2 411	5 524
Interest paid on operating activities		-7 329	-1 790
Interest received from operating activities		4 374	1 458
Income taxes paid		-1 701	-1 870
Net cash from operating activities		**-24 674**	**-27 064**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of business unit, net cash acquired		-908	-4 681
Acquisition of minority interest			-10 203
Disposal of business unit, net of cash acquired		26 850	16 877
Purchase of property, plant and equipment		-1 819	-3 910
Purchase of intangible assets		-2 600	-6 312
Purchase of other investments		-536	-3 881
Sale of property, plant and equipment		225	493
Sale of intangible assets			1 119
Proceeds from sale of other investments		10 638	3 692
Net cash from investing activities		**31 850**	**-6 806**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans granted			-530
Proceeds from borrowing		58	8 155
Repayment of borrowing		-1 941	-7 606
Payment of finance lease liabilities		-5 999	-5 113
Dividends paid		-2 588	-14 235
Net cash from financing activities		**-10 470**	**-19 329**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**-3 295**	**-53 199**
Cash and cash equivalents at 1 January		71 893	125 091
Cash and cash equivalents at 31 December		**68 598**	**71 893**

Consolidated Statement of Changes in Equity

1000 EUR	Equity attributable to equity holders of the parent					
	Share capital	Share premium	Translation difference	Retained earnings	Minority interest	Total equity
Shareholders equity 31.12.2006	12 941	64 579	-216	109 150	2 107	188 562
Profit for the year				-6 882		-6 882
Dividend distribution				-14 235		-14 235
Expense of share-based payments				1 169		1 169
Translation difference			-171		-2 107	-2 278
Other changes				-684		-684
Shareholders equity 31.12.2007	12 941	64 579	-387	88 518	0	165 651
Profit for the year				-49 492		-49 492
Dividend distribution				-2 588		-2 588
Expense of share-based payments				1 014		1 014
Translation difference			564			564
Other changes				-26		-26
Shareholders equity 31.12.2008	12 941	64 579	176	37 426	0	115 123

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 Oyj, which is a Finnish public company. The parent company is domiciled in Oulu and its registered address is Tutkijantie 8, 90570 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, 2008. The financial statements are presented in thousands of euro. The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

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

Consolidation Principles

SUBSIDIARIES

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

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

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

ASSOCIATES

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

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

The Group does not have any associates during the financial year 2008 or 2007.

JOINT VENTURES

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

The Group does not have any joint ventures during the financial year 2008 or 2007.

FOREIGN CURRENCY TRANSACTIONS

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

Transactions denominated in foreign currency are recorded in euros using the exchange rate on the date of the transaction. Monetary items denominated in foreign currency are translated to euros using the European Central Bank exchange rates at the balance sheet date. Gains and losses arising from transactions denominated in foreign currency and the translation of monetary items are recorded in the income statement.

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

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

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

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

Property, Plant and Equipment

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

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

The residual value of assets and their useful life are reviewed periodically in connection with each set of financial statements and the interim report and, if necessary, they are adjusted to reflect changes that have occurred in the expectations for the asset's useful life. Ordinary repair and maintenance costs are charged to the income statement during the financial year in which they incurred.

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

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.

Notes to the Consolidated Financial Statements

BORROWING COSTS

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

GOVERNMENT GRANTS

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

LEASES

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

When the Group is a lessor, it recognizes assets held under a finance lease as interest-bearing receivables in the balance sheet. During the financial years 2008 and 2007 the Group did not have any finance lease agreements in which it would have been classified as a lessor.

Lease agreements in which the risks and benefits incident to ownership remain with the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight line basis over the lease term.

IMPAIRMENT OF ASSETS

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

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

Employee Benefits

PENSION LIABILITIES

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

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

The pension arrangements of the foreign subsidiaries have mainly been classified as defined contribution plans. The only significant defined benefit plan relates to a German subsidiary. The present value of the obligation of the defined benefit plan is determined using the projected unit credit method. The pension expenditure calculations required by IAS 19 -standard are prepared by authorized actuaries. The Group does apply the corridor method when recognizing the actuarial gains and losses.

SHARE-BASED PAYMENT

The Group has applied IFRS 2 Share-Based Payment to the share-based scheme which was granted June 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.

Notes to the Consolidated Financial Statements

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

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

Cash comprises cash on hand, bank deposits and other highly liquid investments. Assets classified as financial assets have a maximum maturity of three months from the date of acquisition.

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

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying amount of financial liabilities. All financial liabilities are subsequently measured at amortised cost. Financial liabilities are included in current and long-term liabilities and may be interest-bearing or interest-free.

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

TREASURY SHARES

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

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

SEGMENT INFORMATION

Segment information will be shown according to Group's business and geographical segment distribution. Business segments pertain to products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments pertain to products or services within a particular economic environment that is subject to risks and returns that are different from those of segments in other economic environments.

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

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

THE APPLICATION OF NEW AND REVISED IFRS -REGULATIONS

The Group has applied the following new or revised standards and interpretations issued by IASB from 1.1.2008

- IAS 39 (Revised) Financial Instruments: Recognition and Measurement and IFRS7 Financial Instrumens: Disclosures.

The revised standard has not had any impact on the financial statements.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. The interpretation clarifies the application of share-based payment arrangements. The interpretation has not had any impact on the financial statements.
- IFRIC 12 Service Concession Arrangements. The interpretation addresses contractual arrangements, under which private sector operators construct, operate and maintain required public infrastructure for an agreed period of time providing services to the public. The interpretation has not had any impact on the financial statements.
- IFRIC 14 IAS19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation is applied to post-employment defined employee benefits and other long-term defined employee benefits in accordance with IAS 19, when the plans call for minimum funding requirements. The interpretation has not had any impact on the financial statements.

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS27 Consolidated and Separate Financial Statements (Revised). The revision addresses cost of investments in a subsidiary, jointly controlled entity or associate.
- IFRS 2 (Revised) Share-based Payment, Vesting Conditions and Cancellations. New non-vesting condition concept. The revised standard has little impact in future.
- IFRS 8 Operating Segments (1.1.2009). The new standard replaces IAS 14 Segment Reporting. Under IFRS 8 the reporting is based on the management's internal reporting system and measurement principles. The current distinction between primary and secondary segments (business or geographical segments) is withdrawn. Instead the enterprise has to disclose information about the Group's products, services, geographical areas and major customers. The new standard has impact on the notes to the financial statements.
- IAS 1 (Revised) Presentation of Financial Statements (1.1.2009). The revision mainly addresses the presentation in the income statement and the statement of changes in equity. The revised standard has little impact on the presentation of financial statements.
- IAS 23 (Revised) Borrowing Costs (1.1.2009). The revised standard requires that borrowing costs directly attributable to the production of a qualifying asset shall be capitalised in the cost of that asset. Earlier such costs could alternatively be recognised as annual expense.
- IAS 32 (Revised) Financial Instruments: Presentation. The revised standard doesn't not have any impact on the financial statements.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Changes in calculation principle. (1.1.2010)
- IAS 16 Property, Plant and Equipment. Changes in calculation principle.
- IAS 20 Accounting for Government Grants and Disclosure of Gopverment Assistance. Changes in calculation principle.
- IAS 28 Investments in Associates. Changes in calculation principle.
- IAS 38 Intangible Assets. Changes in calculation principle.
- IAS 40 Investment Property. Changes in calculation principle.
- IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements.(1.1.2010) The revised standard has significant impact on acquisitions after time of coming into force.
- IFRIC 13 Customer Loyalty Programmes (1.1.2009). The interpretation addresses customer loyalty programs used e.g. in the retail trade. The interpretation doesn't not have any impact on the financial statements.
- IFRIC 15 Agreement for Construction of Real Estate. The interpretation addresses in adapting to revenue recognized in building project The interpretation doesn't not have any impact on the financial statements.
- IFRIC 16 Hedges of a Net Investments in a foreign owners. The interpretation doesn't not have any impact on the financial statements.
- IFRIC 17 Distribution on non-cash assets to owners. The interpretation addresses in non-cash dividends. Non-cash dividends have to be valued to the fair value in that date when the General Meeting has done resolution to pay dividend. The interpretation doesn't not have any impact on the financial statements.
- IFRIC 18 Transfer of assets from customers. The interpretation doesn't not have any impact on the financial statements.

Notes to the Consolidated Financial Statements

1. SEGMENT INFORMATION

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

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

EB's reporting from January 1, 2008 is based on the Automotive and Wireless Business Segments.

Automotive Business Segment

The Automotive Business Segment consist 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 for its automotive customers unique, customized solutions.

Wireless Business Segment

The Wireless Business Segment comprises the following businesses:

- Wireless Solutions that covers both mobile devices and radio network infrastructure
- Wireless Communications Tools
- Wireless Sensor Solutions.

Other businesses

Other businesses consist of Group's common functions.

Business segments 2008 1000 EUR	Automotive segment	Wireless segment	Other businesses	Discontinued operations	Eliminations	Group total
Net sales						
Net sales to external customers	63 285	108 567	412			172 264
Net sales to other segments	123	73	2		-197	0
Net sales total	**63 407**	**108 640**	**414**	**0**	**-197**	**172 264**
Operating Profit	**-12 109**	**-28 489**	**-2 112**	**0**	**0**	**-42 711**
Unallocated expenses						-7 077
Profit for the year from continuing operations						-49 788
Profit for the year from discontinued operations						296
Profit for the year						**-49 492**
Assets and liabilities						
Segments assets	54 133	35 052	20 327		-216	109 296
Unallocated assets						71 225
Total assets	**54 133**	**35 052**	**20 327**	**0**	**-216**	**180 520**
Segment liabilities	20 170	20 177	4 380		-216	44 510
Unallocated liabilities						20 887
Total liabilities	**20 170**	**20 177**	**4 380**	**0**	**-216**	**65 398**
Capital expenditure						
Tangible assets	765	564	4 516			5 845
Intangible assets	176	1 446	1 220			2 842
Investments	70	0	470			540
Goodwill	599	12				611
Depreciation	-3 787	-6 408	-6 172			-16 366

Notes to the Consolidated Financial Statements

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

GEOGRAPHICAL SEGMENTS

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

Geographical segments 2008 1000 EUR	Europe	The Americas	Asia	Eliminations	Group total
Net sales					
Sales to external customers	114 902	49 238	8 124		172 264
Segments assets	102 765	11 081	2 425	-6 590	109 681
Unallocated assets					70 840
Total assets					**180 520**
Capital expenditure					
Tangible assets	5 055	454	335		5 845
Intangible assets	2 783	36	23		2 842
Investments	540				540
Goodwill	599	12			611

Geographical segments 2007 1000 EUR	Europe	The Americas	Asia	Eliminations	Group total
Net sales					
Sales to external customers	101 552	33 286	9 466		144 304
Segments assets	144 054	15 033	1 667	-12 510	148 244
Unallocated assets					87 870
Total assets					**236 114**
Capital expenditure					
Tangible assets	13 503	25	959		14 487
Intangible assets	12 264	397	192		12 852
Investments	4 017				4 017
Goodwill	12 748				12 748

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 2008 and 2007 are reported based on Continuing Operations, without the Production Solutions business (sold in June 2007) and Network Test (sold in November 2006) figures.

	2008 1000 EUR	2007 1000 EUR
Income statement, discontinued operations:		
Network Test and Production Solutions businesses		
Net sales		15 244
Expenses		-18 482
Profit before tax		-3 400
Income tax		-213
Profit after tax for the year		-3 613
Profit before tax for the year from discontinued operations	296	17 018
Income tax		-292
Profit after tax for the year from discontinued operations	296	-16 726
Profit after tax for the year from discontinued operations, total	296	13 113
Cash flow statement from discontinued operations:		
Net cash from operating activities		-4 054
Net cash from investing activities	5 115	55
Net cash from financing activities		-165
Net change in cash and cash equivalents	5 115	-4 164

3. ACQUISITIONS

EB has acquired on July 17, 2008 Net Consulting & Services S.A.R.L in France.

Net Consulting & Services is specialized in engineering services and products for embedded networks in the automotive industry. The company offers standard software clusters, ECU validation tools and related engineering services for Control Area Networks and Local Interconnect Networks within the cars. Headquartered in Chatou, France, the company employs 14 people. Net Consulting & Services is established in 1999 and it counts amongst its customers companies like PSA Peugeot Citroën, Delphi and Valeo.

Acquisition cost was 1.0 million eur. The goodwill of 0.6 million eur consists of expected synergy gains from the acquisition.

The net profit, 0.0 million euros, of Net Consulting & Service -company for six months is included in the group income statements for the accounting period 2008.

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

	Fair value recognised on acquisition 1000 EUR	Previous carrying value 1000 EUR
Property, plant and equipment	21	16
Product rights	116	
Order backlog	39	
Other intangible assets	39	39
Other financial assets	4	4
Trade and other receivables	850	850
Cash and short-term receivables	55	55
Total assets	**1 124**	**964**
Deferred tax liabilities	53	
Interest-bearing loans and borrowings (non-current)	242	237
Other liabilities	464	464
Total liabilities	**759**	**701**
Net assets	**365**	**263**
Cost of an acquisition	964	
Goodwill	599	
Cash paid	964	
Net cash acquired with the subsidiary	55	
Net cash outflow	908	

Notes to the Consolidated Financial Statements

4. CONSTRUCTION CONTRACTS

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

	2008 1000 EUR	2007 1000 EUR
Income recognized as sales based on the stage of completion of long-term construction contracts	20 117	52 828
Revenue recognized from long-term construction contracts in progress amounted to	11 582	7 209
Advances received from long-term construction contracts recognized in the balance sheet amounted to	4 803	995
Receivables recognized from long-term construction contracts amounted to	2 817	2 821

5. OTHER OPERATING INCOME

Business transactions	2 515	8 872
Government grants	2 856	4 674
Other income	836	816
Total	**6 206**	**14 363**

6. OTHER OPERATING EXPENSES

External services	-27 658	-15 796
Voluntary staff expenses	-4 123	-4 582
Premises expenses	-8 847	-6 667
Travel expenses	-6 219	-8 090
IT expenses	-7 272	-6 731
Other expenses	-26 022	-16 626
Total	**-80 141**	**-58 491**

7. DEPRECIATIONS AND IMPAIRMENTS

	2008 1000 EUR	2007 1000 EUR
Depreciations		
Intangible assets		
Capitalized development expenditure	-1 476	0
Intangible rights	-3 719	-2 589
Other intangible assets	-112	-152
Other capitalized long-term expenditures	-763	-454
Tangible assets		
Buildings and constructions	-532	-4 219
Machinery and equipment	-7 816	-7 514
Other tangible assets	0	-9
Goodwill	-1 949	-979
Total	**-16 366**	**-15 916**

8. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL

Number of personnel		
Average number of personnel during the fiscal period		
Wireless	920	1 038
Automotive	652	485
Other businesses	196	172
Total	**1 768**	**1 695**
Number of personnel at the year end	1 735	1 725
Personnel expenses 1000 EUR		
Personnel expenses		
Management salaries	-1 665	-1 221
Board of directors	-186	-281
Expense of share-based payments	-1 115	-1 169
Other salaries and wages	-82 117	-77 510
	-85 083	-80 181
Pension expenses, defined contribution plans	-8 648	-8 150
Pension expenses, defined benefit plans	-91	-116
Other personnel expenses	-10 196	-8 054
Total	**-104 018**	**-96 501**

Notes to the Consolidated Financial Statements

9. RESEARCH AND DEVELOPMENT EXPENSES	2008 1000 EUR	2007 1000 EUR
The expensed research and development costs recongized in the income statement amounted to	37 887	38 340

10. FINANCIAL EXPENSES (NET)

Interest expenses	-1 411	-1 500
Interest income	3 103	911
Dividend income	2	2
Exchange gains and losses	-4 624	173
Change of financial assets at fair value through profit or loss	-2 043	154
Other financial expenses	-815	-148
Other financial incomes	1 100	673
Total	**-4 688**	**265**

11. INCOME TAXES

Income taxes, current year	-1 417	-1 896
Income taxes, previous years	-121	-38
Deferred taxes	-852	1 947
Total	**-2 389**	**12**
A reconciliation between the effective tax rate and domestic tax rate (26%) of the Group:		
Profit before taxes	**-47 103**	**-20 016**
Tax at the domestic tax rate 26%	12 247	5 204
Effect of tax rates of foreign subsidiaries	417	575
Taxes for prior years	-121	38
Tax free income	458	26
Non-deductible expenses	-7 064	-54
Temporary difference between carrying amounts and tax base	-852	-1 364
Non booked deferred tax receivables of loss-making domestic companies	-7 537	-4 406
Others	62	-7
Income taxes in the consolidated income statement	**-2 389**	**12**

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.

	2008	2007
Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	-49 788	-19 995
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	296	13 113
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	-49 492	-6 882
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Basic earnings per share, continuing operations, EUR	-0.38	-0.15
Basic earnings per share, discontinued operations, EUR	0.00	0.10
Basic earnings per share, continuing and discontinued operations, EUR	-0.38	-0.05

Diluted

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

The exercise price of the stock options at 31 December 2008 is higher than the closing share price, hence the stock options do not have dilutive effect.

Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	-49 788	-19 995
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	296	13 113
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	-49 492	-6 882
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Effect of dilution (1000 PCS)	0	0
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Diluted earnings per share, continuing operations, EUR	-0.38	-0.15
Diluted earnings per share, discontinued operations, EUR	0.00	0.10
Diluted earnings per share, continuing and discontinued operations, EUR	-0.38	-0.05

Notes to the Consolidated Financial Statements

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.

	2008 1000 EUR	2007 1000 EUR
Land		
Acquisition cost Jan. 1		434
Disposals during the period		-434
Acquisition cost Dec. 31		0
No revaluations done		
Buildings and constructures		
Acquisition cost Jan. 1	13 170	23 548
Translation differences	52	-8
Additions during the period	729	551
Disposals during the period	-11 796	-9 513
Acquisition cost Dec. 31	2 155	14 578
Accumulated depreciations Jan. 1	-5 952	-5 149
Translation differences	-19	9
Depreciations on disposals	5 760	2 037
Depreciation for the period	-531	-4 219
Carrying amount Dec. 31	1 413	7 256
No revaluations or capitalizations of the interest costs have been done.		
Machinery and equipment		
Acquisition cost Jan. 1	48 505	36 826
Translation differences	253	-241
Additions during the period	5 023	14 047
Disposals during the period	-311	-2 126
Acquisition cost Dec. 31	53 471	48 505
Accumulated depreciations Jan. 1	-30 959	-23 452
Translation differences	-178	200
Depreciations on disposals	9	67
Depreciation for the period	-7 816	-7 774
Carrying amount Dec. 31	14 528	17 547

	2008 1000 EUR	2007 1000 EUR
Advance payments		
Acquisition cost Jan. 1		12
Disposals during the period		-12
Acquisition cost Dec. 31		0
Other tangible assets		
Acquisition cost Jan. 1	274	359
Additions during the period		52
Disposals during the period	-48	-81
Acquisition cost Dec. 31	226	330
Accumulated depreciations Jan. 1		-47
Depreciation for the period		-9
Carrying amount Dec. 31	226	274
Property, plant and equipment total		
Acquisition cost Jan. 1	61 949	61 179
Translation differences	305	-250
Additions during the period	5 752	14 650
Disposals during the period	-12 154	-12 166
Acquisition cost Dec. 31	55 852	63 413
Accumulated depreciations Jan. 1	-36 911	-28 648
Translation differences	-197	210
Depreciations on disposals	5 770	2 104
Depreciation for the period	-8 347	-12 002
Carrying amount Dec. 31	16 166	25 077

Finance leases

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

Machinery and equipment		
Acquisition cost Jan. 1	30 036	26 594
Accumulated depreciations	-19 897	-14 114
Carrying amount Dec. 31	10 139	12 480

Additions of property, plant and equipment include assets acquired by finance leases of 3,772 TEUR in 2008 (12,480 TEUR 2007).

Notes to the Consolidated Financial Statements

14. INTANGIBLE ASSETS	2008 1000 EUR	2007 1000 EUR
Capitalized development expenditure		
Acquisition cost Jan. 1	3 930	44
Additions during the period	990	3 930
Disposals during the period	-3 445	-44
Acquisition cost Dec. 31	1 476	3 930
Accumulated depreciations Jan. 1		-34
Depreciations on disposals		42
Depreciation for the period	-1 476	-8
Carrying amount Dec. 31	0	3 930
Intangible rights		
Acquisition cost Jan. 1	26 844	21 139
Translation differences	26	0
Additions during the period	568	7 411
Disposals during the period	-266	-1 706
Acquisition cost Dec. 31	27 172	26 844
Accumulated depreciations Jan. 1	-14 248	-11 632
Translation differences	-7	2
Depreciations on disposals		8
Depreciation for the period	-3 719	-2 626
Carrying amount Dec. 31	9 199	12 596
Other intangible assets		
Acquisition cost Jan. 1	308	336
Additions during the period		40
Acquisition cost Dec. 31	308	376
Accumulated depreciations Jan. 1	-112	-28
Depreciation for the period	-112	-152
Carrying amount Dec. 31	84	196

	2008 1000 EUR	2007 1000 EUR
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	4 828	3 878
Translation differences	4	-23
Additions during the period	1 240	1 474
Disposals during the period		-500
Acquisition cost Dec. 31	6 073	4 828
Accumulated depreciations Jan. 1	-3 583	-3 126
Translation differences	-3	17
Depreciations on disposals		1
Depreciation for the period	-763	-475
Carrying amount Dec. 31	1 724	1 245
Intangible assets total		
Acquisition cost Jan. 1	35 911	25 397
Translation differences	30	-24
Additions during the period	2 798	12 856
Disposals during the period	-3 710	-2 250
Acquisition cost Dec. 31	35 028	35 979
Accumulated depreciations Jan. 1	-17 943	-14 821
Translation differences	-10	19
Depreciations on disposals		51
Depreciation for the period	-6 069	-3 261
Carrying amount Dec. 31	11 006	17 968
Goodwill		
Goodwill has been allocated to cash generating units as follows:		
Wireless segment	164	2 102
Automotive segment	18 094	17 495
Total	**18 258**	**19 597**

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

The parameters used when determining the discount rate are: risk free interest rate 5.0%, market risk premium 6.0%, industry beta 1.5, cost of debt 9.0% and target capital structure. Amount of debt from total capital is 20%.

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

Notes to the Consolidated Financial Statements

15. INVESTMENT PROPERTIES

The Group does not have any investment properties.

16. INVESTMENTS IN AN ASSOCIATES

The Group does not have any associates.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2008 1000 EUR	2007 1000 EUR
Balance sheet value on Jan. 1	10 815	10 702
Additions during the period	349	3 880
Disposals during the period	-10 082	-3 929
Changes in fair-value	-769	-161
Profits/losses in income statement	-314	323
Balance sheet value on Dec. 31	0	10 815

The investments made in financial assets at fair value through profit or loss consisted mainly of long-term bonds. The long-term intvestment porfolio was terminated during the period. Profit and loss recognized from available-for-sale investments amounted to -0.3 milj. euros (0.3 milj. euros in 2007).

18. OTHER FINANCIAL ASSETS

At 1 January	261	81
Additions	212	298
Disposals	-88	-118
At 31 December	385	261

19. DEFERRED TAX LIABILITIES AND ASSET

1000 EUR	Jan. 1, 2008	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Dec. 31, 2008
Deferred tax assets						
Tax losses	824	-824				0
Other items	1 984	-1 914				70
Total	**2 808**	**-2 738**	**0**	**0**	**0**	**70**
Non booked deferred tax receivables of loss-making domestic companies						14 417
Deferred tax liabilities						
Cumulative depreciation difference	52	-52				0
Fair-value of other investments	200	-200				0
Fair-value of derivatives	173	-173				0
Goodwill	3 303	-1 198			-9	2 096
Other items	710	-207				502
Total	**4 438**	**-1 830**	**0**	**0**	**-9**	**2 598**

1000 EUR	Jan. 1, 2007	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Dec. 31, 2007
Deferred tax assets						
Internal stock margin	14	-14				0
Tax losses	1 810	-986				824
Other items	833	1 152				1 984
Total	**2 671**	**151**	**0**	**0**	**0**	**2 808**
Non booked deferred tax receivables of loss-making domestic companies						6 002
Deferred tax liabilities						
Cumulative depreciation difference	13	38				52
Fair-value of other investments	131	69				200
Fair-value of derivatives	9	165				173
Goodwill	3 682				-379	3 303
Other items	2 386	-1 676				710
Total	**6 220**	**-1 404**	**0**	**0**	**-379**	**4 438**

Notes to the Consolidated Financial Statements

20. INVENTORIES	2008 1000 EUR	2007 1000 EUR
Raw materials and supplies	1 130	1 986
Work in progress	135	4 065
Finished products	1 869	1 509
Other inventories	207	
Total	**3 341**	**7 560**

21. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	39 800	43 926
Receivables from construction contracts	2 817	2 821
Prepaid expenses and accrued income	16 536	24 506
Other receivables	2 705	7 546
Total	**61 858**	**78 799**

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

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

Aged Accounts Receivable		
Current	12 965	16 743
Aged Overdue Amounts		
0–3 months	25 962	26 519
4–6 months	567	473
7–12 months	250	12
> 12 months	56	178
Total	**39 800**	**43 926**

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 1000 EUR	2007 1000 EUR
Bonds		
Balance sheet value on Jan. 1	50 252	18 140
Additions during the period		111 797
Disposals during the period	-48 826	-79 863
Changes in fair-value	-513	-69
Profits/losses in income statement	-913	246
Balance sheet value on Dec. 31	0	50 252

The investments made in financial assets at fair value through profit or loss consisted mainly of bonds. The investment portfolio terminated during the period. Profit and loss recognized from available-for-sale investments amounted to -0.9 milj. euros (0.2 milj. euros in 2007).

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

23. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits	68 598	21 641
Total	**68 598**	**21 641**
Cash and cash equivalents at cosolidated cash flow statement consist of:		
Financial assets at fair value through profit or loss	0	50 252
Cash and short-term deposits	68 598	21 641
Total	**68 598**	**71 893**

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	Treasury shares 1000 EUR	Total 1000 EUR
At 1 January 2007	129 413	12 941	64 579		77 521
At 31 December 2007	129 413	12 941	64 579		77 521
At 31 December 2008	129 413	12 941	64 579	0	77 521

All issued shares are fully paid.

Translation differences

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

Dividends

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

25. SHARE-BASED PAYMENT PLANS

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

A total of 612.000 2005A stock options were distributed to Group management. The rest, 288,000 stock options 2005A, 1,200,000 stock options 2005B, 1,200,000 stock options 2005C and 1,200,000 stock options 2005D were granted to Elektrobit Technologies Ltd, a wholly-owned subsidiary of Elektrobit Oyj, to be further distributed to the present and future managers of the Group at a later date. In accordance with the terms and conditions of the stock options, the prerequisite for receiving 2005A stock options was that the participating managers purchase a predetermined number of Elektrobit shares, as decided by the Board of Directors.

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

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

Share-option plan 2005A	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	23.6.2005
Number of instruments granted (1000 PCS)	372
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 2008	Number of options 2007
Outstanding at the beginning of the year	408	516
Granted during the year	0	0
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	-36	-108
Outstanding at the end of the year	372	408
Exercisable at the end of the year	0	0

Notes to the Consolidated Financial Statements

Share-option plan 2005B	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	31.5.2006
Number of instruments granted (1000 PCS)	1 055
Exercise price, EUR	2.47
Share price at the grant date, EUR	2.34
Contractual life of the options (years)	5.0
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	43%
Expected contractual life of the options (years)	5.0
Risk-free interest rate (%)	3.69%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2008	Number of options 2007
Outstanding at the beginning of the year	1 158	945
Granted during the year		220
Forfeited during the year	0	0
Exercised during the year	0	0
Expired during the year	-103	-8
Outstanding at the end of the year	1 055	1 158
Exercisable at the end of the year	0	0

Share-option plan 2005C	
Outstanding at the beginning of the year	0
Granted during the year (1000 PCS)	60
Outstanding at the end of the year	60
Exercisable at the end of the year	0

	Number of options 2008	Number of options 2007
Share-option plan 2005D		
Outstanding at the beginning of the year	0	
Granted during the year (1000 PCS)	60	
Outstanding at the end of the year	60	
Exercisable at the end of the year	0	

Share-option plan 2006A	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	15.3.2006
Number of instruments granted (1000 PCS)	1 750
Exercise price, EUR	2.32
Share price at the grant date, EUR	2.34
Contractual life of the options (years)	6.3
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	44%
Expected contractual life of the options (years)	6.3
Risk-free interest rate (%)	3.34%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

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

Notes to the Consolidated Financial Statements

26. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS	2008 1000 EUR	2007 1000 EUR
Benefit pension plan liability consists of following items:		
Present value of funded obligations	862	1 017
Fair value of plan assets	-245	-231
Unrecognized actuarial gains (+) / losses (-)	387	127
Net liability	1 004	914
Net periodic pension cost in income statement:		
Unrecognized net liability on Jan. 1	0	0
Current service cost	51	79
Interest cost	55	53
Expected return on plan assets	-8	-8
Recognized net actuarial gains and losses	-1	2
Employee contributions	-6	-10
Total	**91**	**116**
Balance sheet reconciliation:		
Net liability on Jan. 1	914	798
Net periodic pension cost in income statement	91	116
Net liability on Dec. 31	1 004	914
Principal actuarial assumptions:		
Europe		
Discount rate	6.50	5.40
Expected return on plan assets	3.50	3.50

27. PROVISIONS

1000 EUR	Provisions for reorganising operations	Unprifitable rental agreements	Total
31.12.2007	0	0	0
Increase in provisions	1 509	2 052	3 561
Used provisions			0
Reversal of unused provisions			0
31.12.2008	1 509	2 052	3 561
Long-term provisions	0	1 043	1 043
Short-term provisions	1 509	1 009	2 519
Total	1 509	2 052	3 561

Provision for reorganising operations

In order to improve the profitability of the Wireless- business segment and to adjust the cost structure, the group will have to reorganize the operations in Wireless business segment. The estimated total cost has been recorded as an expense in 2008. The provision is expected to be used in 2009.

Unprofitable rental agreements

The group has three long-term rental agreements for premises in Finland in which the group is no longer able to utilize in its operations. The provision for these rental agreements includes the rental liabilities and other premise costs deducted by the rental income. The provision is expected to be used by 2011.

Notes to the Consolidated Financial Statements

28. INTEREST-BEARING LOANS AND BORROWINGS	2008 1000 EUR	2007 1000 EUR
Non-current loans		
Bank loans	8 795	16 007
Finance lease liabilities	6 587	7 885
Total	**15 382**	**23 892**
Current loans		
Bank loans	0	0
Finance lease liabilities	4 049	5 036
Repayments of long-term bank loans	2 930	3 251
Total	**6 979**	**8 287**
Repayment schedule of long-term loans:		
2008		8 287
2009	6 979	6 225
2010	4 733	4 510
2011	3 796	3 805
2012	3 681	3 158
2013	2 757	1 483
Later	416	4 711
Total	**22 361**	**32 179**

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.

	2008 1000 EUR	2007 1000 EUR
The interest-bearing non-current loans are distributed by currency as follows:		
EUR	22 361	23 863
USD	0	29
Total	**22 361**	**23 892**
The interest-bearing current loans are distributed by currency as follows:		
EUR	5 926	7 357
CNY	1 053	930
Total	**6 979**	**8 287**
Maturities of the finance lease liabilities:		
Finance lease liabilities – minimum lease payments	11 789	13 963
Within one year	4 318	5 817
After one year but no more than five years	7 471	8 093
After five years	0	54
Finance lease liabilities – present value of minimum lease payments	10 636	12 921
Within one year	4 049	5 036
After one year but no more than five years	6 572	7 834
After five years	16	51
Future finance charges	1 153	1 042
Total amount of finance lease liabilities	11 789	13 963

Notes to the Consolidated Financial Statements

29. TRADE AND OTHER PAYABLES	2008 1000 EUR	2007 1000 EUR
Current liabilities		
Trade and other payables		
Trade liabilities	5 623	6 987
Accrued liabilities, deferred income	24 078	19 223
Other liabilities	5 366	4 866
Total	**35 067**	**31 075**

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

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

Financial liabilities at fair value through profit or loss		
Liabilities based on derivates		
Balance sheet value on Jan. 1	0	-33
Changes in fair-value	138	33
Balance sheet value on Dec. 31	**138**	**0**

30. FINANCIAL RISK MANAGEMENT

Under its normal business activities, Elektrobit Corporation is exposed to several financial risks. The primary financial risks are foreign exchange rate risk, interest rate risk, investment risk and default risk. The goal of the Group's financial risk management function is to reduce adverse effects of price fluctuations and other uncertainties on earnings, balance sheet and cash flows as well as to ensure suffi-cient liquidity. In its risk management, the Group uses financial instruments such as forward exchange agreements, currency options and interest rate swaps. Professional, external portfolio managers are employed for investing activities until February 2008. After that all investments are moved to money market instruments.

The Group's general risk management principles are approved by the Board of Directors. The responsibility for their implementation lies with the parent company together with operational units. The parent company identifies and assesses risks and obtains relevant financial instruments for hedging them in close co-operation with operative units. The management evaluates risk concentrations from the view-point of business activities, taking into consideration shared factors between underlying variables such as those arising from changes in economic conditions or other variables. Operations and funding programs executed in the financial markets are mainly concentrated into the parent company. Subsidiaries are mainly funded through intra-company loans 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 in-vestments 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 secur-ing 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 propable 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 11.9 million euros. During the financial year the amount of the hedged position has been changing between 11.9–41.4 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, 2008 was 6.6 million euros (2007 5.1 million euros). Equities of subsidiaries denominated in currencies other than the Euro or the US dollar are not considered to have practical significance.

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

	2008 1000 EUR	2007 1000 EUR
Forward contracts		
Market value	-138	666
Nominal value	11 888	26 400

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

	2008 1000 EUR	2007 1000 EUR
Long-term assets	741	616
Long-term liabilities	1 378	29
Current assets	13 729	16 969
Current liabilities	3 249	759

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.

Notes to the Consolidated Financial Statements

1000 EUR	Changes in income statement before tax, 2008	2007	Changes in equity before tax, 2008	2007
EUR appreciates	-600	-500	-600	-500
EUR depreciates	700	600	700	600

Interest rate risk

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

	2008 1000 EUR	2007 1000 EUR
Fixed interest rate debts	6 648	7 277
Interest rate swaps	2 900	5 400

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 before tax, 2008	2007	Changes in equity before tax, 2008	2007
Loan stock January, 1	32 200	32 400		
Loan stock December, 31	22 400	32 200		
Average loan stock	27 300	32 300		
Change in interest	+/- 200	+/- 200	+/- 200	+/- 200

Market risk of investment activities

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

The Group's investments in quoted shares and bonds has not exposed security price risk due to fluctuations in the price of these securities after February 2008. 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.

	2008	2007
Stock shares	0.0%	23.8%
Bonds	0.0%	61.7%
Money market investments	100.0%	14.6%
Total	**100.0%**	**100.0%**

The combined value of the above instruments during the financial period has ranged from approximately 50.0 million euros to approxi-mately 61.3 million euros. At closing date their value was approximately 52.0 million euros. This risk concentration has been managed by investing to low-risk interest rate instruments and using trusted banks as the counterparties.

The table below describes the price risk of different fixed-income funds had they exhibited a +/-1% change in value, other variables remain-ing 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 finan-cial 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.

	Changes in income statement		**Changes in equity**	
1000 EUR	before tax, 2008	2007	before tax, 2008	2007
Interest-income portfolio	+/- 0	+/- 1 400	+/- 0	+/- 1 400

Notes to the Consolidated Financial Statements

Default risk

The Group policy defines credit standing requirements and investment principles related to customers and counterparties of investment transactions and derivative contracts. The Group's trade receivables are distributed among a wide customer base and across several geographical areas. Hence, default risk concentration is assessed as a single customer's share of total trade receivables. The Group issues credits only to well known customers that have a good credit standing. Letters of credit are also utilized to decrease default risk. The Group has two significant default risk counterparties that represent 26% of the total accounts receivable. During the past financial year the amount of recognized credit losses was approximately 1.0 million euros. The amount of capital loans granted to outside Group were 0.5 million euros at the end of 2008 (2007 0.5 million euros). The Group only enters into derivative contracts with banks that have a good credit standing.

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

Liquidity risk

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

Capital structure management

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

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

The Group has not defined any targets or approach for the development of its capital structure. The management has continuously monitored the development of the Group's net gearing and solvency ratio. The Group's interest bearing net debt at the end of 2008 was 46.2 million euros (2007 39.7 million euros) and net gearing was -40.2% (2007 -24.0%). The Group's solvency ratio at the end of 2008 was 64.9% (2007 70.9%).

Fair values of financial assets and liabilities

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

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.

1000 EUR	Note	Book value 2008	Fair value 2008	Book value 2007	Fair value 2007
Financial assets					
Other financial assets		385	385	261	261
Trade receivables and other receivables	18, 21	62 696	62 696	79 468	79 468
Financial assets at fair value through profit or loss	17, 22			61 733	61 733
Cash and cash equivalents	22	68 598	68 598	21 641	21 641
Currency forwards	22			666	666
Financial liabilities					
Bank loans	28	11 725	11 722	19 258	19 205
Finance lease liabilities	28	10 636	10 636	12 921	12 921
Trade payables and other debts	26, 27, 29	40 300	40 300	33 846	33 846
Currency forwards	29	138	138		

Derivatives

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

Bank loans

The fair values of bank loans are approximately the same as the book values of their principals at closing date. In assigning fair values, the cash flows have been discounted.

Finance lease liabilities

Book values are considered to closely approximate fair values.

Trade receivables and other receivables

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

Trade payables and other debts

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

Notes to the Consolidated Financial Statements

31. DERIVATE CONTRACTS AND HEDGE ACCOUNTING

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

32. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES	2008 1000 EUR	2007 1000 EUR
Business transactions without payments		
Depreciations	16 366	16 243
Employee benefits	1 115	1 169
Change in minority interest		-8
Profit and loss from sale of property, plant and equipment	2 485	-23 080
Other adjustments		-788
Total	**19 967**	**-6 464**

33. OPERATING LEASE AGREEMENTS

The Group as lessee

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

Not later than one year *	4 164	4 026
Later than one year and not later than five years *	5 114	4 858
Later than five years		

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

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

The Group as lessor

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

34. SECURITIES AND CONTINGENT LIABILITIES *

	2008 1000 EUR	2007 1000 EUR
Against own liabilities		
Floating charges	3 119	3 119
Mortgages		7 000
Pledges	1 096	9 789
Guarantees	4 150	2 100
Rental liabilities		
Falling due in the next year	4 164	4 026
Falling due after one year	5 114	4 858
Total	**17 642**	**30 891**
Mortgages are pledged for liabilities totalled		
Loans from financial institutions	9 900	17 271
Other liabilities		
Total	**9 900**	**17 271**

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

Notes to the Consolidated Financial Statements

35. RELATED PARTY DISCLOSURES

The Group has the following structure:

	Country of incorporation	Owned by Parent %	Owned by Group %
Parent			
Elektrobit 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
7iD Technologies GmbH	Austria	0.00	100.00
Net Consulting & Services S.A.R.L	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
Decomsys - Dependable Computer Systems GmbH i.L.	Germany	0.00	100.00
Elektrobit Inc	USA	0.00	100.00
Decomsys - Dependable Computer System Corporation	USA	0.00	100.00
Elektrobit Nippon KK	Japan	0.00	100.00
Elektrobit Wireless (Beijing) Ltd.	China	0.00	100.00

	2008 1000 EUR	2007 1000 EUR
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Pertti Korhonen 1.1.–31.12.2008 and 1.1.–31.12.2007	423	438
Total	**423**	**438**
Members of the board of the parent		
J.T. Bergqvist 1.1.–18.11.2008 and 1.1.–31.12.2007	117	179
Jukka Harju 1.1.–31.12.2008 and 1.1.–31.12.2007	11	20
Juha Hulkko 1.1.–31.12.2008 and 1.1.–31.12.2007	11	20
Laine Seppo 14.3.–31.12.2008	7	0
Matti Lainema 1.1.–14.3.2008 and 1.1.–31.12.2007	4	20
Staffan Simberg 14.3.–31.12.2008	19	0
Juha Sipilä 1.1.–14.3.2008 and 1.1.–31.12.2007	4	20
Tapio Tammi 1.1.–14.3.2008 and 1.1.–31.12.2007	4	20
Erkki Veikkolainen 14.3.–31.12.2008	7	0
Total	**186**	**281**
There have not been any business transactions or open balances between the related parties.		
Members of the group executive board	**1 206**	**1 031**
Loans and guarantees to related party		
There are no loans or guarantees granted between the related parties.		
Stock option expenses	**920**	**750**

Notes to the Consolidated Financial Statements

36. EVENTS AFTER BALANCE SHEET DATE

2th of February, 2009 EB existed from RFID technology business by selling 7iD Technologies GmbH to the acting management of the said company in Austria.

RFID business has been part of Wireless Sensor Solution business in EB and it has 20 employees. Due to this transcation Wireless Sensor Solution business ceases to exist.

37. KEY RATIOS	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Income statement, (MEUR)					
Net sales, (MEUR)	172.3	144.3	120.5	190.1	190.0
Net sales change, %	19.4	19.8	-36.6	0.0	37.5
Operating profit/loss, (MEUR)	-42.7	-20.3	-6.0	17.3	n/a
% of net sales	-24.8	-14.1	-5.0	9.1	n/a
Profit/loss for continuing operations before taxes, (MEUR)	-47.4	-20.0	-6.1	18.4	n/a
% of net sales	-27.5	-13.9	-5.0	9.7	n/a
Profit for the year from continuing operations, (MEUR)	-49.8	-20.0	-6.1	13.0	n/a
% of net sales	-28.9	-13.9	-5.1	6.9	n/a
Profit after tax for the year from discontinued operations, (MEUR)	0.3	13.1	80.3	5.8	n/a
% of net sales	0.2	9.1	66.7	3.0	n/a
Profit for the year attributable to equity holders of the parent, (MEUR)	-49.5	-6.9	73.9	19.0	n/a
% of net sales	-28.7	-4.8	61.3	10.0	n/a
Balance sheet, (MEUR)					
Non-current assets	46.7	77.2	66.3	68.7	74.7
Inventories	3.3	7.6	13.9	17.5	15.4
Current assets	130.5	151.4	182.6	107.5	104.2
Shareholders' equity	115.1	165.7	188.6	122.0	110.9
Long-term liabilities	19.7	28.9	23.7	26.5	34.7
Short-term liabilities	45.7	41.5	50.5	45.2	48.7
Balance sheet total	180.5	236.1	262.8	193.6	194.3
Profitability and other key figures					
Return on equity, % (ROE) ***	-35.5	-11.3	-3.9	11.2	n/a
Return on investment, % (ROI) ***	-26.2	-8.7	-2.7	13.1	n/a
Interest-bearing net liabilities, (MEUR)	-46.2	-39.7	-92.7	-30.5	-14.7
Net gearing, %	-40.2	-24.0	-49.2	-25.0	-13.2
Equity ratio, % (nominal, net of deferred taxes)	64.9	70.9	72.2	64.2	58.1
Gross investments, (MEUR) ***	9.8	44.1	16.4	12.5	n/a
Gross investments, % of net sales	5.7	30.6	13.6	6.6	n/a
R&D costs, (MEUR) ***	37.9	38.3	23.7	13.1	n/a
R&D costs, % of net sales	22.0	26.6	19.6	6.9	n/a
Average personnel during the period ***	1768	1695	1424	1599	1342

	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Stock-related financial ratios *					
Earnings per share from continuing operations, (EUR)					
Basic earnings per share	-0.38	-0.15	-0.05	0.10	n/a
Diluted earnings per share	-0.38	-0.15	-0.05	0.10	n/a
Earnings per share from discontinued operations, (EUR)					
Basic earnings per share	0.00	0.10	0.62	0.04	n/a
Diluted earnings per share	0.00	0.10	0.62	0.04	n/a
Earnings per share from continuing and discontinued operations, (EUR)					
Basic earnings per share	-0.38	-0.05	0.57	0.15	0.21
Diluted earnings per share	-0.38	-0.05	0.57	0.15	0.21
Equity per share, (EUR)	0.89	1.28	1.30	0.93	0.84
Dividend per share, (EUR) **		0.02	0.11	0.07	0.06
Dividend per earnings, %		-12.9	-220.4	68.8	n/a
P/E ratio	-0.9	-10.6	-41.3	18.4	n/a
Effective dividend yield, %		1.2	5.3	3.7	n/a
Market values of shares, (EUR)					
Highest	1.79	2.48	2.56	3.15	3.45
Lowest	0.29	1.51	1.82	1.82	2.15
Average	0.82	1.93	2.18	2.53	2.85
At the end of period	0.33	1.64	2.06	1.87	2.80
Market value of the stock, (MEUR)	42.7	212.2	266.6	242.0	362.4
Trading value of shares					
MEUR	9.6	53.4	72.4	117.2	79.9
1000 PCS	11 770	27 656	33 206	46 374	28 071
Related to average number of shares, %	9.1	21.4	25.7	35.8	21.9
Adjusted number of the shares at the end of the period (1000 PCS)	129 413	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period (1000 PCS)	129 413	129 413	129 413	129 413	128 289
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	129 413	129 413	129 413	129 413	128 289

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

** According to Board of Director's proposal, year 2008.

*** 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) $$= \frac{\text{Profit before tax + interest and other financial expenses} \times 100}{\text{Balance sheet total - interest-free liabilities (average for the accounting period)}}$$

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

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

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. BRAKEDOWN OF SHARES BY SHAREHOLDING, DECEMBER 31, 2008

Brakedown of shares by shareholding, December 31, 2008

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1–100	12 341	45.7%	590 410	0.5%
101–500	7 888	29.2%	2 072 098	1.6%
501–1 000	2 784	10.3%	2 181 932	1.7%
1 001–5 000	2 974	11.0%	6 846 896	5.3%
5 001–10 000	490	1.8%	3 742 202	2.9%
10 001–50 000	407	1.5%	9 088 445	7.0%
50 001–100 000	58	0.2%	4 085 179	3.2%
100 001–500 000	52	0.2%	12 968 078	10.0%
500 001–999 999 999 999	18	0.1%	87 837 450	67.9%
	27 012	**100.0%**	**129 412 690**	**100.0%**
Nominee-registered	12		2 685 913	2.1%

Brakedown of shareholders by shareholder type, December 31, 2008

Shareholdes by shareholder type	Number of shareholders	Percentage of shareholders	Percentage of shares and votes
Companies	978	3.6	14.9
Financial institutes and insurance companies	26	0.1	2.5
Public corporations	6	0.0	2.2
Non-profit organizations	79	0.3	0.9
Private investors	25 805	95.5	75.5
Foreign owned	106	0.4	1.9
Nominee-registered	12	0.0	2.1
	27 012	**100.0**	**100.0**

Largest shareholders, December 31, 2008	Number of shares	Percentage of shares and votes
Number of shares total	129 412 690	100.0
Hulkko Juha	27 535 362	21.3
Hilden Kai	10 831 316	8.4
Veikkolainen Erkki	9 388 719	7.3
Halonen Eero	8 420 000	6.5
Harju Jukka and Inteema Oy *	7 642 730	5.9
Sipilä Juha and Fortel companies **	7 480 444	5.8
Mariatorp Oy	3 000 000	2.3
Laine Seppo	2 220 051	1.7
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2 213 285	1.7
Nordea Pankki Suomi Oyj ***	2 146 524	1.7
	80 878 431	**62.5**
Others (includes nominee-registered)	48 534 259	37.5

* Includes the shares owned by the company controlled by Jukka Harju
** Includes the shares owned by the companies controlled by Juha Sipilä
*** Nominee-registered

Income Statement, Parent Company

	Notes	2008 1000 EUR	2007 1000 EUR
NET SALES	1, 2	**16 736**	**20 612**
Other operating income	3	8 047	11 915
Raw materials and services		-10	-78
Personnel expenses	4	-8 953	-8 489
Depreciation and reduction in value	5	-782	-202
Other operating expenses		-17 085	-17 827
OPERATING PROFIT		**-2 047**	**5 931**
Financial income and expenses	6	-2 827	922
PROFIT BEFORE EXTRAORDINARY ITEMS		**-4 875**	**6 853**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-4 875**	**6 853**
Income tax	7	0	-1
NET PROFIT FOR THE FINANCIAL YEAR		**-4 875**	**6 852**

Balance Sheet, Parent Company

	Notes	2008 1000 EUR	2007 1000 EUR
ASSETS			
Non-current assets			
Intangible assets	8	1 627	1 191
Tangible assets	9	639	835
Investments	10	70 480	76 388
Non-current assets total		72 746	78 414
Current assets			
Receivables			
Long-term receivables	11	7 387	0
Short-term receivables	12	31 625	56 966
Receivables total		39 012	56 966
Short-term investments		0	0
Cash and bank deposits		8 356	11 067
Current assets total		47 368	68 033
Total assets		**120 114**	**146 447**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	13		
Share capital		12 941	12 941
Share issue premium		64 579	64 579
Retained earnings		27 211	22 947
Net profit for the year		-4 875	6 852
Shareholders' equity total		99 857	107 319
Provisions		82	0
Liabilities			
Short-term liabilities	14	20 176	39 127
Liabilities total		20 176	39 127
Shareholders' equity and liabilities total		**120 114**	**146 447**

Cash Flow Statement, Parent Company

	2008 1000 EUR	2007 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before extraordinary items	-4 875	6 853
Adjustments:		
Depreciation according to plan	782	202
Other non-cash items	500	
Reduction in value in non-current assets		3 727
Financial income and expenses	2 827	-922
Effects of non-cash business activities	-2 022	-2 992
Operating incomes and expenses booked in unrestricted equity		-292
Cash flow before change in net working capital	-2 787	6 577
Change in net working capital		
Change in interest-free short-term receivables	8 378	-25 226
Change in interest-free short-term payables	-755	281
Cash flow before financing activities	4 836	-18 368
Interest paid	-9 594	-5 314
Dividends received		3 503
Interest received	6 321	2 733
Income taxes paid		-1
Cash flow before extraordinary items	1 563	-17 447
Net cash flow from extraordinary items	0	0
Net cash from operating activities	1 563	-17 447

	2008 1000 EUR	2007 1000 EUR
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-1 023	-1 862
Proceeds from sale of tangible and intangible assets	14	0
Purchase of investments		-26 086
Proceeds from sale of investments	13 862	18 511
Loan granted	-5 336	-5 684
Proceeds from repayments of loans	7 087	14 512
Net cash used in investing activities	14 604	-609
CASH FLOW FROM FINANCIAL ACTIVITIES		
Change in interest-free short-term receivables in Group	7 826	1 778
Change in interest-free short-term payables in Group	-24 115	-55 492
Dividends paid	-2 588	-14 235
Net cash used in financial activities	-18 877	-67 949
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-2 710**	**-86 005**
Cash and cash equivalents at beginning of period	11 067	97 072
Cash and cash equivalents at end of period	8 356	11 067
Change in cash and cash equivalents in balance sheet	-2 710	-86 005

Notes to the Financial Statements of the Parent Company

Accounting Principles for the Preparation of Financial Statements

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

VALUATION PRINCIPLES

Valuation of Non-current Assets

Non-current assets are capitalized in the balance sheet at the original acquisition cost deducted by accumulated depreciation. Depreciations according to the plan is calculated either using the straight-line method or the reducing balance method, taking into consideration of the useful life of assets. The depreciation periods are:

Intangible assets	3–5 years
Tangible assets	3–7 years

VALUATION OF FINANCIAL SECURITIES

Financial securities are valued at acquisition cost.

PENSIONS

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

LEASING AGREEMENTS

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

INCOME TAX

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

FOREIGN CURRENCY ITEMS

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

NET SALES

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

	2008 1000 EUR	2007 1000 EUR
1. NET SALES BY SEGMENTS		
Common functions	16 736	20 612
Total	**16 736**	**20 612**
2. NET SALES BY MARKET AREAS		
Europe	16 045	20 220
America	453	364
Asia	238	28
Total	**16 736**	**20 612**
3. OTHER OPERATING INCOME		
Other operating income	8 047	11 915
Total	**8 047**	**11 915**
4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel during the fiscal period		
Common functions	139	120
Total	**139**	**120**
Number of personnel at year end	126	126
Personnel expenses		
Management salaries	423	438
Board of directors	186	281
Other salaries and wages	6 691	6 110
Total	**7 300**	**6 828**
Pension expenses	1 441	1 189
Other social expenses	257	472
Total	**8 997**	**8 489**
5. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	22	10
Other capitalized long-term expenditures	573	93
Machinery and equipment	187	99
Total	**782**	**202**

Notes to the Financial Statements of the Parent Company

	2008 1000 EUR	2007 1000 EUR
6. FINANCIAL INCOME AND EXPENSES		
Income from investments		
From Group companies		3 503
Total	**0**	**3 503**
Other interest and financial income		
From Group companies	1 420	1 182
From others	5 664	1 551
Total	**7 083**	**2 733**
Other interest and financial expenses		
Reduction in value of non-current inv,group		-3 727
Receivables depreciations	-478	0
To Group companies	-1 497	-1 016
To others	-7 936	-571
Total	**-9 911**	**-5 314**
Net financial income and expenses	**-2 827**	**922**
Net financial income and expenses includes exchange gains and losses	-3 883	-411
7. INCOME TAX		
For operations		-1
Total	**0**	**-1**

	2008 1000 EUR	2007 1000 EUR
8. INTANGIBLE ASSETS		
Intangible rights		
Acquisition cost Jan. 1	157	0
Investments during the period	77	157
Acquisition cost Dec. 31	234	157
Accumulated depreciations Jan. 1	-9	
Depreciation for the period	-22	-9
Book value Dec. 31	203	148
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	3 329	2 267
Investments during the period	836	1 062
Acquisition cost Dec. 31	4 165	3 329
Accumulated depreciations Jan. 1	-2 287	-2 194
Depreciation for the period	-455	-92
Book value Dec. 31	1 424	1 043
Intangible assets total		
Acquisition cost Jan. 1	3 486	2 267
Investments during the period	913	1 219
Acquisition cost Dec. 31	4 399	3 486
Accumulated depreciations Jan. 1	-2 295	-2 194
Depreciation for the period	-477	-101
Book value Dec. 31	1 627	1 191
9. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost Jan. 1	1 892	1 249
Investments during the period	39	643
Acquisition cost Dec. 31	1 931	1 892
Accumulated depreciations Jan. 1	-1 314	-1 213
Depreciation for the period	-187	-101
Book value Dec. 31	430	578
Other tangible assets		
Acquisition cost Jan. 1	257	257
Deduction during the period	-48	
Acquisition cost Dec. 31	209	257
Book value Dec. 31	209	257
Tangible assets total		
Acquisition cost Jan. 1	2 149	1 506
Investments during the period	39	643
Deduction during the period	-48	
Acquisition cost Dec. 31	2 140	2 149
Accumulated depreciations Jan. 1	-1 314	-1 213
Depreciation for the period	-187	-101
Book value Dec. 31	639	835

Notes to the Financial Statements of the Parent Company

	2008 1000 EUR	2007 1000 EUR
10. INVESTMENTS		
Investments in subsidiaries		
Acquisition cost Jan. 1	66 294	65 115
Investments during the period	6 000	20 530
Disposals during the period	-1 824	-19 351
Acquisition cost Dec. 31	70 470	66 294
Investments in other shares		
Acquisition cost Jan. 1	10 070	9 796
Investments during the period	883	3 880
Disposals during the period	-10 944	-3 606
Acquisition cost Dec. 31	9	10 070
Other long-term receivables		
Acquisition cost Jan. 1	24	30
Disposals during the period	-24	-6
Acquisition cost Dec. 31	0	24
Investments total		
Acquisition cost Jan. 1	76 388	74 940
Investments during the period	6 883	24 410
Disposals during the period	-12 792	-22 962
Acquisition cost Dec. 31	70 480	76 388
11. LONG-TERM RECEIVABLES		
Loan receivables		
From Group companies	7 387	
Total	**7 387**	**0**
Long-term receivables total	**7 387**	**0**

		2008 1000 EUR		2007 1000 EUR
12. SHORT-TERM RECEIVABLES				
Accounts receivable				
From Group companies		21 629		25 215
From others		105		463
Total		21 735		25 678
Loan receivables				
From Group companies		1 260		8 918
From others				5 173
Total		1 260		14 092
Other receivables				
From Group companies		6 692		14 590
From others		15		5
Total		6 706		14 594
Prepaid expenses and accrued income				
From Group companies		0		0
From others		1 924		2 602
Total		1 924		2 603
Short-term receivables total		**31 625**		**56 966**
13. SHAREHOLDERS' EQUITY				
Share capital at the beginning of the period	1.1.	12 941	1.1.	12 941
Share capital at the end of the period	**31.12.**	**12 941**	**31.12.**	**12 941**
Share premium fund at the beginning of the period	1.1.	64 579	1.1.	64 579
Share premium fund at the end of the period	**31.12.**	**64 579**	**31.12.**	**64 579**
Retained earnings at the beginning of period	1.1.	29 799	1.1.	37 474
Dividend payment		-2 588		-14 235
Adjustment in prior period				-292
Net profit for the period		-4 875		6 852
Retained earnings at the end of period	**31.12.**	**22 336**	**31.12.**	**29 799**
Distributable earnings at the end of the period	31.12.	22 336	31.12.	29 799
Shareholders' equity total	**31.12.**	**99 857**	**31.12.**	**107 319**

Notes to the Financial Statements of the Parent Company

	2008 1000 EUR	2007 1000 EUR
14. SHORT-TERM LIABILITIES		
Accounts payable		
To Group companies	378	521
To others	247	1 184
Total	**625**	**1 705**
Other short-term liabilities		
To Group companies	16 945	34 838
To others	1 344	1 250
Total	**18 289**	**36 087**
Accrued expenses and deferred income		
To Group companies		223
To others	1 262	1 112
Total	**1 262**	**1 335**
Short-term liabilities total	**20 176**	**39 127**
15. SECURITIES AND CONTINGENT LIABILITIES		
On behalf of group companies		
Guarantees		4 746
Other direct and contingent liabilities		
Leasing liabilities		
Falling due in the next year	4 157	5 200
Falling due after one year	6 667	8 025
Rental liabilities		
Falling due in the next year	1 604	1 379
Falling due after one year	1 097	1 771
Total	**13 525**	**21 120**
16. NOMINAL VALUE OF CURRENCY DERIVATES		
Foreign exchange forwards		
Market value	-138	666
Nominal value	11 888	26 400

	Owned by Parent %	Owned by Group %	Book value 1000 EUR
17. SHARES AND HOLDINGS			
Subsidiaries			
EB Wireless UK Ltd.	100.00	100.00	0
Elektrobit Technologies Oy	100.00	100.00	39 749
Elektrobit Automotive GmbH	100.00	100.00	24 721
Other holdings by Parent			
Oulun Golf Oy			8
Oulun Puhelin Oy			1
Oulun Innovation Oy			0

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

According to the parent company's balance sheet December 31, 2008, the distributable funds are EUR 22,335,962.13. The loss for the financial period is EUR -4,874,599.42.

The Board of Directors proposes to the Annual General Meeting to be held on March 19, 2009 that no dividend shall be paid.

In Oulu, February 12, 2008

Elektrobit Corporation, the Board of Directors

Juha Hulkko Chairman of the Board	Jukka Harju Member of the Board	Seppo Laine Member of the Board
Staffan Simberg Member of the Board	Erkki Veikkolainen Member of the Board	Pertti Korhonen CEO

Auditors' 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 on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity 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.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and the Managing Director have complied with the Limited Liability Companies Act.

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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company 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 12, 2009

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

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