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**CORPORATE GOVERNANCE STATEMENT
REPORTING PERIOD 1.1.2010-31.12.2010**

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Corporate Governance Statement

Reporting Period 1.1.2010–31.12.2010

Introduction

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

This Corporate Governance Statement has been made according to recommendation 51 and the applicable legislation. This Statement is made separate from the Report by the Board. The Board's Audit and Finance Committee and the Company's auditor have reviewed this Statement.

The statutory governing bodies of the Company are the Shareholders' meeting, Board of Directors, Chief Executive Officer and the Auditor. Other governing bodies, such as the Corporate Executive Board, support the statutory governing bodies. The Company's domicile is Oulu.

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

The Board of Directors And The Composition And Operation Of Committees Established By The Board

BOARD OF DIRECTORS

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

The Annual General Meeting held on March 25, 2010 elected five (5) members to the Board of Directors. The following members of the Board of Directors were elected: Jorma Halonen, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen. The Board of Directors elected Seppo Laine as the Chairman of the Board of Directors at its assembly meeting on March 25, 2010. The Board had the same composition already from the beginning of the year 2010 until the Annual General Meeting with the exception that Juha Hulkko was the Chairman of the Board from January 1, 2010 to March 25, 2010.

In addition, the Board of Directors decided in its assembly meeting held on March 25, 2010 that Staffan Simberg (Chairman of the Committee) and Seppo Laine shall continue as members of the Audit and Finance Committee.

A corporate governance target is that at least half of the members of the Board of Directors are independent of immediate company interest. In addition, at least two of the Directors representing this majority shall be independent of significant shareholders of the Company. On March 25, 2010 Jorma Halonen, Staffan Simberg and Erkki Veikkolainen were considered independent members of the Board whereas Juha Hulkko and Seppo Laine were not considered independent of immediate company interests due to major ownership in the company or participation in the company management during the previous three years prior to the Annual General Meeting of 2010.



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

Chairman of the Board of Directors

SEPPO LAINE

b. 1953, Authorized Public Accountant

Elektrobit Corporation, Member of the Board 2008-, Member of the Audit and Financial Committee 2010-, Chairman of the Audit and Financial Committee 2009-2010 and Member of Automotive- and Wireless Committee 2009-2010. Chairman of the Board, Condia Oy, Member of the Board, Oulu ICT Oyj, Cor Group Oy, Paikallis-Sähkö Oy and Taxpayers Association of Finland. Elektrobit Corporation, CFO 2000-2007. Auditing Company Ernst & Young Ltd., Director at the Oulu regional office and international partner 1995-2000. Oulun Laskenta Oy, President 1979-1995. Turun Muna Oy Jaakko Tehtaat, Financial Manager 1977-1979. Tammerneon Oy, Financial Manager 1975-1977.

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

Other members of the Board of Directors

JORMA HALONEN

b. 1948, Bachelor of Science (Economics)

Elektrobit Corporation, Member of the Board of Directors 2009- and Chairman of the Automotive Committee 2009-2010. TMD Friction Holding GmbH, Chairman of the Board of Directors 2009-. Permira, Nordic Advisory Board, Member 2009-. CPS Color Group Oy, Chairman of the Board of

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

Holds 21,000 shares in Elektrobit Corporation.

JUHA HULKKO

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

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

Holds 27,214,362 shares in Elektrobit Corporation.

STAFFAN SIMBERG

b. 1949, MBA

Elektrobit Corporation, Member of the Board 2008- and Chairman of the Audit and Financial Committee 2010-, Member of the Audit and Financial Committee 2009-2010. Business Consultant, Simberg & Partners AB, Chairman of the Board 1994-. NEZ-Invest AB, Chairman of the Board. Karnell, investment advisor 2009-. Landis & Gyr AG, Member of the Advisory Board 2007-. Cargotec Oyj, Industrial advisor, 2009. Metso Panelboard, Chairman 2008-2009. Powermill Service Group, Member of the Board 2005-2007. Dotcom Solutions AB, Member of the Board 2000-2005. Enermet Group, Managing Director 2005-2007. Siar-Bossard, Associated Partner 1992-1994. Leading positions at Nokia 1978-1991.

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

ERKKI VEIKKOLAINEN

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

Elektrobit Corporation, Member of the Board 2008- and Chairman of the Wireless Committee 2009-2010. MEVita Invest Oy, CEO. Member of the Board in Technopolis Plc., Aplicom Oy, Elcoflex (Suzhou) Co. Ltd, Maustaja Oy, Mecanova Oy and Mevita Invest Oy. Elektrobit Corporation, Executive Vice President, Contract R&D and Test Business Units, 2002-2003. Elektrobit Technologies Ltd., Managing Director, 2001-2003. Elektrobit Ltd., Vice President, Business Development, 1998-2001. Nokia Mobile Phones, various positions 1985-1998, latest Vice President. Elcoflex Oy, Chairman of the Board.

Holds 9,388,719 shares in Elektrobit Corporation.

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DESCRIPTION OF ACTIVITIES

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

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

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

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

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

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

THE BOARD COMMITTEES

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

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

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

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

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

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



Audit and Financial Committee

The Audit and Financial Committee has the following duties:

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

The Chairman and the members of the Audit and Financial Committee are appointed by the Board of Directors of the Company. At least one committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company. The members of the Audit and Financial Committee have been Staffan Simberg (Chairman of the Committee) and Seppo Laine, Authorised Public Accountant. Taking into consideration the current composition and the number of Board members and the financial expertise held in particular by Seppo Laine, it has been resolved to depart from the recommendation concerning a minimum of three committee members and on the other hand from the independence recommendation for committee members by the Finnish Governance Code.

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

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

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



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

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CHIEF EXECUTIVE OFFICER

Jukka Harju, Chief Executive Officer, 4 June 2009–

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

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

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



Jukka Harju

JUKKA HARJU
Chief Executive Officer

b. 1956, M.Sc. (Eng.), M.Sc. (Econ.). Elektrobit Corporation, member of the Board of Directors 2006–2009, Chairman of the Automotive Committee 2008–2009. Boier Capital Ltd., partner 2007–2009. Incap Corporation, member of the Board 2007–2010. Elektrobit Corporation, Chief Operating Officer 2005–2006 and Executive Vice President, Business Development 2000–2004. Tellabs Ltd, Managing Director 1994–1999. Nokia Telecommunications Ltd, Vice President, Microwave Radios 1990–1994 and other duties in the same organization 1981–1990.

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

OTHER MANAGEMENT OF THE COMPANY

Corporate Management Board

The Corporate Management Board supports the CEO in his tasks and consists of the CEO, the CFO and the Chief Legal Officer of the Group. The CEO acts as the Chairman of the Corporate Management Board. The Corporate Management Board supports the CEO in operative management and implementation and follow-up of the CEO's competence area, in particular as regards the management and development of the business portfolio, asset management and taxation, internal audit, Corporate Governance of the Company, investor and marketing communications and risk management. The Corporate Management Board convenes once a month.



Veli-Pekka Paloranta

JUKKA HARJU
Chief Executive Officer

VELI-PEKKA PALORANTA
Chief Financial Officer

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

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

PÄIVI TIMONEN
Chief Legal Officer

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

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

BUSINESS SEGMENTS (SUB-GROUPS)

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



Päivi Timonen

WIRELESS BUSINESS SEGMENT

Wireless business segment comprises the following businesses:

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

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

ELEKTROBIT TECHNOLOGIES LTD

Board of Directors

Chairman of the Board of Directors
JUKKA HARJU
Chief Executive Officer

Member
ERKKI VEIKKOLAINEN

b. 1952, M.Sc. (EE), eMBA. Elektrobit Corporation, Member of the Board 2008- and Chairman of the Wireless Committee 2009-. MEVita Invest Oy, CEO. Member of the Board in Technopolis Plc., Aplicom Oy, Elcoflex (Suzhou) Co. Ltd, Maustaja Oy, Mecanova Oy and Mevita Invest Oy. Elektrobit Corporation, Executive Vice President, Contract R&D and Test Business Units, 2002-2003. Elektrobit Technologies Ltd., Managing Director, 2001-2003. Elektrobit Ltd., Vice President, Business Development, 1998-2001. Nokia Mobile Phones, various positions 1985-1998, latest Vice President. Elcoflex Oy, Chairman of the Board.

Holds 9,388,719 shares in Elektrobit Corporation.



Hannu Huttunen

ELEKTROBIT TECHNOLOGIES LTD

Managing Director

HANNU HUTTUNEN
President, Wireless Business Segment

s. 1966, M.Sc. (Econ.). Elektrometalli Oy, Member of the Board 2008-. EXFO Inc., Wireless Division leader 2010. NetHawk Oyj, CEO 2003-2010. NetHawk Oy, Executive Vice President 2002-2003. Nokia Mobile Phones Oy, IP Convergence unit leader 2002. Nokia Mobile Phones Oy, Special Products Business unit leader 1998-2002. Nokia Mobile Phones Oy, NMT450 Business unit leader 1995-1998. Nokia Mobile Phones Oy, Special Products Business unit, Business Controller.

AUTOMOTIVE SEGMENT

The Automotive Business Segment consists of in-car software products, navigation software for after market devices and development services for the automotive industry with leading car manufacturers, car electronics suppliers and automotive chipset suppliers as customers. By combining its software products and R&D services EB is creating unique, customized solutions for its automotive customers. The members of the Board of Directors of the parent company of the Automotive sub-group, Elektrobit Automotive GmbH, are Jukka Harju (Chairman of the Board) and Seppo Laine. The CEO of Elektrobit Automotive GmbH is Jarkko Sairanen.



Jarkko Sairanen

ELEKTROBIT AUTOMOTIVE GMBH

Management Board *

Chairman of the Management Board
JUKKA HARJU
Chief Executive Officer

Member
SEPPO LAINE

b. 1953, Authorized Public Accountant. Elektrobit Corporation, Member of the Board 2008-, Member of the Audit and Financial Committee 2010-, Chairman of the Audit and Financial Committee 2009-2010 and Member of Automotive- and Wireless Committee 2009-2010. Chairman of the Board, Condia Oy, Member of the Board, Oulu ICT Oyj, Cor Group Oy and Taxpayers Association of Finland. Elektrobit Corporation, CFO 2000-2007. Auditing Company Ernst & Young Ltd., Director at the Oulu regional office and international partner 1995-2000. Oulun Laskenta Oy, President 1979-1995. Turun Muna Oy Jaakko Tehtaat, Financial Manager 1977-1979. Tammerneon Oy, Financial Manager 1975-1977.

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

ELEKTROBIT AUTOMOTIVE GMBH

Managing Director

JARKKO SAIRANEN
President, Automotive Business Segment

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

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

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

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

RISK MANAGEMENT

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

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

MAIN PRINCIPLES OF ORGANIZING RISK MANAGEMENT

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

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

The aim of risk management of the Company is to:

- systematically and thoroughly identify and assess all major risks, which threaten the achievement of objectives, including risks related to business operations, property, agreements, competence, currencies, financing and strategy;
- optimize business opportunities and secure continuation of business;
- recognize and identify uncertainties and subsequently develop the prediction of risks and measures needed to manage risks;

- take only calculated and assessed risks with respect to e.g. expanding the business, increase market share and creating new businesses;
- avoid or minimize liability risks;
- ensure the safety of products, solutions and services;
- establish a safe working environment for the employees;
- minimize possibilities for unhealthy occurrences, crimes or misconduct by operating procedures, control and supervision;
- inform interest groups of risks and risk management and
- be cost effective.

The aim of risk management is not to:

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

MAIN PRINCIPLES OF THE RISK MANAGEMENT PROCESS

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

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

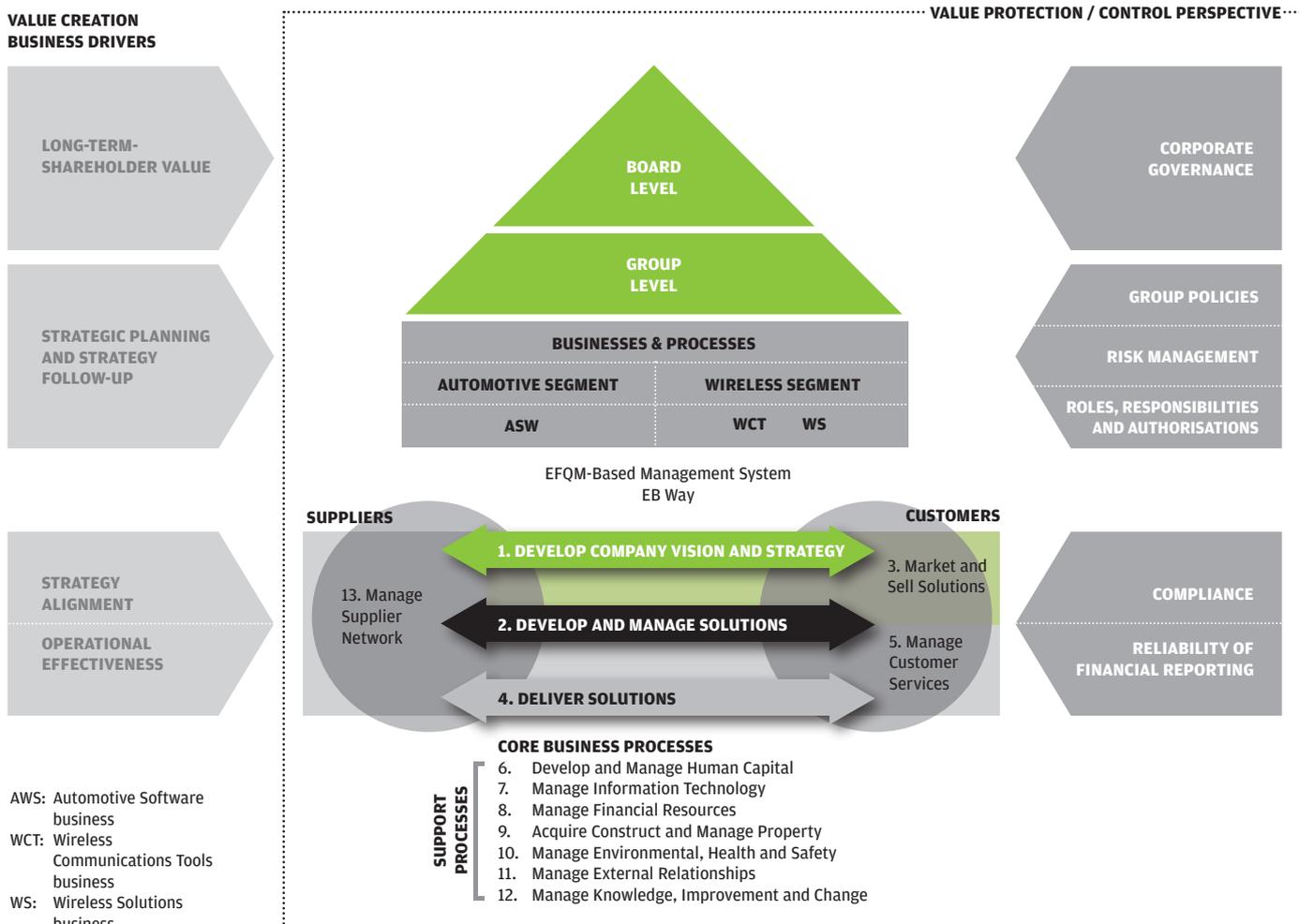
GENERAL DESCRIPTION OF INTERNAL CONTROL AND OPERATIONAL PROCEDURES

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

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

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

INTERNAL CONTROL FRAMEWORK OF THE COMPANY



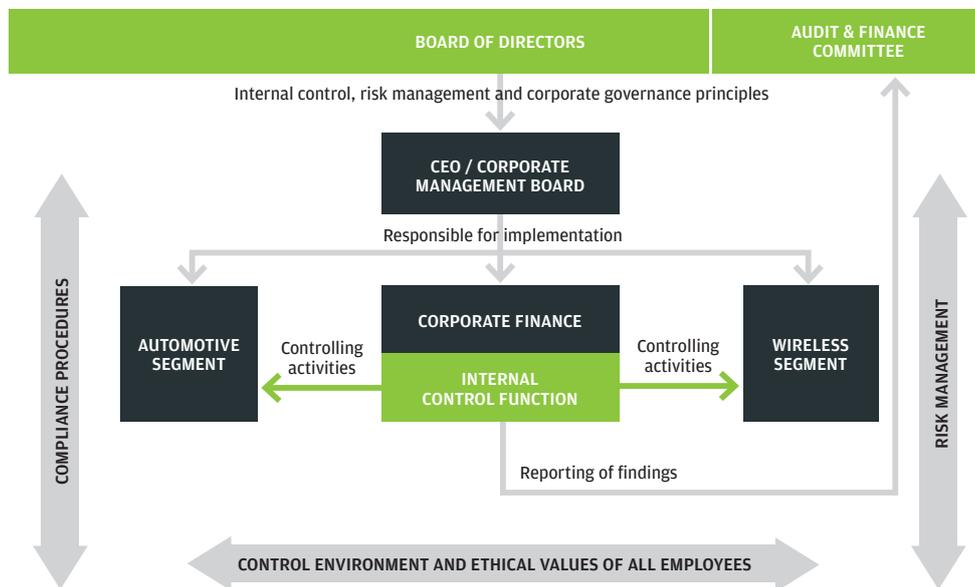
Governance and Internal Control Framework.

EB's internal control framework consists of:

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

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Key areas of the EB internal control framework in 2010.

RISKS AND CONTROLS IN CORE BUSINESS PROCESSES

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

- Relevant process risks are identified;
- Common control points/group minimum requirement control points are identified;
- Common control points are implemented in business processes;
- Additional control points can be determined as needed at business or functional levels.

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Group's external financial reporting process, internal control and risk management systems are briefly described in this

section. The main focus is on financial accounting and related controls.

Financial reporting organisation

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

The financial management of the business segments is responsible for organising the accounting, money transactions and other daily financial operations of the companies belonging to the segment as well as organising the internal reporting that supports the segments' business. The financial management of the business segment controls and supervises the operation of the financial administration organisations of the segment companies, and it reports primarily to the Managing Director of the business segment but matrix-wise also to the CFO of the company. In addition, the tasks of the Group's parent company's financial administration consist of, inter alia, monthly consolidation of the Group entity, preparation of interim reports and consolidated financial statements, management and investment of monetary assets of the Group, manage-

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

The Group's internal control operates under the Group's CFO but the internal control reports directly to the Finance and Audit Committee. The Group's parent company's financial administration and financial management of the Wireless -segment is located in Finland and the financial management of the Automotive -segment in Germany. The Group's subsidiaries in China, Germany and USA have their own accounting departments. Accounting functions in smaller subsidiaries in France and Japan are organised in the external accounting offices. The tasks and responsibilities of the accounting function of the parent company and each subsidiary are included in the job descriptions of the teams and employees.

Financial reporting systems

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

The accounting system in use includes general ledger accounting, accounts payables and accounts receivables. Current assets and payroll accounting is organised through various programs or purchased as outsourced service. Purchase invoices are circulated through electronic invoice processing system. The same bank application is used in both Finland and Germany, USA has a similar bank application.

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

Internal controls

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

Compliance procedures

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

Roles and responsibilities regarding risk management and internal control

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

BOARD OF DIRECTORS

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

of the Company. The Board reports to the shareholders of the Company.

AUDIT AND FINANCIAL COMMITTEE

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

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

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

CHIEF EXECUTIVE OFFICER

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

CHIEF FINANCIAL OFFICER

CFO ensures that the Group's accounting and financial reporting practices comply

with the law and that the financial matters are handled in a reliable manner.

CHIEF LEGAL OFFICER

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

BUSINESSES SEGMENTS

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

- laws,
- regulations,
- internal policies and
- ethical values

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

FINANCE FUNCTION

Group finance function is responsible for:

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

Finance function has an internal control function which reports to the Finance and Audit Committee.

INTERNAL AUDIT

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



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