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**CORPORATE GOVERNANCE STATEMENT
ACCOUNTING PERIOD 1.1.-31.12.2009**

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Corporate Governance Statement

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 2008 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. This Corporate Governance Statement has been made according to recommendation 51 of the Finnish Governance Code and the applicable legislation. This Statement is made separate from the Company's Annual Report.

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 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 19, 2009 elected six (6) members to the Board of Directors. The following members of the Board of Directors were elected: Jorma Halonen, Jukka Harju, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen. The term of the members of the Board of Directors expires at the end of the following Annual General Meeting. The Board of Directors elected Juha Hulkko as the Chairman of the Board of Directors at its organizing meeting on March 19, 2009.

The Company appointed Jukka Harju as its Chief Executive Officer as of June 4, 2009. Harju resigned from the Board of Directors and from the chairman position of the Automative Committee due to the appointment. After the appointment of Harju the Board of Directors continued with five (5) members.

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 19, 2009 Jorma Halonen, Staffan Simberg and Erkki Veikkolainen are considered independent members of the Board whereas Jukka Harju, Juha Hulkko and ja 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 2009. On February 15, 2010 the majority of the members of the Board of Directors were considered independent of immediate company interests.



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

Chairman of the Board of Directors

JUHA HULKKO

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

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

Holds 27,395,362 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 Deputy Chairman of the Automotive Committee 2009-. Permira, Nordic Advisory Board, Member 2009-. TMD Friction Holding GmbH, Chairman of the Board of Directors 2009-. Assa abloy AB (publ.), Member of the Board of Directors 2008-. 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-. 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.

Does not hold any shares in Elektrobit Corporation.

SEPPO LAINE

b. 1953, Authorized Public Accountant.

Elektrobit Corporation, Member of the Board 2008-, Chairman of the Audit and Financial Committee 2009- and Member of Automotive- and Wireless Committee 2009-. Member of the Board, Oulun Puhelin Holding 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.

Holds 2,220,051 shares in Elektrobit Corporation including the shareholdings of corporation controlled by Laine.

STAFFAN SIMBERG

b. 1949, MBA.

Elektrobit Corporation, Member of the Board 2008- and Member of the Audit and Financial Committee 2009-. Business Consultant, Simberg & Partners AB, Chairman of the Board 1994-. NEZ-Invest AB, Chairman of the Board. Karnell, investment advisor 2009-. Metso Panelboard, Chairman 2008-2009. Landis & Gyr AG, Member of the Advisory Board 2007-. 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 290,000 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-. MEVita Invest Oy, CEO. Elcoflex Oy, Chairman of the Board. Member of the Board, Technopolis Plc., Aplicom Oy, Elcoflex (Suzhou) Co. Ltd:n, Maustaja Oy, Mecanova Oy, Mevita Invest Oy. Elektrobit Corporation, Executive Vice President, Contrat 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 and General Manager.

Holds 9,388,719 shares in Elektrobit Corporation.

Corporate Governance Statement

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 the CEO and possible Deputy for him or her as well as approves the Company's organization structure.

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

In 2009, the Board convened 16 times and the average attendance of the Board members at meetings was 96.4 per cent. The most important subject during the year was profitability improvement and establishing a solid foundation for positive profit development within the chosen business areas.

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 three Board committees:

- Audit and Financial Committee,
- Automotive Committee, and
- 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.

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 addresses and measures taken by the committee.

The central duties and operating principles of the committees are described below. The members of the committee have not been remunerated for attending meetings of the committees during 2009.



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 have been Seppo Laine, Authorised Public Accountant (chairman of the committee) and Juha Hulkko until February 26, 2009 and Staffan Simberg from February 27, 2009. 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 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 connection with such meetings.

In 2009, the Audit and Financial Committee convened 11 times with all members attending the meetings. In addition to the focus areas specified above, the most important subjects during 2009 were profitability improvement, sharpening the balance strategy, the role of controlling cash flow and working capital as well as principles and role of internal control.

Automotive Committee

The Automotive Committee has the following focus areas:

- support the CEO and the Automotive Software business unit head in preparing matters for the Board;
- review the business outlook, strategic issues including potential mergers and acquisitions, competitor analysis, the budget, the result and market situation;
- ensure efficient and high quality preparation of Automotive Software business related matters for the Board;
- increase transparency of 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.



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

Corporate Governance Statement

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 have been Jukka Harju (chairman of the committee) until June 3, 2009, Jorma Halonen (chairman of the committee) as of June 4, 2009 and Seppo Laine during the entire year 2009.

In 2009, the Automotive Committee convened 7 times with all members attending the meetings. In addition to committee members other regular participants to the committee meetings were Automotive Software business unit head and CEO, CFO and Chief Legal Officer of the Company.

In addition to the focus areas specified above, most important subjects during 2009 were profitability improvement as well as business strategy and long range plans.

Wireless Committee

The Wireless Committee has the following focus areas:

- support the CEO and business unit heads in Wireless Business Segment in preparing matters for the Board;
- review the business outlook, strategic issues including potential mergers and acquisitions, competitor analysis, the budget, the result and the market situation;
- ensure efficient and high quality preparation of wireless business related matters to the Board;
- increase transparency of 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 have been Erkki Veikolainen (chairman of the committee) and Seppo Laine for the entire year 2009.

In 2009, the Wireless Committee convened 10 times with all members attending the meetings. In addition to committee members other regular participants to the committee meetings were business unit heads of the Wireless Business Segment and CEO, CFO and Chief Legal Officer of the Company. In addition to the focus areas specified above, most important subjects during 2009 were profitability improvement as well as implementing a new business model to offer complete products in the Wireless Solutions business.

CHIEF EXECUTIVE OFFICER

Jukka Harju, Chief Executive Officer

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

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

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

In June EB appointed Jukka Harju, M.Sc (Eng.), M.Sc (Econ.) as its Chief Executive Officer. Harju resigned from the Board of Directors and from the chairman position of the Automotive Committee due to the appointment. EB's member of the Board, Jorma Halonen, was appointed as the new Chairman of the Automotive Committee. In June 3, 2009 CEO Pertti Korhonen announced his resignation from the service of the Company in order to proceed with his career as the CEO of another company.

CORPORATE EXECUTIVE BOARD

The Corporate Executive Board supports the CEO in his tasks, The CEO acts as the Chairman of 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.



JUKKA HARJU
Chief Executive Officer

b. 1956, M.Sc (Eng.), M.Sc (Econ.). Elektrobit Corporation, member of the Board of Directors 2006-2009. Boier Capital Ltd., partner 2007-2009. 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.

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



PANU MIETTINEN
Chief Financial Officer

b. 1968, M. Econ. Elektrobit Corporation, Member of the Corporate Executive Board 2007-. Accenture Ltd, Senior Manager, Finance & Performance Management 2001-2007. KPMG Consulting Oy, Senior Consultant, World Class Finance 1998-2001.

Does not hold shares in Elektrobit Corporation. Holds 50,000 stock options 2005B and 45,000 stock options 2008A.



OLLI PEKKA NASTAMO
Senior Vice President,
Business Services

b 1956, MSc. (Eng). Elektrobit Corporation, Member of the Corporate Executive Board 2007-. Nokia Siemens Networks, Head R&D Services 2007. Nokia Oyj, Networks

1996-2007. Nokia Siemens Networks integration, Head of R&D contracting and collaboration sub-stream 2006-2007. Vice President, WCDMA RAN Business 2003-2005. Vice President, Sites & HR, IP Mobility Networks 2001-2003. Director, Sites & HR, Radio Networks 1999-2001. Manager, Product Programs, Cellular Transmission 1997-1998.

Holds 800 shares in Elektrobit Corporation (includes shares held by persons closely associated with Olli Pekka Nastamo), 100,000 stock options 2005B and 45,000 stock options 2008A.



ARTO PIETILÄ
Senior Vice President,
Operations, Wireless Solutions

b. 1958, MSc (Eng). Elektrobit Corporation, Member of the Corporate Executive Board 2004-. Elektrobit Corporation, Executive Vice President, Mobile Terminal Solutions,

2006-2008 and Executive Vice President, Contract R&D, 2004-2006. Elektrobit Ltd, Managing Director, 2002-2004 and Vice President, 2001-2002. Polar Electro Ltd, President and CEO, 1999-2001.

Holds 182,803 shares in Elektrobit Corporation, 24,000 stock options 2005A, 30,000 stock options 2005B and 45,000 stock options 2008A.



JARKKO SAIRANEN
Executive Vice President,
Automotive Software

b. 1963, MSc (Eng), MBA. Elektrobit Corporation, Member of the Corporate Executive Board 2007-. Nokia Corporation, 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 in Elektrobit Corporation. Holds 200,000 stock options 2005B and 62,500 stock options 2008A.



ANTTI SIVULA
Senior Vice President,
Wireless Communications
Tools

b. 1961, MSc (Eng). Elektrobit Corporation, Member of the Corporate Executive Board 2007-. Orbis Group and Orbis International Technologies

Inc., Vice President of Sales and Marketing 2004-2007. Tektronix Inc., Various roles in General Management and Marketing 2000-2004. Tektronix Ltd., Various roles in General Management and Marketing 1996-2004.

Does not hold shares in Elektrobit Corporation. Holds 75,000 stock options 2005B and 45,000 stock options 2008A.



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 and 45,000 stock options 2008A.



ARI VIRTANEN
Executive Vice President,
Wireless Solutions

b. 1966, MSc (Computer Science and Industrial Economics). Elektrobit Corporation, Member of the Corporate Executive Board 2008-. Nokia Corporation, Vice President,

Convergence Products, Devices R&D 2008. Vice President, Convergence Products, Multimedia 2005-2007. Nokia Corporations, Networks, Vice President, Systems Technologies 2004-2005, Vice President & General Manager, IP Network Services Core 2003-2004, Vice President & Director, Network Platforms 2000-2003. Vice President & General Manager, Mobile Packet Core, 1999-2000. Vice President, MSC&HLR business, 1997-1999.

Does not hold shares in Elektrobit Corporation. Holds 150,000 stock options 2005B (2005B 30,000, 2005C 60,000 and 2005D 60,000) and 62,500 stock options 2008A.

Corporate Governance Statement

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 FEATURES OF THE RISK MANAGEMENT PROCESS

In connection with the strategy process and bi-annual planning the Corporate Executive Board reviews 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. Businesses must produce assessments of risks in their designated areas of responsibilities and provide action plans to manage risks as well as to report measures taken including the stage and effectiveness of such measures.

CEO reports all identified risks as well as all planned and effected measures to control the risks to the Board of Directors.

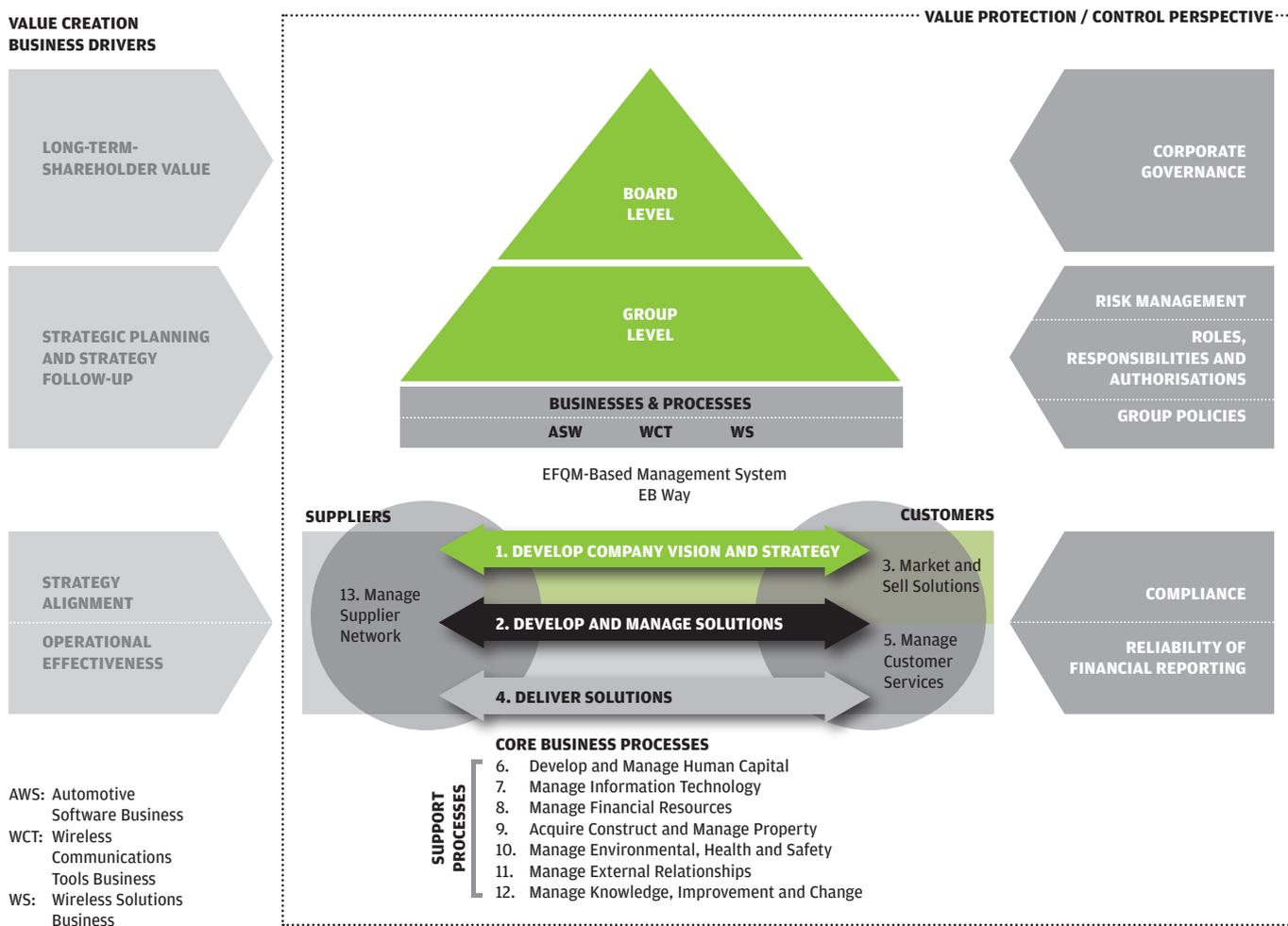
GENERAL DESCRIPTION OF INTERNAL CONTROL AND OPERATIONAL PROCEDURES

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.

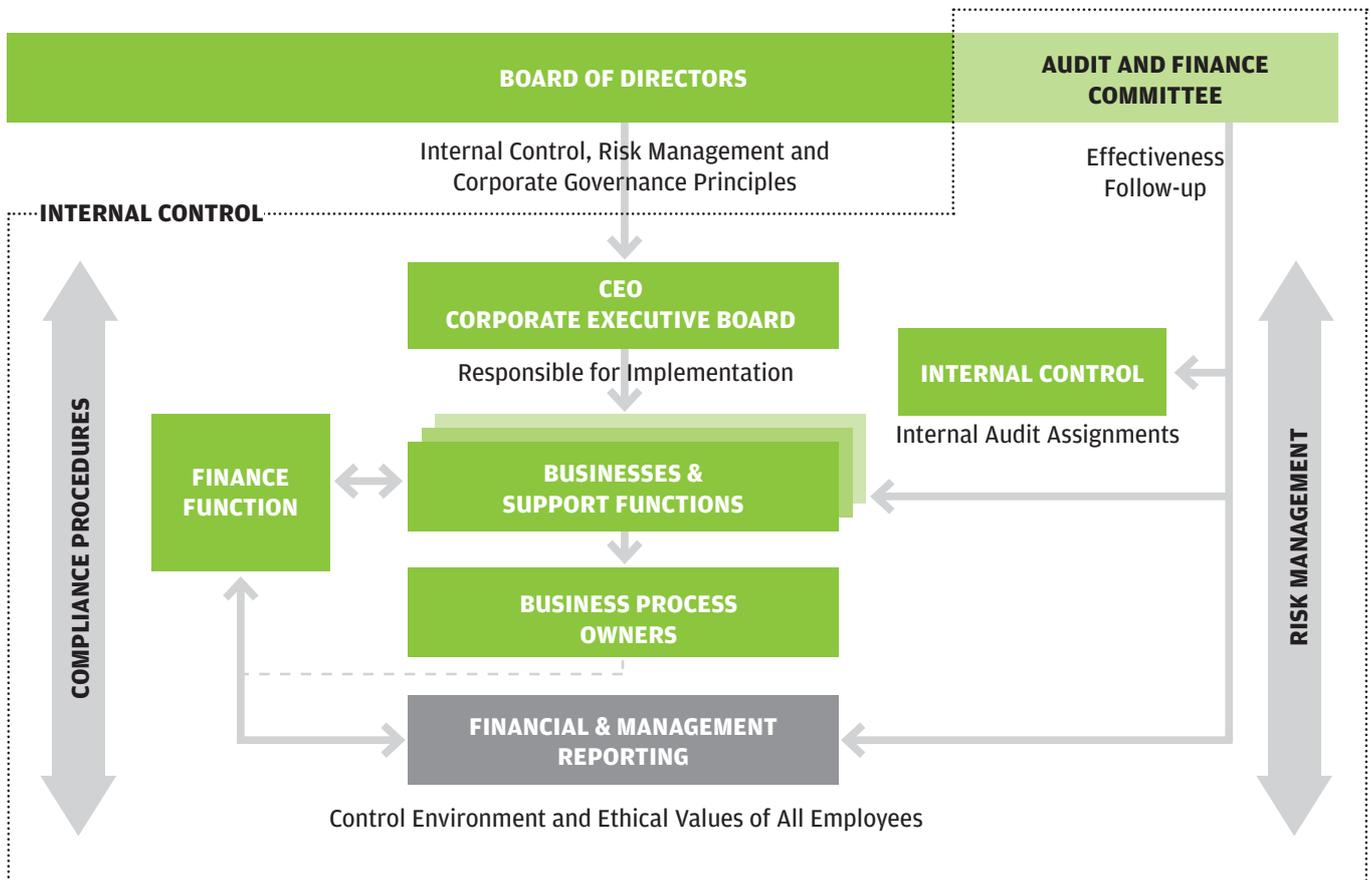
EB's internal control framework consists of:

- the internal control, risk management and corporate governance policies and principles set by the Board of Directors;
- management overseeing the implementation and application of the policies and principles;
- finance function, internal controller and business controllers monitoring the efficiency and effectiveness of the operations and reliability of the financial and management reporting;

- enterprise risk management process identifying, assessing and mitigating risks threatening the realization of the Company's objectives;
- compliance procedures making sure that all applicable laws, regulations, internal policies and ethical values (including sustainability) are adhered to;
- effective control environment at all organisational levels including control activities tailored for each process and creating group minimum requirements for business and geographical areas;

- shared ethical values and strong internal control culture among all employees; and
- internal audit assignments reviewing the effectiveness of the internal controls as needed.

Corporate Governance Statement



Key areas of the EB internal control framework.

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 organization

The Company's team for external financial reporting is based in Finland. In addition to the Group's financial reporting the Group's shared accounting functions consist of financing, currency hedging, investments, external debt management and transfer pricing.

Accounting functions for the parent company and Finnish subsidiaries are organized thru service center teams. General accounting is responsible for e.g. monthly closing procedures and accounts payable team invoice workflow management. Segregation of duties is embedded in the teams' job descriptions

The Group's subsidiaries in China, Germany, Austria and USA have own accounting departments. Accounting functions in smaller subsidiaries in France and Japan are organized in the external accounting offices.

Financial reporting systems

Consolidated financial statements are prepared by using the chosen consolidation and reporting tool. Subsidiaries report actual figures on a monthly basis directly to the consolidation and reporting tool. Subsidiaries in Japan and France send the information in a pre-defined format directly to the group consolidation.

Main accounting system includes general ledger accounting, accounts payables and accounts receivables. Purchase invoices are managed through electronic invoice processing system.

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. Legal function, businesses and corporate management 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 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 Group's Corporate Executive Board, which operates under CEO, is responsible for the management of risks endangering the fulfillment of objectives set to the Company.

CHIEF FINANCIAL OFFICER

CFO ensures that the accounting practices of the Company comply with the law and that the financial matters are handled in a reliable manner.

BUSINESSES AND LINE MANAGEMENT

Businesses and line management are responsible for internal control implementation in their respective responsibility areas. More specific internal control policies and procedures are established within each function. Additionally, the businesses and line 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.

FINANCE FUNCTION

Group finance function is responsible for:

- helping units and functions 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 a person who is in charge of internal control. This person reports to CFO.

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.



www.elektrobit.com

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