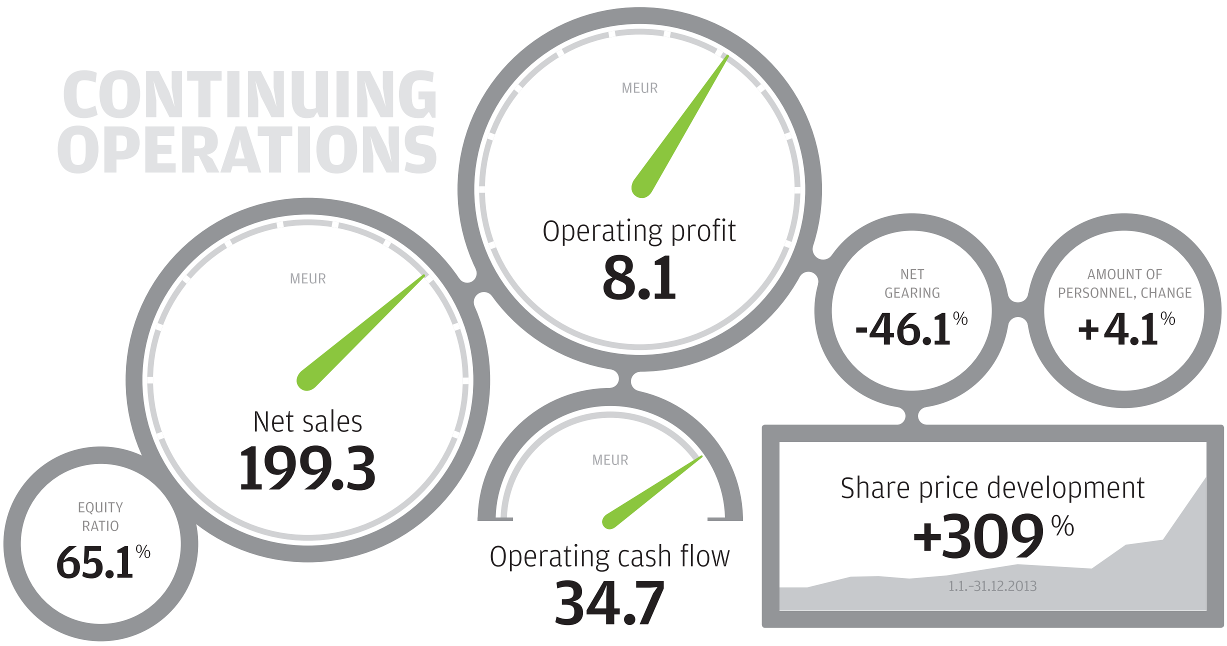
Annual Report 2013

Report by the Board of Directors
and Financial Statements

Elektrobit



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Report by the Board of Directors 2013

Comparable net sales grew and operating profit improved clearly from the previous year.

2013 in Brief

From the beginning of 2013 EB has applied the new IFRS 10 and IFRS 11 standards. As a result, the proportion of net sales and operating result of e.solutions GmbH, a jointly owned company of EB and AUDI, to be consolidated into Elektrobit group's consolidated financial statements has changed. For comparability, all 2012 figures presented for comparison are restated assuming that the proportionate consolidation method would have been applied already in 2012.

EB's figures are divided between Continuing and Discontinuing Operations as provided by the IFRS 5 standard. In this Financial Statement Bulletin, Test Tools product business, sold on January 31, 2013, is classified as Discontinuing Operations.

EB's net sales from Continuing Operations during January-December 2013 grew by 14.6 per cent year-on-year to EUR 199.3 million (restated net sales of EUR 173.9 million, 1–12 2012). Operating profit from Continuing Operations was EUR 8.1 million including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment during the first quarter of 2013 (restated operating profit of EUR 1.1 million, 1–12 2012 including non-recurring items of approximately EUR 4 million weakening the Wireless Business Segment's operating result). Operating profit from Continuing Operations without these non-recurring costs was EUR 9.0 million (restated operating profit of EUR 5.1 million, 1–12 2012).

Net sales of the Automotive Business Segment in January-December 2013 grew to EUR 138.3 million (restated net sales of EUR 110.6 million, 1–12 2012), representing 25.0 per cent growth year-on-year. Operating profit was EUR 8.5 million (restated operating profit of EUR 3.3 million, 1–12 2012). The Wireless Business Segment's net sales from Continuing Operations in January-December 2013 decreased by 3.7 per cent year-on-year, to EUR 61.2 million (EUR 63.5 million, 1–12 2012). The operating loss from Continuing Operations of the Wireless Business Segment in January-December 2013 was EUR -0.5 million including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the first quarter of 2013 (operating loss of EUR -2.2 million including non-recurring items of approximately EUR 4 million weakening operating result, 1–12 2012). Operating result of the Wireless Business Segment in January-December 2013 without non-recurring costs was EUR 0.4 million (EUR 1.8 million, 1–12 2012).

EB and Anite plc signed an agreement on January 28, 2013, under the terms of which EB agreed to sell its Test Tools product business to Anite ("the Transaction"). The Transaction comprised the sale of the shares of EB's subsidiary Elektrobit System Test Ltd., a company based in Oulu, Finland, and certain related other assets in the USA and China. The cash consideration paid by Anite to EB as a result of the Transaction was EUR 31.0 million. Transaction resulted in a non-recurring net profit of about EUR 23 million and non-recurring net cash flow of about EUR 28 million in the first quarter of 2013. The cash consideration paid for EB's Test Tools product business has been adjusted by EUR 0.9 million based upon the level of net working capital and cash and debt in the Test Tools product business at the date of the transaction on January 31, 2013. Adjustment improves EB's operating result from Discontinuing Operations in the reporting period and cash flow of the fourth quarter 2013 with EUR 0.9 million. In the aggregate, the sale of the Test Tools product business resulted in a non-recurring net profit of about EUR 24 million and a non-recurring net cash flow of about EUR 28 million in 2013.

The Extraordinary General Meeting of Elektrobit Corporation held on December 4, 2013 resolved in accordance with the proposal of the Board of Directors that on the basis of the financial statements adopted for the financial period ended on December 31, 2012, funds from the invested non-restricted equity fund be distributed to shareholders as a repayment of capital, with the capital repayment amounting to EUR 0.11 per share. The aggregate amount of the distribution based on the number of shares as of the date of the General Meeting amounted to EUR 14,311,096.25. The repayment of capital was paid to shareholders recorded in the company's register of shareholders maintained by Euroclear Finland Ltd. on the record date of the capital repayment, December 10, 2013. The repayment of capital was made on December 17, 2013.

Net cash flow in 2013 was EUR 28.7 million including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business (EUR 5.1 million, 2012) and repayment of capital of EUR 14.3 million, distributed in December.

Earnings per share from Continuing Operations were EUR 0.051 (EUR 0.008, 2012) and earnings per share from Continuing and Discontinuing Operations were EUR 0.238 (EUR 0.017, 2012).

Pursuant to series 2008A-B stock options a total of 688,185 new shares were subscribed for during 2013. The share subscription prices were recorded in the Company's invested non-restricted equity fund. After the registration of the new shares, the number of shares in Elektrobit Corporation's totaled 130,100,875.

Financial performance during January-December 2013, Continuing Operations

CONSOLIDATED INCOME STATEMENT (MEUR) CONTINUING OPERATIONS	1–12/2013 12 MONTHS	1–12/2012 12 MONTHS restated
Net sales	199.3	173.9
Operating profit / loss	8.1	1.1
Financial income and expenses	-0.9	-0.5
Result before tax	7.2	0.6
Result for the year from Continuing Operations	**6.7**	**1.1**
Result for the year from Discontinuing Operations	**24.3**	**1.2**
Result for the year	**30.9**	**2.3**
Total comprehensive income for the year	**30.9**	**1.6**
Result for the year attributable to:		
Equity holders of the parent	30.9	2.3
Non-controlling interests		
Total comprehensive income for the year attributable to:		
Equity holder of the parent	30.9	1.6
Non-controlling interests		
Earnings per share from Continuing Operations, EUR	0.051	0.008

- Cash flow from operating activities was EUR 34.7 million (EUR 6.8 million, 1–12 2012).
- Net cash flow was EUR 28.7 million including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business (EUR 5.1 million, 1–12 2012).
- Equity ratio was 65.1% (54.5%, 1–12 2012).
- Net gearing was -46.1% (6.1%, 1–12 2012).

Quarterly figures, Continuing Operations

ELEKTROBIT GROUP'S NET SALES AND OPERATING RESULT, CONTINUING OPERATIONS, MEUR:

	4Q 13	3Q 13	2Q 13	1Q 13	4Q 12 restated
Net sales	59.5	45.7	47.9	46.2	48.2
Operating profit (loss)	5.7	1.0	0.7	0.7	-0.5
Operating profit (loss) without non-recurring costs	5.7	1.0	0.7	1.5	3.6
Result before taxes	5.5	0.9	0.2	0.6	-0.9
Result for the period	5.0	0.8	0.2	0.6	-0.1

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

Non-recurring items during 2012 and 2013 in the Wireless Business Segment were as follows:
- Non-recurring costs related to collecting the receivables from TerreStar Companies of EUR 1.2 million, during 2012
- Non-recurring income of USD 13.5 million resulting from the settlement payment in the reorganization cases of TerreStar Corporation, and non-recurring positive cash flow effect of approximately EUR 10.8 million in the third quarter of 2012
- Non-recurring items of approximately EUR 4 million in total, booked in the fourth quarter of 2012, as result of the financial challenges faced by a US based customer of EB's subsidiary, Elektrobit Inc., and
- Non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment in the first quarter of 2013.

NET SALES AND OPERATING PROFIT DEVELOPMENT BY BUSINESS SEGMENTS AND OTHER BUSINESSES, CONTINUING OPERATIONS, MEUR

	4Q 13	3Q 13	2Q 13	1Q 13	4Q 12 restated
Automotive Business Segment					
Net sales to external customers	41.1	34.1	32.5	30.5	31.8
Net sales to other segments	0.0	0.0	0.1	0.0	0.0
Operating profit (loss)	5.4	1.9	0.1	1.1	2.6
Wireless Business Segment					
Net sales to external customers	18.3	11.5	15.4	15.8	16.4
Net sales to other segments	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	0.3	-0.9	0.6	-0.4	-3.2
Other businesses					
Net sales to external customers	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	0.0	0.0	0.1	-0.0	0.1
Total					
Net sales	59.5	45.7	47.9	46.2	48.2
Operating profit (loss)	5.7	1.0	0.7	0.7	-0.5

THE DISTRIBUTION OF NET SALES BY MARKET AREAS, CONTINUING OPERATIONS, MEUR AND %:

	4Q 13	3Q 13	2Q 13	1Q 13	4Q 12 restated
Asia	2.3 (3.9%)	1.9 (4.3%)	1.7 (3.6%)	1.9 (4.2%)	2.4 (4.9%)
Americas	8.0 (13.4%)	6.0 (13.2%)	6.4 (13.4%)	6.2 (13.3%)	6.4 (13.2%)
Europe	49.2 (82.7%)	37.7 (82.5%)	39.7 (83.0%)	38.1 (82.5%)	39.5 (81.9%)

Business Segments

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

Automotive Business Segment

In the Automotive Business Segment EB offers software products and R&D services for carmakers, car electronics suppliers and other suppliers to the automotive industry. The offering includes in-car infotainment solutions, such as navigation and human machine interfaces (HMI), as well as software for electronic control units (ECU) and driver assistance (DA). By combining its software products and R&D services, EB is creating unique, customized solutions for the automotive industry. EB's software products are: EB street director navigation software, EB GUIDE HMI development and speech dialogue platform, EB tresos product line of software components used in ECUs and tools for their configuration, and EB Assist, an extensive product line with tooling and a software development kit for driver assistance solutions. These software products generate license fees, often combined with supply of R&D services for customized solutions.

EB and AUDI's subsidiary, Audi Electronics Venture GmbH (AEV), have a jointly owned company e.solutions GmbH that is currently developing infotainment software and provides systems engineering and systems integration services for Volkswagen Group car models. EB also delivers products and R&D services to the joint venture. EB owns 51% of e.solutions GmbH and AEV 49%.

Development of the Automotive Business Segment in 2013

Net sales of the Automotive Business Segment in January-December 2013 grew to EUR 138.3 million (restated net sales of EUR 110.6 million, 1–12 2012), representing 25.0 per cent growth year-on-year. A significant proportion of the growth in the net sales came from the rapid growth of e.solutions GmbH, a jointly owned company with AUDI. Operating profit was EUR 8.5 million (restated operating profit of EUR 3.3 million, 1–12 2012). Operating profit improved due to the growth of the service and software sales, slight decrease in R&D costs, and improved management of projects and measures to improve the cost structure. At the beginning of 2013 EB was selected as the supplier for several long-term product development and product customization projects for leading car makers. A pricing model, where a part of the product development fee is moved to license fee based on the actual delivery volumes of new cars, was increasingly often taken into use in the largest projects. When using this pricing model, which is common in the automotive industry, the project specific positive operating result and cash flow will be typically reached first during the car production years.

During the first quarter EB announced the integration of EB street director navigation software into the QNX CAR™ application platform 2.0, a product of QNX Software Systems Limited used to develop advanced infotainment systems for connected car. EB also announced that the runtime solution of its development platform for human machine interfaces (HMIs), EB GUIDE Graphic Target Framework (GTF), has been ported to the Renesas' R-Car H1. The collaboration will enable car manufacturers to use the high-end Renesas chip in combination with the EB GUIDE GTF to utilize the advanced graphical capabilities of the SoC (systems-on-chip).

EB told that it is among the first suppliers to deliver an ASIL D certified AUTOSAR operating system and the only one certified for two safety standards. ASIL D and SIL 3 rank among the highest security levels for functional safety according to the ISO 26262 / IEC 61508 specifications for electric and electronic components. Functional Safety is getting more and more important for today's automotive ECUs and these received certificates strengthen EB's position in these markets.

In April, EB announced to have opened a new office in Brasov, Romania for automotive software development. The new location will allow the Company to expand its existing automotive software development teams in Romania. The Brasov office will focus on automotive software product development and testing.

In June, EB and Daimler announced to have strengthened their long-term successful partnership for developing Daimler's embedded driver assistance software. Through this partnership, a new collaboration model is being introduced, where EB is taking the role of direct software supplier for Driver Assistance to Daimler. By separating hardware and software development, EB and Daimler are able to manage the growing complexity of software in the Driver Assistance domain. It also enables both parties to focus on their core competencies.

EB continued its R&D investments into the automotive software products and tools. In October, EB announced a new version of its HMI development platform, EB GUIDE 5.5, which includes a wide-range of consumer-inspired features including 3D content import, compelling graphical animations and effects, speech recognition for dynamic data, as well as multi-touch and touch gesture recognition for smartphone-like user interaction. EB GUIDE 5.5 also enables carmakers and suppliers to create multi-modal HMIs enriched with HTML5 application-like content.

Automotive Business Segment Market Outlook

As the global economy is showing signs of recovery, the global car market is expected to grow by 3% in 2014 according to the forecast made by VDA (Verband der Automobilindustrie). For several years carmakers have continued to invest in automotive software for new car models and the market for software products and services is estimated to continue growing during 2014. The demand for EB's products and services is estimated to develop positively year-on-year during 2014 in the Automotive Business Segment.

The market for electronics and software for cars is estimated to continue growing in the long term. The study "Future Industry Structure of Automotive (FAST) Electronics 2025" from Berylls assumes a growth of automotive electronics from EUR 215 billion in 2012 to EUR 456 billion in 2025 (CAGR 6%).

Growth in automotive software market is mainly driven by:

- The majority of in-vehicle innovations come from electronics and software. Carmakers can develop more vehicle features and create product differentiation as software innovation allows for great product innovation jumps in the areas of comfort, information and entertainment, powertrain and communication.
- The software and hardware in electronics solutions will be gradually separated from each other in order to speed up the innovation and to improve the quality and cost efficiency.

- Consumers expect in the car the same richness of features and user experience they know from the internet and mobile devices, and therefore infotainment systems become increasingly common in all car price categories.
- Mobile connectivity will become one of the fastest-growing Internet-connected device platforms among other connected consumer electronics devices, such as media tablets and smartphones. Gartner estimates that by 2016, the majority of car buyers in automotive markets like the USA and the Western Europe will view the availability of in-vehicle, web-enabled dynamic content as a key buying criterion when considering a standard brand car. This tipping point will be reached even sooner – during 2014 – for premium-brand cars.
- Connected Car solutions and cloud connections enable bringing of new applications and enhancements to car functions, for example real-time traffic information for navigation. The Wearable devices, such as smart watches, are becoming a trend in mass markets and they are also expected to wirelessly connect with the internal technology of the car. The increasing demand for better integration of mobile devices with the car has been reflected in consumer electronics companies such as Apple's "iOS in the Car" or Google's announcement of Open Automotive Alliance.
- The need for mobile connectivity is increasing also due to development steps made in car to car communication, communication from vehicle to other systems as well as in driver assistance systems (including autonomous driving features of vehicles).
- New Active Safety Systems and Driver Assistance applications are being brought to markets as automated driving is becoming one of the key trends in the markets.

Wireless Business Segment

In the Wireless Business Segment EB offers products and product platforms for defense, public safety and other authorities markets as well as for industrial use. Further, EB offers product development services and customized solutions for wireless communications markets and for companies needing wireless connectivity for their products. EB's products in the Wireless Business Segment are the EB Tactical Wireless IP Network for tactical communications, EB Tough VoIP for tactical IP-based communication and EB Wideband COMINT Sensor for signals intelligence. The product platforms are the Android-based EB Specialized Device Platform and EB LTE Connectivity Module for specialized markets. For the latest wireless technologies and applications EB offers a broad range of R&D services such as consulting, integration, and development of software and hardware.

Development of the Wireless Business Segment in 2013

The Wireless Business Segment's net sales from Continuing Operations in January-December 2013 decreased by 3.7 per cent year-on-year, to EUR 61.2 million (EUR 63.5 million, 1–12 2012). The decrease in the net sales was due to decline in the demand for R&D services in the wireless telecommunications market. The operating loss from Continuing Operations of the Wireless Business Segment in January-December 2013 was EUR -0.5 million including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the first quarter of 2013 (operating loss of EUR -2.2 million including non-recurring items of approximately EUR 4 million weakening operating result, 1–12 2012). In addition to the decreased net sales, the profitability was negatively affected in 2013 by the ongoing investments into the marketing and product development of products targeted for the global defense and other authority markets; these investments are expected to start gradually generating net sales from the latter half of 2014 onwards. Operating result of the Wireless Business Segment in January-December 2013 without non-recurring costs was EUR 0.4 million (EUR 1.8 million, 1–12 2012).

EB and Anite plc signed an agreement on January 28, 2013, under the terms of which EB agreed to sell its Test Tools product business to Anite ("the Transaction"). The Transaction comprised the sale of the shares of EB's subsidiary Elektrobit System Test Ltd., a company based in Oulu, Finland, and certain related other assets in the USA and China. EB's Test Tools product business provided radio channel emulation tools and testing solutions for the development of the wireless technologies and was part of EB's Wireless Business Segment employing a total of 54 persons in Finland, USA and China.

EB started measures to improve its cost structure in the Wireless Business Segment during the first quarter. The measures were completed on April 4, 2013 and the Company estimates to reach the targeted approximately EUR 2 million annual cost savings in its Wireless Business Segment, fully effective from the second half of 2013 onwards. The measures resulted non-recurring costs of approximately EUR 0.8 million that affect negatively the Company's operating result of the first quarter of 2013. The underlying reasons for the measures to improve the cost structure were the changed business requirements. As part of these measures, EB reduced its personnel in the Wireless Business Segment globally by altogether 32 persons, 8 of them in Finland. In addition, EB also concentrated some of its Wireless Business Segment operations to Finland and moved the centre of its US operations from west coast to east coast, where many of the public sector customers are located.

During the first quarter, EB launched its Tough VoIP phone for industrial use. The product is suitable for demanding environments like manufacturing, construction, power plants, mining sites, and transportation. EB also broadened its Android-based product platform (EB Specialized Device Platform) with three new platform variants: smartphone, tablet and LTE connectivity module.

In April, EB signed a contract with the Finnish Defence Forces for deliveries of the EB Tactical Wireless IP Network communication system. The product delivery contains tactical routers and radio head units for the land forces' communication needs. This contract is a continuation to the EB's Tactical Wireless IP Network development and pilot delivery contract signed in September 2011. The value of the purchase is EUR 7.0 million (excl. VAT). The deliveries are to be finalized by the end of March 2014.

In the last quarter EB started the product deliveries of the tactical communication system to Finnish Defence Forces and delivered a batch of special terminal products to one customer for authority use. These product deliveries generated product-based net sales of EUR 6.9 million in the fourth quarter, the rest of the net sales being R&D services sales. Net sales and operating result were negatively affected by the decreasing demand from a significant customer in the second half of 2013 due to which the Company started cost level adjustment measures. Between September and November 2013 EB gave temporary layoff notice to 74 employees for a maximum of 90 days, part or full time. With these measures the Company estimated to target approximately EUR 0.8 million cost savings, that were expected to materialize mainly during the fourth quarter. As the demand outlook of the Wireless Business Segment became more accurate, it was possible to decrease the amount of temporary layoffs from previously estimated maximal amount. The materialized amount of temporary layoffs decreased to 64 employees and the cost savings were EUR 0.6 million.

Wireless Business Segment Market Outlook

In the Wireless Business Segment, EB's customers operate in various industries, each of them having own industry specific factors driving the demand. A common factor creating demand among the whole customer base is the introduction of new technologies. In 2014 the implementation of LTE (Long Term Evolution) technology is expected to continue to be important technological change driving the demand. It is accelerated by a growing need for faster and higher quality data transmission. Due to the long history in developing smart phones and mobile communication devices, EB is in a good position to offer solutions, where e.g. mastering of multi-radio technologies and end-to-end system architectures covering both terminals and networks is needed.

Following factors are estimated to create demand for EB's products and services in 2014 and beyond:

- In the mobile infrastructure equipment market the use of LTE technology is expected to continue strong. This creates the need for services for LTE base station design. There is a wide range of frequencies allocated for LTE globally, thus creating a need to develop multiple products to cover the market, and creating demand for R&D services for design of product variants.
- The trend of adopting new commercial technologies, such as LTE and smart phone related operating systems and applications, is expected to continue in special verticals such as public safety. The specific LTE frequency band allocations for authorities create demand for customized LTE devices, such as EB's specialized terminals, tablets and communication modules.
- The need for R&D services for connected devices for business or consumer use, such as smart watch and other Wearable devices, is evolving and creating demand for customized solutions based on EB's product platforms.
- In the defense market's tactical communication the need for larger amounts of information data grows, generating demand for broadband networks, such as EB's customized IP (Internet Protocol) based tactical communications solutions.

EB aims at bringing its products to the global defense and other authorities markets, where they are expected to start gradually generating net sales from the latter half of 2014 onwards. The public defense budget cuts affect negatively the demand for products and product development services in Europe and also all over the world, simultaneously increasing the competition between the suppliers.

The defense, authorities and national security markets are by their nature slowly developing markets. They are characterized by long sales cycles driven by purchasing programs of national governments, and the purchases of the selected products take place over several years.

Research and Development

EB continued its investments in R&D in the automotive software products and tools in the Automotive Business Segment, and in products and product platforms for the defense and public safety markets in the Wireless Business Segment.

The total R&D investments for Continuing Operations during January-December 2013 were EUR 18.5 million (restated EUR 22.0 million, 1-12 2012), equaling 9.3% of the net sales (restated 12.6%, 1-12 2012). The share of R&D investments in the Automotive Business Segment was EUR 14.3 million (restated EUR 17.9 million, 1-12 2012) and in the Wireless Business Segment in Continuing Operations EUR 4.2 million (EUR 4.1 million, Continuing Operations, 1-12 2012).

EUR 0.0 million of R&D investments of the reporting period were capitalized (EUR 2.9 million, 1-12 2012). The amount of capitalized R&D investments at the end of December 2013 was EUR 12.0 million (EUR 13.5 million, 31.12.2012). A significant part of these capitalizations is related to customer agreements of the Automotive Business Segment, where future license fees, based on the actual car delivery volumes, are expected to accumulate in the coming years. Depreciations of R&D investments were EUR 1.6 million during the reporting period (EUR 0.9 million, 1-12 2012).

The total negative effect, caused from research and development investments, their capitalizations and their depreciation, on EB's income statement in 2013 was EUR 20.1 million (EUR 19.9 million, 2012).

Outlook for 2014

EB expects for the year 2014 that net sales and operating result will grow from the previous year (Net sales of EUR 199.3 million and operating profit of EUR 8.1 million, in 2013). Net sales is expected to grow slower than the previous year (Net sales growth 14.6 % in 2013). Net sales and operating result are expected to mainly cumulate during the latter half of the year mostly due to the seasonality factors of the Automotive Business Segment.

The growth of net sales and operating result in 2014 is expected to come mainly or wholly from the Automotive Business Segment, where the demand for EB's software solutions is expected to remain good. The demand for R&D services in the Wireless Business Segment is driven by the implementations of LTE (Long Term Evolution) technology and by the growing need to wirelessly connect various consumer and professional devices to other equipment. The demand for R&D services in the mobile communication market is expected to decrease slightly from the previous year. EB aims at bringing its Wireless Business Segment's products to the global defense and other authority markets, and expects to start gradually generating net sales from these markets from the latter half of 2014 onwards.

More specific market outlook is presented under sections "Market outlook for the Automotive Business Segments" and "Market outlook for the Wireless Business Segment".

The profit outlook for the year 2014 does not include possible non-recurring income or costs related to the reorganization cases of TerreStar Networks Inc. More information about the reorganization cases of TerreStar Networks and the amount of the receivables and collecting the receivables as well as other uncertainties regarding the outlook is presented in the "Identified Risks and Uncertainties".

Risks and Uncertainties

EB has identified a number of business, market and finance related risk factors and uncertainties that can affect the level of sales and profits.

Market risks

In the ongoing financial period, global economic uncertainty may affect the demand for EB's services, solutions and products and provide pressure on e.g. pricing. In the short term such uncertainty may affect, in particular, the utilization and chargeability levels and average hourly prices of R&D services.

As EB's customer base consists mainly of companies operating in the fields of automotive and telecommunications and defense and public safety authorities, the Company is exposed to market changes in these industries. In both of EB's business segments a significant part of net sales accumulates from just a few customers. In the Automotive Business Segment a significant part of net sales is tied to projects carried out with different Volkswagen Group companies. EB and AUDI's subsidiary, Audi Electronics Venture GmbH (AEV), have a jointly owned company e.solutions GmbH that is developing infotainment software and provides systems engineering and systems integration services for Volkswagen Group car models. EB also delivers products and R&D services to the jointly owned company. In addition, EB delivers products and R&D services directly or through TIER1 suppliers to different Volkswagen Group companies. In the Wireless Business Segment a significant part of net sales accumulates from selling R&D services to a certain mobile communications equipment manufacturer and from selling products and R&D services to the Finnish Defence Forces. Deviation in anticipated business development with such customer concentrations may translate as a significant deviation in the EB's outlook, both in terms of net sales and operating result, during the ongoing financial period and thereafter. EB seeks to expand its customer base on a longer term and reduce dependence on individual companies and hence the Company will thereby be mainly affected by the general business climate in automotive and telecommunication industries. The more specific market outlook has been presented under the "Market Outlook for the Automotive Business Segment" and "Market Outlook for the Wireless Business Segment" section.

Business related risks

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

EB's product delivery business model faces such risks as high dependency on actual product volumes, timing risks and potential delays in the markets. The above-mentioned risks may manifest themselves as lower amounts of products delivered or higher costs of production, and ultimately, as lower profit. The bringing of EB's products into the global defense markets can take longer time than expected since the projects are by their nature long and the purchasing programs are driven by national governments and availability of funding. The purchases of the selected products take place over several years. EB's net sales from the automotive industry is currently primarily driven by the development of software for electronic devices to be used in new car models, and sales of licenses for in-car software and software development tools. EB aims at developing its business model to be more based on software products, which is expected to increase the direct dependency of net sales on production volumes over the forthcoming years. The dependency on EB's net sales on car delivery volumes is also increased by EB's customers tending to allocate a part of the software development costs to be paid in license fees based on the actual car delivery volumes. When using this pricing model, which is common in the automotive industry, the project specific operating result and positive cash flow will be typically reached first during the car production years and this may cause significant additional financing needs for the R&D phase. However, this model can offer EB also an opportunity for higher cumulative income, in case the take rate of additional software products or services, like in-car navigation system in the new cars sold, would be higher than originally estimated. This is dependent among others on the amount of additional software products and services, such as in-car navigation, chosen to new cars at the time of purchase.

Some of EB's businesses operate in industries that are heavily reliant on patent protection and therefore face risks related to management of intellectual property rights, on the one hand related to accessibility on commercially acceptable terms of certain technologies in the EB's products and services, and on the other hand related to an ability to protect technologies that EB develops or licenses from others from claims that third parties' intellectual property rights are infringed. Additionally, parties outside of the industries operate actively in order to protect and commercialize their patents and therefore in their part increase the risks related to the management of intellectual property rights. At worst, claims that third parties' intellectual property rights are infringed could lead to substantial liabilities for damages. Also, EB has received a formal request from one of its customers for indemnification that is unspecified both in terms of the basis of liability and the amount claimed. Based on information available, it does not seem likely that the claim would result in significant liability in the short term. It is possible that, based on later information, the above views may need to be reconsidered. In addition, the progress of the customer projects and delivery capability may be also affected by potential challenges in global accessibility of key technologies and components on commercially acceptable terms. In the Wireless Business Segment accessibility of chipsets to provide LTE-capabilities on commercially acceptable terms may affect the development and delivery of competitive special terminal products.

Financing risks

Global economic uncertainty may lead to payment delays, increase the risk for credit losses and weaken the availability and terms of financing. To fund its operations, EB relies mainly on income from its operative business and may from time to time seek additional financing from selected financial institutions. Currently EB has a committed overdraft credit facility agreement of EUR 10 million and committed revolving credit facility agreement of EUR 10 million, valid until June 30, 2014. These agreements include financial covenants related to group's equity ratio and earnings before interest and taxes (EBITDA), to be reviewed semiannually. There is no assurance that additional financing will not be needed in case of clearly weaker than expected development of EB's businesses or in case customer commitments of the Automotive Business Segment would represent more than planned funding for R&D phase.

Customer dependency in some parts of EB's business may translate as accumulation of risk with respect to outstanding receivables and ultimately with respect to credit losses. EB asserted claims for its receivables in the amount of approximately USD 25.8 million (EUR 18.8 million as per exchange rate of February 19, 2014) in the Chapter 11 cases of its customers TerreStar Networks Inc. and its parent company TerreStar Corporation filed in 2010 and 2011. In addition to the booked receivables, EB asserted claims for additional costs in the amount of approximately USD 2.1 million (EUR 1.5 million as per exchange rate of February 19, 2014) resulting mainly from the ramp down of the business operations between the parties. Thus, EB asserted claims against each of the TerreStar entities in amounts totaling USD 27.9 million (EUR 20.3 million as per exchange rate of February 19, 2014). Due to uncertainties related to the accounts receivable, EB booked an impairment of the accounts receivable in the amount of EUR 8.3 million during the second half of 2010.

By order of the bankruptcy court dated August 24, 2012, Elektrobit Inc., a subsidiary of EB, and TerreStar Corporation and certain of its preferred shareholders, entered into a full and final settlement of various disputes that had arisen between them in the TerreStar Corporation reorganization cases. Pursuant to this settlement, on August 28, 2012 TerreStar Corporation made a cash payment to Elektrobit Inc. of USD 13.5 million in full and final satisfaction of EB's claim against that entity. The settlement did not include the TerreStar Networks Chapter 11 cases and did not include any distribution from those cases that may be available to EB. On October 24, 2012, the bankruptcy court entered an order approving a plan of reorganization for TerreStar Corporation and various affiliates (not including TerreStar Networks) which preserved EB's rights with respect to EB's claim against TerreStar Networks.

As to TerreStar Networks, EB presently estimates that its total distribution under the TerreStar Networks confirmed plan of liquidation may be approximately 8% of the face amount of its claim. However, this estimate is subject to various assumptions, and the amount and timing of EB's distribution on the remaining portion of its claim cannot be predicted with certainty at this time. Pursuant to the plan, on March 29, 2012 EB received a USD 650,890 distribution on that portion of its claim entitled to payment priority under U.S. bankruptcy law.

As part of the Chapter 11 process, the liquidating trustee (the "Trustee") of The TerreStar Networks Inc. Liquidating Trust (the trust having been formed in connection with confirmation of the Chapter 11 plan of TerreStar Networks) is considering whether the Trustee may recover payments previously made to creditors pursuant to various provisions of the Bankruptcy Code. During the 90 days prior to TerreStar Networks' bankruptcy filing, EB received approximately USD 2.5 million that the Trustee has alleged to be preferential payments, and it remains possible that the Trustee may sue EB to recover these payments. EB believes that it has strong defenses to any such litigation and therefore would vigorously contest it, but anticipates that this issue must be adjudicated or settled before EB receives further distributions on its claim. Further, in reconciling accounts in preparation for making distributions under the TerreStar Networks plan, the Trustee requested, and EB provided, additional information and documents in support of EB's claim. EB has entered into a tolling agreement with the Trustee which, as amended, extends the avoidance action statute of limitations through and including April 18, 2014, which date could be further extended by mutual consent, with a view to determining whether the parties can settle any outstanding disputes between them. The likelihood and outcome of any such disputes cannot be predicted with certainty at this time.

Based on EB's current understanding, there is no reason to believe that EB would not be able to collect from the bankruptcy estate of TerreStar Networks the full amount (or close to it) of the pro rata distribution on its general unsecured claim in due course. It is possible that based on later information related to the TerreStar Networks Chapter 11 cases, the above views may need to be reconsidered. Should the amount of the pro rata distribution on EB's general unsecured claim not be collected from the bankruptcy estate of TerreStar Networks, and should the Trustee commence litigation resulting an order for EB to repay certain allegedly preferential transfers, costs related to the process would additionally lower EB's operating result on a non-recurring basis by approximately EUR 2 million at maximum.

The U.S. Internal Revenue Service ("IRS") disallowed a deduction taken on EB's subsidiary's, Elektrobit Inc.'s 2010 U.S. federal income tax return for the impairment of the receivables from the TerreStar companies. EB appealed this disallowance to the IRS Office of Appeals, which is expected to render a decision before the end of the third quarter of 2014. An unfavorable decision can be appealed to the United States Tax Court, in which case the appeal may take two years.

If the appeal were to proceed to the United States Tax Court and if the resolution of the litigation results in a complete rejection of the amount deducted in 2010, EB would be required to pay back the tax refund in full with accrued interest. At worst, as a result of the pay back of the tax refund and the respective interest expenses and litigation expenses, there would be a negative effect on EB's cash flow of approximately USD 2.7 million (EUR 2.0 million as per exchange rate of February 19, 2014). Depending on the progression of the appellate process, such effects would be booked probably in 2016. Based on EB's current understanding, there is no reason to believe that the IRS' disallowance will be sustained. Based on subsequent information, the situation may need to be reconsidered. It is also possible that during the appellate process, the parties may settle this matter.

More information on TerreStar Networks Inc.'s and its parent company TerreStar Corporation's reorganization cases are presented in the October 20 and 25, November 20 and December 30, 2010, February 17, 2011, November 18, 2011, June 21, 2012, August 3, 2012, August 24, 2012 and August 28, 2012 stock exchange releases as well as in EB's interim reports and financial statements at www.elektrobit.com.

Significant Events after the Reporting Period

A total of 508,697 new shares in Elektrobit Corporation were subscribed between December 5, 2013 and January 28, 2014 by virtue of the option rights 2008A and 2008B. The share subscription price, EUR 150,254.85, was recorded in the Company's invested non-restricted equity fund. The corresponding increase in the number of the Company's shares was entered into the Finnish Trade Register on February 10, 2014. Trading with the newly registered shares started on February 11, 2014 in NASDAQ OMX Helsinki. After the registration of the new shares, the number of shares in Elektrobit Corporation's totals 130,609,572.

Changing the Consolidation of the Jointly Owned Company of EB and AUDI as of January 1, 2013

EB has started to apply the new IFRS 10 and IFRS 11 standards from the beginning of 2013 and will consolidate e.solutions GmbH, a jointly owned company with Audi Electronics Venture GmbH (AEV), applying the proportionate consolidation method. As a result of the change in the method of consolidation, the proportion of net sales and operating result of e.solutions GmbH consolidated into Elektrobit group's financial statements will decrease from the previous 100% to 51%. The change in the consolidation method has no effect on EB's net result. According to the rules of proportionate consolidation method, the consolidated statement will also include 49% of the net sales of other Elektrobit group companies to e.solutions GmbH.

In the 2013 financial reporting EB has presented the profit and loss statement and balance sheet from 2012 for comparison restated, assuming that the proportionate consolidation method according to the above mentioned standards would have been applied already in 2012.

Elektrobit Corporation's subsidiary company Elektrobit Automotive GmbH holds a 51% stake in e.solutions GmbH, with AEV holding the remaining 49%. Previously, since its establishment in 2009, e.solutions GmbH has been brought into the consolidated statements as subsidiary and its net sales and operating result have been consolidated in the Elektrobit group's financial statements in full.

The new IFRS 10 and IFRS 11 standards for consolidated financial statements and joint arrangements took effect on 1st of January 2014, but they may be applied as of 1st of January 2013. The accounting standard IFRS 10 sets out the rules for presenting and preparing consolidated financial statements when an entity controls one or more other entities. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. According to the standard, joint arrangements are defined either as "joint ventures" or "joint operations". e.solutions GmbH is deemed to fulfill the criteria of a "joint operation", whereby it is required that a proportionate consolidation method be applied at the latest when the new standard takes effect.

Statement of Financial Position and Financing

The figures presented in the statement of financial position of December 31, 2013, are compared with the statement of the financial position of December 31, 2012 (MEUR).

	12/2013	12/2012 restated	1.1.2012 restated
Non-current assets	46.1	46.8	43.7
Current assets	98.2	77.6	68.6
Assets classified as held for sale		7.7	
Total assets	144.4	132.2	112.3
Share capital	12.9	12.9	12.9
Other equity	68.8	53.1	52.8
Non-controlling interests			
Total shareholders' equity	81.7	66.0	65.8
Non-current liabilities	6.1	8.5	6.6
Current liabilities	56.5	53.2	40.0
Liabilities classified as held for sale		4.5	
Total shareholders' equity and liabilities	144.4	132.2	112.3

The cash flows during the period under review:

+ net profit +/- adjustment of accrual basis items	EUR +17.6 million
+/- change in net working capital	EUR +18.7 million
- interest, taxes and dividends	EUR -1.6 million
= cash generated from operations	EUR +34.7 million
- net cash used in investment activities	EUR +24.4 million
- net cash used in financing	EUR -30.3 million
= net change in cash and cash equivalents	EUR +28.7 million

Net cash from operating activities developed positively thanks to good profit and reduced need of net working capital, especially on fourth quarter when EB received advance payments for future projects and customers paid well their trade payables to EB. In addition to normal investments, net cash from investing activities includes proceeds from Test Tools product business on the first quarter. Net cash from financing activities includes among others repayment of capital and repayment of borrowings on fourth quarter.

The amount of accounts receivable and other receivables, booked in current receivables, was EUR 54.3 million (EUR 63.0 million on December 31, 2012). Accounts payable and other payables, booked in interest-free current liabilities, were EUR 54.5 million (EUR 40.5 million on December 31, 2012). The amount of non-depreciated consolidation goodwill at the end of the period under review was EUR 19.3 million (EUR 19.3 million on December 31, 2012).

The amount of gross investments in the period under review was EUR 7.9 million. Net investments for the reporting period totaled EUR 7.5 million. The total amount of depreciation of continuing operations during the period under review was EUR 9.0 million, including EUR 1.0 million of depreciation owing to business acquisitions in Automotive Business Segment.

The amount of interest-bearing debt, including finance lease liabilities, at the end of the reporting period was EUR 5.3 million (EUR 18.3 million on December 31, 2012). The distribution of net financing expenses on the income statement of continuing operations was as follows:

interest dividend and other financial income	EUR 0.3 million
interest expenses and other financial expenses	EUR -0.7 million
foreign exchange gains and losses	EUR -0.5 million

EB's equity ratio at the end of the period was 65.1% (54.5% on December 31, 2012). The increase in equity ratio is mainly due to the sale of the Test Tools product business. The transaction resulted in a net profit of about EUR 24 million.

Cash and other liquid assets at the end of the reporting period were EUR 43.0 million (EUR 14.3 million on December 31, 2012). The increase in cash reserves is mainly due to the sale of the Test Tools product business. EB has from Nordea Bank plc a committed credit facility agreement and a revolving credit facility agreement of altogether EUR 20 million, valid until June 30, 2014. EUR 0.0 million of these facilities was used at the end of the reporting period.

EB follows a hedging strategy, the objective of which is to ensure the margins of business operations in changing market circumstances by minimizing the influence of exchange rates. In accordance with the hedging strategy, the agreed customer commitments net cash flow of the currency in question is hedged. The net cash flow is determined on the basis of sales receivables, payables, the order book and the budgeted net currency cash flow. The hedged foreign currency exposure at the end of the review period was equivalent to 8.5 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 only minor general environmental impacts, since product manufacturing is not mass production.

Elektrobit Corporation has had ISO 14001 certified environment management system since 2001 concerning the current operations of the Wireless Business Segment. EB is applying ISO 14001 standards in its Wireless Business Segment business operations, the latest re-certification took place in 2013. Additional information about the certificate https://www.elektrobit.com/file.php?fid=1377.

EB is monitoring globally the environmental requirements for products and derived national regulations to the extent that they are related to the group's operations. EB has also observed and applied the requirements of the ROHS (use of hazardous substances) and WEEE (recycling of electrical and electronic equipment) directives in design since 2002. Since 2009, the applied environmental standards and regulations in EB's operations have been consolidated as uniform EB substance list, applicable also to EB's significant suppliers. The substance list includes, in addition to the so called ROHS2 and REACH standards, the substance requirements applicable in different market areas against which identification of materials is made if needed. During 2013, EB has biannually updated the requirements and applied the proper environmental requirements to the products or solutions, in which EB has partial or total responsibility depending on the application scope. The imposed requirements will be observed in business operations on a country-specific basis.

Personnel

The parent company of the group and its subsidiaries employed an average of 1,627 people between January and December 2013. In addition, e.solutions GmbH, the jointly owned company of EB and AUDI employed 300 people. At the end of December, the parent company of the group and its subsidiaries had 1,648 employees and e.solutions GmbH 321 employees (1,583 in group's parent company and subsidiaries and e.solutions GmbH 233 at the end of 2012). A significant part of EB's personnel are R&D engineers.

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

The average amount of personnel during the reporting period	2013	2012
Parent company of the group and its subsidiaries	1 627	1 528
Jointly owned company	300	132
Salaries and wages (MEUR) in the reporting period (inc. 51% of the jointly owned company's salaries and wages)	94.1	84.1

At the end of 2013 about 69 per cent of the employees worked in Automotive Business Segment, about 30 per cent in Wireless Business Segment, and short of 1 per cent in corporate functions. When compared to 2012, the number of personnel in Automotive Business Segment increased by 6 percentage points, in Wireless Business Segment decreased by 6 percentage points and in corporate functions remained at the same level.

Incentive Systems

Share related remuneration schemes

2005A-D

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

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

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 is 4,200,000, of which 1,400,000 were marked with the symbol 2008A, 1,400,000 with the symbol 2008B, and 1,400,000 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 is based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki in January 2009, January 2010 and January 2011. At the end of 2013, 1,167,994 stock options with symbol 2008A, 1,139,000 stock options with symbol 2008B, and 740,000 stock options with symbol 2008C were distributed to the key employees of Elektrobit Corporation.

Variable pay system

Variable pay will be paid based on the achieved targets. A limited amount of EB's employees are participating into Variable Pay (VP) program. The criteria for the short-term merit pay are the financial strategic targets of the Company. In addition, part of the targets may be other objectives of the Company or Business Segment or personal targets. Personal targets vary between duties.

In 2013 the earning period for the Variable Pay was the calendar year. The targets are determined separately for each earnings period. The setting of targets and the review of their achievement is decided on one-over-one basis.

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

Authorization of the Board of Directors to decide on the repurchase of the Company's own shares

The Annual General Meeting held on April 11, 2013 authorized the Board of Directors to decide on the repurchase of the Company's own shares as follows:

The amount of own shares to be repurchased shall not exceed 12,500,000 shares, which corresponds to approximately 9.66 per cent of all of the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorization.

Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market.

The Board of Directors decides how own shares will be repurchased. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).

The authorization cancels the authorization given by the General Meeting on March 26, 2012 to decide on the repurchase of the company's own shares.

The authorization is effective until June 30, 2014.

Authorization of the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares

The General meeting held on April 11, 2013 authorized the Board of Directors to decide on the issuance of shares and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows:

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

The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorization cancels the authorization given by the General Meeting on March 26, 2012 to decide on the issuance of shares as well as the issuance of other special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act.

The authorization is effective until June 30, 2014.

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 130,100,875. The accounting par value of the Company's share is EUR 0.10. The Company does not have its own shares in its possession.

Shareholding and control related information is presented in section 33 of the notes to the Financial Statement.

Flagging Notifications

On August 8, 2013 EB received a flagging announcement, pursuant to chapter 9, section 5 of the Finnish Securities Markets Act from Fortel Invest Oy (Business ID 10149634) that the amount of shares and votes of Fortel Invest Oy have decreased below the 5 per cent flagging boundary. The decrease took place on August 8, 2013.

On September 11, 2013 EB received a flagging announcement, pursuant to chapter 9, section 5 of the Finnish Securities Markets Act from Juha Sipilä that the direct and indirect holdings of shares and votes of Juha Sipilä have decreased below the 5 per cent flagging boundary. The decrease took place on September 11, 2013.

Stock Options

I. The Annual General Meeting held on March 17, 2005, decided to authorize the Board of Directors to issue option rights. By virtue of the authorization the Board of Directors granted 4,500,000 option rights to the company's management and EB's fully owned subsidiary serving as a reserve company in the stock option scheme. Subscriptions made by virtue of the 2005 option rights may increase the share capital of Elektrobit Corporation by a maximum of EUR 450,000 and the number of shares by a maximum of 4,500,000. The share subscription period for stock options 2005A is 1 April 2008–30 April 2010, for stock options 2005B 1 April 2009–30 April 2011, for stock options 2005C 1 April 2010–30 April 2012, and for stock options 2005D 1 April 2011–30 April 2013. No subscriptions were made by the end of the share subscription period for stock options 2005A-D.

II. 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 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 is 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.

The Board of Directors of Elektrobit Corporation decided on June 5, 2013 on the transfer of stock options 2008A and 2008B to the Finnish book-entry system and to apply for listing of 1,400,000 stock options 2008A and of 1,400,000 stock options 2008B on the official list of NASDAQ OMX Helsinki. The trading with the stock options started on June 17, 2013. The share subscription period for stock options 2008A will end on March 31, 2014. The share subscription period for stock options 2008B will end on March 31, 2015.

Pursuant to series 2008A-B stock options a total of 97,500 new shares were subscribed for between April 2 and June 20, 2013, a total of 120,834 new shares were subscribed for between June 21 and August 22, 2013, a total of 89,356 new shares were subscribed for between August 22 and October 8, 2013 and a total of 380,495 new shares were subscribed for between October 21, 2013 and November 21, 2013. The share subscription prices were recorded in the Company's invested non-restricted equity fund. The respective increases in the number of the Company's shares were entered into the Finnish Trade Register on July 5, 2013, September 6, 2013, October 18, 2013, and December 4, 2013. The trading with the registered shares started on July 8, 2013, September 9, 2013, on October 21, 2013, and on December 5, 2013 in NASDAQ OMX Helsinki. After the registration of the new shares, the number of shares in Elektrobit Corporation's totaled 130,100,875.

The Extraordinary General Meeting of Elektrobit Corporation, held on December 4, 2013, resolved in accordance with the proposal of the Board of Directors that on the basis of the financial statements adopted for the financial period ended on December 31, 2012, funds from the invested non-restricted equity fund be distributed to shareholders as a repayment of capital. As a result of the capital repayment the subscription prices of shares pursuant to the series 2008A-C stock options has been reduced with the amount of the capital repayment per share on the record date of the capital repayment in accordance with the terms of the stock options. Hence the share subscription price pursuant to stock options 2008A has reduced to EUR 0.07, pursuant to stock options 2008B to EUR 0.73 and pursuant to stock options 2008C to EUR 0.61.

The Board of Directors of Elektrobit Corporation has decided on the transfer of series 2008C stock options to the Finnish book-entry system on December 20, 2013 and to apply for listing of 1,400,000 stock options 2008C on the official list of NASDAQ OMX Helsinki. Application was made for the listing to commence on April 1, 2014. The share subscription period for series 2008C stock options will commence on April 1, 2014 and will end on March 31, 2016. The share subscription price for series 2008C stock options is EUR 0.61 per share. The amount of the dividend or the amount of the distributable non-restricted equity decided before share subscription will be deducted from the share subscription price as per the dividend record date or the record date of the repayment of equity.

More information and the terms and conditions of stock options 2008 are available in the Company's web pages at www.elektrobit.com/investors.

Changes in the Company's Management

There were no changes in the Company's management during the reporting period.

Board of Directors, Board Committees And Auditor

The Annual General Meeting held on April 11, 2013 decided that the Board of Directors shall comprise five (5) members. Mr. Jorma Halonen, Mr. Juha Hulkko, Mr. Seppo Laine, Mr. Staffan Simberg and Mr. Erkki Veikkolainen were elected members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting.

At its assembly meeting held on April 11, 2013, the Board of Directors elected Mr. Seppo Laine Chairman of the Board. Further, the Board resolved to keep the Audit and Financial Committee with Mr. Staffan Simberg (Chairman of the committee) and Mr. Seppo Laine continuing as committee members and Mr. Erkki Veikkolainen as a new committee member.

In the Annual General Meeting held on April 11, 2013, Ernst & Young Ltd., authorized public accountants, was re-elected as the auditor of the Company for a term of office ending at the end of the next Annual General Meeting. Ernst & Young Ltd. notified that Mr. Jari Karppinen, authorized public accountant, will act as responsible auditor.

EB's Board of Directors and the rest of the management are presented in the corporate governance statement for the reporting period of January 1 – December 31, 2013 and at www.elektrobit.com.

Dividend from 2012

The Annual General Meeting held on April 11, 2013 decided in accordance with the proposal of the Board of Directors to pay EUR 0.01 per share as dividend based on the balance sheet adopted for the financial period January 1, 2012 - December 31, 2012.

Corporate Governance Statement

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

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

According to the parent company's balance sheet at December 31, 2013, the distributable assets of the parent company are EUR 94,291,974.00 of which the profit of the financial year is EUR 5,387,116.35.

The Board of Directors proposes that the Annual General Meeting to be held on April 10, 2014 resolve to pay EUR 0.02 per share, as dividend based on the adopted balance sheet for the financial period of January 1, 2013 – December 31, 2013. The dividend will be paid to the shareholders who are registered as shareholders in the company's register of shareholders as maintained by Euroclear Finland Ltd. on the dividend record date, Tuesday, April 15, 2014. The Board of Directors proposes that the dividend be paid on Thursday, April 24, 2014.

The Board of Directors emphasized the result of the Continuing Operations from the financial period ended on 31.12.2013 as a basis for its proposal for distribution of dividend. No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity position is good and in the view of the Board, the proposed distribution does not jeopardize the company's ability to fulfill its obligations.

Oulu, February 19, 2014

Seppo Laine
Chairman of the Board

Jorma Halonen
Member of the Board

Juha Hulkko
Member of the Board

Staffan Simberg
Member of the Board

Erkki Veikkolainen
Member of the Board

Jukka Harju
CEO

The Auditor's Note

Our Auditors Report has been issued today.

Oulu, February 19, 2014

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Consolidated Statement of Comprehensive Income

CONTINUING OPERATIONS	NOTES	2013 1000 EUR	2012 restated 1000 EUR
Net Sales	**1, 3**	**199 281**	**173 865**
Other operating income	4	3 538	2 430
Change in work in progress and finished goods		-27	-186
Work performed by the undertaking for its own purpose and capitalized		12	518
Raw materials		-12 425	-7 269
Personnel expenses	7	-113 162	-101 077
Depreciation	6	-9 040	-7 052
Other operating expenses	5	-60 035	-60 161
Operating Profit		**8 143**	**1 068**
Financial income and expenses	9	-920	-478
Profit Before Tax		**7 222**	**590**
Income tax	10	-570	491
Profit for the Year from Continuing Operations		**6 652**	**1 081**
Profit for the year from Discontinuing Operations	2	24 294	1 185
Profit for the Year		**30 946**	**2 267**
Other comprehensive income:			
Items that will not be reclassified to statement of income			
Re-measurement gains (losses) on defined benefit plans		0	-815
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations		-36	189
Total Comprehensive Income for the Year		**30 910**	**1 641**
Profit for the year attributable to			
Equity holders of the parent		30 946	2 267
Non-controlling interests		0	0
Total		**30 946**	**2 267**
Total comprehensive income for the period attributable to			
Equity holders of the parent		30 910	1 641
Non-controlling interests		0	0
Total		**30 910**	**1 641**
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY:			
Earnings per share from Continuing Operations, EUR			
Basic earnings per share	11	0.051	0.008
Diluted earnings per share	11	0.051	0.008
Earnings per share from Discontinuing Operations, EUR			
Basic earnings per share	11	0.188	0.009
Diluted earnings per share	11	0.187	0.009
Earnings per share from Continuing and Discontinuing Operations, EUR			
Basic earnings per share	11	0.239	0.018
Diluted earnings per share	11	0.238	0.017
Average number of shares, 1000 pcs		129 528	129 413
Average number of shares, diluted, 1000 pcs		130 092	130 238

Consolidated Statement of Financial Position

	NOTES	Dec. 31, 2013 1000 EUR	Dec. 31, 2012 restated 1000 EUR	Jan. 1, 2012 restated 1000 EUR
Assets				
Non-current assets				
Property, plant and equipment	12	9 701	8 698	8 628
Goodwill	13	19 319	19 295	19 264
Intangible asssets	13	15 512	17 765	15 623
Other financial assets	14	132	125	128
Deferred tax assets	15	1 473	947	78
Total		**46 137**	**46 830**	**43 721**
Current assets				
Inventories	16	819	381	1 797
Trade and other receivables	17	54 325	62 967	57 578
Financial assets at fair value through profit or loss	18	20 702	9 676	
Cash and short-term deposits	19	22 372	4 611	9 222
Total		**98 217**	**77 635**	**68 596**
Assets classified as held for sale			**7 699**	
Total assets		**144 354**	**132 164**	**112 318**
Equity and liabilities				
Equity attributable to equity holders of the parent	20			
Share capital		12 941	12 941	12 941
Translation differences		599	635	446
Invested non-restricted equity fund		24 533	38 697	38 697
Retained earnings		43 654	13 725	13 681
Total		**81 728**	**65 998**	**65 766**
Non-controlling interests				0
Total equity		**81 728**	**65 998**	**65 766**
Non-current liabilities				
Deferred tax liabilities	15	497	674	1 030
Pension obligations	22	2 086	1 960	1 043
Interest-bearing loans and borrowings (non-current)	24	3 260	5 370	4 010
Provisions	23	304	459	501
Total		**6 147**	**8 463**	**6 583**
Current liabilities				
Trade and other payables	25	52 160	38 330	33 617
Financial liabilities at fair value through profit or loss	25		2	335
Provisions	23	2 303	2 158	1 020
Interest-bearing loans and borrowings (current)	24	2 016	12 704	4 996
Total		**56 480**	**53 194**	**39 969**
Liabilities classified as held for sale			**4 509**	
Total liabilities		**62 626**	**66 166**	**46 552**
Total equity and liabilities		**144 354**	**132 164**	**112 318**

Consolidated Statement of Cash Flows

	NOTES	2013 1000 EUR	2012 restated 1000 EUR
Cash flow from operating activities			
Profit for the year from Continuing Operations		**6 652**	**1 081**
Profit for the year from Discontinuing Operations		**24 294**	**1 185**
Adjustments			
Effects of non-cash business activities	27	-14 830	8 616
Finance costs		1 240	776
Finance income		-318	-226
Income tax		570	-491
Change in net working capital			
Change in short-term receivables		7 881	-9 234
Change in inventories		-517	-349
Change in interest-free short-term liabilities		11 355	6 565
Interest paid on operating activities		-1 269	-948
Interest and dividend received from operating activities		314	53
Income taxes paid		-685	-261
Net cash from operating activities		**34 687**	**6 766**
Cash flow from investing activities			
Disposal of business unit, net of cash acquired		30 046	
Purchase of property, plant and equipment		-3 954	-2 795
Purchase of intangible assets		-1 989	-5 433
Sale of property, plant and equipment		247	382
Sale of intangible assets		6	7
Proceeds from sale of other investments			3
Net cash from investing activities		**24 357**	**-7 836**
Cash flows from financing activities			
Share option plans exercised		148	
Loans granted			
Proceeds from borrowing		16 614	16 564
Repayment of borrowing		-28 427	-7 541
Payment of finance lease liabilities		-3 077	-2 887
Dividend paid and capital repayment		-15 605	
Net cash from financing activities		**-30 348**	**6 136**
Net change in cash and cash equivalents		**28 696**	**5 065**
Cash and cash equivalents Jan. 1		14 287	9 222
Change in fair value of investments			
Cash and cash equivalents Dec. 31		**42 983**	**14 287**

Consolidated Statement of Changes in Equity

1000 EUR	Share capital	Invested non-resticted equity fund	Translation difference	Retained earnings	Non-controlling interests	Total
	Equity attributable to equity holders of the parent					
Shareholders equity Jan. 1, 2013	**12 941**	**38 697**	**635**	**13 725**	**0**	**65 998**
Comprehensive income for the period						
Profit for the period				30 946		30 946
Re-measurement gains (losses) of defined benefit plans (IAS 19)				0		0
Exchange differences on translating foreign operations			-36			-36
Total comprehensive income for the period	**0**	**0**	**-36**	**30 946**	**0**	**30 910**
Transactions between the shareholders						
Share issue		148				148
Share-related compensation				168		168
Dividend distribution				-1 294		-1 294
Capital repayment		-14 311				-14 311
Other changes				109		109
Shareholders equity Dec. 31, 2013	**12 941**	**24 533**	**599**	**43 654**	**0**	**81 728**
Shareholders equity Dec. 31, 2011	**12 941**	**38 697**	**446**	**13 425**	**1 504**	**67 013**
Change in accounting policy (IFRS 10 and IFRS 11)					-1 504	-1 504
Change in accounting policy (IAS 19)				256		256
Shareholders equity Jan. 1, 2012 restated	**12 941**	**38 697**	**446**	**13 681**	**0**	**65 766**
Comprehensive income for the period						
Profit for the period				2 267		2 267
Re-measurement gains (losses) of defined benefit plans (IAS 19)				-815		-815
Exchange differences on translating foreign operations			189			189
Total comprehensive income for the period	**0**	**0**	**189**	**1 452**	**0**	**1 641**
Transactions between the shareholders						
Share-related compensation				349		349
Other changes *)				**-1 757**		**-1 757**
Shareholders equity Dec. 31, 2012	**12 941**	**38 697**	**635**	**13 725**	**0**	**65 998**

*) Previous period’s tax EUR 1.6 million booked in foreign subsidiaries.

Notes to the Consolidated Financial Statements

Corporate Information

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

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

Accounting Principles for the Consolidated Accounts

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the SIC and IFRIC interpretations in force at December 31, 2013. The financial statements are presented in thousands of euro. The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

Since 1.1.2013 the Group applies the amended IAS 19 Employee Benefits standard. Therefore the "corridor method" applied previously in Elektrobit financial statements is no longer permitted. The actuarial gains and losses are no longer recognized during the estimated remaining average future period of service of current and former employees and beneficiaries when one of the following parameters is exceeded: 10% of the net defined benefit liability or 10% of the fair value of plan assets. According to the revised standard the actuarial gains and losses are recognized in other comprehensive income (OCI) in the period when the benefits are earned. The "Actuarial gains and losses" are restated as "Re-measurement gains (losses) of defined benefit plans (IAS 19)"

The costs based on the prior work performance are recognized in profit and loss at the earlier of the following periods: when the amendment or reduction of the arrangement occurs or when the entity recognizes the restructuring costs or the termination benefits of employment contract. The interest cost and the expected return of the plan assets has been replaced by the net interest on defined benefit liability (or plan assets) which is recognized in income statement in the personnel expenses category.

The revised standard has been applied retrospectively according to the IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors standard. The unrecognized actuarial gains and losses have been restated in the 1.1.2012 Balance Sheet. The comparative figures for 2012 are restated according to revised IAS 19 standard.

Since the beginning of 2013 the Group applies the new IFRS 10 and IFRS 11 standards and consolidates the e.solutions GmbH owned together with Audi Electronics Venture GmbH:n (AEV) proportionally as a joint operation according to the IFRS 11 Standard. In the financial statements of 2013 EB has restated the 2012 income statement and balance sheet as if the proportional method of consolidation had been applied already in 2012.

Consolidation Principles

The consolidated financial statements of Elektrobit include the financial statements of the parent company Elektrobit Plc. and its subsidiaries as well as the proportional share of one company classified as a joint operation.

Subsidiaries

The consolidated financial statements include Elektrobit Corporation and its subsidiaries' financial statements. Subsidiaries are companies in which the Elektrobit Corporation 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.

Joint Arrangements

A joint arrangement is an arrangement of which two or more parties, bound by a contractual agreement, have a joint control. Joint arrangements are classified, as either joint operations or joint ventures, dependent on the controlling parties' rights and obligations.

Elektrobit Corporation's subsidiary company Elektrobit Automotive GmbH holds together with Audi Electronics Venture GmbH (AEV) a stake of e.solutions GmbH, whose activities include developing infotainment software for infotainment systems, providing systems engineering as well as systems integration services to VW Group. The subsidiaries of Elektrobit Corporation (EB) provide e.solutions GmbH the software and applications, which e.solutions integrates within its own solutions. In addition to this, EB delivers e.solutions software development tools and R&D services. EB holds a 51% stake in e.solutions GmbH, with AEV holding the remaining 49%.

According to IFRS 11 standard, e.solutions GmbH is classified as a joint operation which is consolidated to EB financial statements according to the rules of proportionate consolidation method. Elektrobit includes the joint operations assets, liabilities, revenue and expenses into its financial statements according to the proportionate share of EBs ownership.

- The 51% of joint operations balance sheet, income statement and statement of cash flows according to EBs proportionate share of ownership.
- The 49% (proportionate share of AEVs ownership) of the revenue, expenses, receivables and liabilities that are generated by transactions between Elektrobit Group companies and e.solutions GmbH.

Elimination of intra-group transactions

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. Business aquisitions 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.

Foreign Currency Transactions

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

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

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

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

The goodwill arising from the acquisition of foreign operations as well as fair value adjustments made to the carrying amounts of the assets and liabilities of said foreign operations in connection with an acquisition are treated as the assets and liabilities of said foreign operations and translated to euros using the exchange rates at the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment are measured at historical cost less depreciation and impairment losses. Assets of acquired companies are stated at their fair values at the date of acquisition. Assets are depreciated using the straight-line or reducing balance method over their useful life.

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

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

Intangible Assets

Goodwill

After January 1st, 2004 the cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets. The goodwill arising from the business combinations prior to this represents the amount recorded under previous GAAP, which has been used as the 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 sector are presented as other income in the income statement.

Leases

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

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

Impairment of Assets

At each consolidated financial statement date 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 the German subsidiary and to the German joint operation. 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.

Revised IAS 19 Employee Benefits became effective from 1st of January 2013. More information of impact of the new standard is in chapter "The Application of New and Revised IFRS –regulations".

Share-Based Payment

The Group has applied IFRS 2 Share-Based Payment to the share-based scheme which was granted June 23, 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 Discontinuing Operations

Non-current assets held for sale and asset items related to Discontinuing 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 Discontinuing Operations is presented as a separate line item in the consolidated income statement.

Profit for the year from Discontinuing Operations is presented separately in Consolidated Statement of Comprehensive Income. Discontinuing Operations are disclosed in note 2.

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 as financial asset 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 recognized 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 amortized cost. They are in accordance with their nature included in the current or long-term assets of the balance sheet: long-term if they fall due after more than 12 months.

The Group has not had held-to-maturity investments during the financial or the prior financial year. In case of occurrence they are valued at amortized 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 recognized net of tax in the revaluation fund in equity. The cumulative change in fair value recognized in equity is recognized in profit or loss when the asset is sold or the asset has been impaired and an impairment loss has to be recognized. 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 recognized at the trade date.

Financial Liabilities

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

The bases for determining the fair value of all financial assets and liabilities have been disclosed in note 18, 24, 19 and 26.

Notes to the Consolidated Financial Statements

The Impairment of Financial Assets

The Group assesses whether objective indications of the impairment of any financial assets exist at each balance sheet date. A loss is recognized in profit or loss as a recognized 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 recognized in the financial year are disclosed in note 18 and 19

Derivative Contracts and Hedge Accounting

Derivative contracts are recognized 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 recognized in finance items in profit or loss.

The fair values of derivative contracts and the valuation methods used are disclosed in note 26.

Significant Accounting Estimates and Judgments

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

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

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

The Application of New and Revised IFRS regulations

The Group has applied the following new or revised standards and interpretations issued by IASB from 1.1.2013.

- IFRS 7 Financial Instruments: Disclosures (revised). The revised standard does not have material impact on the consolidated financial statements.
- IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures.
  - The Group will apply the new IFRS 10 and IFRS 11 standards from the beginning of 2013 and will consolidate e.solutions GmbH, a jointly owned company with Audi Electronics Venture GmbH (AEV), applying the proportionate consolidation method. As a result of the change in the method of consolidation, the proportion of net sales and operating result of e.solutions GmbH consolidated into group's consolidated financial statements will decrease from the previous 100% to 51 %. According to the rules of proportionate consolidation method, the consolidated statement will also include 49% of the net sales of other group companies to e.solutions GmbH.
- IFRS 12 Disclosure of Interests in Other Entities. The new standard did not have material impact on the consolidated financial statements.
- IFRS 13 Fair Value Measurements. The new standard did not have material impact on the consolidated financial statements.
- IAS 1 Presentation of Financial Statements (revised). The revised standard did not have material impact on the consolidated financial statements.
- IAS 19 Employee Benefits. The new standard had EUR 0.6 million reductive impact on the opening balance of equity in 1st of January 2013.

Effective date 1st of January, 2014.

- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (revised). The revised standard will not have material impact on the consolidated financial statements.
- IFRS 9 Financial Instruments: classification and measurement (revised). The revised standard will not have material impact on the consolidated financial statements.
- IFRS 10, IFRS 12, IAS 27 and IAS 28 Investments in Associates and Joint Ventures. The revised standard will not have material impact on the consolidated financial statements.
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine. The new interpretation will not have material impact on the consolidated financial statements.
- IAS 39 Novation of Derivates and Continuation of Hedge Accounting. The revised standard will not have material impact on the consolidated financial statements.
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. The revised standard will not have material impact on the consolidated financial statements.
- IFRS 1 First-time Adoption of IFRSs issued, amended for fixed transition dates and severe hyperinflation (revised). The revised standard will not have material impact on the consolidated financial statements.
- IFRIC 20. The new interpretation will not have material impact on the consolidated financial statements.
- IFRIC 21 Levies. The new interpretation will not have material impact on the consolidated financial statements.

1. OPERATING SEGMENTS

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

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

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

Automotive Business Segment

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

EB's software products are: EB street director navigation software, EB GUIDE HMI development and speech dialogue platform, EB tresos product line of software components used in ECUs and tools for their configuration, and EB

Assist ADTF, an extensive software development kit for driver assistance solutions. These software products generate license fees, often combined with supply of R&D services for customized solutions.

Wireless Business Segment

In the Wireless Business Segment EB offers products and product platforms for defense and public safety markets and for industrial use, as well as product development services and customized solutions for wireless communications markets and for other companies needing wireless connectivity for their devices targeted for consumers or professional use.

EB's products in the Wireless Business Segment are EB Tactical Wireless IP Network for tactical communications, EB Tough Voip for tactical IP-based communication, and EB Wideband COMINT Sensor for signals intelligence. The product platforms are EB Counter RCIED Platform for electronic warfare, Android-based EB Specialized Device Platform, and EB LTE Connectivity Module for specialized markets. For the latest wireless technologies and applications EB offers a broad range of R&D services such as consulting, integration, software and hardware development.

Wireless Business Segment's Test Tools product business is classified as Discontinuing Operations in the 2012 financial statements because at the end of year 2012, during the discussions with the buyer and ongoing due diligence process, it turned out that the execution of the transaction is very probable and EB was committed to the sales plan.

Other items

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

Notes to the Consolidated Financial Statements

OPERATING SEGMENTS 2013 1000 EUR	Automotive Business Segment	Wireless Business Segment	Other items	Eliminations	Group total
Net sales					
Net sales to external customers	138 213	61 068	0		199 281
Net sales to other segments	86	93	0	-179	0
Net sales total	**138 300**	**61 160**	**0**	**-179**	**199 281**
Depreciation	-6 045	-2 960	-34		-9 040
Operating Profit	**8 543**	**-472**	**72**	**0**	**8 143**
Unallocated expenses					-1 491
Profit for the year from Continuing Operations					6 652
Profit for the year from Discontinuing Operations					24 294
Profit for the year					**30 946**
Assets and liabilities					
Segment’s assets	71 581	27 683	821	-471	99 613
Unallocated assets					44 741
Assets classified as held for sale					0
Total assets	**71 581**	**27 683**	**821**	**-471**	**144 354**
Segment’s liabilities	34 995	18 907	575	-471	54 006
Unallocated liabilities					8 621
Liabilities classified as held for sale					0
Total liabilities	**34 995**	**18 907**	**575**	**-471**	**62 626**
Capital expenditure, Continuing Operations					
Tangible assets	3 458	2 444	4		5 906
Intangible assets	1 686	243			1 929
Investments					0
Goodwill	32				32
Capital expenditure, Discontinuing Operations					
Tangible assets					21
Intangible assets					15

OPERATING SEGMENTS 2012 restated 1000 EUR	Automotive Business Segment	Wireless Business Segment	Other items	Eliminations	Group total
Net sales					
Net sales to external customers	110 507	63 273	85		173 865
Net sales to other segments	88	258	0	-347	0
Net sales total	**110 596**	**63 531**	**85**	**-347**	**173 865**
Depreciation	-4 056	-2 946	-51		-7 052
Operating Profit	**3 255**	**-2 223**	**37**	**0**	**1 068**
Unallocated expenses					13
Profit for the year from Continuing Operations					1 081
Profit for the year from Discontinuing Operations					1 185
Profit for the year					**2 267**
Assets and liabilities					
Segments assets	79 849	28 917	2 182	-1 993	108 955
Unallocated assets					15 510
Assets classified as held for sale					7 699
Total assets	**79 849**	**28 917**	**2 182**	**-1 993**	**132 164**
Segment liabilities	25 861	15 979	500	-1 943	40 397
Unallocated liabilities					21 259
Liabilities classified as held for sale					4 509
Total liabilities	**25 861**	**15 979**	**500**	**-1 943**	**66 166**
Capital expenditure, Continuing Operations					
Tangible assets	3 015	2 603	2		5 620
Intangible assets	4 840	410	10		5 260
Investments					0
Goodwill	35				35
Capital expenditure, Discontinuing Operations					
Tangible assets					338
Intangible assets					134

Notes to the Consolidated Financial Statements

Geographical areas

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

GEOGRAPHICAL AREAS 2013 1000 EUR	Finland	Other Europe	Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	38 294	126 473	26 595	7 919		199 281
Non-current assets	5 579	38 553	491	41		44 663
Unallocated non-current assets						0
Total non-current assets *)						**44 663**
*) does not include deferred tax assets						
Capital expenditure, Continuing Operations						
Tangible assets	2 370	3 398	134	5		5 906
Intangible assets	255	1 657	2	16		1 929
Investments						0
Goodwill		32				32
Capital expenditure, Discontinuing Operations						
Tangible assets	21					21
Intangible assets	15					15

GEOGRAPHICAL AREAS 2012 restated 1000 EUR	Finland	Other Europe	Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	25 330	111 384	28 617	8 535		173 865
Non-current assets	5 740	39 375	643	126		45 884
Unallocated non-current assets						0
Total non-current assets *)						**45 884**
*) does not include deferred tax assets						
Capital expenditure						
Tangible assets	2 455	2 782	359	24		5 620
Intangible assets	424	4 817	6	13		5 260
Investments						0
Goodwill		35				35
Capital expenditure, Discontinuing Operations						
Tangible assets	338					338
Intangible assets	134					134

Information of primary customers

Group's revenues from the 10 largest customers in year 2013 was EUR 135.5 million (EUR 112.8 million in 2012) representing 68.0 per cent of the net sales (64.9 per cent in 2012)

2. DISCONTINUING OPERATIONS

Elektrobit Corporation ("EB") and Anite plc ("Anite") signed an agreement on 28 of January 2013, under the terms of which EB agreed to sell its Test Tools product business to Anite. The Transaction comprised the sale of the shares of EB's subsidiary Elektrobit System Test Ltd., a company based in Oulu, Finland, and certain related other assets in the USA and China. EB's Test Tools product business provides radio channel emulation tools and testing solutions for the development of the wireless technologies and is a part of the EB's Wireless Business Segment employing a total of 54 persons in Finland, USA and China.

Test Tools product business is classified as Discontinuing Operations in the 2012 financial statements.

Test Tools product business	2013 1000 EUR	2012 1000 EUR
Net sales	1 005	16 110
Expenses	-860	-14 925
Profit before tax	148	1 185
Income tax	0	0
Profit after tax	**148**	**1 185**
Profit for the sale of Test Tools product business	24 146	
Income tax	0	
Profit for the sale of Test Tools product business after tax	24 146	
Profit for the year from Discontinuing Operations	**24 294**	**1 185**

Test Tools business area has been part of Wireless Business Segment and big portion of its costs have incurred from shared operations of the Wireless Business Segment. Some part of the costs that have been allocated to Test Tools business were not transferred in the transaction and will burden remaing businesses of the Wireless Business Segment for time being.

Cash flows of Test Tools business area have not been followed or reported but they have been included in cash flows of the Wireless Business Segment. It is not reasonable to prepare reliable cash flow calculation giving a true view of Test Tools business area.

Impact of the sale Test Tools -product business	Jan. 31, 2013
Property, plant and equipment	780
Intangible asssets	382
Receivables	5 189
Inventories	1 844
Cash and short-term deposits	1 815
Trade and other payables	-4 833
Assets and liabilities total	**5 178**
Cash received	31 864
Cash of Test Tools product business	-1 815
Expenses related to transaction	-1 741
Disposal of business unit, net of cash acquired	**28 308**

Assets classified as held for sale	**Dec. 31, 2012**
Property, plant and equipment	1 015
Intangible assets	379
Inventories	1 765
Receivables	4 540
Assets classified as held for sale	**7 699**

Liabilities classified as held for sale	**Dec. 31, 2012**
Non-current liabilities	68
Current liabilities	4 441
Liabilities classified as held for sale	**4 509**

Notes to the Consolidated Financial Statements

3. NET SALES	2013 1000 EUR	2012 1000 EUR
Income recognized from construction contracts	120 560	97 194
Net sales other	78 721	76 671
Total	**199 281**	**173 865**

Construction contracts

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

Income recognized as sales based on the stage of completion of long-term construction contracts	120 560	97 194
Revenue recognized from long-term construction contracts in progress amounted to	36 376	31 839
Advances received from long-term construction contracts recognized in the balance sheet amounted to	18 907	4 661
Receivables recognized from long-term construction contracts amounted to	10 919	7 982

4. OTHER OPERATING INCOME

Government grants	1 542	1 759
Other income	1 996	671
Total	**3 538**	**2 430**

5. OTHER OPERATING EXPENSES

External services	-26 207	-29 996
Voluntary staff expenses	-2 158	-2 123
Premises expenses	-8 104	-7 473
Travel expenses	-2 263	-2 397
IT expenses	-2 668	-3 529
Other expenses	-18 634	-14 643
Total	**-60 035**	**-60 161**

AUDITORS' CHARGES

Ernst & Young		
Auditing	142	163
Certificates and statements	12	1
Tax advice	41	28
Other services	23	66
Total	**217**	**258**

Others		
Auditing	42	32
Tax advice	18	17
Other services	16	36
Total	**76**	**86**

6. DEPRECIATIONS AND IMPAIRMENTS

	2013 1000 EUR	2012 1000 EUR
Depreciations		
Intangible assets		
Capitalized development expenditure	-1 562	-901
Intangible rights	-1 365	-1 355
Other intangible assets	-1 286	-480
Tangible assets		
Buildings and constructions	-12	-285
Machinery and equipment	-4 815	-4 030
Total	**-9 040**	**-7 052**

7. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL

Number of personnel		
Average number of personnel during the fiscal period		
Wireless Business Segment, Continuing Operations	536	571
Wireless Business Segment, Discontinuing Operations		54
Automotive Business Segment, subsidiaries	1 079	946
Other businesses	10	10
Automotive Business Segment, joint operations	300	132

Personnel expenses 1000 EUR		
Personnel expenses		
Management salaries	-1 532	-1 428
Board of directors	-200	-200
Expense of share-based payments	-168	-349
Other salaries and wages	-92 203	-82 149
Total	**-94 103**	**-84 125**

Pension expenses, defined contribution plans	-5 504	-5 613
Pension expenses, defined benefit plans	-126	-90
Other personnel expenses	-13 430	-11 248
Total	**-113 162**	**-101 077**

Notes to the Consolidated Financial Statements

8. RESEARCH AND DEVELOPMENT EXPENSES	2013 1000 EUR	2012 1000 EUR
The research and development expenses total	18 462	21 977
Recognition as an asset	0	-2 933
The expensed research and development expenses recognized in the income statement amounted to	18 462	19 045

9. FINANCIAL EXPENSES (NET)

Interest expenses	-547	-639
Interest income	18	16
Dividend income	0	0
Exchange gains and losses	-639	-93
Change of financial assets and liabilities at fair value through profit or loss	330	364
Other financial expenses	-146	-136
Other financial incomes	62	10
Total	**-920**	**-478**

10. INCOME TAXES

Income taxes, current year	-1 128	-499
Other taxes	-162	-253
Income taxes, previous years	6	19
Deferred taxes	714	1 224
Total	**-570**	**491**

A reconciliation between the effective tax rate and domestic tax rate (24.5 %) of the Group:

Profit before taxes	**7 222**	**590**
Tax at the domestic tax rate	-1 769	-145
Effect of tax rates of foreign subsidiaries	-553	-107
Taxes for prior years	6	19
Tax free income	507	213
Non-deductible expenses	-1 253	-227
Temporary difference between carrying amounts and tax base	0	-118
Deferred tax	2 580	1 127
Others	-88	-270
Income taxes in the consolidated income statement	**-570**	**491**

11. EARNINGS PER SHARE	2013 1000 EUR	2012 1000 EUR
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.		
Profit attributable to the equity holders of the parent, Continuing Operations (1000 EUR)	6 652	1 081
Profit attributable to the equity holders of the parent, Discontinuing Operations (1000 EUR)	24 294	1 185
Profit attributable to the equity holders of the parent, Continuing and Discontinuing Operations (1000 EUR)	30 946	2 267
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 528	129 413
Basic earnings per share, Continuing Operations, EUR	**0.051**	**0.008**
Basic earnings per share, Discontinuing Operations, EUR	**0.188**	**0.009**
Basic earnings per share, Continuing and Discontinuing Operations, EUR	**0.239**	**0.018**
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 (Share-option plan 2008A, 2008B and 2008C) which has a diluting effect, when the exercise price is lower than the closing share price.		
The exercise price of the stock options at December 31, 2013 is lower than the closing share price, hence the stock options has dilutive effect.		
Profit attributable to the equity holders of the parent, Continuing Operations (1000 EUR)	6 652	1 081
Profit attributable to the equity holders of the parent, Discontinuing Operations (1000 EUR)	24 294	1 185
Profit attributable to the equity holders of the parent, Continuing and Discontinuing Operations (1000 EUR)	30 946	2 267
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 528	129 413
Effect of dilution (1000 PCS)	564	826
Weighted average number of ordinary shares during the financial year (1000 PCS)	130 092	130 238
Diluted earnings per share, Continuing Operations, EUR	**0.051**	**0.008**
Diluted earnings per share, Discontinuing Operations, EUR	**0.187**	**0.009**
Diluted earnings per share, Continuing and Discontinuing Operations, EUR	**0.238**	**0.017**

Notes to the Consolidated Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT	2013 1000 EUR	2012 1000 EUR
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.		
Buildings and constructures		
Acquisition cost Jan. 1	2 685	2 575
Translation differences	-5	-1
Additions during the period	247	121
Disposals during the period	-31	
Transfer to assets classified as held for sale		-10
Acquisition cost Dec. 31	2 896	2 685
Accumulated depreciations Jan. 1	-1 630	-1 347
Translation differences	3	1
Depreciation for the period	-271	-285
Depreciations on disposals	25	
Carrying amount Dec. 31	1 022	1 054
No revaluations or capitalizations of the interest costs have been done.		
Machinery and equipment		
Acquisition cost Jan. 1	50 072	47 655
Translation differences	-56	-26
Additions during the period	5 640	5 841
Disposals during the period	-191	
Transfer to assets classified as held for sale		-2 892
Transfer to assets		-507
Acquisition cost Dec. 31	55 464	50 072
Accumulated depreciations Jan. 1	-42 516	-40 343
Translation differences	39	20
Depreciations on disposals	156	120
Depreciation for the period	-4 555	-4 200
Transfer to assets classified as held for sale		1 887
Carrying amount Dec. 31	8 588	7 556
Advance payments		
Acquisition cost Jan. 1		
Additions during the period	3	
Acquisition cost Dec. 31	3	

	2013 1000 EUR	2012 1000 EUR
Other tangible assets		
Acquisition cost Jan. 1	88	88
Acquisition cost Dec. 31	88	88
Accumulated depreciations Jan. 1		
Depreciation for the period		
Carrying amount Dec. 31	88	88
Property, plant and equipment total		
Acquisition cost Jan. 1	52 844	50 318
Translation differences	-61	-27
Additions during the period	5 890	5 962
Disposals during the period	-222	
Transfer to assets classified as held for sale		-2 902
Transfer to assets		-507
Acquisition cost Dec. 31	58 450	52 844
Accumulated depreciations Jan. 1	-44 146	-41 690
Translation differences	42	21
Depreciations on disposals	181	120
Depreciation for the period	-4 826	-4 484
Transfer to assets classified as held for sale		1 887
Carrying amount Dec. 31	9 701	8 698
Finance leases		
The Group had the following amounts of property, plant and equipment acquired by finance leases:		
Machinery and equipment		
Acquisition cost Jan. 1	16 086	37 213
Accumulated depreciations	-12 536	-32 536
Carrying amount Dec. 31	3 550	4 677

Additions of property, plant and equipment include assets acquired by finance leases of EUR 2.0 million in 2013 (EUR 3.2 million in 2012).

Notes to the Consolidated Financial Statements

13. INTANGIBLE ASSETS	2013 1000 EUR	2012 1000 EUR
Capitalized development expenditure		
Acquisition cost Jan. 1	15 579	13 217
Additions during the period		2 933
Acquisition cost Dec. 31	15 579	16 150
Accumulated depreciations Jan. 1	-2 047	-1 717
Depreciation for the period	-1 562	-901
Carrying amount Dec. 31	11 970	13 532
Intangible rights		
Acquisition cost Jan. 1	2 238	2 906
Additions during the period	148	485
Transfer to assets classified as held for sale		-1 153
Acquisition cost Dec. 31	2 386	2 238
Accumulated depreciations Jan. 1	-1 081	-1 389
Depreciation for the period	-357	-466
Transfer to assets classified as held for sale	0	774
Carrying amount Dec. 31	948	1 156
Goodwill allocated to Intangible rights		
Acquisition cost Jan. 1	10 079	10 195
Acquisition cost Dec. 31	10 079	10 195
Accumulated depreciations Jan. 1	-8 903	-7 997
Depreciation for the period	-1 008	-1 022
Carrying amount Dec. 31	168	1 176

	2013 1000 EUR	2012 1000 EUR
Other intangible assets		
Acquisition cost Jan. 1	4 193	2 258
Translation differences	-4	-2
Additions during the period	1 792	1 945
Disposals during the period	-9	-8
Acquisition cost Dec. 31	5 973	4 193
Accumulated depreciations Jan. 1	-2 328	-1 850
Translation differences	3	1
Depreciations on disposals	2	1
Depreciation for the period	-1 286	-480
Carrying amount Dec. 31	2 364	1 865
Advance payments		
Acquisition cost Jan. 1	36	
Additions during the period	26	36
Carrying amount Dec. 31	62	36
Intangible assets total		
Acquisition cost Jan. 1	32 124	28 576
Translation differences	-4	-2
Additions during the period	1 966	5 398
Disposals during the period	-9	-8
Transfer to assets classified as held for sale		-1 153
Acquisition cost Dec. 31	34 078	32 812
Accumulated depreciations Jan. 1	-14 359	-12 953
Translation differences	3	1
Depreciations on disposals	2	1
Depreciation for the period	-4 213	-2 870
Transfer to assets classified as held for sale		774
Carrying amount Dec. 31	15 512	17 765
Goodwill		
Acquisition cost Jan. 1	19 295	19 264
Translation differences	-8	-4
Additions during the period	32	35
Carrying amount Dec. 31	19 319	19 295
Goodwill has been allocated to cash generating units as follows:		
Wireless Business Segment	170	178
Automotive Business Segment	19 149	19 117
Total	**19 319**	**19 295**

Notes to the Consolidated Financial Statements

Impairment test

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

The cash flow forecasts employed in these calculations are based on the cash flow targets for 2014 and the Long Range Plans (LRP) for 2015-2018 approved by management for the strategical period. The share of e.solutions GmbH LRP to be consolidated to EB is 51%. Forecasting method has been substantially the same as in previous financial years. Cash flows beyond five-year period are calculated by using the terminal value method. Future cash flows are exposed to the risks that are discussed in section "Risks and uncertainties" in the Report by the Board of Directors.

The used discount rate in impairment testing is Weighted Average Cost of Capital (WACC) after tax defined for EB. WACC defines average costs of equity and debt by noticing the risks belonging to the each component. The components of WACC are risk-free interest rate, market risk premium, beta, cost of debt, corporate income tax rate and target capital structure. The WACC used in the calculations was 12.12% in 2013 (12.59% in 2012). Other components in the WACC were estimated to be in line with the previous year's estimations.

In 2013, the Wireless Business Segment achieved the cash flow forecasted in the impairment test in 2012.

In 2013, the Automotive Business Segment exceeded the cash flow forecasted in the impairment test in 2012. There has not happened any fundamental changes in the Automotive Business Segment environment that would make an impact to the cash flow expectations compared to the previous financial year.

The impairment test is done when needed, but at least once per year. Impairment tests made in December 2013 did not indicate need for impairment bookings. Recoverable amounts exceed significantly the book value of goodwill and other assets. The terminal value represents 77% of the Wireless Business Segment's value and 64% in the Automotive Business Segment's value. Sensitivity analysis was also carried out during the impairment test. CGU's cash flow forecast was either decreased by 20% or the discount factor was increased by 5%. It was noticed that cash flows are relatively sensitive to decrease in turnover, because cost structure can not easily be adapted simultaneously with declining turnover. However, there are no expectations for impairment losses in the future.

14. OTHER FINANCIAL ASSETS

	2013 1000 EUR	2012 1000 EUR
At Jan. 1	125	128
Additions	7	-1
Disposals		-3
At Dec. 31	132	125

15. DEFERRED TAX LIABILITIES AND ASSETS

1000 EUR	Jan. 1, 2013	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Dec. 31, 2013
Deferred tax assets						
Unused old losses in taxation	878	241				1 119
Other items	69	297	-12			355
Total	**947**	**538**	**-12**	**0**	**0**	**1 473**

Non booked deferred tax receivables of loss-making domestic companies is EUR 11.6 million.

Group has booked deferred tax receivables EUR 0.2 million of confirmed losses in Finland subsidiaries.

Group had EUR 81.0 million (EUR 84.5 million December 31, 2012) of confirmed losses of December 31, 2013 from which has not booked deferred tax receivable because group does not have confidence of point of time for future profits, tax treatment and in which Company the profits will be generated. The losses will start aging from year 2016.

Deferred tax liabilities						
Allocated goodwill	176	-176				0
Other items	499			-1		497
Total	**674**	**-176**	**0**	**-1**	**0**	**497**

1000 EUR	Jan. 1, 2012	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Dec. 31, 2012
Deferred tax assets						
Unused old losses in taxation	0	878				878
Other items	78	-9				69
Total	78	868	0	0	0	947

Non booked deferred tax receivables of loss-making domestic companies is EUR 15.3 million.

Group has booked deferred tax receivables EUR 0.9 million of confirmed losses in Germany and Austria subsidiaries.

Group had EUR 84.5 million (EUR 87.2 million December 31, 2011) of confirmed losses of December 31, 2012 from which has not booked deferred tax receivable because group does not have confidence of point of time for future profits, tax treatment and in which Company the profits will be generated. The losses will start aging from year 2016.

Deferred tax liabilities						
Allocated goodwill	488	-312				176
Other items	542	-43				499
Total	**1 030**	**-356**	**0**	**0**	**0**	**674**

Notes to the Consolidated Financial Statements

16. INVENTORIES	2013 1000 EUR	2012 1000 EUR
Raw materials and supplies	273	47
Work in progress	3	
Finished products	335	65
Other inventories	208	269
Total	**819**	**381**

17. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	39 117	46 460
Receivables from construction contracts	10 919	13 153
Prepaid expenses and accrued income	2 486	2 697
Other receivables	1 803	152
Total	**54 325**	**62 967**

Receivables are valued at nominal value or probable current value, whichever is lower.
During the financial year group has booked impairment losses from accounts receivable EUR 0.0 million (EUR 1.3 million 2012)

Age distribution of accounts receivable		
Current	29 705	30 606
Aged Overdue Amounts		
0-3 months	9 194	15 834
4-6 months	114	19
7-12 months	104	
> 12 months		
Total	**39 117**	**46 460**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2013 1000 EUR	2012 1000 EUR
Currency derivatives		
Balance sheet value on Jan. 1		
Changes in fair-value	90	
Balance sheet value on Dec. 31	90	
Bond fund		
At 1 January	9 674	
Additions	25 000	9 645
Disposals	-14 300	
Changes in fair-value	237	31
At 31 December	20 611	9 676
Financial assets at fair value through profit or loss total		
Jan. 1	9 674	
Additions	25 000	9 645
Disposals	-14 300	0
Changes in fair-value	328	31
Dec. 31	20 702	9 676

19. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits	22 372	4 611
Total	**22 372**	**4 611**
Cash and cash equivalents at consolidated cash flow statement consist of:		
Financial assets at fair value through profit or loss	20 611	9 676
Cash and short-term deposits	22 372	4 611
Total	**42 983**	**14 287**

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

Notes to the Consolidated Financial Statements

20. ISSUED CAPITAL AND RESERVES

	Shares 1000 PCS	Share premium 1000 EUR	Premium fund 1000 EUR	Invested non-restricted equity fund	Total 1000 EUR
On Dec. 31, 2011	129 413	12 941	0	38 697	51 638
On Dec. 31, 2012	129 413	12 941	0	38 697	51 638
Share subscriptions pursuant	688			148	148
Capital repayment				-14 311	-14 311
On Dec. 31, 2013	130 101	12 941	0	24 533	37 475

Shares and the Share Capital

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

At the end of the financial period, the fully paid share capital of the Company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 130,100,875. The accounting per value of the company's share is EUR 0.10. The Company is not in the possession of its own shares.

Translation differences

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

Dividends

The Board of Directors proposes that the Annual General Meeting resolve to pay EUR 0.02 per share as dividend based on the adopted balance sheet for the financial period of January 1, 2013 - December 31, 2013.

21. SHARE-BASED PAYMENT PLANS

Stock Options

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 is April 1 2012 – March 31 2014, for stock options 2008B April 1 2013 – March 31 2015, and for stock options 2008C April 1 2014 – March 31 2016.

Notes to the Consolidated Financial Statements

Share-option plan 2008A	Share-based options, granted for key personnel
Nature of arrangement	Granted share-options
Grant date	14.8.2009
Number of instruments granted (1000 PCS)	1168
Exercise price, EUR	0.07
Share price at the grant date, EUR	0.68
Contractual life of the options (years)	4.7
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	43%
Expected contractual life of the options (years)	4.7
Risk-free interest rate (%)	2.65 %
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2013 1000 pcs	Number of options 2012 1000 pcs
Outstanding at the beginning of the year	1 168	1 074
Granted during the year	220	100
Forfeited during the year	-96	-6
Exercised during the year	-666	
Expired during the year		
Outstanding at the end of the year	627	1 168
Exercisable at the end of the year	627	

Share-option plan 2008B	Share-based options, granted for key personnel
Nature of arrangement	Granted share-options
Grant date	31.5.2010
Number of instruments granted (1000 PCS)	1134
Exercise price, EUR	0.73
Share price at the grant date, EUR	1.05
Contractual life of the options (years)	4.9
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	44%
Expected contractual life of the options (years)	4.9
Risk-free interest rate (%)	2.65%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2013 1000 pcs	Number of options 2012 1000 pcs
Outstanding at the beginning of the year	1 139	1 144
Granted during the year		
Forfeited during the year	-50	-5
Exercised during the year	-23	
Expired during the year		
Outstanding at the end of the year	1 067	1 139
Exercisable at the end of the year	1 067	

Notes to the Consolidated Financial Statements

Share-option plan 2008C	Share-based options, granted for key personnel
Nature of arrangement	Granted share-options
Grant date	19.8.2011
Number of instruments granted (1000 PCS)	740
Exercise price, EUR	0.61
Share price at the grant date, EUR	0.56
Contractual life of the options (years)	4.7
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	45%
Expected contractual life of the options (years)	4.7
Risk-free interest rate (%)	2.07%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2013 1000 pcs	Number of options 2012 1000 pcs
Outstanding at the beginning of the year	740	775
Granted during the year	65	
Forfeited during the year	-45	-35
Exercised during the year		
Expired during the year		
Outstanding at the end of the year	760	740
Exercisable at the end of the year		

22. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The pension arrangements of the foreign subsidiaries have mainly been classified as defined contribution plans. The only significant defined benefit plan relates to the German subsidiary and to the German joint operation. The assets related to this benefit plan are held by a German insurance company. The assets are invested according to the insurance company's investment strategy.

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 revised IAS 19 –standard (effective 2013) are prepared by authorized actuaries. According to revised standard, the actuarial gains and losses are recognized in other comprehensive income (OCI). In EB balance sheet the remeasurement has increased the net pension liability by EUR 0.6 million. The comparative figures for 2012 are restated according to revised standard.

	2013 1000 EUR	2012 1000 EUR
Benefit pension plan liability consists of following items:		
Present value of funded obligations	2 397	2 258
Fair value of plan assets	-311	-299
Net liability	2 086	1 960
Net periodic pension cost in income statement:		
Unrecognized net liability on Jan. 1		
Current service cost	66	41
Interest cost	70	59
Employee contributions	-10	-10
Total	**126**	**90**
Balance sheet reconciliation:		
Net liability on Jan. 1	1 960	1 044
Remeasurements (IAS 19)	0	825
Net periodic pension cost in income statement	126	90
Net liability on Dec. 31	**2 086**	**1 960**
Principal actuarial assumptions:		
Europe		
Discount rate	3.60	3.60
Expected return on plan assets	3.60	3.60
Future pension increase	2.00	

Sensitivity of defined benefit obligation to changes in actuarial assumptions	Impact on defined benefit obligation	
Discount rate, +0.25%	2 266	-5.5 %
Discount rate, -0.25%	2 538	5.9 %
Future pension increase +0.25%	2 460	2.6 %
Future pension increase -0.25%	2 336	-2.5 %

23. PROVISIONS

1000 EUR	Provisions for reorganising operations	Unprofitable rental agreements	Others	Total
December 31, 2012	615	1 506	496	2 617
Increase in provisions			1 615	1 615
Used provisions	-548	-1 033	-43	-1 624
Reversal of unused provisions				0
December 31, 2013	66	473	2 068	2 607
Long-term provisions		304		304
Short-term provisions	66	169	2 068	2 303
Total	**66**	**473**	**2 068**	**2 607**

24. FINANCIAL LIABILITIES	2013 1000 EUR	2012 1000 EUR
Non-current loans		
Bank loans	1 150	3 364
Finance lease liabilities	2 110	2 006
Total	**3 260**	**5 370**
Current loans		
Bank loans	0	9 000
Finance lease liabilities	1 609	2 698
Repayments of non-current bank loans	407	1 007
Total	**2 016**	**12 704**
Repayment schedule of long-term loans:		
2014		3 732
2015	988	569
2016	1 751	976
2017	391	84
2018	131	
Later	0	9
Total	**3 260**	**5 370**
The interest-bearing non-current loans are distributed by currency as follows:		
EUR	3 260	5 370
Total	**3 260**	**5 370**
The interest-bearing current loans are distributed by currency as follows:		
EUR	2 016	12 704
Total	**2 016**	**12 704**
Maturities of the finance lease liabilities:		
Finance lease liabilities – minimum lease payments	3 995	4 972
Within one year	1 743	2 840
After one year but no more than five years	2 252	2 122
After five years	0	9
Finance lease liabilities – Present value of minimum lease payments	3 719	4 704
Within one year	1 609	2 694
After one year but no more than five years	2 110	2 001
After five years	0	9
Future finance charges	276	268
Total amount of finance lease liabilities	3 995	4 972

Notes to the Consolidated Financial Statements

25. TRADE AND OTHER PAYABLES	2013 1000 EUR	2012 1000 EUR
Current liabilities		
Trade and other payables		
Trade liabilities	14 822	10 305
Accrued liabilities, deferred income	14 435	14 350
Other liabilities	22 903	13 675
Total	**52 160**	**38 330**
Material of accrued expenses and deferred income consist of personnel expenses and other accruals.		
Fair value of the other liabilities than derivatives don't significantly differ from the initial carrying value, because the impact on discounting is not significant when taking into account the maturities of the loans.		
Financial liabilities at fair value through profit or loss		
Liabilities based on derivates		
Balance sheet value on Jan. 1	2	335
Changes in fair-value	-2	-333
Balance sheet value on Dec. 31	**0**	**2**

Notes to the Consolidated Financial Statements

26. 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. External professional portfolio managers are employed for investing activities.

The Group's general risk management principles are approved by the Board of Directors. The responsibility for their implementation lies with the parent company together with operational units. The parent company identifies and assesses risks and obtains relevant financial instruments for hedging them in close co-operation with operative units. The management evaluates risk concentrations from the viewpoint of business activities, taking into consideration shared factors between underlying variables such as those arising from changes in eco-nomic conditions or other variables. Operations and funding programs executed in the financial markets are mainly concentrated into the parent company. Subsidiaries are mainly funded through intra-company loans and group account overdraft credit limits.

The Group's financial risks are divided into market, default and liquidity risk.

Market risks

Market risks are caused by changes in foreign exchange rates, interest rates and prices of securities. Fluctuations in these may have an impact on the Group's income statement, cash flow or balance sheet.

Foreign exchange rate risk

The Group operates globally and is exposed to transaction risk from foreign exchange positions as well as to risk due to the translation of investments in different currencies to the functional currency of the parent company. The most relevant currencies for the Group are the Euro and the US dollar. Foreign exchange rate risk is caused by commercial activities, monetary items on the balance sheet and net investments in foreign subsidiaries. A business unit's functional currency or generally used currencies (EUR, USD) are used as invoicing currency. Additional information on functional currency and foreign currency conversion is available in the accounting principles section of the consolidated financial statements.

The Group follows a currency strategy that aims at securing the margin of business activities in changing market conditions by minimizing the effect of fluctuations in foreign exchange rates. According to the principles of the currency strategy, surely considered and the most probable net cash flow in a particular currency is hedged. The cash flow is defined based on the net position of the trade receivables, trade payables, order intake and forecasted net currency cash flow. The Group does not apply hedge accounting as defined in the IAS 39 standard. According to the currency strategy the degree of hedging can vary from approximately 25% to 125% of the forecasted net position. At the end of the financial period the counter value of the hedged net position was EUR 8.5 million. During the financial year the amount of the hedged position has been changing between EUR 7.0–10.5 million.

The Group has hedged the transaction risk related to its income statement and as a principal rule has not hedged the translation risk related to equity on the balance sheet. Foreign currencies denominated equities of foreign subsidiaries on December 31, 2013 was EUR -7.9 million (EUR -0.7 million in 2012) from which dollar denominated equities of foreign subsidiaries was EUR 6.3 million (EUR -1.7 million in 2012).

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):

Currency derivatives	2013 1000 EUR	2012 1000 EUR
Forward contracts		
Market value	70	7
Nominal value	6 000	5 000
Currency options purchased		
Market value	44	12
Nominal value	2 500	2 000
Sold currency options		
Market value	-23	-21
Nominal value	5 000	2 000

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

	2013 1000 EUR	2012 1000 EUR
Long-term assets	320	514
Long-term liabilities	1 160	189
Current assets	15 549	14 144
Current liabilities	8 415	16 129

The table below describes the 10% appreciation or depreciation of the Euro against the US dollar, other variables remaining constant. The sensitivity analysis is based on foreign currency denominated assets and liabilities as of the closing date. The change in dollar denominated trade receivables and debt would primarily have been due to fluctuations in the foreign exchange rate.

1000 EUR	**Changes in income statement before tax**		**Changes in equity before tax**	
	2013	2012	2013	2012
EUR, appreciates	-600	200	-600	200
EUR, depreciates	700	-200	700	-200

Interest rate risk

Part of the Group's debt is tied to fixed interest rates. Interest rate swaps are also utilized to an extent to reduce cash flow risk due to interest rate fluctuations. At closing date, the Group had the following fixed interest rate debts and interest rate swaps outstanding:

	2013 1000 EUR	2012 1000 EUR
Fixed interest rate debts	4 876	5 647
Interest rate swaps	400	1 400

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**		**Changes in equity before tax**	
	2013	2012	2013	2012
Loan stock Jan. 1	18 300	9 000		
Loan stock Dec. 31	5 300	18 300		
Average loan stock	11 800	13 700		
Change in interest	+/- 100	+/- 100	+/- 100	+/- 100

Notes to the Consolidated Financial Statements

Market risk of investment activities

The Group's interest 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 invests to low-risk interest rate funds and therefore it has not exposed to security price risk of fluctuations in the stock markets. According to the Group's principles investments related to cash management are made in liquid and low-risk money market or bond instruments and thus have not been hedged using derivatives.

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

	2013	**2012**
Stock shares	0.0%	0.0 %
Bonds	41.3%	0.0 %
Money market investments	58.7%	100.0 %
Total	100.0%	100.0 %

The combined value of the above instruments during the financial period has ranged from approximately EUR 9.7 to EUR 34.9 million. At closing date their value was approximately EUR 20.6 million. This risk concentration has been managed by investing to well spread and low-risk money market funds.

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

1000 EUR	**Changes in income statement before tax**		**Changes in equity before tax**	
	2013	2012	2013	2012
Money market investments	+/- 200	+/-0	+/- 200	+/-0

Default risk

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

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

EB's significant default risk concentration is EUR 0.1 million which represents approximately 0.2% of the total accounts receivable.

During the past financial year the amount of recognized credit losses was approximately EUR 0.1 million (EUR 1.3 million in 2012). Group did not have capital loans granted to outside Group at the end of 2013 (EUR 0.0 million in 2012).

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

Liquidity risk

The Group and business segments strive to continuously evaluate and monitor the amount of liquid funds needed for business operations and loan repayments. The Group strives to guarantee the availability and flexibility of financing by its strong financial position and liquid investments. The Group's loan covenants are conventional in nature. The Group has also binding overdraft credit facility agreement of EUR 10 million and revolving credit facility agreement of EUR 10 million that are valid until mid 2014. EBITDA and equity ratio covenants are associated to the overdraft and revolving credit facility agreements. Covenants are reviewed half yearly. EBITDA covenant breaks if EB Continuing and Discontinuing Operations EBITDA is lower than EUR 5.0 million. Breaking of the equity ratio covenant requires approximately 20 percentage weakening to equity ratio at date of the financial statements. At the end of the reporting period overdraft credit facility and revolving credit facility was not used. For the maturity distribution of the Group's debt, see note 28.

Capital structure management

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

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

The management has continuously monitored the development of the Group's net gearing and solvency ratio. The Group's interest bearing net debt at the end of 2013 was EUR -37.7 million (EUR 4.0 million in 2012) and net gearing was -46.1% (6.1% in 2012). The Group's solvency ratio at the end of 2013 was 64.1% (55.0% in 2012).

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FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

1000 EUR	Note	Book value 2013	Fair value 2012	Book value 2012	Fair value 2012
Financial assets					
Other financial assets		132	132	125	125
Trade receivables and other receivables	18, 21	54 325	54 325	62 967	62 967
Financial assets at fair value through profit or loss	17, 22	20 611	20 611	9 676	9 676
Cash and cash equivalents	22	22 372	22 372	4 611	4 611
Currency forwards and options	22	90	90		
Financial liabilities					
Bank loans	28	1 557	1 543	13 370	13 384
Finance lease liabilities	28	3 719	3 719	4 958	4 958
Trade payables and other debts	26, 27, 29	57 350	57 350	47 836	47 836
Currency forwards and options	29			2	2

Investments in shares and funds and other investments

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

Derivatives

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

Bank loans

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

Finance lease liabilities

Book values are considered to closely approximate fair values.

Trade receivables and other receivables

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

Trade payables and other debts

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

27. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES	2013 1000 EUR	2012 1000 EUR
Business transactions without payments		
Depreciations	9 067	7 356
Employee benefits	168	373
Profit and loss from sale of property, plant and equipment	-24 146	
Other adjustments	80	887
Total	**-14 830**	**8 616**

28. 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:	2013 1000 EUR	2012 1000 EUR
Not later than one year	7 607	6 775
Later than one year and not later than five years	16 392	15 960
Later than five years	1 247	

The Group has rented most of its facilities. In average the maturities of the lease agreements are from 1 month to 10 years and normally they include an option to extend the rental period from originally agreed end date.

The Group as lessor

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

Notes to the Consolidated Financial Statements

29. SECURITIES AND CONTINGENT LIABILITIES	2013 1000 EUR	2012 1000 EUR
Against own liabilities		
Floating charges	18 035	18 119
Guarantees	14 584	17 674
Rental liabilities		
Falling due in the next year	7 607	6 775
Falling due after one year	17 639	15 960
Other contractual liabilities		
Falling due in the next year	1 043	1 286
Falling due after one year	569	33
Mortgages pledged for liabilities totaled		
Loans from financial institutions	2 501	14 529
Other liabilities		2

30. RELATED PARTY DISCLOSURES

The Group has the following structure:	Country of incorporation	Owned by Parent %	Owned by Group %
Parent			
Elektrobit Corporation	Finland		
Subsidiaries			
Elektrobit Technologies Ltd.	Finland	100.00	100.00
Elektrobit Wireless Communications Ltd.	Finland	0.00	100.00
Elektrobit France SAS	France	0.00	100.00
Elektrobit Automotive GmbH	Germany	100.00	100.00
Elektrobit Austria GmbH	Austria	0.00	100.00
Elektrobit Automotive Romania SRL	Rumania	0.00	100.00
Elektrobit Inc.	USA	0.00	100.00
Elektrobit Automotive Inc.	USA	0.00	100.00
Elektrobit Automotive Americas Inc.	USA	0.00	100.00
Elektrobit Nippon KK	Japan	0.00	100.00
Elektrobit Wireless (Beijing) Ltd.	China	0.00	100.00
Elektrobit Automotive Software (Shanghai) Ltd.	China	0.00	100.00
Elektrobit Wireless Singapore Pte Ltd.	Singapore	0.00	100.00
Joint Operations			
e.solutions GmbH	Germany	0.00	51.00

Notes to the Consolidated Financial Statements

	2013 1000 EUR	2012 1000 EUR
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Jukka Harju 1.1.-31.12.2013 and 1.1.-31.12.2012	290	290
Total	**290**	**290**
Remuneration of the members of the board of the parent, the financial		
committee and the managing directors of the business segments		
Jorma Halonen 1.1.-31.12.2013 and 1.1.-31.12.2012	33	35
Kai Hilden 1.1.-31.12.2013 and 11.10.-31.12.2012	11	3
Juha Hulkko 1.1.-31.12.2013 and 1.1.-31.12.2012	34	33
Seppo Laine 1.1.-31.12.2013 and 1.1.-31.12.2012	56	56
Staffan Simberg 1.1.-31.12.2013 and 1.1.-31.12.2012	40	40
Erkki Veikkolainen 1.1.-31.12.2013 and 1.1.-31.12.2012	26	33
Total	**200**	**200**
There have not been any business transactions or open balances between the related parties.		
Members of the group executive board	**696**	**714**
Loans and guarantees to related party		
There are no loans or guarantees granted between the related parties		
Stock option expenses	**37**	**92**

31. SUBSEQUENT EVENTS

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

32. KEY RATIOS	IFRS 2013	IFRS 2012 restated	IFRS 2011	IFRS 2010	IFRS 2009
INCOME STATEMENT, (MEUR)					
Net sales, (MEUR) *)	199.3	173.9	148.0	147.7	153.8
Net sales change, %	14.6	17.5	0.3	-4.0	-10.7
Operating profit / loss, (MEUR) *)	8.1	1.1	-5.5	-17.3	-1.4
% of net sales	4.1	0.6	-3.7	-11.7	-0.9
Profit / loss for Continuing Operations before taxes, (MEUR)	7.2	1.1	-5.9	-18.7	-2.0
% of net sales	3.6	0.6	-4.0	-12.6	-1.3
Profit for the year from Continuing Operations, (MEUR)	6.7	1.1	-6.5	-15.7	-3.3
% of net sales	3.3	0.6	-4.4	-10.7	-2.2
Profit after tax for the year from Discontinuing Operations, (MEUR)	24.3	1.2	1.5	0.1	1.3
% of net sales	12.2	0.7	1.0	0.1	0.9
Profit for the year attributable to equity holders of the parent, (MEUR)	30.9	2.3	-5.3	-16.1	-2.2
% of net sales	15.5	1.3	-3.6	-10.9	-1.4
BALANCE SHEET (MEUR)					
Non-current assets	46.1	46.8	43.7	41.2	39.4
Inventories	0.8	0.4	1.8	1.9	2.4
Current assets	97.4	77.3	66.8	81.1	118.4
Assets classified as held for sale		7.7			
Shareholders' equity	81.7	66.0	65.8	71.8	112.8
Non-current liabilities	6.1	8.5	6.6	11.6	15.0
Current liabilities	56.5	53.2	40.0	40.7	32.4
Liabilities classified as held for sale		4.5			
Balance sheet total	144.4	132.2	112.3	124.2	160.2
PROFITABILITY AND OTHER KEY FIGURES					
Return on equity % (ROE) *)	9.0	1.6	-9.4	-17.1	-2.9
Return on investment % (ROI) *)	9.2	1.7	-6.6	-16.6	-0.8
Interest-bearing net liabilities, (MEUR)	-37.7	4.0	-0.9	-7.4	-42.4
Net gearing, %	-46.1	6.1	-1.4	-10.3	-37.6
Equity ratio, %	65.1	54.5	62.9	62.4	71.5
Gross investments, (MEUR) *)	7.9	11.4	12.4	10.7	4.0
Gross investments, % of net sales	4.0	6.5	7.7	6.6	2.6
R&D costs, (MEUR) *)	18.5	22.0	22.1	21.6	14.7
R&D costs, % of net sales	9.3	12.6	15.0	13.3	9.6
Average personnel during the period, parent and subsidiaries *)	1627	1528	1553	1507	1589
Average personnel during the period, jointly owned company	300	132			

*) Continuing Operations. Excluding Test Tools income statements from years 2012, 2011, 2010

Notes to the Consolidated Financial Statements

STOCK-RELATED FINANCIAL RATIOS	IFRS 2013	IFRS 2012 restated	IFRS 2011	IFRS 2010	IFRS 2009
Earnings per share from Continuing Operations, EUR					
Basic earnings per share	0.051	0.008	-0.05	-0.13	-0.03
Diluted earnings per share	0.051	0.008	-0.05	-0.12	-0.03
Earnings per share from Discontinuing Operations, EUR					
Basic earnings per share	0.188	0.009	0.01	0.00	0.01
Diluted earnings per share	0.187	0.009	0.01	0.00	0.01
Earnings per share from Continuing and Discontinuing Operations, EUR					
Basic earnings per share	0.239	0.018	-0.04	-0.12	-0.02
Diluted earnings per share	0.238	0.017	-0.04	-0.12	-0.02
Equity per share, EUR	0.63	0.51	0.51	0.55	0.87
Dividend per share EUR *)	0.02	0.01			
Dividend per earnings, %	38.9	119.7			
P/E ratio	51.8	77.8	-9.2	-5.4	-34.5
Effective dividend yield, %	0.8	1.5			
Market values of shares (EUR)					
Highest	2.90	0.79	0.76	1.25	1.40
Lowest	0.64	0.38	0.36	0.66	0.33
Average	1.55	0.64	0.55	0.92	0.62
At the end of period	2.66	0.65	0.38	0.67	0.94
Market value of the stock, (MEUR)	346.1	84.1	49.2	86.7	121.6
Trading value of shares					
MEUR	72.0	6.9	5.0	16.8	11.1
1000 PCS	46 483	10 750	9 169	18 190	17 822
Related to average number of shares %	35.9	8.3	7.1	14.1	13.8
Adjusted number of the shares at the end of the period (1000 PCS)	130 101	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period (1000 PCS)	129 528	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	130 092	130 238	130 051	130 277	129 580

*) According to the Board of Directors' proposal, year 2013

CALCULATION OF KEY RATIOS

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

33. SHAREHOLDINGS AND SHARES

Breakdown of Shares by Shareholding, December 31, 2013

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares pcs.	Percentage of shares and votes
1–100	10 344	42.9	492 947	0.4
101–500	6 788	28.2	1 831 207	1.4
501–1000	2 633	10.9	2 109 901	1.6
1001–5000	3 155	13.1	7 514 820	5.8
5001–10000	558	2.3	4 217 183	3.2
10001–50000	490	2.0	10 636 719	8.2
50001–100000	72	0.3	5 252 091	4.0
100001–500000	48	0.2	12 828 791	9.9
500001–999999999999	19	0.1	85 217 216	65.5
Total	**24 107**	**100.0**	**130 100 875**	**100.0**
Nominee-registered	10		3 922 322	3.0

Breakdown of Shareholders by Shareholder Type, December 31, 2013

Shareholders by shareholder type	Number of shareholders	Percentage of shareholders	Number of shares pcs.	Percentage of shares and votes
Corporations	746	3.1	18 003 163	13.8%
Financial sector	14	0.1	2 154 944	1.7%
Public sector	2	0.0	500 040	0.4%
Non-profit organizations	50	0.2	940 089	0.7%
Households	23 183	96.2	102 312 232	78.6%
Foreign owners	102	0.4	2 268 085	1.7%
Nominee-registered shares	10	0.0	3 922 322	3.0%
Total	**24 107**	**100.0**	**130 100 875**	**100.0%**

Largest Shareholders, December 31, 2013	Number of shares	Percentage of shares and votes
Number of shares total	**130 100 875**	**100.0**
1. Hulkko Juha, Member of the Board	27 301 862	21.0
2. Hilden Kai	10 831 316	8.3
3. Veikkolainen Erkki, Member of the Board	9 388 719	7.2
4. Harju Jukka, CEO*	7 650 630	5.9
5. Halonen Eero	7 231 041	5.6
6. Syrjälä & Co Oy	3 232 274	2.5
7. Mariatorp Oy	2 800 000	2.2
8. Nordea Bank Finland Plc.	2 713 344	2.1
9. Syrjälä Timo	2 387 715	1.8
10. Laine Seppo, Chairman of the Board	2 120 051	1.6
Total	**75 656 952**	**58.2**
Others (including nominee-registered)	54 443 923	41.8
The Board and CEO		
Juha Hulkko, Member of the Board	27 301 862	21.0
Veikkolainen Erkki, Member of the Board	9 388 719	7.2
Harju Jukka, CEO*	7 650 630	5.9
Laine Seppo, Chairman of the Board	2 120 051	1.6
Simberg Staffan, Member of the Board**	450 000	0.3
Halonen Jorma, Member of the Board	21 000	0.0
Total	**46 932 262**	**36.1**

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

Income Statement, Parent

	NOTES	2013 1000 EUR	2012 1000 EUR
NET SALES	1, 2	1 046	1 032
Other operating income	3	15	537
Raw materials and services			-2
Personnel expenses	4	-1 406	-1 172
Depreciation and reduction in value	5	-34	-51
Other operating expenses	6	-1 144	-978
OPERATING PROFIT		**-1 522**	**-633**
Financial income and expenses	7	6 910	515
PROFIT BEFORE EXTRAORDINARY ITEMS		**5 387**	**-118**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**5 387**	**-118**
Income tax	8	0	-1
NET PROFIT FOR THE FINANCIAL YEAR		**5 387**	**-119**

Balance Sheet, Parent

	NOTES	2013 1000 EUR	2012 1000 EUR
Assets			
Non-current assets			
Intangible assets	9	130	160
Tangible assets	10	73	73
Investments	11	86 479	98 479
Non-current assets total		**86 683**	**98 713**
Current assets			
Receivables			
Non-current receivables	12		
Current receivables	13	3 819	26 970
Receivables total		3 819	26 970
Cash and bank deposits		25 980	9 764
Current assets total		**29 800**	**36 734**
Total Assets		**116 482**	**135 447**
Shareholders' Equity and Liabilities			
Shareholders' equity	14		
Share capital		12 941	12 941
Invested non-restricted equity fund		24 533	38 697
Retained earnings		64 371	65 785
Net profit for the year		5 387	-119
Shareholders' equity total		107 233	117 304
Liabilities	15		
Non-current liabilities		0	2 281
Current liabilities		9 249	15 863
Liabilities total		9 249	18 143
Shareholders' Equity and Liabilities Total		**116 482**	**135 447**

Cash Flow, Parent

	2013 1000 EUR	2012 1000 EUR
Cash Flow From Operating Activities		
Profit before extraordinary items	5 387	-118
Adjustments:		
Depreciation according to plan	34	51
Effects of non-cash business activities	193	
Financial income and expenses	-6 910	-515
Cash flow before change in net working capital	-1 295	-583
Change in net working capital		
Change in interest-free short-term receivables	1 417	-258
Change in interest-free short-term payables	-128	-1 268
Cash flow before financing activities	-7	-2 109
Interest paid	-484	-609
Dividends received	6 000	0
Interest received	1 306	776
Income taxes paid	0	-1
Net cash from operating activities	**6 815**	**-1 944**

Cash Flow, Parent

	2013 1000 EUR	2012 1000 EUR
Cash Flow From Investing Activities		
Purchase of tangible and intangible assets	-4	-12
Purchase of investments	-7 000	
Net cash used in investing activities	**-7 004**	**-12**
Cash Flow from Financial Activities		
Share option plans exercised	148	
Proceeds from borrowing		11 281
Repayment of borrowing	-11 281	
Change in interest-free short-term receivables in Group	21 819	-6 413
Change in interest-free short-term payables in Group	2 324	996
Capital repayment received	19 000	
Dividend paid and capital repayment	-15 605	
Net cash used in financial activities	**16 405**	**5 863**
Net Change in Cash and Cash Equivalents	**16 216**	**3 907**
Cash and cash equivalents at beginning of period	9 764	5 857
Cash and cash equivalents at end of period	25 980	9 764
Change in cash and cash equivalents in balance sheet	16 216	3 907

Accounting Principles for the Preparation of Financial Statements of the Parent Company

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 the useful life of assets.

The depreciation periods are:

Intangible assets	3-10 years
Tangible assets	3-5 years

Valuation of Financial Securities

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

Pensions

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

Leasing Agreements

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

Income Tax

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

Foreign Currency Items

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

Net Sales

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

Notes to the Financial Statements of the Parent Company

	2013 1000 EUR	2012 1000 EUR
1. NET SALES BY SEGMENTS		
Common functions	1 046	1 032
Total	**1 046**	**1 032**
2. NET SALES BY MARKET AREAS		
Europe	982	968
America	53	54
Asia	12	10
Total	**1 046**	**1 032**
3. OTHER OPERATING INCOME		
Other operating income	15	537
Total	**15**	**537**
4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel during the fiscal period		
Common functions	10	10
Total	**10**	**10**
Number of personnel at year end	9	10
Personnel expenses		
Management salaries	290	290
Board of Directors	138	138
Other salaries and wages	780	575
Total	1 207	1 003
Pension expenses	166	144
Other social expenses	32	25
Total	**1 406**	**1 172**
5. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	29	29
Other capitalized long-term expenditures	4	7
Machinery and equipment	0	15
Total	**34**	**51**

Notes to the Financial Statements of the Parent Company

6. OTHER OPERATING CHARGES	2013 1000 EUR	2012 1000 EUR
IT equipment and SW expenses	184	172
Premises expenses	37	43
Administrative services	395	289
Travel expenses	92	88
Voluntary staff expenses	11	18
Other business expenses	426	368
Total	**1 144**	**978**
Auditors charges		
Auditing	27	27
Tax advice	1	
Other services	14	29
Total	**42**	**56**

7. FINANCIAL INCOME AND EXPENSES

	2013 1000 EUR	2012 1000 EUR
Income from investments		
From Group companies	6 000	
From others	237	31
Total	**6 237**	**31**
Other interest and financial income		
From Group companies	648	577
From others	512	540
Total	**1 161**	**1 117**
Other interest and financial expenses		
To Group companies	0	0
To others	-488	-632
Total	**-489**	**-632**
Reduction in value of investment	0	0
Net financial income and expenses	**6 910**	**515**
Net financial income and expenses includes exchange gains and losses	284	132

8. INCOME TAX

	2013 1000 EUR	2012 1000 EUR
Other direct taxes	0	-1
Total	**0**	**-1**

9. INTANGIBLE ASSETS

	2013 1000 EUR	2012 1000 EUR
Intangible rights		
Acquisition cost Jan. 1	286	276
Investments during the period	4	10
Acquisition cost Dec. 31	289	286
Accumulated depreciations Jan. 1	-130	-101
Depreciation for the period	-29	-29
Book value Dec. 31	130	156
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	27	1 383
Acquisition cost Dec. 31	27	1 383
Accumulated depreciations Jan. 1	-22	-1 371
Depreciation for the period	-4	-7
Book value Dec. 31		4
Intangible assets total		
Acquisition cost Jan. 1	313	1 658
Investments during the period	4	10
Acquisition cost Dec. 31	316	1 668
Accumulated depreciations Jan. 1	-152	-1 472
Depreciation for the period	-34	-36
Book value Dec. 31	130	160

Notes to the Financial Statements of the Parent Company

10. TANGIBLE ASSETS	2013 1000 EUR	2012 1000 EUR
Machinery and equipment		
Acquisition cost Jan. 1	11	353
Investments during the period		2
Acquisition cost Dec. 31	11	355
Accumulated depreciations Jan. 1	-9	-338
Depreciation for the period	0	-15
Book value Dec. 31	1	2
Other tangible assets		
Acquisition cost Jan. 1	71	71
Acquisition cost Dec. 31	71	71
Book value Dec. 31	71	71
Tangible assets total		
Acquisition cost Jan. 1	82	424
Investments during the period		2
Acquisition cost Dec. 31	82	426
Accumulated depreciations Jan. 1	-9	-338
Depreciation for the period	0	-15
Book value Dec. 31	73	73

11. INVESTMENTS		
Investments in subsidiaries		
Acquisition cost Jan. 1	98 470	98 470
Investments during the period	7 000	
Disposals during the period	-19 000	
Acquisition cost Dec. 31	86 470	98 470
Investments in other shares		
Acquisition cost Jan. 1	9	9
Acquisition cost Dec. 31	9	9
Investments total		
Acquisition cost Jan. 1	98 479	98 479
Investments during the period	7 000	
Disposals during the period	-19 000	
Acquisition cost Dec. 31	86 479	98 479

	2013 1000 EUR	2012 1000 EUR
12. NON-CURRENT RECEIVABLES		
Loan receivables		
From Group companies		
Total		
Non-current receivables total		
13. CURRENT RECEIVABLES		
Accounts receivable		
From Group companies	400	1 810
From others	50	
Total	**450**	**1 810**
Other receivables		
From Group companies	3 189	25 008
From others	42	13
Total	**3 231**	**25 021**
Prepaid expenses and accrued income		
From Group companies		34
From others	139	105
Total	**139**	**139**
Current receivables total	**3 819**	**26 970**
14. SHAREHOLDERS' EQUITY		
Share capital at the beginning of the period	12 941	12 941
Share capital at the end of the period	12 941	12 941
Invested unrestricted equity fund at the beginning of the period	38 697	38 697
Share issue	148	
Capital repayment	-14 311	
Invested unrestricted equity fund at the end of the period	24 533	38 697
Retained earnings at the beginning of period	65 666	65 785
Dividend distribution	-1 294	
Net profit for the financial year	5 387	-119
Retained earnings at the end of period	**69 759**	**65 666**
Distributable earnings at the end of the period	94 292	104 362
Shareholders' equity total	**107 233**	**117 304**

Notes to the Financial Statements of the Parent Company

15. LIABILITIES

	2013 1000 EUR	2012 1000 EUR
Non-current		
Non-current loans		
Loans from financial institutions	0	2 281
Total	**0**	**2 281**
Non-current liabilities total	**0**	**2 281**
Current liabilities		
Current loans		
Loans from financial institutions		9 000
Total		**9 000**
Accounts payable		
To Group companies	4	57
To others	74	139
Total	**78**	**195**
Other short-term liabilities		
To Group companies	8 723	6 399
To others	43	79
Total	**8 766**	**6 478**
Accrued expenses and deferred income		
To others	405	189
Total	**405**	**189**
Current liabilities total	**9 249**	**15 863**

16. SECURITIES AND CONTINGENT LIABILITIES

	2013	2012
On behalf of Group companies		
Guarantees	10 329	12 810
Against own liabilities		
Floating charges	10 000	10 000
Leasing liabilities		
Falling due in the next year	1 198	2 582
Falling due after one year	1 072	1 089
Rental liabilities		
Falling due in the next year	23	21
Contractual liablities		
Falling due in the next year	401	1 160

17. NOMINAL VALUE OF CURRENCY DERIVATES

	2013	2012
Foreign exchange forwards		
Market value	70	7
Nominal value	6 000	5 000
Options		
Currency options purchased		
Market value	44	12
Nominal value	2 500	2 000
Sold options		
Market value	-23	-22
Nominal value	5 000	2 000

18. SHARES AND HOLDINGS	Owned by Parent %	Owned by Group %	Book value 1000 EUR
Subsidiaries			
Elektrobit Technologies Ltd.	100.00	100.00	39 749
Elektrobit Automotive GmbH	100.00	100.00	46 721
Other holdings by Parent			
Oulun Golf Oy			8
Oulu ICT Oy			1

Auditor's Report

To the Annual General Meeting of Elektrobit Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elektrobit Oyj for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

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

Opinion on the Consolidated Financial Statements

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

Opinion on the company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.
Oulu, February 19, 2014

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Elektrobit

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