



Elektrobit

# ELEKTROBIT CORPORATION (EB) FINANCIAL STATEMENT BULLETIN 2013

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Net sales, continuing operations

**199,3** MEUR

Net sales growth, continuing operations

**14,6%**

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Operating result,  
continuing operations

**8,1** MEUR

Operating result, % of net sales,  
continuing operations

**4,1%**

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# IN 2013 COMPARABLE NET SALES GREW AND OPERATING PROFIT IMPROVED CLEARLY FROM THE PREVIOUS YEAR

*From the beginning of 2013 EB has applied the new IFRS10 and IFRS11 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 IFRS5 standard. In this interim report, Test Tools product business, sold on January 31, 2013, is classified as Discontinuing Operations.*

## SUMMARY OCTOBER – DECEMBER 2013

- Net sales of the October - December 2013 from continuing operations grew to EUR 59.5 million (restated net sales of EUR 48.2 million, 4Q 2012), representing an increase of 23.4 % year-on-year.
- Operating profit from continuing operations was EUR 5.7 million (restated operating profit of EUR -0.5 million including non-recurring items of approximately MEUR 4 weakening Wireless Business Segment operating result, 4Q 2012).
- Net cash flow was EUR -0.9 million (EUR -1.4 million, 4Q 2012). Net cash flow includes the repayment of capital of EUR 14.3 million, distributed in December 2013.
- Earnings per share from continuing operations were EUR 0.039 (EUR -0.001, 4Q 2012) and earnings per share from continuing and discontinuing operations were EUR 0.039 (EUR 0.006, 4Q 2012).
- Extraordinary General Meeting held on December 4, 2013, decided to distribute funds to shareholders as a repayment of capital, amounting to EUR 0.11 per share. The repayment of total EUR 14,311,096.25 was paid on December 17, 2013.
- In December EB raised its operating result guidance for 2013 due to better than expected fourth quarter and gave more precise net sales outlook for 2013

## SUMMARY JANUARY – DECEMBER 2013

- Net sales of the January - December 2013 from continuing operations grew to EUR 199.3 million (restated net sales of EUR 173.9 million, 2012), representing an increase of 14.6 % year-on-year.
- Operating profit from continuing operations was EUR 8.1 million including non-recurring costs of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment in the first quarter of 2013 (restated operating profit of EUR 1.1 million including non-recurring items of approximately MEUR 4 weakening Wireless Business Segment's operating result in 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, 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).
- A total of 688,185 new shares were subscribed during 2013 by virtue of the option rights 2008A and 2008B. 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.
- 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.

<b>Group, continuing operations (MEUR)</b>	<b>4Q 13</b>	<b>4Q 12 restated</b>	<b>2013</b>	<b>2012 restated</b>
NET SALES	59.5	48.2	199.3	173.9
OPERATING PROFIT / LOSS	5.7	-0.5	8.1	1.1
Operating profit / loss, % of net sales	9.6 %	-1.0 %	4.1 %	0.6 %
Operating profit /loss without non-recurring items	5.7	3.6	9.0	5.1
EBITDA	8.1	1.5	17.2	8.1
CASH AND OTHER LIQUID ASSETS	43.0	14.3	43.0	14.3
EQUITY RATIO (%)	65.1 %	54.5 %	65.1 %	54.5 %
EARNINGS PER SHARE (EUR)	0.039	-0.001	0.051	0.008

<b>Automotive Business Segment (MEUR)</b>	<b>4Q 13</b>	<b>4Q 12 restated</b>	<b>2013</b>	<b>2012 restated</b>
NET SALES	41.1	31.9	138.3	110.6
OPERATING PROFIT / LOSS	5.4	2.6	8.5	3.3
Operating profit / loss, % of net sales	13.2 %	8.2 %	6.2 %	2.9 %
EBITDA	7.0	3.8	14.6	7.3

<b>Wireless Business Segment, continuing operations (MEUR)</b>	<b>4Q 13</b>	<b>4Q 12 restated</b>	<b>2013</b>	<b>2012 restated</b>
NET SALES	18.4	16.4	61.2	63.5
OPERATING PROFIT / LOSS	0.3	-3.2	-0.5	-2.2
Operating profit / loss, % of net sales	1.6%	-19.4%	-0.8%	-3.5 %
Operating profit /loss without non-recurring items	0.3	0.9	0.4	1.8
EBITDA	1.1	-2.3	2.5	0.7

## EB'S CEO JUKKA HARJU

"During the last quarter of 2013 EB's net sales grew strongly by 23.4 per cent from the previous year. Operating profit improved clearly and was 9.6 per cent of net sales, mainly due to the good operating result of the Automotive Business Segment. Good operating result of the Automotive Business Segment was affected by the higher software license sales on the latter half of the year and other seasonality factors, as well as well-developed net sales and improved profitability of projects. Also Wireless Business Segment's net sales grew from previous year and operating result was slightly positive in the fourth quarter.

Altogether EB's financial development in 2013 was good. Net sales grew by 14.6 per cent from the previous year and was EUR 199.3 million. Operating profit of the whole year improved clearly from last year to EUR 8.1million. I am pleased to say EB reached its main goal for 2013 – to grow its operating profit from the previous year.

Automotive Business Segment developed according to our objectives in 2013. Net sales continued its strong growth which has lasted for many years, as car manufacturers continue to investment in the development of software solutions for new car models. A significant proportion of the growth in the net sales came from the rapid growth of e.solutions GmbH, the jointly owned company

with AUDI. During the year EB was selected as the supplier for several long-term product development and product customization projects for leading car manufacturers, which strengthens EB's market position as partner for car manufacturers and will bring net sales for many years forward. Operating profit in Automotive Business Segment improved clearly from the previous year and was 6.2 per cent of net sales. Most important factors for the improvement of operating profit were the growth of the services and software sales, improved project management and actions to improve the cost structure.

In Wireless Business Segment the net sales in 2013 decreased slightly from previous year due to the decreased demand in the wireless telecommunication R&D services market. In the last quarter EB started the product deliveries of the tactical communication system for Finnish Defence Forces and delivered a batch of special terminal products for one customer for the 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. Operating result in 2013 remained slightly negative, despite of the cost saving measures taken to improve the cost structure. 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, which investments are expected to start gradually generating net sales from the latter half of 2014 onwards.

EB's balance sheet and financial position strengthened during 2013 due to the good operative cash flow and the sale of the Test Tools product business in the beginning of the year. Net cash flow was EUR 28.7 million and equity ratio raised up to 65.1 per cent.

EB paid dividend of EUR 0.01 per share in April and distributed repayment of capital of EUR 0.11 per share in December. Company's share price increased strongly towards the end of the year and the daily trading volume of shares grew significantly.

In 2014 our main target is to grow our net sales and operating profit from the previous year."

## 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 growth rate in 2014 is expected to be slower than in the previous year (net sales growth 14,6 %, 2013). Net sales and operating result are expected to mainly accumulate during the latter half of the year mostly due to the seasonality factors of 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 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 Segment" 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".

## INVITATION TO A PRESS CONFERENCE

EB will hold a press conference on the Financial Statement 2013 for media, analysts and institutional investors in Finland, Helsinki, in Hotel Kämp, Pohjoisesplanadi 29, on Thursday, February 20, 2014, at 14.00 p.m. (CET+1). The conference will also be held as a conference call and the presentation will be shown simultaneously in the Internet through WebEx. The conference will be held in English. For more information please go to [www.elektrobit.com/investors](http://www.elektrobit.com/investors).

## ELEKTROBIT CORPORATION (EB)

EB creates advanced technology and turns it into enriching end-user experiences. EB is specialized in demanding embedded software and hardware solutions for wireless and automotive industries. The net sales from continuing operations in 2013 totaled EUR 199.3 million and operating profit of EUR 8.1 million, in 2013. Elektrobit Corporation is listed on NASDAQ OMX Helsinki. [www.elektrobit.com](http://www.elektrobit.com).

# ELEKTROBIT CORPORATION (EB) FINANCIAL STATEMENT BULLETIN 2013

*From the beginning of 2013 EB has applied the new IFRS10 and IFRS11 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 according to the above mentioned standards would have been applied already in 2012.*

*EB's figures are divided between Continuing and Discontinuing Operations as provided by the IFRS5 standard. In this interim report, Test Tools product business, sold on January 31, 2013, is classified as Discontinuing Operations.*

## FINANCIAL PERFORMANCE DURING JANUARY-DECEMBER 2013, CONTINUING 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 MEUR 4 weakening 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 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, the 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 year-on-year due to the growth of the service and software sales, 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.

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. In the fourth 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 the 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. 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 profit 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, which investments are expected to start gradually generating net sales from the latter half of 2014 onwards. Operating result of 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. The EUR 31 million cash consideration paid for EB's Test Tools product business, sold in January 2013, 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. Adjustment improves EB's operating result from discontinued 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.

<b>CONSOLIDATED INCOME STATEMENT (MEUR)</b>	<b>1-12 2013</b>	<b>1-12 2012</b>
	<b>12 months</b>	<b>12 months</b>
		<b>restated</b>
<b>CONTINUING OPERATIONS</b>		
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
<b>RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>6.7</b>	<b>1.1</b>
<b>RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS</b>	<b>24.3</b>	<b>1.2</b>
<b>RESULT FOR THE PERIOD</b>	<b>30.9</b>	<b>2.3</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>30.9</b>	<b>1.6</b>
<b>Result for the period attributable to:</b>		
Equity holders of the parent	30.9	2.3
Non-controlling interests		
<b>Total comprehensive income for the period attributable to:</b>		
Equity holder of the parent	30.9	1.6
Non-controlling interests		
<b>Earnings per share from continuing operations, EUR</b>	<b>0.051</b>	<b>0.008</b>

- 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 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
<b>Automotive</b>					
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
<b>Wireless</b>					
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
<b>Other businesses</b>					

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
<b>Total</b>					
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 oikaistu
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 %

## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

EB lowered its profit guidance for 2012 due to the weaker than expected fourth quarter on January 10, 2013. The reason for the weakening of the fourth quarter was the non-recurring items of approximately EUR 4 million in total, booked as result of the financial challenges faced by a US based customer of EB's subsidiary, Elektrobit Inc. According to the lowered guidance, EB expected the operating result of the fourth quarter of 2012 to be approximately between EUR -0.4 million and EUR 1.1 million (EUR 3.5 million, 4Q 2011), the operating result of the second half of 2012 to be approximately between EUR 1.7 million and EUR 3.2 million (EUR 0.4 million, 2H 2011), and the operating result of the whole year 2012 to be approximately between EUR 2.2 million and EUR 3.7 million (operating loss of EUR -4.0 million in 2011). The expected operating results presented above included non-recurring items that caused the lowering of the fourth quarter profit guidance, as well as non-recurring income and costs related to the reorganization processes of TerreStar companies, booked earlier in 2012. The Company expected the outlook for the net sales to develop as estimated earlier and thus EB expected that the net sales of the fourth quarter of 2012 will be approximately EUR 57 million (EUR 49.0 million, 4Q 2011), the net sales of the second half of 2012 was expected to be approximately EUR 104 million (EUR 86.1 million, 2H 2011) and the net sales of the whole year 2012 was expected to be approximately EUR 200 million (EUR 162.2 million in 2011).

EB and Anite plc signed an agreement with 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. The cash consideration paid by Anite to EB as a result of the Transaction was EUR 31.0 million on a cash and debt free basis subject to a post completion adjustment based upon the level of net working capital and cash and debt in the Test Tools product business on January 31, 2013. The closing of the 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 discontinued 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.

EB gave advance information on its fourth quarter and full year 2012 net sales and operating results on January 28, 2013. EB announced also to report its 2012 financial results, as provided by the IFRS5 standard, divided between Continuing and

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

Simultaneously with the announcement of the Financial Statement Bulletin 2012 on February 19, 2013, EB announced it will apply the new IFRS10 and IFRS11 standards from the beginning of 2013 and therefore will consolidate e.solutions GmbH, the 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 to be consolidated into Elektrobit group's financial statements will decrease from the previous 100% to 51%. According to the rules of the proportionate consolidation method, the consolidated statement will also include 49% of the net sales from other Elektrobit group companies to e.solutions GmbH.

EB started measures to improve its cost structure in the Wireless Business Segment on February 19, 2013. 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 on. 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.

On August 22, 2013 EB concluded personnel negotiations that were started on August 8, 2013 in Wireless Business Segment and decided to adjust its cost level to correspond the weakened demand outlook for the rest of the year. The temporary layoffs were estimated to last no longer than until the end of January 2014. With temporary layoffs EB aimed at EUR 1.5 million cost savings, which were expected to materialize mainly during the fourth quarter. The need for temporary layoffs and thereby actual cost savings may however change as the outlook for the rest of the year specifies.

EB decided on November 15, 2013 that no further temporary layoffs will be made. Between September 2013 and January 2014 EB temporarily laid off altogether 74 employees for a maximum of 90 days, part or full-time. With these measures the company estimated to reach approximately EUR 0.8 million cost savings, which were expected to materialize mainly during the last quarter of the year. Due to the Wireless Business Segment's specified outlook for the rest of the year, the amount of temporary layoffs was reduced from the earlier estimated maximum amount. The materialized temporary layoffs were reduced to 64 persons and the cost savings achieved were EUR 0.6 million.

The Extraordinary General Meeting of Elektrobit Corporation was held on Wednesday December 4, 2013. The General Meeting 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 would amount 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.

EB raised its profit guidance for 2013 due to the better than expected last quarter and gave a more precise net sales outlook for 2013 on December 17, 2013. The reason for the improved operating result outlook of the last quarter was higher than expected net sales and better profitability in projects in the Automotive Business Segment. EB expected the operating result of the whole year 2013 to be approximately at level of EUR 8 million (restated operating profit without non-recurring items of EUR 5.1 million, in 2012). Net sales was expected to grow slightly more than expected in the last quarter and net sales of 2013 to be approximately at the level of EUR 200 million (restated net sales of EUR 173.9 million, in 2012).

#### **Stock options**

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 Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation's totaled 130,100,875. More information and the terms and conditions of stock options 2008 are available in [www.elektrobit.com/investors](http://www.elektrobit.com/investors) in the Company's web pages.

The Extraordinary General Meeting of Elektrobit Corporation, held on Wednesday 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.

## BUSINESS SEGMENTS' DEVELOPMENT DURING OCTOBER-DECEMBER 2013 AND MARKET OUTLOOK

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

### AUTOMOTIVE

In 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 October – December 2013

EB's net sales in Automotive Business Segment continued its strong growth during the fourth quarter of 2013 and amounted to EUR 41.1 million (restated net sales of EUR 31.9 million, 4Q 2012), representing a growth of 29.1 % year-on-year. A significant proportion of the growth in the net sales came from the growth of e.solutions GmbH, a jointly owned company with AUDI. The operating profit was EUR 5.4 million (restated operating profit of EUR 2.6 million, 4Q 2012). The good operating result in the fourth quarter was affected by the software license sales focusing to the latter half of the year and by other seasonality factors, as well as improved profitability of projects.

The demand for automotive software products and services developed well. The software license income grew from previous year i.a. from in-car navigation systems and EB GUIDE development platform, used for developing Human Machine Interfaces (HMIs).

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 Automotive Business Segment

The market for electronics and software for cars is estimated to continue growing in a 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 in the U.S. 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 increasing demand to better integrate mobile devices with the car has been reflected in consumer electronics companies such as Apples "iOS in the Car" or Google's announcement of Open Automotive Alliance.
- 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

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, EB Wideband COMINT Sensor for signals intelligence. The product platforms are EB Counter RCIED Platform for electronic warfare, 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 October – December 2013

Net sales of continuing operations of the Wireless Business Segment during the last quarter of 2013 grew by 12.0 per cent year-on-year to EUR 18.4 million (EUR 16.4 million, 4Q 2012). Operating profit from continuing operations was EUR 0.3 million (operating loss of EUR -3.2 million including non-recurring items of approximately MEUR 4.0 that were booked due to the financial problems of a US-based large customer of EB, 4Q 2012).

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 the 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 maximum of 90 days, part of full time. On November 15, 2013 EB decided, that no new temporary layoffs will be given. 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 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. 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 on 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 Automotive Business Segment, and in products and product platforms for the defense and public safety markets in 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 Automotive Business Segment was EUR 14.3 million (restated EUR 17.9 million, 1-12 2012) and in 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 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 growth rate in 2014 is expected to be slower than in the previous year (net sales growth 14,6 %, 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 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 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

### 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 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 product delivered or higher costs of production, and ultimately, as lower profit. 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 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 of 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 short-term description of the risks and uncertainties are described in the report by the Board of Directors 2013. In addition, 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](http://www.elektrobit.com).

## 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 becoming 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 products 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.

## PERSONNEL

The parent company of the group and its subsidiaries employed an average of 1627 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 1648 employees and e.solutions GmbH 321 employees (1583 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.

## 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 that the amount of shares and votes have decreased below the 5 per cent flagging boundary.

On September 12, 2013 EB received a flagging announcement, pursuant to chapter 9, section 5 of the Finnish Securities Markets Act from Juha Sipilä that the amount of shares and votes have decreased below the 5 per cent flagging boundary.

## EVENTS AFTER THE REVIEW 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 Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation's totals 130,609,572.

## 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, Thursday, 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.

## ANNUAL GENERAL MEETING AND ANNUAL REPORT

Elektrobit Corporation's Annual General Meeting will be held on Thursday, April 10, 2014, at 1 pm (CET+1) at the University of Oulu, Saalastinsali, Pentti Kaiteran katu 1, 90570 Oulu, Finland. Elektrobit Corporation's Annual Report, including the Annual Accounts, the report by the Board of Directors and the Auditor's report as well as Corporate Governance Statement, is available on the company's website no later than on Thursday, March 20, 2014.

## CHANGING THE CONSOLIDATION OF THE JOINTLY OWNED COMPANY OF EB AND AUDI AS OF JANUARY 1, 2013

EB has started to apply the new IFRS10 and IFRS11 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 IFRS10 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. IFRS11 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.

Oulu February 20, 2014

Elektrobit Corporation  
The Board of Members

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NASDAQ OMX Helsinki  
Major media

# ELEKTROBIT CORPORATION (EB)

## CONDENSED FINANCIAL STATEMENTS 2013

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statement of 2013 has been audited and the auditing report has been dated on February 19, 2014.

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)</b>	<b>1-12/2013</b>	<b>1-12/2012</b>
<b>Continuing operations</b>	<b>12 months</b>	<b>12 months restated</b>
NET SALES	199.3	173.9
Other operating income	3.5	2.4
Change in work in progress and finished goods	-0.0	-0.2
Work performed by the undertaking for its own purpose and capitalized	0.0	0.5
Raw materials	-12.4	-7.3
Personnel expenses	-113.2	-101.1
Depreciation	-9.0	-7.1
Other operating expenses	-60.0	-60.2
OPERATING PROFIT (LOSS)	8.1	1.1
Financial income and expenses	-0.9	-0.5
PROFIT BEFORE TAX	7.2	0.6
Income tax	-0.6	0.5
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	6.7	1.1
<b>Discontinued operations</b>		
Profit for the year from discontinued operations	24.3	1.2
PROFIT FOR THE PERIOD	30.9	2.3
Other comprehensive income:		
Items that will not be reclassified to statement of income		
Re-measurement gains (losses) on defined benefit plans	0.0	-0.8
Items that may be reclassified subsequently to the statement of income		
Exchange differences on translating foreign operations	-0.0	0.2
Other comprehensive income for the period total	-0.0	-0.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	30.9	1.6
Profit for the year attributable to		
Equity holders of the parent	30.9	2.3

Non-controlling interests		
Total comprehensive income for the period attributable to		
Equity holders of the parent	30.9	1.6
Non-controlling interests		
Earnings per share from continuing operations, EUR		
Basic earnings per share	0.051	0.008
Diluted earnings per share	0.051	0.008
Earnings per share from discontinued operations, EUR		
Basic earnings per share	0.188	0.009
Diluted earnings per share	0.187	0.009
Earnings per share from continuing and discontinued operations, EUR		
Basic earnings per share	0.239	0.018
Diluted earnings per share	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

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)</b>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012 restated</b>	<b>Jan. 1, 2012 restated</b>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	9.7	8.7	8.6
Goodwill	19.3	19.3	19.3
Intangible assets	15.5	17.8	15.6
Other financial assets	0.1	0.1	0.1
Deferred tax assets	1.5	0.9	0.1
Non-current assets total	46.1	46.8	43.7
Current assets			
Inventories	0.8	0.4	1.8
Trade and other receivables	54.3	63.0	57.6
Financial assets at fair value through profit or loss	20.7	9.7	
Cash and short term deposits	22.4	4.6	9.2

Current assets total	98.2	77.6	68.6
Assets classified as held for sale		7.7	
<b>TOTAL ASSETS</b>	<b>144.4</b>	<b>132.2</b>	<b>112.3</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the parent			
Share capital	12.9	12.9	12.9
Invested non-restricted equity fund	24.5	38.7	38.7
Translation difference	0.6	0.6	0.4
Retained earnings	43.7	13.7	13.7
Non-controlling interests			
<b>Total equity</b>	<b>81.7</b>	<b>66.0</b>	<b>65.8</b>
Non-current liabilities			
Deferred tax liabilities	0.5	0.7	1.0
Pension obligations	2.1	2.0	1.0
Provisions	0.3	0.5	0.5
Interest-bearing liabilities	3.3	5.4	4.0
<b>Non-current liabilities total</b>	<b>6.1</b>	<b>8.5</b>	<b>6.6</b>
Current liabilities			
Trade and other payables	52.2	38.3	33.6
Financial liabilities at fair value through profit or loss		0.0	0.3
Provisions	2.3	2.2	1.0
Interest-bearing loans and borrowings	2.0	12.7	5.0
<b>Current liabilities total</b>	<b>56.5</b>	<b>53.2</b>	<b>40.0</b>
Liabilities classified as held for sale		4.5	
<b>Total liabilities</b>	<b>62.6</b>	<b>66.2</b>	<b>46.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>144.4</b>	<b>132.2</b>	<b>112.3</b>

<b>CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)</b>	<b>1-12/2013 12 months</b>	<b>1-12/2012 12 months restated</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year from continuing operations	6.7	1.1
Profit for the year from discontinued operations	24.3	1.2
Adjustment of accrual basis items	-13.3	8.7
Change in net working capital	18.7	-3.0

Interest paid on operating activities	-1.3	-0.9
Interest received from operating activities	0.3	0.1
Other financial income and expenses, net received	0.0	0.0
Income taxes paid	-0.7	-0.3
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>34.7</b>	<b>6.8</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of business unit, net of cash acquired	30.0	
Purchase of property, plant and equipment	-4.0	-2.8
Purchase of intangible assets	-2.0	-5.4
Sale of property, plant and equipment	0.2	0.4
Sale of intangible assets	0.0	0.0
Proceeds from sale of investments		0.0
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>24.4</b>	<b>-7.8</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share-option plans exercised	0.1	
Proceeds from borrowing	16.6	16.6
Repayment of borrowing	-28.4	-7.5
Payment of finance liabilities	-3.1	-2.9
Dividend paid and repayment of capital	-15.6	
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-30.3</b>	<b>6.1</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>28.7</b>	<b>5.1</b>
Cash and cash equivalents at beginning of period	14.3	9.2
Cash and cash equivalents at end of period	43.0	14.3

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

A = Share capital
B = Invested non-restricted equity fund
C = Translation difference
D = Retained earnings
F = Non-controlling interests
G = Total equity

Restated	A	B	C	D	E	F
Shareholders equity on January 1, 2012	12.9	38.7	0.4	13.4	1.5	67.0
Change in accounting policy (IFRS 10 and IFRS 11)					-1.5	-1.5
Change in accounting policy (IAS 19)				0.3		0.3
Shareholders equity on January 1, 2012 restated	12.9	38.7	0.4	13.7	0.0	65.8
Comprehensive income for the period						
Profit for the period				2.3		2.3
Re-measurement gains (losses) on defined benefits plans (IAS 19)				-0.8		-0.8
Exchange differences on translating foreign operations			0.2			0.2
Total comprehensive income for the period	0.0	0.0	0.2	1.5	0.0	1.6
Transactions between the shareholders						
Share-related compensation				0.3		0.3
Other changes				-1.8		-1.8
Shareholders equity on Dec. 31, 2012	12.9	38.7	0.6	13.7	0.0	66.0

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2013	12.9	38.7	0.6	13.7		66.0
Comprehensive income for the period						
Profit for the period				30.9		30.9
Re-measurements gains (losses) on defined benefits plans (IAS 19)				0.0		0.0
Exchange differences on translating foreign operations			-0.0			-0.0
Total comprehensive income for the period			-0.0	30.9		30.9
Transactions between the shareholders						
Dividend distribution				-1.3		-1.3
Share option plans exercised		0.1				0.1
Share option plan exercised				0.2		0.2
Share-related compensation		-14.3				-14.3
Total transactions between the shareholders		-14.2		-1.1		-15.3
Other changes				0.1		0.1
Shareholders equity on Dec. 31, 2013	12.9	24.5	0.6	43.7		81.7

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING PRINCIPLES FOR THE INTERIM FINANCIAL REPORTING:

#### IFRS-amendments

##### IFRS 10 and IFRS 11

From the beginning of 2013 EB has applied the new IFRS10 and IFRS11 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 will decrease compared to previous consolidation method. The change will have no impact on consolidated net profit. For comparability, all figures presented for comparison are restated assuming that the proportionate consolidation method according to the above mentioned standards would have been applied already in 2012.

##### IAS 19 Employee benefits

From the beginning of 2013 EB has applied the revised IAS 19 Employee benefits -standard. The impact on the equity in the opening balance 2013 was EUR -0.6 million. Pension obligations increased by EUR 0.6 million.

The revised standards have impact on the condensed financial statements.

#### Explanatory comments about the seasonality or cyclicity of reporting period operations:

The Company operates in business areas which are subject to seasonal fluctuations.

#### Discontinued operations:

EB's figures are divided between Continuing and Discontinued Operations as provided by the IFRS5 standard. In this interim report, Test Tools product business, sold on January 31, 2013, is classified as Discontinued Operations.

#### Payment of dividend:

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.

## SEGMENT-INFORMATION (MEUR)

OPERATING SEGMENTS	1-12/2013 12 months	1-12/2012 12 months restated
Automotive		
Net sales to external customers	138.2	110.5
Net sales to other segments	0.1	0.1
Net sales total	138.3	110.6
Operating profit (loss)	8.5	3.3
Wireless		
Net sales to external customers	61.1	63.3

Net sales to other segments	0.1	0.3
Net sales total	61.2	63.5
Operating profit (loss)	-0.5	-2.2
<b>OTHER ITEMS</b>		
Other items		
Net sales to external customers		0.1
Operating profit (loss)	0.1	0.0
Eliminations		
Net sales to other segments	-0.2	-0.3
Operating profit (loss)	0.0	0.0
Group total		
Net sales to external customers	199.3	173.9
Operating profit (loss)	8.1	1.1

<b>Net sales of geographical areas (MEUR)</b>	<b>1-12/2013 12 months</b>	<b>1-12/2012 12 months restated</b>
Net sales		
Europe	164.8	136.7
Americas	26.6	28.6
Asia	7.9	8.5
Net sales total	199.3	173.9

<b>Related party transactions</b>	<b>1-12/2013 12 months</b>	<b>1-12/2012 12 months</b>
Employee benefits for key management and stock options expenses total	1.2	1.3

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR) Continuing operations</b>	<b>10-12/2013 3 months</b>	<b>7-9/2013 3 months</b>	<b>4-6/2013 3 months</b>	<b>1-3/2013 3 months</b>	<b>10-12/2012 3 months Restated</b>
NET SALES	59.5	45.7	47.9	46.2	48.2

Other operating income	0.7	0.9	1.0	0.9	0.7
Change in work in progress and finished goods	-0.1	0.1	-0.1	0.1	-0.1
Work performed by the undertaking for its own purpose and capitalized	0.0				0.4
Raw materials	-6.3	-2.0	-1.9	-2.3	-2.1
Personnel expenses	-28.8	-26.6	-28.9	-28.9	-27.1
Depreciation	-2.4	-2.3	-2.2	-2.2	-2.0
Other operating expenses	-17.0	-14.7	-15.2	-13.2	-18.5
OPERATING PROFIT (LOSS)	5.7	1.0	0.7	0.7	-0.5
Financial income and expenses	-0.2	-0.1	-0.5	-0.1	-0.4
PROFIT BEFORE TAX	5.5	0.9	0.2	0.6	-0.9
Income tax	-0.4	-0.1	0.0	-0.0	0.8
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	5.0	0.8	0.2	0.6	-0.1
<b>Discontinued operations</b>					
Profit for the period from discontinued operations		0.7	0.0	23.6	0.9
PROFIT FOR THE PERIOD	5.0	1.5	0.2	24.2	0.8
Other comprehensive income	-0.1	-0.1	0.2	-0.0	-0.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4.9	1.4	0.4	24.2	0.2
Profit for the period attributable to:					
Equity holders of the parent	5.0	1.5	0.2	24.2	0.8
Non-controlling interests					
Total comprehensive income for the period attributable to:					
Equity holders of the parent	4.9	1.4	0.4	24.2	0.2
Non-controlling interests					

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Dec. 31, 2013	Sept. 20, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012 Restated
ASSETS					
Non-current assets					
Property, plant and equipment	9.7	9.3	9.3	8.6	8.7
Goodwill	19.3	19.3	19.3	19.3	19.3
Intangible assets	15.5	16.2	16.5	17.4	17.8

Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.5	1.2	1.1	1.0	0.9
Non-current assets total	46.1	46.1	46.4	46.5	46.8
Current assets					
Inventories	0.8	0.8	0.5	0.5	0.4
Trade and other receivables	54.3	60.2	58.0	59.9	63.0
Financial assets at fair value through profit or loss	20.7	35.0	34.8	34.7	9.7
Cash and short term deposits	22.4	9.0	7.3	8.8	4.6
Current assets total	98.2	105.0	100.5	104.0	77.6
Assets classified as held for sale					7.7
<b>TOTAL ASSETS</b>	<b>144.4</b>	<b>151.1</b>	<b>146.9</b>	<b>150.5</b>	<b>132.2</b>
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to equity holders of the parent					
Share capital	12.9	12.9	12.9	12.9	12.9
Invested non-restricted equity fund	24.5	38.7	38.7	38.7	38.7
Translation difference	0.6	0.7	0.8	0.6	0.6
Retained earnings	43.7	38.6	37.0	38.0	13.7
Non-controlling interests					
Total equity	81.7	91.0	89.5	90.2	66.0
Non-current liabilities					
Deferred tax liabilities	0.5	0.5	0.5	0.5	0.7
Pension obligations	2.1	2.1	2.0	2.0	2.0
Provisions	0.3	0.3	0.4	0.4	0.5
Interest-bearing liabilities	3.3	7.2	5.0	9.2	5.4
Non-current liabilities total	6.1	10.1	7.8	12.1	8.5
Current liabilities					
Trade and other payables	52.2	38.5	36.0	35.4	38.3
Financial liabilities at fair value through profit or loss				0.2	0.0
Provisions	2.3	2.0	2.1	2.9	2.2
Interest-bearing loans and borrowings	2.0	9.6	11.4	9.6	12.7
Current liabilities total	56.5	50.1	49.6	48.1	53.2
Liabilities classified as held for sale					4.5
<b>Total liabilities</b>	<b>62.6</b>	<b>60.2</b>	<b>57.4</b>	<b>60.2</b>	<b>66.2</b>

TOTAL EQUITY AND LIABILITIES	144.4	151.1	146.9	150.5	132.2
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CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	10-12/2013 3 months	7-9/2013 3 months	4-6/2013 3 months	1-3/2013 3 months	10-12/2012 3 months restated
Net cash from operating activities	26.0	3.3	4.1	1.3	7.0
Net cash from investing activities	-0.3	-1.6	-1.5	27.8	-2.2
Net cash from financing activities	-26.5	0.1	-4.1	0.2	-6.1
Net change in cash and cash equivalents	-0.9	1.8	-1.5	29.3	-1.4

FINANCIAL PERFORMANCE RELATED RATIOS	1-12/2013 12 months	1-12/2012 12 months restated
<b>STATEMENT OF COMPREHENSIVE INCOME (MEUR)</b>		
Net sales	199.3	173.9
Operating profit (loss)	8.1	1.1
Operating profit (loss), % of net sales	4.1	0.6
Profit before taxes	7.2	0.6
Profit before taxes, % of net sales	3.6	0.3
Profit for the period	6.7	1.1
<b>PROFITABILITY AND OTHER KEY FIGURES</b>		
Interest-bearing net liabilities, (MEUR)	-37.7	4.0
Net gearing, -%	-46.1	6.1
Equity ratio, %	65.1	54.5
Gross investments, (MEUR)	7.9	11.4
Average personnel during the period, parent and subsidiaries	1627	1528
Personnel at the period end, parent and subsidiaries	1648	1583
Average personnel during the period, jointly owned company	300	132
Personnel at the period end, jointly owned company	321	233

AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)	Dec. 31, 2013	Dec. 31, 2012
At the end of period	130 101	129 413
Average for the period	129 528	129 413
Average for the period diluted with stock options	130 092	130 238

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-12/2013	1-12/2012
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	12 months	12 months restated
<b>Earnings per share from continuing operations, EUR</b>		
Basic earnings per share	0.051	0.008
Diluted earnings per share	0.051	0.008
<b>Earnings per share from discontinued operations, EUR</b>		
Basic earnings per share	0.188	0.009
Diluted earnings per share	0.187	0.009
<b>Earnings per share from continuing and discontinued operations, EUR</b>		
Basic earnings per share	0.239	0.018
Diluted earnings per share	0.238	0.017
Equity *) per share	0.63	0.51
*) Equity attributable to equity holders of the parent		

<b>MARKET VALUES OF SHARES (EUR)</b>	1-12/2013 12 months	1-12/2012 12 months
Highest	2.90	0.79
Lowest	0.64	0.38
Average	1.55	0.64
At the end of period	2.66	0.65
Market value of the stock, (MEUR)	346.1	84.1
Trading value of shares, (MEUR)	72.0	6.9
Number of shares traded, (1,000 pcs)	46 483	10 750
Related to average number of shares %	35.9	8.3

<b>SECURITIES AND CONTINGENT LIABILITIES (MEUR)</b>	Dec. 31, 2013	Dec. 31, 2012
<b>AGAINST OWN LIABILITIES</b>		
Floating charges	18.0	18.1
Guarantees	14.6	17.7
Rental liabilities		

Falling due in the next year	7.6	7.0
Falling due after one year	17.6	16.2
Other contractual liabilities		
Falling due in the next year	1.0	1.3
Falling due after one year	0.6	0.0
Mortgages are pledged for liabilities totaled	2.5	14.5
<b>NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)</b>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
Foreign exchange forward contracts		
Market value	0.1	0.0
Nominal value	6.0	5.0
Purchased currency options		
Market value	0.0	0.0
Nominal value	2.5	2.0
Sold currency options		
Market value	-0.0	-0.0
Nominal value	5.0	2.0