Report by the Board of Directors and Financial Statements **2012**

Elektrobit

Contents

Report by the Board of Directors 2012

Net Sales and Operating Result of 2012 from the Continuing Operations grew clearly from the previous year.

2012 in Brief

EB reports its 2012 financial results, as provided by the IFRS5 standard, divided between Continuing and Discontinuing Operations. Test Tools product business, sold after the reporting period on January 31, 2013, is classified as Discontinuing Operations in this report. Summary of Continuing and Discontinuing Operations is presented under section "Financial performance during January–December 2012, continuing operations".

The figures of 2012 include the following non-recurring items totaling approximately EUR 4 million: non-recurring costs of EUR 1.2 million related to collecting the receivables from TerreStar Companies and non-recurring income of EUR 1.2 million and a positive cash flow impact of EUR 10.8 million resulting from the settlement payment of USD 13.5 million received in the reorganization case of TerreStar Corporation in the third quarter; and 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.

Net sales from Continuing Operations in the reporting period was EUR 185.4 million (EUR 148.0 million in 2011), representing an increase of 25.3 % year-on-year. Net sales of Automotive Business Segment grew to EUR 122.1 million (EUR 98.3 million in 2011), representing a 24.3 % growth year-on-year. The Wireless Business Segment's net sales from Continuing Operations grew by 27.7 %, to EUR 63.5 million (EUR 49.8 million in 2011).

Operating profit from Continuing Operations was EUR 2.5 million including the above mentioned non-recurring items of approximately EUR 4 million in total (operating loss of EUR -5.5 million, including EUR 0.9 million non-recurring costs related to collecting the receivables from TerreStar companies, in 2011). Operating profit from Continuing Operations without these above mentioned non-recurring items was EUR 6.5 million (operating loss of EUR -4.6 million in 2011).

On May 11, 2012 EB signed committed credit facility agreements with Nordea Bank Finland plc. According to the agreements, the EUR 10 million credit facility agreement, valid until June 30, 2012, was extended and, in addition, a new EUR 10 million revolving credit facility agreement was signed. These facilities, intended for general financing purposes, are valid until June 30, 2014.

On June 21, 2012 EB lowered its operating result guidance for the first half of 2012 and gave more precise guidance for the whole year 2012 so that EB expected the operating result of the second quarter of 2012 to stay below the level of the first quarter 2012 (EUR 0.9 million, 1Q 2012), and that EB expected for the first half of 2012 that net sales will grow clearly from the previous year (EUR 76.1 million, 1H 2011), and the operating result will be close to zero level (operating loss of EUR -4.4 million, 1H 2011). EB announced that due to the lowered operating result outlook for the first half of 2012 also the outlook for the whole year 2012 was lowered, however, EB still expects for the year 2012 that the net sales and operating result will grow clearly from the previous year (net sales of EUR 162.2 million, and operating loss of EUR -4.0 million in 2011). The reason for the changed operating result outlook was that the company booked a provision of EUR 0.8 million due to the estimated costs related to collecting the receivables from TerreStar Companies, and in addition it became obvious that the operating profit in both Automotive and Wireless Business Segments during the second quarter of 2012 will remain somewhat lower than planned mainly due to the higher than estimated project costs. Regarding the company's net sales, the outlook was not changed.

On August 2, 2012 Elektrobit Inc., a subsidiary of Elektrobit Corporation, and TerreStar Corporation and certain of its preferred shareholders entered into a settlement between the parties in resolution of all disputes between EB and other parties in the TerreStar Corporation Chapter 11 reorganization cases under United States Bankruptcy Code. On August 24, 2012, the United States Bankruptcy Court formally approved the settlement. EB received a cash payment of USD 13.5 million (EUR 10.8 million) in full and final satisfaction of its claim against

TerreStar Corporation and in resolution of all disputes between EB and other parties on August 28, 2012. The settlement does not include the TerreStar Networks Chapter 11 cases, which remain pending, and does not include any distribution therefrom that may be available for EB. The settlement payment in the TerreStar Corporation Chapter 11 cases resulted a non-recurring positive effect of approximately USD 1.6 million (EUR 1.2 million) to EB's operating result, and a non-recurring positive effect of USD 13.5 million (EUR 10.8 million) to EB's cash flow in the third quarter of 2012.

On October 26, 2012 Elektrobit Automotive GmbH, a subsidiary of Elektrobit Corporation, and Audi Electronics Venture GmbH (AEV), a subsidiary of AUDI AG, decided to expand their joint venture activities from infotainment software to provide systems integration and systems engineering services to AUDI AG and other VW Group companies for their future connected infotainment solutions. To build the required engineering competences and capacity, the joint venture announced to establish a new site in Ulm, Germany and plans to hire up to 100 R&D engineers by end of 2013, leveraging the existing knowledge base and competency in systems integration and software development in Ulm area. The expansion of the joint venture was estimated not to have significant impact on EB's net sales, operating result or balance sheet in 2012 and 2013.

Financial performance during January-December 2012, Continuing Operations

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1–12/2012 12 MONTHS	1–12/2011 12 MONTHS
CONTINUING OPERATIONS		
Net sales	185.4	148.0
Operating profit / loss	2.5	-5.5
Financial income and expenses	-0.5	-0.4
Result before tax	2.0	-5.9
Result for the year from continuing operations	**2.1**	**-6.5**
Result for the year from discontinuing operations	**1.2**	**1.5**
Result for the year	**3.3**	**-5.1**
Total comprehensive income for the year	**3.5**	**-5.2**
Result for the year attributable to:		
Equity holders of the parent	2.3	-5.3
Non-controlling interests	1.0	0.2
Total comprehensive income for the year attributable to:		
Equity holder of the parent	2.5	-5.5
Non-controlling interests	1.0	0.2
Earnings per share from Continuing Operations, EUR	0.01	-0.05

- Cash flow from operating activities was EUR 8.1 million (EUR 5.3 million in 2011) including an approximately EUR 10.8 million positive cash flow effect resulting from the settlement payment in the reorganization cases of TerreStar Corporation in the third quarter of 2012. Both cash flows include Continuing and Discontinuing Operations.
- Equity ratio was 54.7% (62.8% in 2011).
- Net gearing was 4.1% (-1.4% in 2011).

Quarterly figures, Continuing Operations

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

	4Q 12	3Q 12	2Q 12	1Q 12	4Q 11
Net sales	52.6	44.3	43.6	45.0	44.1
Operating profit (loss)	0.2	2.2	-0.7	0.8	2.2
Operating profit (loss) without non-recurring costs	4.3	1.0	0.2	1.1	2.9
Result before taxes	-0.2	2.0	-0.3	0.4	2.4
Result for the period	1.3	1.8	-0.1	0.3	3.2

WIRELESS BUSINESS SEGMENT, NET SALES AND OPERATING RESULT WITHOUT NON-RECURRING ITEMS, CONTINUING OPERATIONS, MEUR

	4Q 12	3Q 12	2Q 12	1Q 12	4Q 11
Net sales	16.4	14.1	16.6	16.4	16.1
Operating profit (loss)	-3.2	2.0	-0.9	-0.1	0.1
Operating profit (loss) without non-recurring items	0.9	0.8	0.0	0.2	0.8

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, mentioned in the tables above, are costs related to collecting the receivables from TerreStar Companies and income resulting from the settlement payment in the reorganization cases of TerreStar Corporation, which are reported as a part of the Wireless Business Segment's operating result, and 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. These non-recurring items have been reported as part of Wireless Business Segment's operating result.

THE DISTRIBUTION OF NET SALES BY BUSINESS SEGMENTS, CONTINUING OPERATIONS, MEUR:

	4Q 12	3Q 12	2Q 12	1Q 12	4Q 11
Automotive	36.2	30.2	27.0	28.7	28.0
Wireless	16.4	14.1	16.6	16.4	16.1
Corporation total	52.6	44.3	43.6	45.0	44.1

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

	4Q 12	3Q 12	2Q 12	1Q 12	4Q 11
Asia	2.4 (4,5%)	3.1 (7,1%)	1.1 (2,6%)	1.9 (4,2%)	3.1 (7,0%)
Americas	6.4 (12,1%)	7.6 (17,2%)	7.5 (17,2%)	7.1 (15,9%)	6.3 (14,2%)
Europe	43.8 (83,4%)	33.5 (75,7%)	34.9 (80,2%)	36.0 (79,9%)	34.8 (78,8%)

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

	4Q 12	3Q 12	2Q 12	1Q 12	4Q 11
Automotive					
Net sales to external customers	36.2	30.2	27.0	28.7	28.0
Net sales to other segments	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	3.3	0.2	0.2	0.9	2.1
Wireless					
Net sales to external customers	16.4	14.1	16.6	16.3	16.1
Net sales to other segments	0.0	0.0	0.0	0.2	0.1
Operating profit (loss)	-3.2	2.0	-0.9	-0.1	0.1
Other businesses					
Net sales to external customers	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	0.1	-0.0	-0.0	-0.0	0.0
Total					
Net sales	52.6	44.3	43.6	45.0	44.1
Operating profit (loss)	0.2	2.2	-0.7	0.8	2.2

SUMMARY OF CONTINUING AND DISCONTINUING OPERATIONS, MEUR

	2012	4Q 12	3Q 12	2Q 12	1Q 12
Net sales					
Continuing Operations	185.4	52.6	44.3	43.6	45.0
Discontinuing Operations	16.1	5.4	2.7	4.4	3.6
Total	201.5	57.9	47.0	48.0	48.6
Operating profit / loss					
Continuing operations	2.5	0.2	2.2	-0.7	0.8
Discontinuing operations	1.3	1.0	-0.1	0.3	0.1
Total	3.7	1.2	2.1	-0.4	0.9

Business Segments

EB's reporting is based on two Business Segments, which are the Automotive and Wireless. (Corresponding figures are for 2011 unless otherwise indicated.)

Automotive Business Segment

January-December 2012

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. 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.

EB and AUDI's subsidiary, Audi Electronics Venture GmbH (AEV), have a joint venture e.solutions GmbH that is currently developing infotainment software and provides systems engineering and systems integration services for Volkswagen Group car models. EB owns 51% of e.solutions GmbH and AEV 49%. During 2009–2012 e.solutions has been included as subsidiary in Elektrobit Corporation's consolidated financial statements. From the beginning of 2013 on, e.solutions GmbH will be consolidated in Elektrobit Corporation's financial statements according to IFRS standards' proportionate consolidation method in accordance with EB's 51% holding of e.solutions GmbH. At the end of 2012, the joint venture had more than 200 employees, and its head office is located in Ingolstadt, Germany. EB also delivers products and R&D services to the joint venture.

Automotive business continued to grow steadily in the infotainment, driver assistance and ECU (Electronic Control Unit) software markets. Net sales of the Automotive Business Segment grew in January–December 2012 to EUR 122.1 million (EUR 98.3 million), representing 24.3 per cent growth year-on-year. The operating profit was EUR 4.7 million (EUR 0.8 million). The net sales of the Automotive Business Segment grew according to its targets. The operating profit improved clearly from the previous year, but remained lower than targeted due to certain bigger than expected project related costs.

In March EB established a subsidiary in People's Republic of China, EB Automotive Software (Shanghai) Ltd. The new office provides the possibility for EB to support a larger customer base in China and neighboring markets in Central Asia.

e.solutions GmbH progressed well and according to its targets in developing the high-end infotainment system. During the year AUDI announced that it will be used in the new A3 model's high-end infotainment system.

In October EB GUIDE 5.4 was launched. This new version of EB GUIDE is a complete software solution that includes support for speech, multi-touch, and gesture interaction, as well as a technology demonstrator for integration of web-based applications based on e.g. HTML5.

The new VW Golf VII, launched in autumn 2012, has EB's speech dialogue software EB GUIDE STF and navigation software EB street director integrated in its standard infotainment system.

In October the joint venture activities in e.solutions GmbH were expanded to include systems engineering and provision of systems integration services to AUDI AG and other VW Group companies for their future connected infotainment solutions. To build the required engineering competences and capacity, the joint venture established a new site in Ulm, Germany. By end of 2013 e.solutions is planning to hire up to 100 R&D engineers in Ulm, leveraging the existing knowledge base and competency in systems integration and software development.

Automotive Market Outlook

The demand for EB's products and services is estimated to develop positively year-on-year during 2013 in Automotive Business Segment. The uncertainty in the market outlook for the global car industry has recently grown especially in Europe where the number of cars sold is expected to decrease in 2013 from 2012, while in the USA, and China and other developing countries, the market is expected to grow. Despite the uncertainties, many carmakers have continued good financial performance also during the second half of 2012. The slowing down of the markets affects decreasingly also to the carmakers' R&D investments. However, carmakers will continue to invest in automotive software for new car models and the market for automotive software products and services is estimated to continue growing during 2013, but at a slower pace than in the years before.

In the labor market, particularly in Germany, competition in hiring talented engineers is still tight and is slightly slowing down the growth of the amount of personnel, thereby impacting the growth of the services business. e.solutions GmbH, the joint venture with AUDI, succeeded to grow its personnel significantly during the end of 2012 after announcing the decision to expand its business, and the outlook for the joint venture's growth in 2013 is good.

A Roland Berger study estimates that the share of electronics in cars will grow from 23 per cent in 2010 to 33 per cent until 2020. The move to greater electronic content in cars has been underway for several years and has resulted in such major innovations as security systems, anti-lock brakes, engine control units, driver assistance, and infotainment. These features have become so enormously popular that they are now widely available in both low-end and high-end vehicles, demonstrating that consumers are willing to pay for technology that enhances their driving experience. Further market growth is expected e.g. in the areas of Driver Assistance and Connected Car solutions. Connectivity with the cloud can provide several enhancements to car functions such as navigation. EB is already working with INRIX and other traffic providers to have real-time traffic information, which can provide navigation with daily relevance to the drivers. AUDI Connect is one example of advanced connected services into the car.

The increasingly sophisticated and networked features and growing performance foster the complexity of automotive electronics. At the same time consumers expect the same richness of features and user experience they know from the internet and mobile devices also within the car. Carmakers have been steadily integrating more electronic components into vehicles. These development trends are driving the industry towards a gradual separation of software and hardware in electronics solutions in order to manage the architectural software layer appropriately and to aim for efficiency in innovation and implementation. The use of standard software solutions is expected to increase in the automotive industry. This enables faster innovation, improves quality and development efficiency and reduces complexity related to deployment of software.

The fundamental industry migration and consequent growth of the automotive software market will continue. Cost pressures of the automotive industry are expected to accelerate the need for productized and efficient software solutions EB is offering. The estimated annual automotive software market growth rate until 2019 is expected to exceed the growth rate of passenger car production volume that is estimated to be 5.5% CAGR (LMC Automotive's Q4 2012 Forecast).

EB's net sales cumulating from the automotive industry is currently primarily driven by the development of software and software platforms for new cars and by sales of software licenses needed in product development. Hence the dependency of EB's net sales on car production volumes is currently limited; however, the direct dependency on production volumes is expected to increase over the forthcoming years as a result of the EB's transition towards software product business models.

Wireless Business Segment

January-December 2012

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.

EB signed an agreement with Anite plc on January 28, 2013, under the terms of which EB agreed to sell its Test Tools product business to Anite. The deal was completed on January 31, 2013. EB reports its 2012 financial results, as provided by the IFRS5 standard, divided between Continuing and Discontinuing Operations. Test Tools product business is classified as Discontinuing Operations in this financial statement. The following figures include only the net sales and operating result of Continuing Operations.

The figures of the 2012 for Wireless business segment include the following non-recurring items totaling approximately EUR 4 million:

- non-recurring costs of EUR 1.2 million related collecting the receivables from TerreStar companies and non-recurring income of EUR 1.2 million and a positive cash flow impact of EUR 10.8 million resulting from the settlement payment of USD 13.5 million received in the reorganization case of TerreStar Corporation in the third quarter; and
- 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.

The Wireless Business Segment's net sales from continuing operations in January-December 2012 grew 27.7 per cent year-on-year, to EUR 63.5 million (EUR 49.8 million). The net sales grew in the defense and public safety markets, and in the mobile infrastructure markets.

The operating result of the Wireless Business Segment remained negative due to above-mentioned non-recurring items of approximately EUR 4 million in total. Without these non-recurring items, the operating result of the Wireless Business Segment would have improved nearly as planned. The operating loss from continuing operations of the Wireless Business Segment in January-December 2012 was EUR -2.2 million including the above mentioned non-recurring items of approximately EUR 4 million in total (operating loss of EUR -6.2 million including EUR 0.9 million non-recurring costs related to collecting the receivables from TerreStar companies). Wireless Business Segment's operating profit from continuing operations without the above-mentioned non-recurring items was EUR 1.8 million (operating loss of EUR -5.3 million).

EB continued its R&D investments in the Wireless segment's continuing operations in products and product platforms targeted for the defense and public safety markets, and in the discontinuing operations in radio channel emulation products.

In January EB announced a partnership with Renesas Mobile to provide its Specialized Device Platform with LTE capabilities, and that Raptor ID chose the Specialized Device Platform for its new biometric mobile devices for the US governmental markets.

In March EB announced to close down its Wireless Business Segment Espoo site in Finland in order to rationalize its operations and improve the cost structure. The personnel negotiations concluded in April concerned 25 employees, and all were offered a position at Company's other sites. 14 employees continued at other EB sites, six employees were dismissed and the rest were employed outside EB.

In April EB announced updates to its Tough VoIP product family with new versions of the Field and Desktop phone. EB also announced the EB Propsim F32, a new radio channel emulator product with the highest emulation capacity in the market.

In September EB announced the new EB Propsim FS8, a compact sized radio channel emulator for 4G LTE product developers and mobile network operators, complementing its radio channel emulator product family.

In December EB made the first deliveries of its Tough VoIP products and the first series of Tactical Wireless IP network communications system products to the Finnish Defence Forces.

Wireless 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. The implementation of LTE (Long Term Evolution) technology continues to be the most important technological change driving the demand, and in 2013 EB's business driven by LTE is expected to stay at the same level as in 2012. Mastering of multi-radio technologies and end-to-end system architectures covering both terminals and networks has gained importance in the complex wireless technology industry.

The global defense market is estimated to remain stable during 2013. EB currently aims at bringing its products to the global defense market with the target to gradually increase the product sales in the next few years. The development of defense budgets varies geographically with budget cuts in the western markets and increases in Asia and South America. In Tactical Communications the growing importance of situational awareness shared by military forces creates a need for new broadband networks, such as EB's IP (Internet Protocol) based tactical communications solutions. The defense market is characterized by long sales cycles driven by purchasing programs of national governments, and the purchases of the selected products take place over several years.

For the markets of national security and other authorities, EB offers specialized customized solutions based on its product platforms. The trend of adopting new commercial technologies, such as LTE and smart phone related software 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. These markets have special requirements and the volumes are lower than in the mass-markets. The US public safety market is progressing, although slowly, towards a nationwide LTE network.

In the mobile infrastructure market the use of LTE technology is expected to continue strong. For the mobile infrastructure market 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 to design product variants. The need for R&D services for connected devices for various end user needs emerged during 2012 and this trend is expected to continue in 2013.

Research and Development in 2012

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's continuing operations.

The total R&D investment for continuing operations during January–December 2012 was EUR 22.2 million (EUR 22.1 million in 2011), equaling 12.0% of the net sales (15.0 % in 2011). The share of R&D investments in Automotive Business Segment was EUR 18.1 million (EUR 18.0 million in 2011) and in Wireless Business Segment in Continuing Operations EUR 4.1 million (EUR 4.1 million in 2011). In addition, the R&D investment for the Discontinuing Operations was EUR 2.6 million.

EUR 2.9 million of R&D investments of the reporting period were capitalized (EUR 6.6 million in 2011). Depreciations of R&D investments were EUR 0.9 million during the reporting period (EUR 1.6 million in 2011). The amount of capitalized R&D investments at the end of December 2012 was EUR 13.5 million. 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.

Outlook for 2013

EB will apply the new IFRS10 and IFRS11 standards from the beginning of 2013 and will consolidate e.solutions GmbH, the jointly owned company with AUDI, applying the proportionate consolidation method. EB holds a 51% stake in e.solutions GmbH, Audi holding the remaining 49%. Previously e.solutions GmbH has been included in EB's consolidated financial statements as subsidiary and it has been consolidated in full. 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 EB's consolidated financial statements will decrease. The change in the method of consolidation as presented above has been taken into account in the 2013 outlook for net sales and operating result presented below and the 2012 net sales and operating result, presented for comparison, are pro forma figures, assuming that proportionate consolidation method would have been applied already in 2012. More information about this has been presented in the stock exchange release announced on February 19, 2013 and in this report in the section "Change in the consolidation of the jointly owned company of EB and AUDI as of January 1, 2013".

Carmakers continue to invest in software for new car models and the market for automotive software products and services is estimated to continue growing. However, the growth rate of the global automotive industry is estimated to be less than in the previous year due to the financial uncertainties in Europe. Despite these uncertainties, many carmakers have continued good financial performance also during the end of 2012 and slowing down of the markets affects different carmakers in different ways. In the Wireless Business Segment the demand growth will be driven especially by the increasing use of the LTE technology that increases the performance of mobile networks, and the authorities' needs for new communication solutions that use commercial technologies of smart phones and mobile networks, as well as the growing need of companies to provide wireless connectivity of their devices, targeted to consumers and for professional use, to broader solutions. General cost saving measures of the public sector are reflected in the demand in the public safety markets in Europe.

EB expects for the year 2013 that net sales will grow and operating result to be at the same level as it was in 2012 without non-recurring items (pro forma net sales of EUR 173.8 million, and pro forma operating profit without non-recurring items of EUR 5.1 million, in 2012). Operating result is expected to be clearly better in the second half than in the first half of 2013 due to higher product license sales in the Automotive Business Segment during the latter half of the year, and due to other seasonality factors and the planned cost saving measures in the first half of 2013 in the Wireless Business Segment. The background to the cost saving measures in the Wireless Business Segment is firstly that the planned sale of products and services to a US based customer will not materialize due to the customer's financial challenges, and secondly that a part of the common cost base of the Wireless Business Segment that was previously allocated to the sold Test Tools product business was not included in the transaction.

More specific market outlook is presented under the "Business Segments" section.

The profit outlook for the year 2013 does not include the non-recurring net profit of about EUR 23 million in the first quarter of 2013 resulting from the sale of the Test Tools product business.

In addition, the profit outlook for the year 2013 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 under "Risks and Uncertainties" section.

Significant Events After the Reporting Period

On January 10, 2013 EB lowered its profit guidance for 2012 due to the weaker than expected fourth quarter. 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 net sales to develop as earlier estimated and thus the net sales of the fourth quarter of 2012 to be approximately EUR 57 million (EUR 49.0 million, 4Q 2011), the net sales of the second half of 2012 to be approximately EUR 104 million (EUR 86.1 million, 2H 2011) and the net sales of the whole year 2012 to be approximately EUR 200 million (EUR 162.2 million in 2011).

On January 28, 2013 EB and Anite plc signed an agreement, 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 People's Republic of 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, the USA and China. Closing of the transaction was agreed to take place on January 31, 2013, subject to completion of customary closing events, such as payment of the cash consideration. According to the agreement, the cash consideration payable to EB by Anite 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 net assets of the Test Tools product business in January 31, 2013 was expected to be approximately EUR 5 million.

In addition, on January 28, 2013 EB gave advance information on its fourth quarter and full year 2012 net sales and operating results. 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.

On January 31, 2013 the sale of the Test Tools product business to Anite plc was completed. 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 results in a non-recurring net profit of about EUR 23 million in the first quarter of 2013, and non-recurring net cash flow of about EUR 28 million, in the first half of 2013.

On February 18, 2013 the Board of Directors resolved to 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 consolidated into EB 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 EB group companies to e.solutions GmbH.

In February EB started measures to improve its cost structure in the Wireless Business Segment. These measures target at EUR 2 million annual cost savings, in order to better align the operations with the current business requirements. The actions are expected to cause approximately EUR 1 million non-recurring costs in the first quarter of 2013. As part of the measures to improve the cost structure, EB plans to reduce its personnel in the Wireless Business Segment globally by approximately 30 persons in total.

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

EB will start 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 EB group's 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 EB group companies to e.solutions GmbH.

In 2012, the EB group net sales from Continuing Operations was EUR 185.4 million and the operating profit from Continuing Operations was EUR 2.5 million. If the proportionate consolidation method had been applied for e.solutions GmbH already in 2012, the consolidated net sales of EB group would have been EUR 11.6 million and the operating profit EUR 1.4 million less than was the case when the full consolidation method was applied, as presented above. In 2012, the external net sales of e.solutions GmbH was EUR 34.6 million and the operating profit EUR 2.9 million. In the financial reports of 2013, EB will present the year-on-year information of income statement and balance sheet with pro forma principle, assuming that e.solutions GmbH would have been consolidated to EB group according to the rules of proportionate consolidation 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 statements in full.

The new IFRS10 and IFRS 11 standards for consolidated financial statements and joint arrangements will take effect on January 1, 2014, but they may be applied as of January 1, 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.

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. EB believes that expanding the customer base will reduce dependence on individual companies and that the company will thereby be mainly affected by the general business climate in automotive and telecommunication industries. The more specific market outlook is presented under the "Business Segments" 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 of project resources; availability of personnel in labor markets (particularly in Germany); timing 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; and 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 in 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 risks such as high dependency on actual product volumes and development of the cost of materials. The above-mentioned risks may manifest themselves as lower amounts of product delivered or higher costs of production, and ultimately, as lower profit.

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, which 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. While the analysis of the situation is pending, 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.

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 the 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.

Some parts of EB's business are more sensitive to customer dependency than others. Respectively, this may translate as accumulation of risk with respect to outstanding receivables and ultimately with respect to credit losses. EB has asserted claims for its receivables in the amount of approximately USD 25.8 million (EUR 19.3 million as per exchange rate of February 18, 2013) in the Chapter 11 cases of its customers TerreStar Networks Inc. and its parent company TerreStar Corporation. In addition to the booked receivables, EB has also asserted claims for additional costs in the amount of approximately USD 2.1 million (EUR 1.6 million as per exchange rate of February 18, 2013) and resulting mainly from the ramp down of the business operations between the parties. Thus, EB has asserted claims against each of the TerreStar entities in amounts totaling USD 27.9 million (EUR 20.9 million as per exchange rate of February 18, 2013). 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.

On October 19, 2010, TerreStar Networks and certain other affiliates of TerreStar Corporation, and on February 16, 2011 the parent company TerreStar Corporation, filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code to strengthen their financial position. Generally in a Chapter 11 case, any distribution of cash or other assets by a debtor to satisfy pre-bankruptcy claims of its creditors must be made under a Chapter 11 plan of reorganization or liquidation, or otherwise pursuant to an order of the bankruptcy court.

A plan of liquidation for Terre Star Networks became effective on March 29, 2012. On that date, EB received a USD 650,890 distribution from TerreStar Networks on that portion of its claim entitled to payment priority under U.S. bankruptcy law. Based upon information contained in the debtors' disclosure statement accompanying the plan, the reorganized debtors' post-confirmation status reports, or otherwise available to EB, EB estimates that its pro rata total distribution under the plan may be in the range of 8-10% of the face amount of its claim. However, this estimate is subject to various assumptions, and therefore the amount and timing of EB's distribution on the remaining portion of its claim cannot be predicted with certainty at this time.

As part of the Chapter 11 process, debtors often seek to recover payments previously made to creditors pursuant to various provisions of the Bankruptcy Code. While EB received certain payments that total approximately USD 2.5 million during the 90 days prior to TerreStar Networks' bankruptcy filing, and the liquidating trustee (the "Liquidating 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) contemplates commencing actions against certain defendants, including EB, to recover such allegedly preferential transfers, EB believes that it has strong defenses to any such litigation. Therefore, if the Liquidating Trustee commences litigation to recover such payments from EB, such litigation will be vigorously contested by EB. EB has entered into a tolling agreement with the Liquidating Trustee which, as amended, has extended the two-year avoidance action statute of limitations from October 19, 2012 through and including April 23, 2013, with a view to determining whether the parties may be able to reach a consensual resolution of these matters without incurring the cost and expense of litigation.

Further, as part of the process of reconciling accounts in preparation for making distributions under a plan, Chapter 11 debtors often challenge the amount or validity of some creditor claims. To date neither TerreStar Networks nor the Liquidating Trustee has asserted an objection to the amount or validity of EB's claims in its bankruptcy proceeding but, as part of the claims reconciliation process, EB expects to provide the Liquidating Trustee with additional information and documents in support of certain elements of its claim that were filed in estimated or unliquidated amounts. If the Liquidating Trustee were to commence an action against EB to recover allegedly preferential transfers, EB anticipates that the trustee would seek to delay any distribution to EB on its claim pending resolution of the preference litigation and repayment by EB of any adverse judgment. The likelihood and outcome of any such dispute cannot be predicted with certainty at this time.

Pursuant to an 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 contains a provision specifically preserving the rights of EB and all other parties in interest with respect to EB's claim against TerreStar Networks.

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 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 Liquidating 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.

Based on the information received, the U.S. Internal Revenue Service ("IRS") has disallowed a deduction taken on EB's subsidiary's, Elektrobit Inc.'s 2010 U.S. federal income tax return due to an impairment booked with respect to the receivables from the TerreStar companies. EB has appealed the IRS decision to the IRS Office of Appeals from which the decision is expected to be given during the second half of 2013. It is possible to appeal the decision of the IRS Office of Appeals to the United States Tax Court, in which case the appeal will typically take approximately two years.

If the appeal would proceed to the United States Tax Court and if the resolution of the litigation would result in a complete rejection of the booked tax deduction in 2010, EB would be obliged 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 EUR 2.0 million (USD 2.7 million as per exchange rate of February 18, 2013). 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' current position concerning year 2010 would remain as such in the appellate process. It is possible that based on later information received the situation may need to be reconsidered. It is also possible that during the appellate process, the parties may enter into a settlement of this matter.

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

Statement of Financial Position and Financing

The figures presented in the statement of financial position of December 31, 2012, are compared with the statement of the financial position of December 31, 2011 (MEUR).

	12/2012	12/2011
Non-current assets	47.8	44.1
Current assets	87.2	71.0
Assets classified as held for sale	7.7	
Total assets	142.7	115.1
Share capital	12.9	12.9
Other equity	53.7	52.6
Non-controlling interests	2.5	1.5
Total shareholders' equity	69.1	67.0
Non-current liabilities	7.9	6.9
Current liabilities	61.2	41.3
Liabilities classified as held for sale	4.5	
Total shareholders' equity and liabilities	142.7	115.1

Net cash flow from operations during the period under review:

+ net profit +/- adjustment of accrual basis items	+12.6 million
+/- change in net working capital	-3.3 million
- interest, taxes and dividends	-1.3 million
= cash generated from operations	+8.1 million
- net cash used in investment activities	-8.7 million
- net cash used in financing	+6.1 million
= net change in cash and cash equivalents	+5.5 million

The increase in the net working capital during the reporting period is resulting from EB's customer projects, which have longer payment periods than earlier.

The amount of accounts receivable and other receivables, booked in current receivables, was EUR 75.9 million including assets classified as held for sale of EUR 4.5 million (EUR 59.3 million on December 31, 2011). Accounts payable and other payables, booked in interest-free current liabilities, were EUR 52.8 million including liabilities classified as held for sale of EUR 4.3 million (EUR 36.3 million on December 31, 2011). 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, 2011).

The amount of gross investments in the period under review was EUR 12.2 million including R&D capitalizations of EUR 2.9 million. Net investments for the reporting period totaled EUR 11.8 million. The total amount of depreciation of continuing operations during the period under review was EUR 7.3 million, including EUR 1.0 million of depreciation owing to business acquisitions.

The amount of interest-bearing debt, including finance lease liabilities, at the end of the reporting period was EUR 18.3 million including liabilities of disposal group classified as held for sale of EUR 0.3 million. The distribution of net financing expenses on the income statement of continuing operations was as follows:

interest income, dividends and other financial income	0.1 million
interest expenses and other financial expenses	-0.8 million
foreign exchange gains and losses	0.2 million

EB's equity ratio at the end of the period was 54.7% (62.8% on December 31, 2012). The decrease in equity ratio is mainly due to the increase of interest bearing debt during the reporting period.

Cash and other liquid assets at the end of the reporting period were EUR 15.5 million (EUR 10.0 million on December 31, 2011). The increase in cash reserves is mainly result of USD 13.5 million payment from TerreStar Corporation and withdrawal of credit limits. 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 11.3 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 receiv-ables, payables, the order book and the budgeted net currency cash flow. The hedged foreign currency exposure at the end of the review period was equivalent to EUR 7.0 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. Environmental impacts of the products manufactured by the Company are not significant.

Elektrobit Corporation has had ISO 14001 certified management systems since 2001, concerning the current operations of the Wireless Business Segment. The certification was updated to confirm ISO14001.2004 requirements in 2007, enhanced to People's Republic of China in 2008 and to the USA in 2010. EB is applying ISO14001 standards in its Wireless Segment business operations. Additional information about the certificate 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 also the requirements of the so called ROHS2 standard's application. During 2012 EB has on a regular basis continued to update and apply the substance list to the products or solutions, in which EB has partial or total responsibility of environmental requirements. The imposed requirements will be observed in business operations on a country-specific basis. In addition, EB has improved the follow-up of environmental metrics and results have shown that the environmental impact by EB is low.

Personnel

EB employed an average of 1713 people between January and December 2012. At the end of December, EB had 1870 employees (1607 at the end of 2011) of which 54 employees were working for the Discontinuing Operations. 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:

	2012	2011
Average personnel	1659	1499
Salaries and wages (MEUR)	87.9	77.4

At the end of 2012 about 65.9 per cent of the employees worked in Automotive Business Segment, about 33.5 per cent in Wireless Business Segment, and short of 1 per cent in Corporate Functions. When compared to 2011, the share of personnel in Automotive Business Segment increased by 3.8 per cent, in Wireless Business Segment decreased by 3.7 per cent, and in Corporate Functions remained at the same level.

Incentive Systems

Personnel Fund

A personnel fund was established on April 27, 2005. The members of the fund included EB's personnel working in Finland. A profit-related pay scheme, in accordance with the Act on Personnel Funds, was implemented within EB at the beginning of 2005, pursuant to which a predetermined proportion of the group's result will be paid to the personnel fund as a profit-related payment. The Board of Directors decided upon the grounds for the profit-related pay scheme annually. For the years 2009, 2010, 2011 and 2012 the Board decided not to pay any profit-related payment to the fund. The body of rep-re-sentatives of EB's personnel fund decided in August 2012 to dissolve the personnel fund and distribute the capital of the personnel fund to its members according to their respective shares. The dissolution of the personnel fund was based on the decision made by the Board of Directors to exclude the personnel fund of the group's incentive system.

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-C.

A total of 372,000 2005 A 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 wholly owned subsidiary of Elektrobit Corporation.

In accordance with the terms and conditions of the stock options, the prerequisite for receiving 2005A stock options was that the participating managers purchase a predetermined number of Elektrobit Corporation shares, as decided by the Board of Directors. 2005B–2005D stock options are subject to preconditions relating to EB's financial targets. In accordance with the share ownership scheme, associated with this stock option scheme, the participating managers are committed to using a considerable portion of the future income from the distributed stock options for purchasing the company's shares.

2006A

The Annual General Meeting decided on March 15, 2006 that option rights with a commitment to shareholding would be granted to Elektrobit Corporation's Chairman of the Board and CEO. Of the above, 750,000 stock options marked as 2006A were distributed to the Chairman of the Board, while 1,000,000 stock options were distributed to the CEO. In accordance with the terms and conditions of the stock options, the prerequisite for receiving 2006A stock options was that the participating managers purchase, either directly or through companies under their control, a predetermined number of

Elektrobit Corporation shares, as decided by the Annual General Meeting on March 15, 2006 (a minimum of 75,000 shares for the Chairman of the Board and a minimum of 100,000 shares for the CEO). No subscriptions were made by the end of the share subscription period for stock options 2006A.

2008A-C

The Annual General Meeting decided on March 14, 2008 that there is a weighty financial reason for the company to issue stock options since the stock options are intended for use as part of the incentive and commitment program for key personnel.

The maximum total number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B, and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares.

The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki Ltd. in January 2009, January 2010 and January 2011. At the end of 2012, 1,167,994 stock options with symbol 2008A, 1,134,000 stock options with symbol 2008B, and 740,000 stock options with symbol 2008C were distributed to the key employees of Elektrobit Corporation.

Short Term Incentive System

Short term incentive will be paid based on the achieved targets. A limited amount of EB's employees are participating into short term incentive system. 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 of Business Segment or personal targets. Personal targets vary between duties.

In 2012 the earning period for the short term incentive was 12 months. 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 March 26, 2012 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 31, 2011 to decide on the repurchase of the company's own shares. The authorization is effective until June 30, 2013.

Authorization 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 March 26, 2012 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 31, 2011 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, 2013.

Shares and Shareholders

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

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

Shareholding and control related information is presented in section 38 of the notes to the Financial Statement.

Flagging Notifications

There were no changes in ownership during the period under review that would have caused flagging notifications, which are obligations for disclosure in accordance with Chapter 2, section 9 of the Securities Market Act.

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 was 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-C.

II. The Annual General Meeting held on March 15, 2006, decided that option rights with a commitment to shareholding are granted to Elektrobit Corporation's new directors. The number of option rights granted totals 1,750,000, of which 750,000 were granted to the Chairman of the Board and 1,000,000 were granted to the CEO. Subscriptions made by virtue of the said option rights might increase the share capital of Elektrobit Corporation by a maximum of EUR 175,000 and the number of shares by a maximum of 1,750,000 new shares. The share subscription period for stock options 2006A was 1 May 2009–31 May 2012. No subscriptions were made by the end of the share subscription period for stock options 2006A.

III. The Annual General Meeting of March 14, 2008, decided to issue stock options to EB's key personnel. The maximum number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares. The proportion of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1 per cent of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription. The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki Ltd. in January 2009, January 2010 and January 2011. The subscription price will be recorded in the fund for invested unrestricted equity. The share subscription period for stock options 2008A 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.

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 March 26, 2012 decided that the Board of Directors shall comprise of five (5) members. Mr. Jorma Halonen, Mr. Juha Hulkko, Mr. Seppo Laine, Mr. Staffan Simberg and Mr. Erkki Veikkolainen were elected as 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 March 26, 2012, the Board of Directors elected Mr. Seppo Laine as the 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 as committee members.

In the Annual General Meeting held on March 26, 2012, 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 at the corporate governance statement for the reporting period of January 1 – December 31, 2012 and at www.elektrobit.com.

Dividend from 2011

The General Meeting held on March 26, 2012 decided in accordance with the proposal of the Board of Directors that no dividend shall be distributed.

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, 2012, the distributable assets of the parent company are EUR 104,362,407.50 of which the loss of the financial year is EUR -119,399.75.

The Board of Directors proposes that the Annual General Meeting to be held on April 11, 2013 resolve to pay EUR 0.01 per share, i.e. in total EUR 1,294,126.90, as dividend based on the adopted balance sheet for the financial period of January 1, 2012 – December 31, 2012. 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 16, 2013. The Board of Directors proposes that the dividend be paid on Tuesday, April 23, 2013.

The Board of Directors emphasized the result from the financial period ended on 31.12.2012 as a basis for its proposal for distribution of dividend.

Oulu, February 18, 2013

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 18, 2013

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Consolidated Statement of Comprehensive Income

CONTINUING OPERATIONS	NOTES	2012 1000 EUR	2011 1000 EUR
Net Sales	**1, 4**	**185 410**	**148 028**
Other operating income	5	2 262	2 313
Change in work in progress and finished goods		-186	44
Work performed by the undertaking for its own purpose and capitalised		601	427
Raw materials		-7 380	-6 708
Personnel expenses	8	-105 541	-92 707
Depreciation	7	-7 302	-8 482
Other operating expenses	6	-65 381	-48 426
Operating Profit		**2 484**	**-5 511**
Financial income and expenses	10	-465	-427
Profit Before Tax		**2 019**	**-5 938**
Income tax	11	67	-600
Profit For The Year From Continuing Operations		**2 086**	**-6 538**
Profit for the year from discontinued operations	2	1 185	1 461
Profit For The Year		**3 271**	**-5 077**
Other comprehensive income:			
Exchange differences on translating foreign operations		189	-166
Total Comprehensive Income For The Year		**3 460**	**-5 243**
Profit for the year attributable to			
Equity holders of the parent		2 267	-5 325
Non-controlling interests		1 005	249
Total		**3 271**	**-5 077**
Total comprehensive income for the period attributable to			
Equity holders of the parent		2 456	-5 492
Non-controlling interests		1 005	249
Total		**3 460**	**-5 243**
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY:			
Earnings per share from continuing operations, EUR			
Basic earnings per share	12	0.01	-0.05
Diluted earnings per share	12	0.01	-0.05
Earnings per share from discontinued operations, EUR			
Basic earnings per share	12	0.01	0.01
Diluted earnings per share	12	0.01	0.01
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	12	0.02	-0.04
Diluted earnings per share	12	0.02	-0.04
Average number of shares, 1000 pcs		129 413	129 413
Average number of shares, diluted, 1000 pcs		130 238	130 051

Consolidated Statement of Financial Position

	NOTES	Dec. 31, 2012 1000 EUR	Dec. 31, 2011 1000 EUR
Assets			
Non-current assets			
Property, plant and equipment	13	9 207	8 950
Goodwill	14	19 295	19 264
Intangible asssets	14	18 218	15 691
Other financial assets	18	132	134
Receivables	18		
Deferred tax assets	19	947	78
Total		**47 798**	**44 117**
Current assets			
Inventories	20	381	1 797
Trade and other receivables	21	71 349	59 282
Financial assets at fair value through profit or loss	22	9 676	
Cash and short-term deposits	23	5 827	9 954
Total		**87 233**	**71 033**
Assets classified as held for sale		**7 699**	
Total assets		**142 730**	**115 150**
Equity and liabilities			
Equity attributable to equity holders of the parent	24		
Share capital		12 941	12 941
Translation differences		635	446
Invested non-restricted equity fund		38 697	38 697
Retained earnings		14 320	13 425
Total		**66 594**	**65 509**
Non-controlling interests		2 508	1 504
Total equity		**69 102**	**67 013**
Non-current liabilities			
Deferred tax liabilities	19	674	1 030
Pension obligations	26	1 377	1 311
Interest-bearing loans and borrowings (non-current)	28	5 370	4 010
Provisions	27	459	501
Total		**7 880**	**6 851**
Current liabilities			
Trade and other payables	29	46 375	34 934
Financial liabilities at fair value through profit or loss	29	2	335
Provisions	27	2 158	1 020
Interest-bearing loans and borrowings (current)	28	12 704	4 996
Total		**61 239**	**41 286**
Liabilities classified as held for sale		**4 509**	
Total liabilities		**73 628**	**48 137**
Total equity and liabilities		**142 730**	**115 150**

Consolidated Statement of Cash Flows

	NOTES	2012 1000 EUR	2011 1000 EUR
Cash flow from operating activities			
Profit for the year from continuing operations		**2 086**	**-6 538**
Profit for the year from discontinued operations		**1 185**	**1 461**
Adjustments			
Effects of non-cash business activities	32	8 865	6 096
Finance costs		603	773
Finance income		-67	-342
Income tax		-67	602
Change in net working capital			
Change in short-term receivables		-16 532	-2 351
Change in inventories		-349	-268
Change in interest-free short-term liabilities		13 624	3 246
Interest paid on operating activities		-949	-387
Interest and dividend received from operating activities		67	342
Income taxes paid		-395	2 631
Net cash from operating activities		**8 071**	**5 266**
Cash flow from investing activities			
Acquisition of business unit, net cash acquired			-836
Purchase of property, plant and equipment		-3 152	-1 949
Purchase of intangible assets		-5 897	-8 492
Purchase of other investments			-25
Sale of property, plant and equipment		382	94
Sale of intangible assets		7	63
Proceeds from sale of other investments		3	45
Net cash from investing activities		**-8 658**	**-11 099**
Cash flows from financing activities			
Proceeds from borrowing		16 564	247
Repayment of borrowing		-7 541	-2 200
Payment of finance lease liabilities		-2 887	-2 782
Net cash from financing activities		**6 136**	**-4 735**
Net change in cash and cash equivalents		**5 549**	**-10 568**
Cash and cash equivalents at 1 January		9 954	20 522
Change in fair value of investments			
Cash and cash equivalents at 31 December		**15 503**	**9 954**

Consolidated Statement of Changes in Equity

1000 EUR	Share capital	Share premium	Invested non-restricted equity fund	Translation difference	Retained earnings	Total	Non-controlling interests	Total equity
	Equity attributable to equity holders of the parent							
Shareholders equity Jan. 1, 2011	**12 941**	**0**	**38 697**	**613**	**18 256**	**70 507**	**1 255**	**71 761**
Comprehensive income for the period								
Profit for the period					-5 325	-5 325	249	-5 077
Exchange differences on translating foreign operations				-166		-166		-166
Total comprehensive income for the period	**0**	**0**	**0**	**-166**	**-5 325**	**-5 492**	**249**	**-5 243**
Transactions between the shareholders								
Share-related compensation					422	422		422
Other changes					**73**	**73**		**73**
Shareholders equity Dec. 31, 2011	**12 941**	**0**	**38 697**	**446**	**13 425**	**65 509**	**1 504**	**67 013**
Shareholders equity Jan. 1, 2012	**12 941**	**0**	**38 697**	**446**	**13 425**	**65 509**	**1 504**	**67 013**
Comprehensive income for the period								
Profit for the period					2 267	2 267	1 005	3 271
Exchange differences on translating foreign operations				189		189		189
Total comprehensive income for the period	**0**	**0**	**0**	**189**	**2 267**	**2 456**	**1 005**	**3 460**
Transactions between the shareholders								
Share-related compensation					349	349		349
Other changes *)					**-1 720**	**-1 720**		**-1 720**
Shareholders equity Dec. 31, 2012	**12 941**	**0**	**38 697**	**635**	**14 320**	**66 594**	**2 508**	**69 102**

*) Previous periods tax EUR 1,6 million booked in foreign subsidiaries.

Notes to the Consolidated Financial Statements

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

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, 2012. The financial statements are presented in thousands of euro. The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

Consolidation Principles

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.

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control, and divested subsidiaries up to the time when control ceases. The excess of the acquisition cost of the subsidiary shares over fair value of the net assets acquired is allocated partly to the identifiable assets and liabilities. Any excess is recorded as goodwill. For business combinations that occurred before the implementation of IFRS, in 2004, the carrying amount of the goodwill has been treated according to the Finnish GAAP in accordance with the exemption under IFRS 1. According to IFRS goodwill is not amortized, but tested annually for impairment.

Intra-Group transactions, receivables, liabilities and margins are eliminated in preparation of the consolidated financial statements.

Minority interests are presented separately from the net profit and disclosed as a separate item in the equity.

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.

Notes to the Consolidated Financial Statements

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.

Borrowing costs

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

Government Grants

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

Leases

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

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

Impairment of Assets

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

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

Employee Benefits

Pension Liabilities

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

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

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

Revised IAS 19 Employee Benefits will become 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.

Notes to the Consolidated Financial Statements

Assets Held for Sale and Discontinued Operations

The Group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and asset items related to discontinued operations, which are classified as held for sale, are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortization on these asset items is discontinued at the time of classification. Profit after tax and gain on sale of discontinued operation is presented as a separate line item in the consolidated income statement.

Profit for the year from discontinued operations is presented separately in Consolidated Statement of Comprehensive Income. Discontinued 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 at fair value through profit or loss, when it has been acquired for trading purposes. The category comprises the Group's investment portfolio and all derivative contracts. The consolidated balance sheet does not contain assets that would be classified in this category upon initial recognition as allowed under the fair value option of IAS 39. Realized and unrealized gains and losses from changes in fair values are recognised in profit or loss in the financial year they are incurred. The assets are in accordance with their nature included in the non-current and current assets of the balance sheet.

Loans and receivables are assets other than derivative contracts with related payments that are fixed or determinable. They are not quoted on efficient markets and they are not held by the Group for trading purposes. They are valued at amortised cost. They are in accordance with their nature included in the current or long-term assets of the balance sheet: long-term if they fall due after more than 12 months.

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

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

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

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

Financial Liabilities

Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying amount of financial liabilities. All financial liabilities are subsequently measured at amortised cost. Financial liabilities are included in current and 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 17, 22 and 29.

The Impairment of Financial Assets

The Group assesses whether objective indications of the impairment of any financial assets exist at each balance sheet date. A loss is recognised in profit or loss as a recognised or probable credit loss, when there are indications that trade or loan receivables may not be collected in full. Impairment losses on trade receivables are included in other operating expense and on loan receivables in financial expenses.

Impairment losses on financial assets recognised in the financial year are disclosed in note 17 and 22.

Derivative Contracts and Hedge Accounting

Derivative contracts are recognised at their fair value. Hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and measurement is not applied. The change in fair value of hedging instruments is recognised in finance items in profit or loss.

The fair values of derivative contracts and the valuation methods used are disclosed in note 30.

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 Jan. 1, 2012. The new interpretations or revised standards 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).
- IAS 12 Deferred Tax: Recovery of Underlying Assets (revised).

Effective date 1st of January, 2013

- IFRS 7 Financial Instruments: Disclosures (revised). The revised standard will 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 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 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.
  - In 2012, the Group's net sales from continuing operations was EUR 185.4 million and the operating profit from continuing operations was EUR 2.5 million. If the proportionate consolidation method would have been applied for e.solutions GmbH already in 2012, the consolidated net sales of group would have been EUR 11.6 million and the operating profit EUR 1.4 million less than was the case when the full consolidation method was applied, as presented above. In 2012, the external net sales of e.solutions GmbH was EUR 34.6 million and the operating profit EUR 2.9 million. In the financial reports of 2013, the Group will present the year-on-year information of income statement and balance sheet with pro forma principle, assuming that e.solutions GmbH would have been consolidated to group according to the rules of proportionate consolidation already in 2012.
- IFRS 12 Disclosure of Interests in Other Entities. The new standard will not have material impact on the consolidated financial statements.
- IFRS 13 Fair Value Measurements. The new standard will not have material impact on the consolidated financial statements.
- IAS 1 Presentation of Financial Statements (revised) The revised standard will not have material impact on the consolidated financial statements.
- IAS 19 Employee Benefits. The new standard will have EUR 0.5 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).
- 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.
- 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.

Notes to 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, Automotive and Wireless.

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. 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

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.

OPERATING SEGMENTS 2012 1000 EUR	Automotive Business Segment	Wireless Business Segment	Other items	Eliminations	Group total
Net sales					
Net sales to external customers	122 052	63 273	85		185 410
Net sales to other segments	88	258	0	-347	0
Net sales total	**122 140**	**63 531**	**85**	**-347**	**185 410**
Depreciation	-4 306	-2 946	-51		-7 302
Operating Profit	**4 670**	**-2 223**	**37**	**0**	**2 484**
Unallocated expenses					-398
Profit for the year from continuing operations					2 086
Profit for the year from discontinued operations					1 185
Profit for the year					**3 271**
Assets and liabilities					
Segments assets	89 192	28 917	2 182	-1 993	118 298
Unallocated assets					16 733
Assets classified as held for sale					7 699
Total assets	**89 192**	**28 917**	**2 182**	**-1 993**	**142 730**
Segment liabilities	32 989	15 979	500	-1 943	47 525
Unallocated liabilities					21 595
Liabilities classified as held for sale					4 509
Total liabilities	**32 989**	**15 979**	**500**	**-1 943**	**73 628**
Capital expenditure, continuing operations					
Tangible assets	3 372	2 603	2		5 977
Intangible assets	5 305	410	10		5 725
Investments					0
Goodwill	35				35
Capital expenditure, discontinued operations					
Tangible assets					338
Intangible assets					134

Notes to the Consolidated Financial Statements

OPERATING SEGMENTS 2011 1000 EUR	Automotive Business Segment	Wireless Business Segment	Other items	Eliminations	Group total
Net sales					
Net sales to external customers	98 269	49 408	351		148 028
Net sales to other segments	3	355	0	-358	0
Net sales total	98 271	49 763	351	-358	148 028
Depreciation	-5 271	-2 897	-314		-8 482
Operating Profit	**760**	**-6 204**	**-67**	**0**	**-5 511**
Unallocated expenses					-1 027
Profit for the year from continuing operations					-6 538
Profit for the year from discontinued operations					1 461
Profit for the year					-5 077
Assets and liabilities					
Segments assets	64 894	39 584	1 963	-1 686	104 754
Unallocated assets					10 395
Total assets	**64 894**	**39 584**	**1 963**	**-1 686**	**115 150**
Segment liabilities	20 168	17 196	2 140	-1 686	37 819
Unallocated liabilities					10 318
Total liabilities	**20 168**	**17 196**	**2 140**	**-1 686**	**48 136**
Capital expenditure					
Tangible assets	1 230	1 954	0		3 184
Intangible assets	7 942	536	14		8 492
Investments	25				25
Goodwill	736				736

Geographical areas

EB's two Business Segments operates 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 2012 1000 EUR	Finland	Other Europe	Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	25 330	122 928	28 617	8 535		185 410
Non-current assets	5 740	40 343	643	126		46 851
Unallocated non-current assets						0
Total non-current assets *)						**46 851**
*) does not include deferred tax assets						
Capital expenditure						
Tangible assets	220	5 318	4	13		5 555
Intangible assets	2 660	3 166	344	12		6 181
Investments						0
Goodwill						0

GEOGRAPHICAL AREAS 2011 1000 EUR	Finland	Other Europe	Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	10 081	110 473	20 313	7 161		148 028
Non-current assets	7 026	36 088	673	251		44 039
Unallocated non-current assets						
Total non-current assets *)						**44 039**
*) does not include deferred tax assets						
Capital expenditure						
Tangible assets	1 704	1 114	256	97		3 171
Intangible assets	533	7 924	27	8		8 492
Investments		37				37
Goodwill		736				736

Information of primary customers

Group's revenues from the 10 largest customers in year 2012 was 126.7 million euros (EUR 93 million in 2011) representing 68.3 per cent of the net sales (57.1 per cent in 2011).

Notes to the Consolidated Financial Statements

2. DISCONTINUED 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 Discontinued 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.

	2012 1000 EUR	2011 1000 EUR
Income statement, Test Tools		
Net sales	16 110	14 146
Expenses	-14 925	-12 683
Profit before tax	1 185	1 464
Income tax	0	-2
Profit after tax for the year	**1 185**	**1 46**

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

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**

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

3. ACQUISITIONS

There are no new acquisitions during the annual period.

4. NET SALES	2012 1000 EUR	2011 1000 EUR
Income recognized from construction contracts	102 724	79 834
Net sales other	82 686	68 195
Total	**185 410**	**148 028**

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	102 724	79 834
Revenue recognized from long-term construction contracts in progress amounted to	32 764	26 612
Advances received from long-term construction contracts recognized in the balance sheet amounted to	5 437	4 079
Receivables recognized from long-term construction contracts amounted to	13 030	4 890

5. OTHER OPERATING INCOME

Government grants	1 759	1 088
Other income	503	1 225
Total	**2 262**	**2 313**

6. OTHER OPERATING EXPENSES

External services	-34 107	-24 603
Voluntary staff expenses	-2 142	-1 958
Premises expenses	-7 739	-7 905
Travel expenses	-2 401	-2 445
IT expenses	-3 667	-5 084
Other expenses	-15 324	-6 326
Total	**-65 381**	**-48 322**

AUDITORS CHARGES

Ernst & Young		
Auditing	178	149
Certificates and statements	1	19
Tax advice	28	40
Other services	66	22
Total	**272**	**231**

Others		
Auditing	32	38
Tax advice	17	
Other services	36	39
Total	**86**	**77**

Notes to the Consolidated Financial Statements

7. DEPRECIATIONS AND IMPAIRMENTS	2012 1000 EUR	2011 1000 EUR
Depreciations		
Intangible assets		
Capitalized development expenditure	-901	-1 614
Intangible rights	-1 355	-2 154
Other intangible assets	-559	-478
Tangible assets		
Buildings and constructions	-285	-270
Machinery and equipment	-4 201	-3 965
Total	**-7 302**	**-8 482**

8. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL

Number of personnel		
Average number of personnel during the fiscal period		
Wireless, continuing operations	571	555
Wireless, discontinued operations	54	54
Automotive	1078	932
Other businesses	10	12
Total	**1713**	**1553**
Number of personnel at the year end	1870	1607

Personnel expenses 1000 EUR		
Personnel expenses		
Management salaries	-1 497	-1 361
Board of directors	-197	-178
Expense of share-based payments	-349	-422
Other salaries and wages	-85 875	-75 466
Total	**-87 918**	**-77 426**

Pension expenses, defined contribution plans	-5 671	-4 869
Pension expenses, defined benefit plans	-66	-147
Other personnel expenses	-11 886	-10 265
Total	**-105 541**	**-92 707**

9. RESEARCH AND DEVELOPMENT EXPENSES	2012 1000 EUR	2011 1000 EUR
The research and development expenses total	22 164	22 148
Recognition as an asset	-2 933	-6 569
The expensed research and development expenses recongized in the income statement amounted to	19 231	15 579

10. FINANCIAL EXPENSES (NET)

Interest expenses	-640	-550
Interest income	26	281
Dividend income	0	0
Exchange gains and losses	-88	250
Change of financial assets and liabilities at fair value through profit or loss	364	-428
Other financial expenses	-136	-97
Other financial incomes	10	118
Total	**-465**	**-427**

11. INCOME TAXES

Income taxes, current year	-922	-271
Other taxes	-253	-358
Income taxes, previous years	18	-353
Deferred taxes	1 224	383
Total	**67**	**-600**

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

Profit before taxes	**3 204**	**-4 474**
Tax at the domestic tax rate	-785	1 163
Effect of tax rates of foreign subsidiaries	105	162
Taxes for prior years	18	-353
Tax free income	213	178
Non-deductible expenses	-227	-7
Temporary difference between carrying amounts and tax base	-118	383
Deferred tax assets	1 127	-1 737
Others	-264	-388
Income taxes in the consolidated income statement	**67**	**-600**

Notes to the Consolidated Financial Statements

12. EARNINGS PER SHARE	2012	2011
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)	1 081	-6 787
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	1 185	1 461
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	2 267	-5 325
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Basic earnings per share, continuing operations, EUR	**0.01**	**-0.05**
Basic earnings per share, discontinued operations, EUR	**0.01**	**0.01**
Basic earnings per share, continuing and discontinued operations, EUR	**0.02**	**-0.04**
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 (14.3.2008) which has a diluting effect, when the exercise price is lower than the closing share price.		
The exercise price of the stock options at 31 December 2012 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)	1 081	-6 787
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	1 185	1 461
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	2 267	-5 325
Weighted average number of ordinary shares during the financial year (1000 PCS)	129 413	129 413
Effect of dilution (1000 PCS)	826	638
Weighted average number of ordinary shares during the financial year (1000 PCS)	130 238	130 051
Diluted earnings per share, continuing operations, EUR	**0.01**	**-0.05**
Diluted earnings per share, discontinued operations, EUR	**0.01**	**0.01**
Diluted earnings per share, continuing and discontinued operations, EUR	**0.02**	**-0.04**

13. PROPERTY, PLANT AND EQUIPMENT

The Group has not revalued property, plant and equipment, hence the Group has not recognized any impairment losses directly to equity or recorded any reversals of those.

	2012 1000 EUR	2011 1000 EUR
Buildings and constructures		
Acquisition cost Jan. 1	2 575	2 401
Translation differences	-1	5
Additions during the period	121	169
Transfer to assets classified as held for sale	-10	
Acquisition cost Dec. 31	2 685	2 575
Accumulated depreciations Jan. 1	-1 347	-1 070
Translation differences	1	-5
Depreciation for the period	-285	-272
Transfer to assets classified as held for sale	5	
Carrying amount Dec. 31	1 059	1 228
No revaluations or capitalizations of the interest costs have been done.		
Machinery and equipment		
Acquisition cost Jan. 1	47 977	45 365
Translation differences	-26	131
Additions during the period	6 197	2 996
Disposals during the period		-515
Transfer to assets classified as held for sale	-2 892	
Transfer to assets	-507	
Acquisition cost Dec. 31	50 751	47 977
Accumulated depreciations Jan. 1	-40 343	-36 263
Translation differences	20	-119
Depreciations on disposals	120	121
Depreciation for the period	-4 370	-4 082
Transfer to assets classified as held for sale	1 882	
Carrying amount Dec. 31	8 059	7 634

Notes to the Consolidated Financial Statements

	2012 1000 EUR	2011 1000 EUR
Other tangible assets		
Acquisition cost Jan. 1	88	88
Acquisition cost Dec. 31	88	88
Carrying amount Dec. 31	88	88
Property, plant and equipment total		
Acquisition cost Jan. 1	50 640	47 854
Translation differences	-27	136
Additions during the period	6 319	3 166
Disposals during the period		-515
Transfer to assets classified as held for sale	-2 902	
Transfer to assets	-507	
Acquisition cost Dec. 31	53 524	50 640
Accumulated depreciations Jan. 1	-41 690	-37 333
Translation differences	21	-124
Depreciations on disposals	120	121
Depreciation for the period	-4 655	-4 355
Transfer to assets classified as held for sale	1 887	
Carrying amount Dec. 31	9 207	8 950
Finance leases		
The Group had the following amounts of property, plant and equipment acquired by finance leases:		
Machinery and equipment		
Acquisition cost Jan. 1	37 213	34 058
Accumulated depreciations	-32 536	-29 685
Carrying amount Dec. 31	4 677	4 374

Additions of property, plant and equipment include assets acquired by finance leases of 3,159 TEUR in 2012 (895 TEUR 2011).

14. INTANGIBLE ASSETS

	2012 1000 EUR	2011 1000 EUR
Capitalized development expenditure		
Acquisition cost Jan. 1	13 217	6 648
Additions during the period	2 933	6 569
Acquisition cost Dec. 31	16 150	13 217
Accumulated depreciations Jan. 1	-1 717	-103
Depreciation for the period	-901	-1 614
Carrying amount Dec. 31	13 532	11 501
Intangible rights		
Acquisition cost Jan. 1	2 906	1 373
Additions during the period	485	1 533
Transfer to assets classified as held for sale	-1 153	
Acquisition cost Dec. 31	2 238	2 906
Accumulated depreciations Jan. 1	-1 389	-719
Depreciation for the period	-466	-671
Transfer to assets classified as held for sale	774	
Carrying amount Dec. 31	1 156	1 517
Goodwill allocated to Intangible rights		
Acquisition cost Jan. 1	10 195	14 695
Acquisition cost Dec. 31	10 195	14 695
Accumulated depreciations Jan. 1	-7 997	-10 897
Depreciation for the period	-1 022	-1 599
Carrying amount Dec. 31	1 176	2 198

Notes to the Consolidated Financial Statements

	2012 1000 EUR	2011 1000 EUR
Other intangible assets		
Acquisition cost Jan. 1	2 325	1 985
Translation differences	-2	15
Additions during the period	2 326	389
Disposals during the period	-8	-63
Acquisition cost Dec. 31	4 642	2 325
Accumulated depreciations Jan. 1	-1 850	-1 356
Translation differences	1	-16
Depreciations on disposals	1	
Depreciation for the period	-559	-478
Carrying amount Dec. 31	2 235	476
Advance payments		
Acquisition cost Jan. 1		
Additions during the period	119	
Carrying amount Dec. 31	119	
Intangible assets total		
Acquisition cost Jan. 1	28 644	24 701
Translation differences	-2	15
Additions during the period	5 862	8 492
Disposals during the period	-8	-63
Transfer to assets classified as held for sale	-1 153	
Acquisition cost Dec. 31	33 344	33 144
Accumulated depreciations Jan. 1	-12 953	-13 074
Translation differences	1	-16
Depreciations on disposals	1	
Depreciation for the period	-2 949	-4 363
Transfer to assets classified as held for sale	774	
Carrying amount Dec. 31	18 218	15 691
Goodwill		
Acquisition cost Jan. 1	19 264	18 519
Translation differences	-4	9
Additions during the period	35	736
Carrying amount Dec. 31	19 295	19 264
Goodwill has been allocated to cash generating units as follows:		
Wireless Business Segment	178	182
Automotive Business Segment	19 117	19 082
Total	**19 295**	**19 264**

Impairment test

Goodwill is allocated to the Group's Cash-Generating Units (CGU), which are based on the Business Segments (i.e. Automotive and Wireless). 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 2013 and the Long Range Plans (LRP) for 2014-2017 approved by management for the strategical period. 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 12,59% in 2012 (12.59% in 2011). Other components in the WACC were estimated to be in line with the previous year's estimations.

In 2012 Wireless Business Segment did not reach the cash flow forecasted in the impairment test in 2011.

In 2012 Automotive Business Segment did not reach the cash flow forecasted in the impairment test in 2011. There has not happend any fundamental changes in the Automotive Segment Business 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 2012 did not indicate need for impairment bookings. Recoverable amounts exceed significantly the book value of goodwill and other assets. The terminal value represents 68% of Wireless Business Segment's value and 61% in 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.

Notes to the Consolidated Financial Statements

15. INVESTMENT PROPERTIES AND INVESTMENTS IN AN ASSOCIATES

The Group does not have any investment properties and Investments in an associates.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2012 1000 EUR	2011 1000 EUR
At 1 January		
Additions	9 643	
Changes in fair-value	31	
Profits/losses in income statement		
At 31 December	9 674	

17. OTHER FINANCIAL ASSETS

At 1 January	134	155
Additions		25
Disposals	-3	-45
At 31 December	132	134

18. RECEIVBLES

At 1 January		250
Impairment		-250
At 31 December		0

19. DEFERRED TAX LIABILITIES AND ASSET

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						
Other items	78	868				947
Total	**78**	**868**	**0**	**0**	**0**	**947**
Non booked deferred tax receivables of loss-making domestic companies						15 285

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 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**

1000 EUR	Jan. 1, 2011	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiarie	Dec. 31, 2011
Deferred tax assets						
Other items	108	-30				78
Total	**108**	**-30**	**0**	**0**	**0**	**78**
Non booked deferred tax receivables of loss-making domestic companies						16 837

Group had EUR 87.2 million (EUR 89.0 million December 31, 2011) of confirmed and unconfirmed losses December 31, 2010 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	959	-471				488
Other items	481	58	2			542
Total	**1 440**	**-412**	**2**	**0**	**0**	**1 030**

Notes to the Consolidated Financial Statements

20. INVENTORIES	2012 1000 EUR	2011 1000 EUR
Raw materials and supplies	47	516
Work in progress		
Finished products	65	1 066
Other inventories	269	214
Total	**381**	**1 797**

21. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	54 453	44 866
Receivables from construction contracts	13 030	4 890
Prepaid expenses and accrued income	3 360	7 467
Other receivables	505	2 059
Total	**71 349**	**59 282**

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 1.3 million (EUR 0.0 million 2011). Further information, Notes to the Consolidated Financial Statements, 30. Financial Risk Management.

Age distribution of accounts receivable.		
Current	35 561	24 879
Aged Overdue Amounts		
0-3 months	18 873	9 967
4-6 months	19	429
7-12 months		
> 12 months		9 593
Total	**54 453**	**44 866**

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2012 1000 EUR	2011 1000 EUR
Currency derivatives		
Balance sheet value on Jan. 1		36
Changes in fair-value		-36
Balance sheet value on Dec. 31		0

23. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits	5 827	9 954
Total	**5 827**	**9 954**
Cash and cash equivalents at consolidated cash flow statement consist of:		
Financial assets at fair value through profit or loss	9 676	
Cash and short-term deposits	5 827	9 954
Total	**15 503**	**9 954**

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

Notes to the Consolidated Financial Statements

24. ISSUED CAPITAL AND RESERVES

	Shares 1000 PCS	Share premium 1000 EUR	Premium fund 1000 EUR	Invested non-restricted equity fund	Total 1000 EUR
On December 31, 2010	129 413	12 941	0	38 697	51 638
On December 31, 2011	129 413	12 941	0	38 697	51 638
On December 31, 2012	129 413	12 941	0	38 697	51 638

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 129,412,690. The accounting per value of the company's share is EUR 0.10. The company is not in the possession of its own shares.

Translation differences

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

Dividends

The Board of Directors proposes that the Anual General Meeting resolve to pay EUR 0.01 per share as dividend based on the adopted balance sheet for the financial period of January 1, 2012 - December 31, 2012.

25. SHARE-BASED PAYMENT PLANS

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 shall be 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-C.

II. The Annual General Meeting held on March 15, 2006, decided that option rights with a commitment to shareholding be granted to Elektrobit Corporation's new directors. The number of option rights granted totals 1,750,000, of which 750,000 were granted to the Chairman of the Board and 1,000,000 were granted to the CEO. Subscriptions made by virtue of the said option rights might increase the share capital of Elektrobit Corporation by a maximum of EUR 175,000 and the number of shares by a maximum of 1,750,000 new shares. The share subscription period for stock options 2006A shall be 1 May 2009–31 May 2012. No subscriptions were made by the end of the share subscription period for stock options 2006A.

III. The Annual General Meeting of March 14, 2008, decided to issue stock options to EB's key personnel. The maximum number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares. The proportion of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1 per cent of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription. The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki Ltd. in January 2009, January 2010 and January 2011. The subscription price will be recorded in the fund for invested unrestricted equity. The share subscription period for stock options 2008A shall be 1 April 2012–31 March 2014, for stock options 2008B 1 April 2013–31 March 2015, and for stock options 2008C 1 April 2014–31 March 2016.

Share-option plan 2005B	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	May 31, 2006
Number of instruments granted (1000 PCS)	1003
Exercise price, EUR	2.27
Share price at the grant date, EUR	2.34
Contractual life of the options (years)	5.0
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	43%
Expected contractual life of the options (years)	5.0
Risk-free interest rate (%)	3.69%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2012 1000 pcs	Number of options 2011 1000 pcs
Outstanding at the beginning of the year		1 003
Granted during the year		0
Forfeited during the year		0
Exercised during the year		0
Expired during the year		-1 003
Outstanding at the end of the year		0
Exercisable at the end of the year		0

Share-option plan 2005C Share-based options, granted to group management

Nature of arrangement	Granted share-options
Grant date	March 26, 2008
Number of instruments granted (1000 PCS)	60
Exercise price, EUR	2.14
Share price at the grant date, EUR	1.45
Contractual life of the options (years)	4.2

Vesting conditions	
Settlement method	Shares
Expected volatility (%)	46%
Expected contractual life of the options (years)	4.2
Risk-free interest rate (%)	2.70%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2012 1000 pcs	Number of options 2011 1000 pcs
Outstanding at the beginning of the year	60	60
Granted during the year		
Outstanding at the end of the year	-60	
Exercised during the year	0	60
Exercisable at the end of year		0

Notes to the Consolidated Financial Statements

Share-option plan 2005D	Share-based options, granted to group management
Nature of arrangement	Granted share-options
Grant date	March 26, 2008
Number of instruments granted (1000 PCS)	60
Exercise price, EUR	2.14
Share price at the grant date, EUR	1.45
Contractual life of the options (years)	4.2
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	46%
Expected contractual life of the options (years)	4.2
Risk-free interest rate (%)	2.70%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2012 1000 pcs	Number of options 2011 1000 pcs
Outstanding at the beginning of the year	60	60
Granted during the year		
Outstanding at the end of the year		
Exercised during the year	60	60
Exercisable at the end of the year		0

Share-option plan 2006A Share-based options, granted to group management

Nature of arrangement	Granted share-options
Grant date	March 15, 2006
Number of instruments granted (1000 PCS)	1750
Exercise price, EUR	2.12
Share price at the grant date, EUR	2.34
Contractual life of the options (years)	6.3

Vesting conditions	
Settlement method	Shares
Expected volatility (%)	44%
Expected contractual life of the options (years)	6.3
Risk-free interest rate (%)	3.34%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2012 1000 pcs	Number of options 2011 1000 pcs
Outstanding at the beginning of the year	1 750	1 750
Granted during the year	0	0
Forfeited during the year		
Exercised during the year	0	0
Expired during the year	-1 750	0
Outstanding at the end of the year	0	1 750
Exercisable at the end of the year		0

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	August 14, 2009
Number of instruments granted (1000 PCS)	1168
Exercise price, EUR	0.19
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 2012 1000 pcs	Number of options 2011 1000 pcs
Outstanding at the beginning of the year	1 074	1 088
Granted during the year	100	233
Forfeited during the year	-6	-246
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	1 168	1 074
Exercisable at the end of the year	0	0

Share-option plan 2008B	Share-based options, granted for key personnel
Nature of arrangement	Granted share-options
Grant date	May 31, 2010
Number of instruments granted (1000 PCS)	1134
Exercise price, EUR	0.85
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 2012 1000 pcs	Number of options 2011 1000 pcs
Outstanding at the beginning of the year	1 139	1 282
Granted during the year		100
Forfeited during the year	-5	-243
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	1 134	1 139
Exercisable at the end of the year	0	0

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	August 19, 2011
Number of instruments granted (1000 PCS)	740
Exercise price, EUR	0.73
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 2012 1000 pcs	Number of options 2011 1000 pcs
Outstanding at the beginning of the year	775	
Granted during the year	0	775
Forfeited during the year	-35	0
Exercised during the year	0	0
Expired during the year	0	0
Outstanding at the end of the year	740	775
Exercisable at the end of the year	0	0

26. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

	2012 1000 EUR	2011 1000 EUR
Benefit pension plan liability consists of following items:		
Present value of funded obligations	2 233	1 340
Fair value of plan assets	-299	-286
Unrecognized actuarial gains (+) / losses (-)	-557	256
Net liability	**1 377**	**1 311**
Net periodic pension cost in income statement:		
Unrecognized net liability on Jan. 1		
Current service cost	42	67
Interest cost	76	73
Expected return on plan assets	-8	-8
Recognized net actuarial gains and losses	-7	0
Employee contributions		-6
Total	**103**	**126**
Balance sheet reconciliation:		
Net liability on Jan. 1	1 311	1 164
Net periodic pension cost in income statement	66	147
Net liability on Dec. 31	**1 377**	**1 311**
Principal actuarial assumptions:		
Europe		
Discount rate	3.60	5.70
Expected return on plan assets	3.60	2.80

27. PROVISIONS

1000 EUR	Provisions for reorganising operations	Unprofitable rental agreements	Others	Total
Dec. 31, 2011	328	599	594	1 521
Increase in provisions	474	1 005	496	1 975
Used provisions	-187	-98	-594	-880
Reversal of unused provisions				0
Dec. 31, 2012	615	1 506	496	2 617
Long-term provisions	57	402		459
Short-term provisions	558	1 103	496	2 158
Total	**615**	**1 506**	**496**	**2 617**

Notes to the Consolidated Financial Statements

28. FINANCIAL LIABILITIES	2012 1000 EUR	2011 1000 EUR
Non-current loans		
Bank loans	3 364	1 647
Finance lease liabilities	2 074	2 363
Total	**5 438**	**4 010**
Current loans		
Bank loans	9 000	
Finance lease liabilities	2 884	2 700
Repayments of long-term bank loans	1 007	2 296
Total	**12 890**	**4 996**
Repayment schedule of long-term loans:		
2013		2 942
2014	3 800	675
2015	569	108
2016	976	285
2017	84	
Later	9	
Total	**5 438**	**4 010**
The interest-bearing non-current loans are distributed by currency as follows:		
EUR	5 438	4 010
Total	**5 438**	**4 010**
The interest-bearing current loans are distributed by currency as follows:		
EUR	12 890	4 996
Total	12 890	4 996
Maturities of the finance lease liabilities:		
Finance lease liabilities -minimum lease payments	5 226	4 893
Within one year	3 027	2 458
After one year but no more than five years	2 190	2 435
After five years	9	
Finance lease liabilities -Present value of minimum lease payments	4 958	4 659
Within one year	2 880	2 292
After one year but no more than five years	2 069	2 367
After five years	9	
Future finance charges	268	234
Total amount of finance lease liabilities	5 226	4 893

29. TRADE AND OTHER PAYABLES	2012 1000 EUR	2011 1000 EUR
Current liabilities		
Trade and other payables		
Trade liabilities	10 786	11 374
Accrued liabilities, deferred income	16 008	12 737
Other liabilities	19 582	10 823
Total	**46 375**	**34 934**
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	335	
Changes in fair-value	-333	335
Balance sheet value on Dec. 31	**2**	**335**

Notes to the Consolidated Financial Statements

30. FINANCIAL RISK MANAGEMENT

Under its normal business activities, Elektrobit Corporation is exposed to several financial risks. The primary financial risks are foreign exchange rate risk, interest rate risk, investment risk and default risk. The goal of the Group's financial risk management function is to reduce adverse effects of price fluctuations and other uncertainties on earnings, balance sheet and cash flows as well as to ensure sufficient 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 economic conditions or other variables. Operations and funding programs executed in the financial markets are mainly concentrated into the parent company. Subsidiaries are mainly funded through intra-company loans and group account overdraft credit limits.

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

Market risks

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

Foreign exchange rate risk

The Group operates globally and is exposed to transaction risk from foreign exchange positions as well as to risk due to the translation of investments in different currencies to the functional currency of the parent company. The most relevant currencies for the Group are the Euro and the US dollar. Foreign exchange rate risk is caused by commercial activities, monetary items on the balance sheet and net 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 7.0 million euros. During the financial year the amount of the hedged position has been changing between 2.5–12.3 million euros.

The Group has hedged the transaction risk related to its income statement and as a principal rule has not hedged the translation risk related to equity on the balance sheet. Foreign currencies denominated equities of foreign subsidiaries on December 31, 2012 was -0.7 million euros (EUR 2.3 million, in 2011) from which dollar denominated equities of foreign subsidiaries was -1.7 million euros (EUR -0.6 million, in 2011).

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	2012 1000 EUR	2011 1000 EUR
Forward contracts		
Market value	7	-310
Nominal value	5 000	5 500
Currency options purchased		
Market value	12	101
Nominal value	2 000	4 300
Sold currency options		
Market value	-21	-126
Nominal value	2 000	8 600

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

	2012 1000 EUR	2011 1000 EUR
Long-term assets	514	492
Long-term liabilities	189	580
Current assets	14 144	21 868
Current liabilities	16 129	21 175

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**	
	2012	2011	2012	2011
EUR, appreciates	200	-100	200	-100
EUR, depreciates	-200	100	-200	100

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:

	2012 1000 EUR	2011 1000 EUR
Fixed interest rate debts	5 647	6 406
Interest rate swaps	1 400	2 600

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**	
	2012	2011	2012	2011
Loan stock January, 1	9 000	13 100		
Loan stock December, 31	18 300	9 000		
Average loan stock	13 700	11 100		
Change in interest	+/- 100	+/- 0	+/- 100	+/- 0

Market risk of investment activities

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

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

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

	2012	**2011**
Stock shares	0.0 %	0.0 %
Bonds	0.0 %	0.0 %
Money market investments	100.0 %	0.0 %
Total	100.0 %	0.0 %

The combined value of the above instruments during the financial period has ranged from EUR 0 to approximately EUR 9.7 million. At closing date their value was approximately EUR 9.7 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**	
	2012	2011	2012	2011
Money market investments	+/-0	+/-0	+/-0	+/-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 0.1 million euros which represents approximately 0.2 % of the total accounts receivable.

During the past financial year the amount of recognized credit losses was approximately 1.3 million euros (EUR 0.0 million, in 2011). Group did not have capital loans granted to outside Group at the end of 2012 (EUR 0.0 million, in 2011).

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 10 percentage weakening to equity ratio at date of the financial statements. At the end of the reporting period, EUR 2.3 million of overdraft credit facility and EUR 9.0 million of revolving credit facility was 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 2012 was EUR 2.8 million (EUR -0.9 million, in 2011) and net gearing was 4.1% (-1.4% in 2011). The Group's solvency ratio at the end of 2012 was 54.7% (62.8% in 2011).

Notes to the Consolidated Financial Statements

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 2012	Fair value 2012	Book value 2011	Fair value 2011
Financial assets					
Other financial assets		132	132	134	134
Trade receivables and other receivables	18, 21	71 349	71 349	59 282	59 282
Financial assets at fair value through profit or loss	17, 22	9 674	9 674		
Cash and cash equivalents	22	5 827	5 827	9 954	9 954
Currency forwards and options	22				
Financial liabilities					
Bank loans	28	13 370	13 384	4 347	4 394
Finance lease liabilities	28	4 958	4 958	4 659	4 659
Trade payables and other debts	26, 27, 29	54 624	54 624	37 766	37 766
Currency forwards and options	29	2	2	335	335

Investments in shares and funds and other investments

For-sale financial assets consist mainly of money market investments that fair values are based on the quotes of the closing day (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.

31. DERIVATE CONTRACTS AND HEDGE ACCOUNTING

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

32. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES	2012 1000 EUR	2011 1000 EUR
Business transactions without payments		
Depreciations	7 606	8 717
Employee benefits	373	422
Profit and loss from sale of property, plant and equipment		
Other adjustments	886	-3 042
Total	**8 865**	**6 096**

33. OPERATING LEASE AGREEMENTS

The Group as lessee

The total of future minimum lease payments under non-cancelable operating leases for each of the following periods:	2012 1000 EUR	2011 1000 EUR
Not later than one year	7 023	6 879
Later than one year and not later than five years	16 188	16 335
Later than five years	0	1 565

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

34. SECURITIES AND CONTINGENT LIABILITIES	2012 1000 EUR	2011 1000 EUR
Against own liabilities		
Floating charges	18 119	11 419
Guarantees	17 674	22 659
Rental liabilities		
Falling due in the next year	7 023	6 879
Falling due after one year	16 188	17 900
Other contractual liabilities		
Falling due in the next year	1 286	2 479
Falling due after one year	33	
Mortgages are pledged for liabilities totalled		
Loans from financial institutions	14 529	4 100
Other liabilities	2	244

35. 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 System Test Ltd.	Finland	0.00	100.00
Elektrobit Wireless UK Ltd.	Great Britain	100.00	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 Inc.	USA	0.00	100.00
Elektrobit Automotive Inc.	USA	0.00	100.00
Elektrobit Nippon KK	Japan	0.00	100.00
Elektrobit Wireless (Beijing) Ltd.	China	0.00	100.00
e.solutions GmbH	Germany	0.00	51.00
Elektrobit Automotive Software (Shanghai) Ltd.	China	0.00	100.00
Elektrobit Automotive Romania SRL	Rumania	0.00	100.00

Notes to the Consolidated Financial Statements

	2012 1000 EUR	2011 1000 EUR
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Jukka Harju 1.1.–31.12.2012 ja 1.1.–31.12.2011	290	287
Total	**290**	**287**
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.–31.12.2012 and 1.1.–31.12.2011	35	34
Kai Hilden 11.10.–31.12.2012	3	
Juha Hulkko 1.1.–31.12.2012 and 1.1.–31.12.2011	33	24
Seppo Laine 1.1.–31.12.2012 and 1.1.–31.12.2011	56	52
Staffan Simberg 1.1.–31.12.2012 and 1.1.–31.12.2011	40	35
Erkki Veikkolainen 1.1.–31.12.2012 and 1.1.–31.12.2011	33	33
Total	**200**	**178**
There have not been any business transactions or open balances between the related parties.		
Members of the group executive board	**714**	**996**
Loans and guarantees to related party		
There are no loans or guarantees granted between the related parties		
Stock option expenses	**92**	**108**

36. SUBSEQUENT EVENTS

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.

More information: Notes to the financial statements number 2.

37. KEY RATIOS

	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
INCOME STATEMENT, (MEUR)					
Net sales, (MEUR) **)	185.4	148.0	147.7	153.8	172.3
Net sales change, %	25.3	0.3	-4.0	-10.7	0.0
Operating profit/loss, (MEUR) **)	2.5	-5.5	-17.3	-1.4	-42.7
% of net sales	1.3	-3.7	-11.7	-0.9	-24.8
Profit/loss for continuing operations before taxes, (MEUR)	2.0	-5.9	-18.7	-2.0	-47.4
% of net sales	1.1	-4.0	-12.6	-1.3	-27.5
Profit for the year from continuing operations, (MEUR)	2.1	-6.5	-15.7	-3.3	-49.8
% of net sales	1.1	-4.4	-10.7	-2.2	-28.9
Profit after tax for the year from discontinued operations, (MEUR)	1.2	1.5	0.1	1.3	0.3
% of net sales	0.6	1.0	0.1	0.9	0.2
Profit for the year attributalble to equity holders of the parent, (MEUR)	2.3	-5.3	-16.1	-2.2	-49.5
% of net sales	1.2	-3.6	-10.9	-1.4	-28.7
BALANCE SHEET (MEUR)					
Non-current assets	47.8	44.1	41.2	39.4	46.7
Inventories	0.4	1.8	1.9	2.4	3.3
Current assets	86.9	69.2	81.1	118.4	130.5
Assets classified as held for sale	7.7				
Shareholders' equity	69.1	67.0	71.8	112.8	115.1
Non-current liabilities	7.9	6.9	11.6	15.0	19.7
Current liabilities	61.2	41.3	40.7	32.4	45.7
Liabilities classified as held for sale	4.5				
Balance sheet total	142.7	115.1	124.2	160.2	180.5
PROFITABILITY AND OTHER KEY FIGURES					
Return on equity % (ROE) **)	3.1	-9.4	-17.1	-2.9	-35.5
Return on investment % (ROI) **)	3.4	-6.6	-16.6	-0.8	-26.2
Interest-bearing net liabilities, (MEUR)	2.8	-0.9	-7.4	-42.4	-46.2
Net gearing, %	4.1	-1.4	-10.3	-37.6	-40.2
Equity ratio, %	54.7	62.8	62.4	71.5	64.9
Gross investments, (MEUR) **)	12.2	12.4	10.7	4.0	9.8
Gross investments, % of net sales	6.6	7.7	6.6	2.6	5.7
R&D costs, (MEUR) **)	22.2	22.1	21.6	14.7	37.9
R&D costs, % of net sales	12.0	15.0	13.3	9.6	22.0
Average personnel during the period **)	1713	1553	1507	1589	1768

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

Notes to the Consolidated Financial Statements

STOCK-RELATED FINANCIAL RATIOS	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
Earnings per share from continuing operations, EUR					
Basic earnings per share	0.01	-0.05	-0.13	-0.03	-0.38
Diluted earnings per share	0.01	-0.05	-0.12	-0.03	-0.38
Earnings per share from discontinued operations, EUR					
Basic earnings per share	0.01	0.01	0,00	0,01	0,00
Diluted earnings per share	0.01	0.01	0,00	0,01	0,00
Earnings per share from continuing and discontinued operations, EUR					
Basic earnings per shar	0.02	-0.04	-0.12	-0.02	-0.38
Diluted earnings per share	0.02	-0.04	-0.12	-0.02	-0.38
Equity per share, EUR	0.51	0.51	0.55	0.87	0.89
Dividend per share EUR *)	0.01				
Dividend per earnings, %	57.1				
P/E ratio	77.8	-9.2	-5.4	-34.5	-0.9
Effective dividend yield, %	1.5				
Market values of shares (EUR)					
Highest	0.79	0.76	1.25	1.40	1.79
Lowest	0.38	0.36	0.66	0.33	0.29
Average	0.64	0.55	0.92	0.62	0.82
At the end of period	0.65	0.38	0.67	0.94	0.33
Market value of the stock, (MEUR)	84.1	49.2	86.7	121.6	42.7
Trading value of shares					
MEUR	6.9	5.0	16.8	11.1	9.6
1000 PCS	10 750	9 169	18 190	17 822	11 770
Related to average number of shares %	8.3	7.1	14.1	13.8	9.1
Adjusted number of the shares at the end of the period (1000 PCS)	129 413	129 413	129 413	129 413	129 413
Adjusted number of the shares average during the period (1000 PCS)	129 413	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	130 238	130 051	130 277	129 580	129 413

*) According to the Board of Director's proposal, year 2012.

CALCULATION OF KEY RATIOS

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

38. SHAREHOLDINGS AND SHARES

Breakdown of Shares by Shareholding, December 31, 2012

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1-100	10 515	46.0	498 562	0.4
101-500	6 473	28.3	1 699 485	1.3
501-1000	2 311	10.1	1 821 362	1.4
1001-5000	2 608	11.4	6 180 063	4.8
5001-10000	469	2.1	3 584 467	2.8
10001-50000	352	1.5	8 015 213	6.2
50001-100000	71	0.3	5 199 689	4.0
100001-500000	51	0.2	13 551 888	10.5
500001-999999999999	21	0.1	88 861 961	68.7
Total	**22 871**	**100.0**	**129 412 690**	**100.0**
Nominee-registered	10		1 900 607	1.5

Breakdown of Shareholders by Shareholder Type, December 31, 2012

Shareholdes by shareholder type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
Companys	764	3.3	23 508 861	18.2%
Financial and insurance corporations	13	0.1	3 388 273	2.6%
Public body	3	0.0	500 560	0.4%
Non-profit Institutions	54	0.2	1 009 495	0.8%
Housing corporations	21 925	95.9	96 124 529	74.3%
Foreign countries	102	0.4	2 980 365	2.3%
Nominee-registered shares	10	0.0	1 900 607	1.5%
Total	**22 871**	**100.0**	**129 412 690**	**100.0%**

Largest Shareholders, December 31, 2012	Number of shares	Percentage of shares and votes
Number of shares total	**129 412 690**	**100.0**
1. Hulkko Juha, Member of the Board	27 214 362	21.0
2. Hilden Kai	10 831 316	8.4
3. Veikkolainen Erkki, Member of the Board	9 388 719	7.3
4. Harju Jukka, CEO*	7 644 630	5.9
5. Halonen Eero	7 518 900	5.8
6. Fortel Invest Oy	7 205 497	5.6
7. Vakuutusosakeyhtiö Henki-Fennia	3 371 449	2.6
8. Mariatorp Oy	2 800 000	2.2
9. Laine Seppo, Chairman of the Board**	2 220 051	1.7
10. Wipunen varainhallinta Oy	1 650 000	1.3
Total	**79 844 924**	**61.7**
Others (including nominee-registered)	49 567 766	38.3

The Board and CEO		
Juha Hulkko, Member of the Board	27 214 362	21.0
Veikkolainen Erkki, Member of the Board	9 388 719	7.3
Harju Jukka, CEO*	7 644 630	5.9
Laine Seppo, Chairman of the Board**	2 220 051	1.7
Simberg Staffan, Member of the Board***	450 000	0.3
Halonen Jorma, Member of the Board	21 000	0.0
Total	**46 938 762**	**36.3**

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

Income Statement, Parent

	NOTES	2012 1000 EUR	2011 1000 EUR
NET SALES	1, 2	**1 032**	**5 051**
Other operating income	3	537	796
Raw materials and services		- 2	- 56
Personnel expenses	4	-1 172	-2 857
Depreciation and reduction in value	5	- 51	- 314
Other operating expenses	6	- 978	-3 837
OPERATING PROFIT		**- 633**	**-1 216**
Financial income and expenses	7	515	420
PROFIT BEFORE EXTRAORDINARY ITEMS		**- 118**	**- 796**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**- 118**	**- 796**
Income tax	8	- 1	- 16
NET PROFIT FOR THE FINANCIAL YEAR		**- 119**	**- 813**

Balance Sheet, Parent

	NOTES	2012 1000 EUR	2011 1000 EUR
Assets			
Non-current assets			
Intangible assets	9	160	186
Tangible assets	10	73	86
Investments	11	98 479	98 479
Non-current assets total		98 713	98 751
Current assets			
Receivables			
Non-current receivables	12	0	10
Current receivables	13	26 970	20 299
Receivables total		26 970	20 309
Cash and bank deposits		9 764	5 857
Current assets total		**36 734**	**26 166**
Total Assets		**135 447**	**124 917**
Shareholders' Equity And Liabilities			
Shareholder's equity	14		
Share capital		12 941	12 941
Invested non-restricted equity fund		38 697	38 697
Retained earnings		65 785	66 597
Net profit for the year		- 119	- 813
Shareholders' equity total		117 304	117 423
Liabilities	15		
Non-current liabilities		2 281	
Current liabilities		15 863	7 494
Liabilities total		18 143	7 494
Shareholders' Equity And Liabilities Total		**135 447**	**124 917**

Cash Flow, Parent

	2012 1000 EUR	2011 1000 EUR
Cash Flow From Operating Activities		
Profit before extraordinary items	- 118	- 796
Adjustments:		
Depreciation according to plan	51	314
Financial income and expenses	- 515	- 420
Cash flow before change in net working capital	- 583	- 902
Change in net working capital		
Change in interest-free short-term receivables	- 258	- 226
Change in interest-free short-term payables	-1 268	- 719
Cash flow before financing activities	-2 109	-1 847
Interest paid	- 609	- 985
Interest received	776	1 776
Income taxes paid	- 1	- 16
Net cash from operating activities	**-1 944**	**-1 073**

	2012 1000 EUR	2011 1000 EUR
Cash Flow From Investing Activities		
Purchase of tangible and intangible assets	- 12	- 14
Purchase of investments		-23 000
Proceeds from repayments of loans		3 048
Net cash used in investing activities	- 12	-19 966
Cash Flow From Financial Activities		
Proceeds from borrowing	11 281	
Change in interest-free short-term receivables in Group	-6 413	10 109
Change in interest-free short-term payables in Group Dividends paid	996	1 634
Net cash used in financial activities	5 863	11 743
Net Change In Cash And Cash Equivalents	**3 907**	**-9 296**
Cash and cash equivalents at beginning of period	5 857	15 153
Cash and cash equivalents at end of period	9 764	5 857
Change in cash and cash equivalents in balance sheet	3 907	-9 296

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 of 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

1. NET SALES BY SEGMENTS	2012 1000 EUR	2011 1000 EUR
Common functions	1 032	5 051
Total	**1 032**	**5 051**

2. NET SALES BY MARKET AREAS		
Europe	968	4 912
America	54	67
Asia	10	72
Total	**1 032**	**5 051**

3. OTHER OPERATING INCOME		
Other operating income	537	796
Total	**537**	**796**

4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel during the fiscal period		
Common functions	10	43
Total	**10**	**43**
Number of personnel at year end	10	41
Personnel expenses		
Management salaries	290	287
Board of directors	138	168
Other salaries and wages	575	1 932
Total	1 003	2 388
Pension expenses	144	410
Other social expenses	25	59
Total	**1 172**	**2 857**

5. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	29	27
Other capitalized long-term expenditures	7	193
Machinery and equipment	15	93
Total	**51**	**314**

Notes to the Financial Statements of the Parent Company

	2012 1000 EUR	2011 1000 EUR
6. OTHER OPERATING CHARGES		
IT equipment and SW expenses	172	2 208
Premises expenses	43	315
Administrative services	289	48
Travel expenses	88	150
Voluntary staff expenses	18	172
Other business expenses	368	944
Total	**978**	**3 837**
Auditors charges		
Auditing	27	27
Tax advice		9
Other services	29	4
Total	**56**	**40**
7. FINANCIAL INCOME AND EXPENSES		
Income from investments		
From Group companies		
From others	31	102
Total	**31**	**102**
Other interest and financial income		
From Group companies	577	586
From others	540	1 088
Total	**1 117**	**1 674**
Other interest and financial expenses		
To Group companies	0	- 8
To others	- 632	-1 348
Total	**- 632**	**-1 356**
Reduction in value of investment	0	0
Net financial income and expenses	**515**	**420**
Net financial income and expenses includes exchange gains and losses	132	- 291
8. INCOME TAX		
Other direct taxes	- 1	- 16
Total	**- 1**	**- 16**

9. INTANGIBLE ASSETS	2012 1000 EUR	2011 1000 EUR
Intangible rights		
Acquisition cost Jan. 1	276	262
Investments during the period	10	14
Acquisition cost Dec. 31	286	276
Accumulated depreciations Jan. 1	- 101	- 74
Depreciation for the period	- 29	- 27
Book value Dec. 31	156	175
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	1 383	1 383
Acquisition cost Dec. 31	1 383	1 383
Accumulated depreciations Jan. 1	-1 371	-1 178
Depreciation for the period	- 7	- 193
Book value Dec. 31	4	12
Intangible assets total		
Acquisition cost Jan. 1	1 658	1 644
Investments during the period	10	14
Acquisition cost Dec. 31	1 668	1 658
Accumulated depreciations Jan. 1	-1 472	-1 252
Depreciation for the period	- 36	- 220
Book value Dec. 31	160	186

Notes to the Financial Statements of the Parent Company

	2012 1000 EUR	2011 1000 EUR
10. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost Jan. 1	353	387
Investments during the period	2	
Acquisition cost Dec. 31	355	387
Accumulated depreciations Jan. 1	- 338	- 279
Depreciation for the period	- 15	- 93
Book value Dec. 31	2	14
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	424	458
Investments during the period	2	0
Acquisition cost Dec. 31	426	458
Accumulated depreciations Jan. 1	- 338	- 279
Depreciation for the period	- 15	- 93
Book value Dec. 31	73	86

11. INVESTMENTS		
Investments in subsidiaries		
Acquisition cost Jan. 1	98 470	75 470
Investments during the period		23 000
Acquisition cost Dec. 31	98 470	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	75 480
Investments during the period		23 000
Acquisition cost Dec. 31	98 479	98 479

12. NON-CURRENT RECEIVABLES		
Loan receivables		
From Group companies		10
Total		**10**
Long-term receivables total		**10**

13. CURRENT RECEIVABLES	2012 1000 EUR	2011 1000 EUR
Accounts receivable		
From Group companies	1 810	1 364
From others		50
Total	**1 810**	**1 414**
Other receivables		
From Group companies	25 008	18 595
From others	13	53
Total	**25 021**	**18 648**
Prepaid expenses and accrued income		
From Group companies	34	6
From others	105	231
Total	**139**	**237**
Short-term receivables total	**26 970**	**20 299**

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
Invested unrestricted equity fund at the end of the period	**38 697**	**38 697**
Retained earnings at the beginning of period	65 785	66 597
Net profit for the financial year	- 119	- 813
Retained earnings at the end of period	**65 666**	**65 785**
Distributable earnings at the end of the period	104 362	104 482
Shareholders' equity total	**117 304**	**117 423**

Notes to the Financial Statements of the Parent Company

	2012 1000 EUR	2011 1000 EUR
15. LIABILITIES		
Non-current		
Non-current loans		
Loans from financial institutions	2 281	
Total	**2 281**	**0**
Non-current liabilities total	2 281	0
Current liabilities		
Current loans		
Loans from financial institutions	9 000	
Total	**9 000**	**0**
Accounts payable		
To Group companies	57	8
To others	139	331
Total	**195**	**338**
Other short-term liabilities		
To Group companies	6 399	5 354
To others	79	1 036
Total	**6 478**	**6 391**
Accrued expenses and deferred income		
To others	189	766
Total	**189**	**766**
Current liabilities total	**15 863**	**7 494**
16. SECURITIES AND CONTINGENT LIABILITIES		
On behalf of Group companies		
Guarantees	12 810	14 702
Against own liabilities		
Floating charges	10 000	5 000
Leasing liabilities		
Falling due in the next year	2 582	1 741
Falling due after one year	1 089	1 734
Rental liabilities		
Falling due in the next year	21	204
Contractual liablities		
Falling due in the next year	1 160	2 141
17. NOMINAL VALUE OF CURRENCY DERIVATES		
Foreign exchange forwards		
Market value	7	- 335
Nominal value	5 000	5 500
Options		
Currency options purchased		
Market value	12	101
Nominal value	2 000	4 300
Sold options		
Market value	- 22	- 126
Nominal value	2 000	8 600

18. SHARES AND HOLDINGS	Owned by Parent %	Owned by Group %	Book value 1000 EUR
Subsidiaries			
Elektrobit Wireless UK Ltd.	100.00	100.00	0
Elektrobit Technologies Ltd.	100.00	100.00	58 749
Elektrobit Automotive GmbH	100.00	100.00	39 721
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, 2012. 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 18, 2013

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Elektrobit

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