



STOCK EXCHANGE RELEASE

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ELEKTROBIT CORPORATION (EB) INTERIM REPORT JANUARY – JUNE 2013

COMPARABLE NET SALES GREW AND OPERATING RESULT IMPROVED FROM THE PREVIOUS YEAR

- *From the beginning of 2013 EB has applied the new IFRS10 and IFRS11 standards. As a result the proportion of net sales and operating result of e.solutions GmbH, a jointly owned company of EB and AUDI, to be consolidated into Elektrobit group's consolidated financial statements has changed. For comparability, all 2012 figures presented for comparison are restated assuming that the proportionate consolidation method would have been applied already in 2012.*
- *EB's figures are divided between Continuing and Discontinuing Operations as provided by the IFRS5 standard. In this interim report, Test Tools product business, sold on January 31, 2013, is classified as Discontinuing Operations.*

SUMMARY APRIL – JUNE 2013

- Net sales of the April – June 2013 from continuing operations grew to EUR 47.9 million (restated net sales of EUR 41.5 million, 2Q 2012), representing an increase of 15.5 % year-on-year.
- Operating profit from continuing operations was EUR 0.7 million (restated operating loss of EUR -0.9 million including non-recurring costs of EUR 0.9 million related to collecting the receivables from TerreStar companies, 2Q 2012).
- Net cash flow was EUR -1.5 million (EUR 0.3 million, 2Q 2012).
- Earnings per share from continuing operations were EUR 0.001 and earnings per share from continuing and discontinuing operations were EUR 0.001.
- On June 5, 2013 the Board of Directors of the Company decided on the transfer of stock options 2008A and 2008B to the Finnish book-entry system and to apply for listing on the official list of NASDAQ OMX Helsinki. Trading with the stock options started on June 17, 2013.
- A total of 97,500 new shares were subscribed between April 2 and June 20, 2013 by virtue of the option rights 2008A. The share subscription price, EUR 17,550, has been recorded in the Company's invested non-restricted equity fund. The corresponding increase in the number of the Company's shares was entered into the Finnish Trade Register on July 5, 2013 and the trading with the newly registered shares started on July 8, 2013 in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation's totals 129,510,190.



SUMMARY JANUARY – JUNE 2013

- Net sales of the January – June 2013 from continuing operations grew to EUR 94.1 million (restated net sales of EUR 84.2 million, 1H 2012), representing an increase of 11.8 % year-on-year.
- Operating profit from continuing operations was EUR 1.4 million including non-recurring costs of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment in the first quarter of 2013 (restated operating loss of EUR -0.4 million including non-recurring costs of EUR 1.2 million related to collecting the receivables from TerreStar companies, 1H 2012).
- Net cash flow was EUR 27.8 million including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business (EUR -3.5 million, 1H 2012).
- Earnings per share from continuing operations were EUR 0.006 and earnings per share from continuing and discontinuing operations were EUR 0.187.

Group, continuing operations (MEUR)	2Q 13	2Q 12 restated	1H 13	1H 12 restated	2012 restated
NET SALES	47.9	41.5	94.1	84.2	173.9
OPERATING PROFIT / LOSS	0.7	-0.9	1.4	-0.4	1.1
Operating profit /loss without non-recurring items	0.7	0.0	2.2	0.8	5.1
EBITDA	2.9	0.8	5.8	2.9	8.1
CASH AND OTHER LIQUID ASSETS	42.1	5.8	42.1	5.8	14.3
EQUITY RATIO (%)	64.0	58.1	64.0	58.1	55.0
EARNINGS PER SHARE (EUR)	0.001	-0.005	0.006	-0.004	0.008

Automotive Business Segment (MEUR)	2Q 13	2Q 12 restated	1H 13	1H 12 restated	2012 restated
NET SALES	32.6	24.9	63.0	51.3	110.6
OPERATING PROFIT / LOSS	0.1	-0.0	1.2	0.7	3.3
EBITDA	1.6	1.0	4.1	2.6	7.3

Wireless Business Segment, continuing operations (MEUR)	2Q 13	2Q 12	1H 13	1H 12	2012
NET SALES	15.4	16.6	31.2	33.0	63.5
OPERATING PROFIT / LOSS	0.6	-0.9	0.1	-1.0	-2.2
Operating profit /loss without non-recurring items	0.6	0.0	1.0	0.2	1.8
EBITDA	1.2	-0.2	1.7	0.4	0.7



EB'S CEO JUKKA HARJU:

"During the first half of 2013 EB's business developed in line with our plans. The net sales grew by 11.8 per cent year-on-year due to the continued strong growth of the Automotive Business Segment. Net sales of the Wireless Business Segment decreased slightly year-on-year. EB's operating result improved from previous year and was EUR 1.4 million positive. The operating result was negatively affected by the non-recurring costs of approximately EUR 0.8 million resulting from the cost saving measures of the Wireless Business Segment. Operating result of the both Business Segments improved year-on-year.

EB's financial position and financing strengthened significantly in the beginning of the year as EB sold its Test Tools product business for EUR 31.0 million at the end of January 2013.

Although the demand outlook in Wireless Business Segment is temporarily weakened for the rest of the year, the outlook for the growth in net sales in 2013 is still good due to the continued strong growth of Automotive Business Segment. This gives a good opportunity to reach the same operating profit level as last year without non-recurring items."

OUTLOOK FOR 2013

From the beginning of 2013 EB has started to apply the new IFRS10 and IFRS11 standards concerning consolidation, and consolidates e.solutions GmbH, the jointly owned company with AUDI, by applying the proportionate consolidation method. Previously e.solutions GmbH has been included in Elektrobit group's consolidated financial statements as subsidiary. As a result of the change in the method of consolidation, the proportion of net sales and operating result of e.solutions GmbH to be consolidated into Elektrobit group's consolidated financial statements will decrease. The change does not affect the net profit of the Company. 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. More information about this has been presented in this interim 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 further continued good financial performance and slowing down of the markets affects different car makers in different ways. The demand for EB's automotive software solutions is estimated to remain good. In the Automotive Business Segment the operating profit in 2013 is expected to accumulate mainly during



the second half of the year (EUR 1.2 million, 1H 2013) due to higher product license sales during the latter half of the year and other seasonality factors.

In the Wireless Business Segment the growth in demand 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 reflects the demand negatively in the public authority markets in Europe. In the Wireless Business Segment the demand outlook for the rest of the year has weakened due to the decreased order volume from a large customer of EB and due to the delay in some special terminal projects. Due to the weakened demand outlook, the operating result in the second half of 2013 is expected to be at the same level or less than in the first half of 2013 (EUR 0.1 million, 1H 2013). Additionally, the operating result is affected by seasonality factors and by cost savings materializing during the last quarter of 2013 as a result from planned temporary layoffs.

EB expects for the year 2013 that net sales will grow and operating result will be at the same level as it was in 2012 without non-recurring items (restated net sales of EUR 173.9 million, and restated operating profit without non-recurring items of EUR 5.1 million, in 2012).

More specific market outlook is presented under the "Business Segments' development during April - June 2013 and Market Outlook" section. The Wireless Business Segment's weakened demand outlook for the rest of the year and the aimed cost savings resulting from the temporary layoffs have been taken into account in the outlook for 2013.

The non-recurring net profit of about EUR 23 million, resulted from the sale of the Test Tools product business, has no impact on the operating result of 2013 and therefore has no impact on the operating result guidance. All profits and costs related to the mentioned business are presented in the group's income statement, below operating profit under "result for the period from discontinuing operations".

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.

INVITATION TO A PRESS CONFERENCE

EB will hold a press conference on the Interim Report January-June 2013 for media, analysts and institutional investors in Finland, Oulu, Tutkijantie 8, on Thursday, August 8, 2013, at 11.00 a.m.



(CEST+1). The conference will also be held as a conference call and the presentation will be shown simultaneously in the Internet through WebEx. The conference will be held in English. For more information please go to www.elektrobit.com/investors.

Elektrobit Corporation (EB)

EB creates advanced technology and turns it into enriching end-user experiences. EB is specialized in demanding embedded software and hardware solutions for wireless and automotive industries. The net sales from continuing operations in 2012 totaled EUR 185.4 million. Restated net sales from continuing operations in 2012 totaled EUR 173.9 million. Elektrobit Corporation is listed on NASDAQ OMX Helsinki. www.elektrobit.com

ELEKTROBIT CORPORATION (EB) INTERIM REPORT JANUARY-JUNE 2013

- *From the beginning of 2013 EB has applied the new IFRS10 and IFRS11 standards. As a result the proportion of net sales and operating result of e.solutions GmbH, a jointly owned company of EB and AUDI, to be consolidated into Elektrobit group's consolidated financial statements has changed. For comparability, all 2012 figures presented for comparison are restated assuming that the proportionate consolidation method according to the above mentioned standards would have been applied already in 2012.*
- *EB's figures are divided between Continuing and Discontinuing Operations as provided by the IFRS5 standard. In this interim report, Test Tools product business, sold on January 31, 2013, is classified as Discontinuing Operations.*

FINANCIAL PERFORMANCE DURING JANUARY-JUNE 2013, CONTINUING OPERATIONS

EB's net sales from continuing operations during January-June 2013 grew by 11.8 per cent year-on-year to EUR 94.1 million (restated net sales of EUR 84.2 million, 1H 2012). Operating profit from continuing operations was EUR 1.4 million including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment during the first quarter of 2013 (restated operating loss of EUR -0.4 million, including EUR 1.2 million non-recurring costs related to collecting the receivables from TerreStar Companies, 1H 2012). Operating profit from continuing operations without these non-recurring costs was EUR 2.2 million (restated operating profit of EUR 0.8 million, 1H 2012).

Net sales of the Automotive Business Segment grew in January-June 2013 to EUR 63.0 million (restated net sales of EUR 51.3 million, 1H 2012), representing 22.9 per cent growth year-on-year. A significant proportion of the growth in the net sales came from the rapid growth of e.solutions GmbH, the jointly owned company with AUDI. The operating profit was EUR 1.2 million (restated operating profit of EUR 0.7 million, 1H 2012). At the beginning of 2013 EB was selected as the supplier for several long-term product development and product customization projects for leading



car makers. A pricing model, where a part of the product development fee is moved to license fee based on the actual delivery volumes of new cars, was taken into use in the largest projects. This pricing model is common in the automotive industry.

The Wireless Business Segment's net sales from continuing operations in January-June 2013 decreased 5.5 per cent year-on-year, to EUR 31.2 million (EUR 33.0 million, 1H 2012). The decrease in the net sales compared to previous year was due to decline in the product development services for the authority markets. The operating profit from continuing operations of the Wireless Business Segment in January-June 2013 was EUR 0.1 million including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the first quarter of 2013 (operating loss of EUR -1.0 million including EUR 1.2 million non-recurring costs related to collecting the receivables from TerreStar Companies, 1H 2012). Wireless Business Segment's operating profit from continuing operations without the above mentioned non-recurring costs was EUR 1.0 million (EUR 0.2 million, 1H 2012).

CONSOLIDATED INCOME STATEMENT (MEUR)	1-6 2013	1-6 2012 restated
	6 months	6 months
CONTINUING OPERATIONS		
Net sales	94.1	84.2
Operating profit / loss	1.4	-0.4
Financial income and expenses	-0.6	0.1
Result before tax	0.8	-0.3
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	0.8	-0.5
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS	23.6	0.4
RESULT FOR THE PERIOD	24.4	-0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24.6	-0.1
Result for the period attributable to:		
Equity holders of the parent	24.4	-0.1
Non-controlling interests	0.0	0.0
Total comprehensive income for the period attributable to:		
Equity holder of the parent	24.6	-0.1
Non-controlling interests	0.0	0.0
Earnings per share from continuing operations, EUR	0.006	-0.004

- Cash flow from operating activities was EUR 5.4 million (EUR -2.4 million, 1H 2012)



- Net cash flow was EUR 27.8 million including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business (EUR -3.5 million, 1H 2012).
- Equity ratio was 64.0% (58.1%, 1H 2012).
- Net gearing was -28.7% (13.1%, 1H 2012).

QUARTERLY FIGURES, CONTINUING OPERATIONS

Elektrobit Group's net sales and operating result, Continuing Operations, MEUR:

	2Q 13	1Q 13	4Q 12 restated	3Q 12 restated	2Q 12 restated
Net sales	47.9	46.2	48.2	41.5	41.5
Operating profit (loss)	0.7	0.7	-0.5	2.0	-0.9
Operating profit (loss) without non-recurring costs	0.7	1.5	3.6	0.7	0.0
Result before taxes	0.2	0.6	-0.9	1.8	-0.5
Result for the period	0.2	0.6	-0.1	1.7	-0.6

Wireless Business Segment, net sales and operating result without non-recurring items, Continuing Operations, MEUR

	2Q 13	1Q 13	4Q 12	3Q 12	2Q 12
Net sales	15.4	15.8	16.4	14.1	16.6
Operating profit (loss)	0.6	-0.4	-3.2	2.0	-0.9
Operating profit (loss) without non-recurring items	0.6	0.4	0.9	0.8	0.0

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 as follows:

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



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:

	2Q 13	1Q 13	4Q 12 restated	3Q 12 restated	2Q 12 restated
Automotive	32.6	30.5	31.9	27.4	24.9
Wireless	15.4	15.8	16.4	14.1	16.6
Corporation total	47.9	46.2	48.2	41.5	41.5

The distribution of net sales by market areas, Continuing Operations, MEUR and %:

	2Q 13	1Q 13	4Q 12 restated	3Q 12 restated	2Q 12 restated
Asia	1.7 3.6 %	1.9 4.2 %	2.4 4.9 %	3.1 7.6 %	1.1 2.8 %
Americas	6.4 13.4 %	6.2 13.3 %	6.4 13.2 %	7.6 18.3 %	7.5 18.1 %
Europe	39.7 83.0 %	38.1 82.5 %	39.5 81.9 %	30.7 74.1 %	32.8 79.2 %

Net sales and operating profit development by Business Segments and other businesses, Continuing Operations, MEUR:

	2Q 13	1Q 13	4Q 12 restated	3Q 12 restated	2Q 12 restated
Automotive					
Net sales to external customers	32.5	30.5	31.8	27.4	24.9
Net sales to other segments	0.1	0.0	0.0	0.0	0.0
Operating profit (loss)	0.1	1.1	2.6	-0.0	-0.0
Wireless					
Net sales to external customers	15.4	15.8	16.4	14.1	16.6
Net sales to other segments	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	0.6	-0.4	-3.2	2.0	-0.9
Other businesses					
Net sales to external customers	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	0.1	-0.0	0.1	-0.0	-0.0
Total					
Net sales	47.9	46.2	48.2	41.5	41.5
Operating profit (loss)	0.7	0.7	-0.5	2.0	-0.9



SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On January 10, 2013 EB announced to lower 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 outlook for the net sales the Company expected to develop as earlier estimated and thus EB expected that the net sales of the fourth quarter of 2012 will be approximately EUR 57 million (EUR 49.0 million, 4Q 2011), the net sales of the second half of 2012 was expected to be approximately EUR 104 million (EUR 86.1 million, 2H 2011) and the net sales of the whole year 2012 was expected to be approximately EUR 200 million (EUR 162.2 million in 2011).

On January 28, 2013 EB announced to have signed an agreement with Anite plc, under the terms of which EB agreed to sell its Test Tools product business to Anite ("the Transaction"). The Transaction comprised the sale of the shares of EB's subsidiary Elektrobit System Test Ltd., a company based in Oulu, Finland, and certain related other assets in the USA and China. EB's Test Tools product business provided radio channel emulation tools and testing solutions for the development of the wireless technologies and was part of EB's Wireless Business Segment employing a total of 54 persons in Finland, USA and China. 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 EB announced that 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 resulted in a non-recurring net profit of about EUR 23 and non-recurring net cash flow of about EUR 28 million in the first quarter of 2013.

On February 19, 2013, simultaneously with the announcement of the Financial Statement Bulletin 2012, EB announced it will apply the new IFRS10 and IFRS11 standards from the beginning of 2013 and therefore will consolidate e.solutions GmbH, the jointly owned company with Audi Electronics Venture GmbH (AEV), applying the proportionate consolidation method. As a result of the change in the method of consolidation, the proportion of net sales and operating result of e.solutions GmbH to be consolidated into Elektrobit group's financial statements will decrease from the previous 100% to 51%. According to the rules of the proportionate consolidation method, the consolidated statement will also include 49% of the net sales from other Elektrobit group companies to e.solutions GmbH.

On February 19, 2013, EB announced also that it will start measures to improve its cost structure in the Wireless Business Segment. The measures were completed on April 4, 2013 and the Company estimates to reach the targeted approximately EUR 2 million annual cost savings in its Wireless Business Segment, fully effective from the second half of 2013 on. The measures resulted non-recurring costs of approximately EUR 0.8 million that affect negatively the Company's operating result of the first quarter of 2013. The underlying reasons for the measures to improve the cost structure were the changed business requirements. As part of these measures, EB reduced its personnel in the Wireless Business Segment globally by altogether 32 persons, 8 of them in Finland. In addition, EB also concentrated some of its Wireless Business Segment operations to Finland and moved the centre of its US operations from west coast to east coast, where many of the public sector customers are located.

On June 5, 2013 the Board of Directors of Elektrobit Corporation decided on the transfer of stock options 2008A and 2008B to the Finnish book-entry system and to apply for listing of 1.400.000 stock options 2008A and of 1.400.000 stock options 2008B on the official list of NASDAQ OMX Helsinki. The trading with the stock options started on June 17, 2013. The share subscription period for stock options 2008A will end on March 31, 2014. The share subscription period for stock options 2008B will end on March 31, 2015.

On July 5, 2013 EB told that a total of 97,500 new shares in Elektrobit Corporation were subscribed between April 2 and June 20, 2013 by virtue of the option rights 2008A. The share subscription price, EUR 17,550, was recorded in the Company's invested non-restricted equity fund. The corresponding increase in the number of the Company's shares was entered into the Finnish Trade Register on July 5, 2013. Trading with the newly registered shares started on July 8, 2013 as an additional lot of Elektrobit Corporation's shares in NASDAQ OMX Helsinki Ltd. After the registration



of the new shares, the number of shares in Elektrobit Corporation's totals 129,510,190. More information and the terms and conditions of stock options 2008 are available in www.elektrobit.com/investors in the Company's web pages.

BUSINESS SEGMENTS' DEVELOPMENT DURING APRIL-JUNE 2013 AND MARKET OUTLOOK

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

AUTOMOTIVE

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

EB and Audi's subsidiary, Audi Electronics Venture GmbH (AEV), have the 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 also delivers products and R&D services to the joint venture. EB owns 51% of e.solutions GmbH and AEV 49%.

EB's net sales in Automotive Business Segment continued its strong growth during the second quarter of 2013 and amounted to EUR 32.6 million (restated net sales of EUR 24.9 million, 2Q 2012), representing a growth of 30.6 % year-on-year. A significant proportion of the growth in the net sales came from the rapid growth of e.solutions GmbH, a jointly owned company with AUDI. The operating profit was EUR 0.1 million (restated operating loss of EUR -0.0 million, 2Q 2012).

In April, EB announced to have opened a new office in Brasov, Romania for automotive software development. The new location will allow the company to expand its existing automotive software development teams in Romania. EB plans to grow the local team to more than 100 software developers over time. The Brasov office will focus on automotive software product development and testing.

In June EB and Daimler announced to have strengthened their long-term successful partnership for developing Daimler's embedded driver assistance software. Through this partnership, a new



collaboration model is being introduced, where EB is taking the role of direct software supplier for Driver Assistance to Daimler. By separating hardware and software development, EB and Daimler are able to manage the growing complexity of software in the Driver Assistance domain. It also enables both parties to focus on their core competencies.

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. Recently the uncertainty in the market outlook for the global car industry has continued especially in Europe where the number of cars sold is expected to decrease in 2013 from 2012, while in USA and China and other developing countries the market is expected to grow. Despite these uncertainties, many carmakers have further continued good financial performance and slowing down of the markets affects different car makers in different ways. 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. The demand for EB's software solutions is estimated to continue as good in 2013.

In the labor market, particularly in Germany, competition of talented engineers still is tight and is slightly slowing down the growth of personnel and thereby impacting the growth of the services business. e.solutions GmbH, the jointly owned company 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 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 been responsible for 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, for example real-time traffic information.

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 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 from 2012 until 2020 is expected to exceed the growth rate of passenger car production volume that is estimated to be 4.5% CAGR (LMC Automotive's Q3 2013 Forecast).

EB's net sales 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. The direct dependency on production volumes will increase over the forthcoming years as a result of the EB's transition towards software product business models. The dependency on EB's net sales on car delivery volumes is also increased by EB's customers tending to allocate a part of the software development costs to be paid in license fees based on the actual car delivery volumes. This pricing model is common in the automotive industry. It can offer EB also an opportunity for higher cumulative income, in case the amount of the new cars sold would be high.

WIRELESS

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

Net sales of continuing operations of the Wireless Business Segment during the second quarter of 2013 decreased by 7.0 % year-on-year to EUR 15.4 million (EUR 16.6 million, 2Q 2012). Operating profit from continuing operations was EUR 0.6 million (operating loss of EUR -0.9 million including non-recurring costs of EUR 0.9 million from collecting the receivables from TerreStar Companies, 2Q 2012). The decrease in the net sales compared to previous year was due to decline in the product development services for the authority markets. Net sales to mobile communication markets and other companies increased from previous year.



During the second quarter of 2013 EB continued its R&D investments in products and product platforms targeted for the defense and public safety markets and related international sales and marketing efforts.

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

In April EB concluded measures to improve its cost structure in Wireless Business Segment, started on February 19, 2013, and estimates to reach the targeted approximately EUR 2 million annual cost savings in its Wireless Business Segment, fully effective from the second half of 2013 on. The measures resulted non-recurring costs of approximately EUR 0.8 million that affected negatively the Company's operating result of the first quarter of 2013. The underlying reasons for the measures to improve the cost structure were the changed business requirements.

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.

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 needs 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. In 2013, the public defense budget cuts have negative affect on the demand for product development services in Europe.

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 operating systems and applications, is expected to continue in special verticals such as public safety. The specific LTE frequency band allocations for authorities



create demand for customized LTE devices. 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 creating a need for R&D services for design of product variants. 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

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 defence and public safety markets in Wireless Business Segment.

The total R&D investments for continuing operations during January-June 2013 were EUR 10.3 million (restated EUR 10.9 million, 1H 2012), equaling 11.0% of the net sales (restated 13.0 %, 1H 2012). The share of R&D investments in Automotive Business Segment was EUR 8.1 million (restated EUR 8.9 million, 1H 2012) and in Wireless Business Segment in continuing operations EUR 2.2 million (EUR 2.0 million, continuing operations, 1H 2012).

EUR 0.0 million of R&D investments of the reporting period were capitalized (EUR 2.8 million, 1H 2012). The amount of capitalized R&D investments at the end of June 2013 was EUR 12.7 million (EUR 13.9 million, 1H 2012). A significant part of these capitalizations is related to customer agreements of Automotive Business Segment, where future license fees, based on the actual car delivery volumes, are expected to accumulate in the coming years. Depreciations of R&D investments were EUR 0.8 million during the reporting period (EUR 0.4 million, 1H 2012).

OUTLOOK FOR 2013

From the beginning of 2013 EB has started to apply the new IFRS10 and IFRS11 standards concerning consolidation, and consolidates e.solutions GmbH, the jointly owned company with AUDI, by applying the proportionate consolidation method. Previously e.solutions GmbH has been included in Elektrobit group's consolidated financial statements as subsidiary. As a result of the change in the method of consolidation, the proportion of net sales and operating result of e.solutions GmbH to be consolidated into Elektrobit group's consolidated financial statements will decrease. The change does not affect the net profit of the Company. 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. More information about this has been presented in this interim 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 further continued good financial performance and slowing down of the markets affects different car makers in different ways. The demand for EB's automotive software solutions is estimated to remain good. In the Automotive Business Segment the operating profit in 2013 is expected to accumulate mainly during the second half of the year (EUR 1.2 million, 1H 2013) due to higher product license sales during the latter half of the year and other seasonality factors.

In the Wireless Business Segment the growth in demand 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 reflects the demand negatively in the public authority markets in Europe. In the Wireless Business Segment the demand outlook for the rest of the year has weakened due to the decreased order volume from a large customer of EB and due to the delay in some special terminal projects. Due to the weakened demand outlook, the operating result in the second half of 2013 is expected to be at the same level or less than in the first half of 2013 (EUR 0.1 million, 1H 2013). Additionally, the operating result is affected by seasonality factors and by cost savings materializing during the last quarter of 2013 as a result from planned temporary layoffs.

EB expects for the year 2013 that net sales will grow and operating result will be at the same level as it was in 2012 without non-recurring items (restated net sales of EUR 173.9 million, and restated operating profit without non-recurring items of EUR 5.1 million, in 2012).

More specific market outlook is presented under the "Business Segments' development during April - June 2013 and Market Outlook" section. The Wireless Business Segment's weakened demand outlook for the rest of the year and the aimed cost savings resulting from the temporary layoffs have been taken into account in the outlook for 2013.

The non-recurring net profit of about EUR 23 million, resulted from the sale of the Test Tools product business, has no impact on the operating result of 2013 and therefore has no impact on the operating result guidance. All profits and costs related to the mentioned business are presented in the group's income statement, below operating profit under "result for the period from discontinuing operations".



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.

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. Some parts of EB’s business are more sensitive than others to dependency on an individual customer. Deviation in anticipated business development with such a customer may translate as a significant deviation in the EB’s outlook during the ongoing financial period and thereafter. EB seeks to expand its customer base on a longer term and reduce dependence on individual companies and hence the company will thereby be mainly affected by the general business climate in automotive and telecommunication industries. The more specific market outlook is presented under the “Business Segments’ Development during April-June 2013 and Market Outlook” section.

Business related risks

EB’s operative business risks are mainly related to following items: uncertainties and short visibility on customers’ product program decisions, their make or buy decisions and on the other hand, their decisions to continue, downsize or terminate current product programs, execution and management of large customer projects, ramping up and down project resources, availability of personnel in labor markets (in particular in Germany), accessibility on commercially acceptable terms and on the other hand successful utilization of the most important technologies and components, competitive situation and potential delays in the markets, timely closing of customer and supplier contracts with reasonable commercial terms, delays in R&D projects, realization of expected return on capitalized R&D investments, obsolescence of inventories and technology risks



in product development causing higher than planned R&D costs. Revenues expected to come from either existing or new products and customers include normal timing risks. EB has certain significant customer projects and deviation in their expected continuation could result also significant deviations in the Company's outlook. In addition there are typical industry warranty and liability risks involved in selling EB's services, solutions and products.

EB's product delivery business model faces such risks as high dependency on actual product volumes 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. More than earlier EB's customers in the automotive industry seek paying the software and product platform development either entirely or mainly through license fees after the start of the production, which may cause significant additional financing needs for the R&D phase and again increase the dependency on production volumes of cars.

Some of EB's businesses operate in industries that are heavily reliant on patent protection and therefore face risks related to management of intellectual property rights, on the one hand related to accessibility on commercially acceptable terms of certain technologies in the EB's products and services, and on the other hand related to an ability to protect technologies that EB develops or licenses from others from claims that third parties' intellectual property rights are infringed. Additionally, parties outside of the industries operate actively in order to protect and commercialize their patents and therefore in their part increase the risks related to the management of intellectual property rights. At worst, claims that third parties' intellectual property rights are infringed, could lead to substantial liabilities for damages. Also EB has received a formal request from one of its customers for indemnification that is unspecified both in terms of the basis of liability and the amount claimed. Based on information available it does not seem likely that the claim would result in significant liability in the short term. It is possible that, based on later information, the above views may need to be reconsidered.

Financing risks

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



Customer dependency in some parts of EB's business may translate as accumulation of risk with respect to outstanding receivables and ultimately with respect to credit losses. EB asserted claims for its receivables in the amount of approximately USD 25.8 million (EUR 19.4 million as per exchange rate of August 7, 2013) in the Chapter 11 cases of its customers TerreStar Networks Inc. and its parent company TerreStar Corporation filed in 2010 and 2011. In addition to the booked receivables, EB asserted claims for additional costs in the amount of approximately USD 2.1 million (EUR 1.6 million as per exchange rate of August 7, 2013) resulting mainly from the ramp down of the business operations between the parties. Thus, EB asserted claims against each of the TerreStar entities in amounts totaling USD 27.9 million (EUR 21.0 million as per exchange rate of August 7, 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.

EB presently estimates that its total distribution under the Terre Star Networks confirmed plan of liquidation may be in the range of 8-10% of the face amount of its claim. However, this estimate is subject to various assumptions, and the amount and timing of EB's distribution on the remaining portion of its claim cannot be predicted with certainty at this time. Pursuant to the plan, on March 29, 2012 EB received a USD 650,890 distribution on that portion of its claim entitled to payment priority under U.S. bankruptcy law.

As part of the Chapter 11 process, the liquidating trustee (the "Trustee") of The TerreStar Networks Inc. Liquidating Trust (the trust having been formed in connection with confirmation of the Chapter 11 plan of TerreStar Networks) is considering whether the Trustee may recover payments previously made to creditors pursuant to various provisions of the Bankruptcy Code. During the 90 days prior to TerreStar Networks' bankruptcy filing, EB received approximately USD 2.5 million that the Trustee has alleged to be preferential payments, and it remains possible that the Trustee may sue EB to recover these payments. EB believes that it has strong defenses to any such litigation and therefore would vigorously contest it, but anticipates that this issue must be adjudicated or settled before EB receives further distributions on its claim. Further, in reconciling accounts in preparation for making distributions under the TerreStar Networks plan, the Trustee requested, and EB provided, additional information and documents in support of EB's claim. EB has entered into a tolling agreement with the Trustee which, as amended, extends the avoidance action statute of limitations through and including August 21, 2013, which date could be further extended by mutual consent, with a view to determining whether the parties can settle any outstanding disputes between them. The likelihood and outcome of any such disputes cannot be predicted with certainty at this time.

By order of the bankruptcy court dated August 24, 2012, Elektrobit Inc., a subsidiary of EB, and TerreStar Corporation and certain of its preferred shareholders, entered into a full and final settlement of various disputes that had arisen between them in the TerreStar Corporation reorganization cases. Pursuant to this settlement, on August 28, 2012 TerreStar Corporation made a cash payment to Elektrobit Inc. of USD 13.5 million in full and final satisfaction of EB's claim



against that entity. The settlement did not include the TerreStar Networks Chapter 11 cases and did not include any distribution from those cases that may be available to EB. On October 24, 2012, the bankruptcy court entered an order approving a plan of reorganization for TerreStar Corporation and various affiliates (not including TerreStar Networks) which preserved EB's rights with respect to EB's claim against TerreStar Networks.

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 Trustee commence litigation resulting an order for EB to repay certain allegedly preferential transfers, costs related to the process would additionally lower EB's operating result on a non-recurring basis by approximately EUR 2 million at maximum.

The U.S. Internal Revenue Service ("IRS") disallowed a deduction taken on EB's subsidiary's, Elektrobit Inc.'s 2010 U.S. federal income tax return for the impairment of the receivables from the TerreStar companies. EB appealed this disallowance to the IRS Office of Appeals, which is expected to render a decision before the end of 2013. An unfavorable decision can be appealed to the United States Tax Court, in which case the appeal will take two years.

If the appeal were to proceed to the United States Tax Court and if the resolution of the litigation results in a complete rejection of the amount deducted in 2010, EB would be required to pay back the tax refund in full with accrued interest. At worst, as a result of the pay back of the tax refund and the respective interest expenses and litigation expenses, there would be a negative effect on EB's cash flow of approximately of USD 2.7 million (EUR 2.0 million as per exchange rate of August 7, 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' disallowance will be sustained. Based on subsequent information, the situation may need to be reconsidered. It is also possible that during the appellate process, the parties may settle this matter.



STATEMENT OF FINANCIAL POSITION AND FINANCING

The figures presented in the statement of financial position of June 30, 2013, are compared with the statement of the financial position of December 31, 2012 (MEUR).

	6/2013	12/2012 restated
Non-current assets	46.5	46.8
Current assets	100.5	77.6
Assets classified as held for sale		7.7
Total assets	146.9	132.2
Share capital	12.9	12.9
Other equity	76.6	53.7
Non-controlling interests		
Total shareholders' equity	89.5	66.6
Non-current liabilities	7.8	7.9
Current liabilities	49.6	53.2
Liabilities classified as held for sale		4.5
Total shareholders' equity and liabilities	146.9	132.2

Net cash flow from operations during the period under review:

+ net profit +/- adjustment of accrual basis items	<i>EUR +6.1 million</i>
+/- change in net working capital	<i>EUR +0.2 million</i>
- interest, taxes and dividends	<i>EUR -1.0 million</i>
= cash generated from operations	<i>EUR +5.4 million</i>
- net cash used in investment activities	<i>EUR +26.3 million</i>
- net cash used in financing	<i>EUR -3.9 million</i>
= net change in cash and cash equivalents	<i>EUR +27.8 million</i>

The amount of accounts receivable and other receivables, booked in current receivables, was EUR 58.0 million (EUR 63.0 million on December 31, 2012). Accounts payable and other payables, booked in interest-free current liabilities, were EUR 38.2 million (EUR 40.5 million on December 31, 2012). The amount of non-depreciated consolidation goodwill at the end of the period under review was EUR 19.3 million (EUR 19.3 million on December 31, 2012).

The amount of gross investments in the period under review was EUR 3.9 million. Net investments for the reporting period totaled EUR 3.5 million. The total amount of depreciation of continuing operations during the period under review was EUR 4.4 million, including EUR 0.5 million of depreciation owing to business acquisitions in Automotive Business Segment.



The amount of interest-bearing debt, including finance lease liabilities, at the end of the reporting period was EUR 16.4 million (EUR 18.1 million on December 31, 2012). The distribution of net financing expenses on the income statement of continuing operations was as follows:

interest dividend and other financial income	EUR 0.1 million
interest expenses and other financial expenses	EUR -0.3 million
foreign exchange gains and losses	EUR -0.4 million

EB's equity ratio at the end of the period was 64.0% (55.0 % on December 31, 2012). The increase in equity ratio is mainly due to the sale of the Test Tools product business. The transaction resulted in a net profit of about EUR 23 million.

Cash and other liquid assets at the end of the reporting period were EUR 42.1 million (EUR 14.3 million on December 31, 2012). The increase in cash reserves is mainly due to the sale of the Test Tools product business. EB has from Nordea Bank plc a committed credit facility agreement and a revolving credit facility agreement of altogether EUR 20 million, valid until June 30, 2014. EUR 10.1 million of these facilities was used at the end of the reporting period.

EB follows a hedging strategy, the objective of which is to ensure the margins of business operations in changing market circumstances by minimizing the influence of exchange rates. In accordance with the hedging strategy, the agreed customer commitments net cash flow of the currency in question is hedged. The net cash flow is determined on the basis of sales receivables, payables, the order book and the budgeted net currency cash flow. The hedged foreign currency exposure at the end of the review period was equivalent to EUR 9.0 million.

PERSONNEL

The parent company of the group and its subsidiaries employed an average of 1608 people between January and June 2013. In addition, e.solutions GmbH, the jointly owned company of EB and AUDI employed 283 people. At the end of June, the parent company of the group and its subsidiaries had 1648 employees and e.solutions GmbH 303 employees (1583 in group's parent company and subsidiaries and e.solutions GmbH 233 at the end of 2012). A significant part of EB's personnel are R&D engineers.

FLAGGING NOTIFICATIONS

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.



EVENTS AFTER THE REVIEW PERIOD

After the reporting period, on July 5, 2013, EB told that a total of 97,500 new shares in Elektrobit Corporation were subscribed between April 2 and June 20, 2013 by virtue of the option rights 2008A. The share subscription price, EUR 17,550, was recorded in the Company's invested non-restricted equity fund. The corresponding increase in the number of the Company's shares was entered into the Finnish Trade Register on July 5, 2013. Trading with the newly registered shares started on July 8, 2013 in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation's totals 129,510,190. More information and the terms and conditions of stock options 2008 are available in www.elektrobit.com/investors in the Company's web pages.

EB announced today, on August 8, 2013 to start personnel negotiations in Wireless Business Segment to adjust its cost level to correspond the weakened demand outlook for the rest of the year. With temporary layoffs EB aims at EUR 1.5 million cost savings, which are expected to materialize mainly during the fourth quarter. In order to achieve the targeted cost savings, EB plans to temporarily lay off 150 employees at the maximum, for 90 days at the maximum, part-time or full-time. The negotiations concern employees working in Elektrobit Wireless Communications Ltd. Currently 548 employees are working in Wireless Business Segment. The underlying reasons for the planned layoffs are the decreased order volume for the second half of 2013 from a large customer of EB, and delays in some special terminal projects. The weakened demand outlook for the rest of the year and the aimed cost savings resulting from the temporary layoffs have been taken into account in the outlook for 2013 given in this interim report.

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 Elektrobit group's financial statements will decrease from the previous 100% to 51%. The change in the consolidation method has no effect on EB's net result. According to the rules of proportionate consolidation method, the consolidated statement will also include 49% of the net sales of other Elektrobit group companies to e.solutions GmbH.

In 2012, the Elektrobit 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 would have been applied for e.solutions GmbH already in 2012, the consolidated net sales



of Elektrobit 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 presents the year-on-year information of income statement and balance sheet on restated comparable basis, 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 Elektrobit group's financial statements in full.

The new IFRS10 and IFRS 11 standards for consolidated financial statements and joint arrangements will take effect on 1st of January 2014, but they may be applied as of 1st of January 2013. The accounting standard IFRS 10 sets out the rules for presenting and preparing consolidated financial statements when an entity controls one or more other entities. IFRS11 establishes principles for financial reporting by parties to a joint arrangement. According to the standard, joint arrangements are defined either as "joint ventures" or "joint operations". e.solutions GmbH is deemed to fulfil the criteria of a "joint operation", whereby it is required that a proportionate consolidation method be applied at the latest when the new standard takes effect.

Oulu, August 8, 2013

Elektrobit Corporation
The Board of Directors

Further Information:

Jukka Harju
CEO
Tel. +358 40 344 5466

Distribution:
NASDAQ OMX Helsinki
Major media



ELEKTROBIT CORPORATION (EB)
CONDENSED FINANCIAL STATEMENTS AND NOTES JANUARY- JUNE 2013
(unaudited)

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-6/2013	1-6/2012	1-12/2012
	6 months	6 months restated	12 months restated
Continuing operations			
NET SALES	94.1	84.2	173.9
Other operating income	2.0	1.1	2.4
Change in work in progress and finished goods	-0.0	-0.1	-0.2
Work performed by the undertaking for its own purpose and capitalized		0.0	0.5
Raw materials	-4.2	-3.8	-7.3
Personnel expenses	-57.7	-49.9	-101.1
Depreciation	-4.4	-3.3	-7.1
Other operating expenses	-28.4	-28.5	-60.2
OPERATING PROFIT (LOSS)	1.4	-0.4	1.1
Financial income and expenses	-0.6	0.1	-0.5
PROFIT BEFORE TAX	0.8	-0.3	0.6
Income tax	-0.0	-0.2	0.5
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	0.8	-0.5	1.1
Discontinued operations			
Profit for the year from discontinued operations	23.6	0.4	1.2
PROFIT FOR THE PERIOD	24.4	-0.1	2.3
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations	0.2	0.0	0.2
Other comprehensive income for the period total	0.2	0.0	0.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24.6	-0.1	2.5
Profit for the year attributable to			
Equity holders of the parent	24.4	-0.1	2.3
Non-controlling interests			

Total comprehensive income for the period attributable to



Equity holders of the parent	24.6	-0.1	2.5
Non-controlling interests			
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.006	-0.004	0.008
Diluted earnings per share	0.006	-0.004	0.008
Earnings per share from discontinued operations, EUR			
Basic earnings per share	0.182	0.003	0.009
Diluted earnings per share	0.181	0.003	0.009
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.189	-0.001	0.018
Diluted earnings per share	0.187	-0.001	0.017
Average number of shares, 1000 pcs	129 413	129 413	129 413
Average number of shares, diluted, 1000 pcs	130 338	130 230	130 238

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	June 30, 2013	June 30, 2012 restated	Dec. 31, 2012 restated
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ASSETS

Non-current assets			
Property, plant and equipment	9.3	9.3	8.7
Goodwill	19.3	19.3	19.3
Intangible assets	16.5	17.8	17.8
Other financial assets	0.1	0.1	0.1
Deferred tax assets	1.1	0.1	0.9
Non-current assets total	46.4	46.6	46.8
Current assets			
Inventories	0.5	2.5	0.4
Trade and other receivables	58.0	65.6	63.0
Financial assets at fair value through profit or loss	34.8		9.7
Cash and short term deposits	7.3	5.8	4.6
Current assets total	100.5	73.9	77.6
Assets classified as held for sale			7.7
TOTAL ASSETS	146.9	120.5	132.2

EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent



Share capital	12.9	12.9	12.9
Invested non-restricted equity fund	38.7	38.7	38.7
Translation difference	0.8	0.4	0.6
Retained earnings	37.0	13.4	14.3
Non-controlling interests			
Total equity	89.5	65.5	66.6
Non-current liabilities			
Deferred tax liabilities	0.5	0.9	0.7
Pension obligations	2.0	1.3	1.4
Provisions	0.4	0.5	0.5
Interest-bearing liabilities	5.0	4.9	5.4
Non-current liabilities total	7.8	7.5	7.9
Current liabilities			
Trade and other payables	36.0	36.5	38.3
Financial liabilities at fair value through profit or loss		0.1	0.0
Provisions	2.1	1.4	2.2
Interest-bearing loans and borrowings	11.4	9.4	12.7
Current liabilities total	49.6	47.4	53.2
Liabilities classified as held for sale			4.5
Total liabilities	57.4	55.0	65.6
TOTAL EQUITY AND LIABILITIES	146.9	120.5	132.2

**CONSOLIDATED STATEMENT OF CASH FLOWS
(MEUR)**

	1-6/2013	1-6/2012	1-12/2012
	6 months	6 months restated	12 months restated
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year from continuing operations	0.8	-0.5	1.1
Profit for the year from discontinued operations	23.6	0.4	1.2
Adjustment of accrual basis items	-18.3	4.7	8.7
Change in net working capital	0.2	-6.1	-3.0
Interest paid on operating activities	-0.7	-0.6	-0.9
Interest received from operating activities	0.1	0.0	0.1
Other financial income and expenses, net received	0.0	0.0	0.0
Income taxes paid	-0.3	-0.2	-0.3
NET CASH FROM OPERATING ACTIVITIES	5.4	-2.4	6.8
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of business unit, net of cash acquired	29.2		
Purchase of property, plant and equipment	-2.2	-1.1	-2.8
Purchase of intangible assets	-0.8	-3.6	-5.4



Purchase of other investments			
Sale of property, plant and equipment	0.2	0.3	0.4
Sale of intangible assets	0.0	0.0	0.0
Proceeds from sale of investments			0.0
NET CASH FROM INVESTING ACTIVITIES	26.3	-4.4	-7.8
CASH FLOW FROM FINANCING ACTIVITIES			
Share-option plans exercised	0.0		
Proceeds from borrowing	14.3	5.9	16.6
Repayment of borrowing	-15.4	-1.2	-7.5
Payment of finance liabilities	-1.6	-1.4	-2.9
Dividend paid	-1.3		
NET CASH FROM FINANCING ACTIVITIES	-3.9	3.4	6.1
NET CHANGE IN CASH AND CASH EQUIVALENTS	27.8	-3.5	5.1
Cash and cash equivalents at beginning of period	14.3	9.2	9.2
Cash and cash equivalents at end of period	42.1	5.8	14.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

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

	A	B	C	D	E	F	G
restated							
Shareholders equity on January 1, 2012	12.9	38.7	0.4	13.4	65.5	0.0	65.5
Comprehensive income for the period							
Profit for the period				-0.1	-0.1		-0.1
Exchange differences on translating foreign operations			0.0		0.0		0.0
Total comprehensive income for the period			0.0	-0.1	-0.1		-0.1
Transactions between the shareholders							
Share-related compensation				0.2	0.2		0.2



Other changes				-0.1	-0.1		-0.1
Shareholders equity on June 30, 2012	12.9	38.7	0.4	13.4	65.5	0.0	65.5
restated							
Shareholders equity on December 31, 2012	12.9	38.7	0.6	14.3	66.6	0.0	66.6
Change in accounting policy (IAS 19)				-0.6	-0.6		-0.6
Shareholders equity on January 1, 2013							
restated	12.9	38.7	0.6	13.8	66.0	0.0	66.0
Comprehensive income for the period							
Profit for the period				24.4	24.4		24.4
Exchange differences on translating foreign operations			0.2		0.2		0.2
Total comprehensive income for the period			0.2	24.4	24.6		24.6
Transactions between the shareholders							
Dividend distribution				-1.3	-1.3		-1.3
Share option plans exercised		0.0			0.0		0.0
Share-related compensation				0.1	0.1		0.1
Total transactions between the shareholders		0.0		-1.2	-1.2		-1.2
Other changes				-0.0	-0.0		-0.0
Shareholders equity on June 30, 2013	12.9	38.7	0.8	37.0	89.5	0.0	89.5

NOTES TO THE INTERIM FINANCIAL REPORTING

Accounting principles for the interim financial reporting:

IFRS amendments

IFRS 10 and IFRS 11

From the beginning of 2013 EB has applied the new IFRS10 and IFRS11 standards. As a result the proportion of net sales and operating result of e.solutions GmbH, a jointly owned company of EB and AUDI, to be consolidated into Elektrobit group's consolidated financial statements will decrease compared to previous consolidation method. The change will have no impact on consolidated net profit. For comparability, all figures presented for comparison are restated assuming that the proportionate consolidation method according to the above mentioned standards would have been applied already in 2012.

IAS 19 Employee benefits

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



The revised standards have impact on the condensed financial statements.

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

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

Discontinued operations

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

Payment of dividend:

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

SEGMENT INFORMATION (MEUR)

OPERATING SEGMENTS	1-6/2013 6 months	1-6/2012 6 months restated	1-12/2012 12 months restated
Automotive			
Net sales to external customers	63.0	51.3	110.5
Net sales to other segments	0.1	0.0	0.1
Net sales total	63.0	51.3	110.6
Operating profit (loss)	1.2	0.7	3.3
Wireless			
Net sales to external customers	31.2	32.8	63.3
Net sales to other segments	0.1	0.2	0.3
Net sales total	31.2	33.0	63.5
Operating profit (loss)	0.1	-1.0	-2.2
OTHER ITEMS			
Other items			



Net sales to external customers	0.0	0.0	0.1
Operating profit (loss)	0.1	-0.0	0.0
Eliminations			
Net sales to other segments	-0.1	-0.2	-0.3
Operating profit (loss)	0.0	0.0	0.0
Group total			
Net sales to external customers	94.1	84.2	173.9
Operating profit (loss)	1.4	-0.4	1.1
Net sales of geographical areas (MEUR)	1-6/2013	1-6/2012	1-12/2012
	6 months	6 months	12 months
		restated	restated
Net sales			
Europe	77.9	66.5	136.7
Americas	12.6	14.6	28.6
Asia	3.7	3.0	8.5
Net sales total	94.1	84.2	173.9
Related party transactions:	1-6/2013	1-6/2012	1-12/2012
	6 months	6 months	12 months
Employee benefits for key management and stock option expenses total	0.6	0.6	1.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	4-6/2013	1-3/2013	10-12/2012	7-9/2012	4-6/2012
	3 months	3 months	3 months	3 months	3 months
			restated	restated	restated
Continuing operations					
NET SALES	47.9	46.2	48.2	41.5	41.5
Other operating income	1.0	0.9	0.7	0.7	0.6
Change in work in progress and finished goods	-0.1	0.1	-0.1	0.1	0.1
Work performed by the undertaking for its own purpose and capitalized			0.4	0.1	0.0



Raw materials	-1.9	-2.3	-2.1	-1.4	-2.3
Personnel expenses	-28.9	-28.9	-27.1	-24.1	-24.3
Depreciation	-2.2	-2.2	-2.0	-1.7	-1.7
Other operating expenses	-15.2	-13.2	-18.5	-13.2	-14.8
OPERATING PROFIT (LOSS)	0.7	0.7	-0.5	2.0	-0.9
Financial income and expenses	-0.5	-0.1	-0.4	-0.2	0.4
PROFIT BEFORE TAX	0.2	0.6	-0.9	1.8	-0.5
Income tax	0.0	-0.0	0.8	-0.1	-0.1
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	0.2	0.6	-0.1	1.7	-0.6
Discontinued operations					
Profit for the period from discontinued operations	0.0	23.6	0.9	-0.1	0.3
PROFIT FOR THE PERIOD	0.2	24.2	0.8	1.6	-0.3
Other comprehensive income	0.2	-0.0	0.2	-0.0	-0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0.4	24.2	1.0	1.6	-0.3
Profit for the period attributable to:					
Equity holders of the parent	0.2	24.2	0.8	1.6	-0.3
Non-controlling interests					
Total comprehensive income for the period attributable to:					
Equity holders of the parent	0.4	24.2	1.0	1.6	-0.3
Non-controlling interests					
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	June 30, 2013	March 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
			restated	restated	restated
ASSETS					
Non-current assets					
Property, plant and equipment	9.3	8.6	8.7	9.4	9.3
Goodwill	19.3	19.3	19.3	19.3	19.3
Intangible assets	16.5	17.4	17.8	17.7	17.8
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.1	1.0	0.9	0.0	0.1
Non-current assets total	46.4	46.5	46.8	46.6	46.6
Current assets					
Inventories	0.5	0.5	0.4	2.7	2.5
Trade and other receivables	58.0	59.9	63.0	68.6	65.6
Financial assets at fair value					



through profit or loss	34.8	34.7	9.7	0.1	
Cash and short term deposits	7.3	8.8	4.6	15.7	5.8
Current assets total	100.5	104.0	77.6	87.0	73.9
Assets classified as held for sale			7.7		
TOTAL ASSETS	146.9	150.5	132.2	133.6	120.5

EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent

Share capital	12.9	12.9	12.9	12.9	12.9
Invested non-restricted equity fund	38.7	38.7	38.7	38.7	38.7
Translation difference	0.8	0.6	0.6	0.4	0.4
Retained earnings	37.0	38.0	14.3	15.1	13.4
Non-controlling interests					
Total equity	89.5	90.2	66.6	67.2	65.5

Non-current liabilities

Deferred tax liabilities	0.5	0.5	0.7	0.8	0.9
Pension obligations	2.0	2.0	1.4	1.3	1.3
Provisions	0.4	0.4	0.5	0.4	0.5
Interest-bearing liabilities	5.0	9.2	5.4	10.8	4.9
Non-current liabilities total	7.8	12.1	7.9	13.3	7.5

Current liabilities

Trade and other payables	36.0	35.4	38.3	38.4	36.5
Financial liabilities at fair value through profit or loss		0.2	0.0		0.1
Provisions	2.1	2.9	2.2	1.7	1.4
Interest-bearing loans and borrowings (non-current)	11.4	9.6	12.7	13.0	9.4
Current liabilities total	49.6	48.1	53.2	53.1	47.4
Liabilities classified as held for sale			4.5		
Total liabilities	57.4	60.2	65.6	66.4	55.0
TOTAL EQUITY AND LIABILITIES	146.9	150.5	132.2	133.6	120.5

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER

	4-6/ 2013 3 months	1-3/ 2013 3 months	10-12/ 2012 3 months restated	7-9/ 2012 3 months restated	4-6/ 2012 3 months restated
Net cash from operating activities	4.1	1.3	7.0	2.2	-0.3
Net cash from investing activities	-1.5	27.8	-2.2	-1.2	-2.0
Net cash from financing activities	-4.1	0.2	-6.1	8.9	2.6
Net change in cash and cash equivalents	-1.5	29.3	-1.4	9.9	0.3



FINANCIAL PERFORMANCE RELATED RATIOS	1-6/2013	1-6/2012	1-12/2012
	6 months	6 months	12 months
		restated	restated
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	94.1	84.2	173.9
Operating profit (loss)	1.4	-0.4	1.1
Operating profit (loss), % of net sales	1.5	-0.5	0.6
Profit before taxes	0.8	-0.3	0.6
Profit before taxes, % of net sales	0.9	-0.4	0.3
Profit for the period	0.8	-0.5	1.1
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	-25.7	8.6	4.0
Net gearing, -%	-28.7	13.1	6.1
Equity ratio, %	64.0	58.1	55.0
Gross investments, (MEUR)	3.9	6.8	12.2
Average personnel during the period, parent and subsidiaries	1608	1496	1528
Personnel at the period end, parent and subsidiaries	1648	1544	1583
Average personnel during the period, jointly owned company	283	109	132
Personnel at the period end, jointly owned company	303	113	233
AMOUNT OF SHARE ISSUE ADJUSTMENT			
(1,000 pcs)	June 30,	June 30,	Dec. 31,
	2013	2012	2012
At the end of period	129 413	129 413	129 413
Average for the period	129 413	129 413	129 413
Average for the period diluted with stock options	130 338	130 230	130 238
STOCK-RELATED FINANCIAL RATIOS (EUR)			
	1-6/2013	1-6/2012	1-12/2012
	6 months	6 months	12 months
		restated	restated
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.006	-0.004	0.008
Diluted earnings per share	0.006	-0.004	0.008
Earnings per share from discontinued operations, EUR			
Basic earnings per share	0.182	0.003	0.009
Diluted earnings per share	0.181	0.003	0.009



Earnings per share from continuing and discontinued operations, EUR

Basic earnings per share	0.189	-0.001	0.018
Diluted earnings per share	0.187	-0.001	0.017
Equity *) per share	0.69	0.51	0.51

*) Equity attributable to equity holders of the parent

MARKET VALUES OF SHARES (EUR)	1-6/2013	1-6/2012	1-12/2012
	6 months	6 months	12 months
Highest	1.06	0.79	0.79
Lowest	0.64	0.38	0.38
Average	0.85	0.63	0.64
At the end of period	1.03	0.62	0.65
Market value of the stock, (MEUR)	133.3	80.2	84.1
Trading value of shares, (MEUR)	7.6	5.1	6.9
Number of shares traded, (1,000 pcs)	8 965	8 222	10 750
Related to average number of shares %	6.9	6.4	8.3
SECURITIES AND CONTINGENT LIABILITIES (MEUR)	June 30, 2013	June 30, 2012	Dec. 31, 2012
AGAINST OWN LIABILITIES			
Floating charges	18.0	18.1	18.1
Guarantees	13.8	23.5	17.7
Rental liabilities			
Falling due in the next year	6.7	6.8	7.0
Falling due after one year	14.7	16.6	16.2
Other contractual liabilities			
Falling due in the next year	1.4	2.3	1.3
Falling due after one year	0.3	0.0	0.0
Mortgages are pledged for liabilities totaled	13.1	9.7	14.5
NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	June 30, 2013	June 30, 2012	Dec. 31, 2012



Foreign exchange forward contracts			
Market value	0.0	0.0	0.0
Nominal value	5.0	4.0	5.0
Purchased currency options			
Market value	0.1	0.0	0.0
Nominal value	4.0	5.0	2.0
Sold currency options			
Market value	-0.1	-0.2	-0.0
Nominal value	8.0	10.0	2.0