



Elektrobit

ELEKTROBIT CORPORATION (EB) FINANCIAL STATEMENT BULLETIN 2014

Net sales

224.1 MEUR

Net sales growth

12.5%

Operating profit

16.8 MEUR

Operating profit, % of net sales

7.5%

IN 2014 NET SALES GREW AND OPERATING PROFIT IMPROVED FROM THE PREVIOUS YEAR

The 2013 figures presented in comparison in this Financial Statements include the figures of Continuing Operations only.

SUMMARY OCTOBER – DECEMBER 2014

- Net sales of October - December 2014 grew to EUR 67.8 million (EUR 59.5 million, 4Q 2013), representing an increase of 13.9 % year-on-year.
- Operating profit was EUR 7.2 million (EUR 5.7 million, 4Q 2013), including non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove business.
- Net cash flow was EUR 2.5 million (EUR -0.9 million, 4Q 2013, including the repayment of capital of EUR 14.3 million, distributed in December 2013).
- Earnings per share were EUR 0.046 (EUR 0.039, 4Q 2013).
- The number of EB's shares increased by altogether 250 652 new shares subscribed by virtue of the stock option rights 2008B and 2008C. At the end of the period, the number of shares in Elektrobit Corporation totaled 131 493 144.
- In October Elektrobit Inc., a subsidiary of Elektrobit Corporation, entered into settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies. As a result of the approval of the proposal, during the last quarter of 2014, Elektrobit Inc. paid IRS USD 1.4 million (EUR 1.1 million as per exchange rate of October 8, 2014) taxes including interests for fiscal year 2010 and received a carryback refund of USD 1.3 million (EUR 1.0 million as per exchange rate of October 8, 2014) for fiscal year 2011.
- During the fourth quarter as a result of the personnel negotiations in Wireless Business Segment in Finland, EB decided to lay off up to a maximum of 19 employees in its offices in Kajaani and Tampere. This caused non-recurring costs of EUR 0.4 million that weakened the result of the last quarter of 2014. With these actions EB will achieve annual cost savings of approximately EUR 1 million, from the beginning of 2015 onwards.

SUMMARY JANUARY – DECEMBER 2014

- Net sales of January - December 2014 grew to EUR 224.1 million (EUR 199.3 million, in 2013), representing an increase of 12.5 % year-on-year.
- Operating profit was EUR 16.8 million including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies and non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove business (EUR 8.1 million, in 2013, including non-recurring costs of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment).
- Net cash flow was EUR 0.3 million (EUR 28.7 million, in 2013, including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business and the repayment of capital of EUR 14.3 million, distributed in December 2013).
- Earnings per share were EUR 0.093 (EUR 0.051, in 2013).
- The number of EB's shares increased during the reporting period by altogether 1 392 269 new shares subscribed by virtue of the stock option rights 2008B and 2008C. At the end of the period, the number of shares in Elektrobit Corporation totaled 131 493 144.
- The Board of Directors proposes that the Annual General Meeting to be held on April 15, 2015 resolve to pay EUR 0.04 per share, as dividend based on the adopted balance sheet for the financial period of January 1, 2014 – December 31, 2014.

Group (MEUR)	4Q 14	4Q 13	2014	2013
NET SALES	67.8	59.5	224.1	199.3
Change of net sales, %	13.9 %	23.4 %	12.5 %	14.6 %
OPERATING PROFIT / LOSS	7.2	5.7	16.8	8.1
Operating profit / loss, % of net sales	10.6 %	9.6 %	7.5 %	4.1 %
Operating profit/loss without non-recurring items	7.8	5.7	16.3	9.0
EBITDA	9.6	8.1	25.5	17.2
CASH AND OTHER LIQUID ASSETS	43.3	43.0	43.3	43.0
EQUITY RATIO (%)	62.3 %	65.1 %	62.3 %	65.1 %
EARNINGS PER SHARE (EUR)	0.046	0.039	0.093	0.051
Automotive Business Segment (MEUR)	4Q 14	4Q 13	2014	2013
NET SALES	51.6	41.1	171.4	138.3
Change of net sales, %	25.5 %	29.1 %	24.0 %	25.0 %
OPERATING PROFIT / LOSS	5.4	5.4	16.0	8.5
Operating profit / loss, % of net sales	10.5 %	13.2 %	9.3 %	6.2 %
EBITDA	7.3	7.0	22.4	14.6
Wireless Business Segment (MEUR)	4Q 14	4Q 13	2014	2013
NET SALES	16.3	18.4	53.0	61.2
Change of net sales, %	-11.3 %	12.0 %	-13.4 %	-3.7 %
OPERATING PROFIT / LOSS	2.0	0.3	1.0	-0.5
Operating profit / loss, % of net sales	12.0 %	1.6 %	1.9 %	-0.8 %
Operating profit/loss without non-recurring items	2.6	0.3	0.5	0.4
EBITDA	2.5	1.1	3.4	2.5

EB'S CEO JUKKA HARJU

"EB's net sales and operating profit continued to grow from the previous year also during the fourth quarter. The net sales grew by 13.9 % year-on-year and the operating profit was 10.6 % of the net sales. Operating profit of the both business segments in the fourth quarter was at a good level.

The net sales of the whole year grew by 12.5 % from the previous year to EUR 224.1 million. Operating profit improved clearly year-on-year and was EUR 16.8 million (7.5 % of net sales). The reason for the improved net sales and operating profit was the good development of the Automotive Business Segment. I am pleased to state, that EB's financial development in 2014 continued to be good and the company achieved its key goal for 2014 to improve the operating profit from the previous year.

In the Automotive Business Segment, the demand for EB's software products and R&D services remained good as car makers invested in the development of new car models. Net sales grew strongly by 24.0 % from the previous year to EUR 171.4 million and operating profit improved to 9.3 % of net sales. The growth in operating profit was driven by the growth in net sales of R&D services and by the good performance in projects, the growth of software license sales and lower R&D investments than in the previous year. In the last quarter, R&D investments were higher than in the previous year.

The net sales of the Wireless Business Segment decreased by 13.4 % from the previous year to EUR 53.0 million due to the decreased demand for R&D services for mobile telecommunications network equipment and other markets. The product-based sales increased clearly from the previous year to EUR 14.1 million (approximately 26.7 per cent of net sales in 2014), which however did not fully compensate the decreased R&D services sales. The product-based sales in 2014 was generated mainly from the Finnish authority markets and the net sales resulting from the international defense and other authority markets remained low due to these customers' slower than estimated purchase decisions. Wireless Business Segment's operating result for the whole year improved year-on-year and was slightly positive at EUR 1.0 million due to the strong fourth quarter. Operating result without non-recurring items was at the same level as in the previous year. In the beginning of January 2015 EB acquired SafeMove business which provides high-quality information security solutions for mobile devices and portable computers. This acquisition strengthens Wireless Business Segment's competitiveness as a provider of secure communication solutions for defence, public safety and other authority markets.

In accordance with the strategic guidelines, published on February 19, 2015, the markets of both Automotive and Wireless Business Segments offer EB good growth potential in the coming years. In both Business Segments, our goal is to grow the net sales and continue good profitability development during 2015 – 2017. In 2015 our goal is to grow EB's net sales and operating profit from the previous year.

On February 18, 2015 EB's Board has accepted the partial demerger plan of Elektrobit Corporation and the listing of Wireless Business Segment as Bittium Corporation on the Nasdaq Helsinki stock exchange. In case the extraordinary general meeting, planned to be held on June 11, 2015, approves the plan, the demerger will come effective on June 30, 2015. Automotive business would remain in the current company, which will continue to be listed as before. The demerger plan and the updated strategic guidelines have been announced in more detail in the stock exchange release, on February 19, 2015.

OUTLOOK FOR 2015

For the year 2015 EB expects that the net sales and operating result will grow from the previous year (net sales of EUR 224.1 million and operating profit of EUR 16.8 million, in 2014). Net sales growth rate in 2015 is expected to be higher than in the previous year (net sales growth of 12.5 %, 2014).

The demand for R&D services and software products of the Automotive Business Segment is expected to continue as good. Net sales growth is expected to be almost at the same level as in the previous year (net sales growth of 24.0 per cent in 2014) and operating profit is expected to be at least at the same level than in the previous year (operating profit of EUR 16.0 million, in 2014).

In the Wireless Business Segment, the demand for R&D services and products is expected to develop positively especially in the authority markets and in various applications where wireless connectivity is needed. The net sales and operating profit are expected to grow from the previous year (net sales of EUR 53.0 million and operating profit of EUR 1.0 million in 2014).

The operating profit outlooks above do not include non-recurring costs resulting from the planned partial demerger. The total amount of non-recurring costs is estimated to be approximately EUR 2 million in 2015 in case the planned partial demerger will be implemented.

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

More information about other uncertainties regarding the outlook is presented in the sections "Risks and uncertainties" and "Events after the review period".

INVITATION TO A PRESS CONFERENCE

EB will hold a press conference on the Financial Statement 2014 and on the demerger plan announced today for media, analysts and institutional investors in Restaurant Savoy, Eteläesplanadi 14, Helsinki, Finland, on Thursday, February 19, 2015, at 2.00 p.m. (CET+1). The conference will also be held as a conference call and the presentation will be shown simultaneously in the Internet through WebEx. The conference will be held in English. For more information please go to www.elektrobit.com/investors.

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. In 2014, the net sales totaled EUR 224.1 million and operating profit was EUR 16.8 million. Elektrobit Corporation is listed on NASDAQ OMX Helsinki. www.elektrobit.com.

ELEKTROBIT CORPORATION (EB) FINANCIAL STATEMENT BULLETIN 2014

2013 figures presented in comparison in this Financial Statements include only figures of Continuing Operations.

FINANCIAL PERFORMANCE DURING JANUARY-DECEMBER 2014

EB's net sales during January-December 2014 grew by 12.5 per cent year-on-year to EUR 224.1 million (EUR 199.3 million, in 2013). Operating profit was EUR 16.8 million including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies, and non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove (EUR 8.1 million, in 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment). The growth in net sales and operating profit was mainly due to the good development of the Automotive Business Segment.

Net sales of the Automotive Business Segment in January-December 2014 grew to EUR 171.4 million (EUR 138.3 million, in 2013), representing 24.0 per cent growth year-on-year. Operating profit improved clearly from the previous year and was EUR 16.0 million (EUR 8.5 million, in 2013). The demand for EB's software products and R&D services remained good, including the jointly owned company e.solutions GmbH. The improvement of the operating profit was driven mainly by the net sales growth of R&D services and good performance in services projects, the growth of software license sales and the lower R&D investments.

The Wireless Business Segment's net sales in January-December 2014 decreased by 13.4 per cent year-on-year, to EUR 53.0 million (EUR 61.2 million, in 2013). The share of the product-based net sales was EUR 14.1 million (EUR 6.9 million in 2013), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the delivery of special terminal products for the authority use to a customer abroad. The operating profit of the Wireless Business Segment in January-December 2014 was EUR 1.0 million, including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies, and non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove (operating loss of EUR -0.5 million, in 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment). The decrease in the net sales year-on-year and lower than expected operating result were due to the decline in the demand for R&D services for mobile telecommunications network equipment and other markets, the increased product-based net sales did not fully compensate this decline.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-12 2014 12 months	1-12 2013 12 months
CONTINUING OPERATIONS		
Net sales	224.1	199.3
Operating profit / loss	16.8	8.1
Financial income and expenses	-1.3	-0.9
Result before tax	15.5	7.2
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	12.3	6.7
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS	0.2	24.3
RESULT FOR THE PERIOD	12.5	30.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12.9	30.9

Result for the period attributable to:		
Equity holders of the parent	12.5	30.9
Non-controlling interests		
Total comprehensive income for the period attributable to:		
Equity holder of the parent	12.9	30.9
Non-controlling interests		
Earnings per share from continuing operations, EUR	0.093	0.051

- Cash flow from operating activities was EUR 10.5 million (EUR 34.7 million, in 2013).
- Net cash flow was EUR 0.3 million (EUR 28.7 million, in 2013, including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business and the repayment of capital of EUR 14.3 million, distributed in December 2013).
- Equity ratio was 62.3 % (65.1 %, December 31, 2013).
- Net gearing was -37.4 % (-46.1 %, December 31, 2013).

QUARTERLY FIGURES

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

	4Q 14	3Q 14	2Q 14	1Q 14	4Q 13
Net sales	67.8	52.5	52.2	51.7	59.5
Operating profit (loss)	7.2	4.6	3.1	1.9	5.7
Operating profit (loss) without non-recurring costs	7.8	3.5	3.1	1.9	5.7
Result before taxes	6.5	4.2	2.8	1.9	5.5
Result for the period	6.4	2.6	1.8	1.7	5.0

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.

In 2014 the result of Wireless Business Segment reported non-recurring items as follows:

- non-recurring income of approximately EUR 1.1 million resulting from the reorganization cases of TerreStar companies during the third quarter of the year
- non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove during the last quarter

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

	4Q 14	3Q 14	2Q 14	1Q 14	4Q 13
Automotive					
Net sales to external customers	51.6	42.5	39.8	37.5	41.1
Net sales to other segments	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	5.4	3.5	4.2	2.9	5.4
Wireless					
Net sales to external customers	16.1	10.0	12.4	14.2	18.3
Net sales to other segments	0.2	0.1	0.0	0.0	0.0
Operating profit (loss)	2.0	1.1	-0.9	-1.1	0.3
Other businesses					
Net sales to external customers					
Operating profit (loss)	-0.2	-0.0	-0.2	0.1	0.0
Total					
Net sales	67.8	52.5	52.2	51.7	59.5
Operating profit (loss)	7.2	4.6	3.1	1.9	5.7

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

	4Q 14	3Q 14	2Q 14	1Q 14	4Q 13
Asia	2.1	2.6	1.8	2.5	2.3
	3.1 %	5.0 %	3.5 %	4.9 %	3.9 %
Americas	10.1	7.6	6.6	7.2	8.0
	14.9 %	14.5 %	12.7 %	13.8 %	13.4 %
Europe	55.6	42.3	43.8	42.0	49.2
	82.0 %	80.6 %	83.8 %	81.3 %	82.7 %

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A total of 1 392 269 new shares were subscribed for between December 5, 2013 and December 1, 2014 by virtue of the stock option rights 2008A, 2008B and 2008C. The share subscription price, EUR 568 991.65 was recorded in the Company's invested non-restricted equity fund. After the registration of the new shares, the number of shares in Elektrobit Corporation totaled 131 493 144.

On April 30, 2014 EB started personnel negotiations to adjust its cost structure for the weakened order book for R&D services in the next few months. The negotiations were concluded on May 15, and the company decided to temporarily lay off at the maximum of 90 persons in the Wireless Business Segment. With these temporary dismissals EB targeted cost savings of approximately EUR 0.8 million, which materialized mainly during the third quarter of the year.

EB signed EUR 10.0 million credit facility agreement with Nordea Bank Finland Plc and EUR 10.0 million credit facility agreement with Pohjola Bank Plc on July 2, 2014. These agreements, intended for general financing purposes, are valid until June 30, 2017 and include conventional covenants that are, among others, related to equity ratio, transfer and pledge of the assets. These credit facility agreements replaced EUR 20.0 million credit facilities from Nordea Bank Suomi Plc, which were valid until 30.6.2014.

In September Parrot S.A., a supplier of e.solutions GmbH, a jointly owned company of EB and AUDI, has withdrawn the legal proceeding taken against e.solutions GmbH in the Tribunal de Commerce de Paris (Commercial Court Paris) in April 2014. In the claim Parrot S.A. requested to collect damages in the amount of approximately EUR 18.4 million for loss of profit and reputational damage. According to e.solutions GmbH's initial legal analysis as announced in EB's stock exchange release on April 4, 2014, the claim was without merit both in terms of the grounds and the amount of the claim.

After the reporting period EB received information that Parrot filed a request for arbitration against e.solutions at the International Court of Arbitration of the International Chamber of Commerce seeking remuneration and/or damages currently in an amount of approximately EUR 9.4 million in connection with an automotive supply contract. Based on e.solutions' initial legal analysis the claim is without merit both in terms of the grounds and the amount of the claim. Based on the current analysis, the arbitral proceedings will not cause any financial obligation to e.solutions or to EB that would affect EB's profit outlook and financial position. It is possible that, based on later information, this view may need to be reconsidered. At worst, Parrot's claim could have significant negative impact on e.solutions' and EB's profit, cash flow and financial position.

December 7, 2014 EB concluded the personnel negotiations (started on November 11, 2014) in order to rationalize its operations in Wireless Business Segment in Finland by laying off up to a maximum of 19 employees in its offices in Kajaani and Tampere. As an alternative a few employees were offered new positions in Oulu. This caused non-recurring costs of EUR 0.4 million that weakened the result of the last quarter of 2014. With these actions EB will achieve annual cost savings of approximately EUR 1 million, from the beginning of 2015 onwards.

Events related to the reorganization cases of TerreStar Companies during the reporting period

In July a subsidiary of Elektrobot Corporation, Elektrobot Inc. and the TerreStar Networks Inc. liquidating trustee entered into a conditional settlement agreement in the liquidation case. On July 10, 2014, the trustee filed a motion with the United States Bankruptcy Court seeking approval of the settlement. According to the settlement, if the conditions to its effectiveness are fulfilled, the trust shall be obligated to pay EB, an immediate cash payment of USD 1 075 000 (EUR 0.8 million as per exchange rate of August 6, 2014) in full and final satisfaction of its claims against TerreStar Networks and in resolution of all disputes between EB and the bankruptcy estate of TerreStar Networks and certain of its subsidiaries and affiliates.

On August 12, 2014 U.S. time the United States Bankruptcy Court formally approved the conditional agreement of settlement between EB and The Liquidating Trust of TSN. On August 28, 2014, U.S. time, EB received a cash payment of USD 1 075 000 (EUR 0.8 million as per exchange rate of August 28, 2014) (the "Settlement Payment") in full and final satisfaction of its claim against TSN and in resolution of all disputes between EB and The Liquidating Trust of TSN. Upon receipt by EB of the Settlement Payment, certain mutual releases of liability and other agreements set forth in the Settlement have become effective, and it is anticipated that EB's participation in the TSN Chapter 11 cases is concluded.

In October Elektrobot Corporation's subsidiary Elektrobot Inc. entered into a settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies and EB reversed the remaining EUR 0.3 million provision. As a result from the approval of the proposal Elektrobot Inc. will pay IRS USD 1.4 million (EUR 1.1 million as per exchange rate of October 8, 2014) taxes including interests for fiscal year 2010 and at the same time will submit a carryback claim of USD 1.3 million (EUR 1.0 million as per exchange rate of October 8, 2014) for fiscal year 2011. Both, the payment to IRS was made and the carryback refund was received during the fourth quarter of 2014.

The settlement payment of USD 1 075 000 received from TerreStar Networks Inc. in August (more information on Company's stock exchange release on August 29, 2014) formed the full and final satisfaction of Elektrobot Inc.'s laid and open claims against TerreStar companies in their reorganization cases. In consequence of receiving full and final settlement payment and finishing of tax appeal process, EB's activities related to TerreStar reorganization processes are expected to be concluded. EB will reverse the remaining EUR 0.3 million provision made for legal and consulting costs. The reversal of the provision and the EUR 0.8 million settlement payment will have together approximately EUR 1.1 million non-recurring positive effect on Elektrobot Corporation's third quarter 2014 operating result.

BUSINESS SEGMENTS' DEVELOPMENT DURING OCTOBER-DECEMBER 2014 AND MARKET OUTLOOK

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

AUTOMOTIVE

In the Automotive Business Segment, EB offers a range of software products and R&D services for in-car embedded software, as well as professional tools that support the whole process of the in-car software development. Our customers are carmakers, car electronics suppliers and other suppliers to the automotive industry. The offering includes secure & safe technologies and solutions for Connected Car Infrastructure, Driver Assistance and Infotainment solutions containing navigation and human machine interfaces (HMI) technologies. By combining its software products and R&D services, EB is creating unique, customized solutions for the automotive industry. EB's software products are: EB street director navigation software, EB GUIDE HMI development and speech dialogue platform, EB tresos product line of software components used in ECUs and tools for their configuration, and EB Assist, an extensive product line with tooling and a software development kit for driver assistance solutions. These software products generate license fees, often combined with supply of R&D services for customized solutions.

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

Development of the Automotive Business Segment in October – December 2014

EB's net sales in Automotive Business Segment continued its strong growth during the fourth quarter of 2014 and amounted to EUR 51.6 million (EUR 41.1 million, 4Q 2013), representing a growth of 25.5 % year-on-year. The demand for EB's software products and R&D services remained good in the Automotive Business Segment, including the jointly owned company e.solutions GmbH. Operating profit was EUR 5.4 million (EUR 5.4 million, 4Q 2013). The operating profit was at the same level as last year and was impacted by higher project and R&D costs, as well as increase in fixed expenses due to investments for information systems, facilities and personnel.

The R&D investments in the fourth quarter were EUR 5.0 million (EUR 3.3 million, 4Q 2013). The increase in the R&D investments came mainly from new product features and technologies needed in the future connected car and autonomous driving applications.

In October EB presented its new operating system EB tresos Safety OS Multi-Core for automotive ECUs (electronic control units). Car makers need multi-core architectures for safety functions to create state-of-the-art automotive systems that satisfy their customers' needs. EB and Nuance unveiled the integration of voice and natural language understanding (NLU) technology as part of the Virtual Cockpit in the new Audi TT Roadster. As a result, drivers are able to engage in a more natural, conversational dialogue with Audi's infotainment and navigation capabilities.

Automotive Business Segment market outlook

The global car market is expected to grow in 2015 between 2% according to the forecast made by VDA (Verband der Automobilindustrie) and 4% according to the study "The global automotive market" by Euler Hermes. The outlook for global passenger car demand is more mixed than at the corresponding time a year ago, particularly in view of the sharp fall in the price of oil and varying economic development in different regions. However the carmakers continue to invest in automotive software for new car models and the market for software products and services is estimated to continue growing during 2015. The demand for EB's products and services is estimated to develop positively year-on-year during 2015 in the Automotive Business Segment.

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

Growth in the automotive software market in 2015 and beyond, and growth for EB, is expected to be driven mainly by:

- The majority of in-vehicle innovations come from electronics and software. Using software as a differentiator, carmakers are able to develop feature-rich vehicles, and differentiate in the areas of comfort, safety and security, information and entertainment, powertrain and communication. The trend of separating hardware from software continues in 2015 and beyond, allowing carmakers to speed up innovation and to improve the quality and cost efficiency of their vehicles. As a software provider, this direction gives EB an opportunity to work directly with the major carmakers, providing them with software development services, products and tools according to their individual requirements. EB also offers software integration services to integrate software applications and modules from various suppliers.
- Carmakers continue to work on global modular car platforms to achieve scalability as well as good ability to handle the complexity of a growing number of car models and variants. This means volumes for software platforms will increase and software development programs will become global and include localization for all regions.
- The Increasing complexity of car electronics and software is resulting in increasing efforts to provide safety-compliant systems.
- e.solutions, EB's jointly owned company with Audi, is developing high-end infotainment software solutions for the Volkswagen group companies. During 2015, development of software will continue and deliveries from e.solutions are planned for several new car models of Volkswagen group.
- Consumers expect in the car the same richness of features and user experience they know from the Internet and mobile devices, and therefore infotainment systems become increasingly common in all car price categories. This is expected to create continuing demand for development of infotainment software and software development tools, such as EB GUIDE.
- Mobile connectivity will become one of the fastest-growing Internet-connected device platforms among other connected consumer electronics devices, such as media tablets and smartphones. Gartner estimates that by 2016, the majority of car buyers in the automotive markets, such as in the U.S. and the Western Europe, will view the availability of in-vehicle, web-enabled dynamic content as a key buying criterion when considering a standard brand car.
- Connected Car solutions and cloud connections enable the introduction of new applications and enhancements to car functions, for example real-time traffic information or map updates for navigation. The increasing demand to better integrate mobile devices with the car has been reflected in the announcements by consumer electronics companies, such as Apple's "CarPlay" or Google's Open Automotive Alliance. These drivers are creating demand for software integration services
- New Active Safety Systems and Driver Assistance applications are being brought to the market, as automated driving is one of the key trends and an area with significant investments. Carmakers are preparing highly automated driving systems for their new car models to be available in the market in the coming years.

WIRELESS

In the Wireless Business Segment EB offers innovative products and solutions based on our own platforms for defense, public safety and other authorities markets, IoT markets (Internet of Things) as well as for industrial use. For the wireless communication markets and other companies who need wireless connectivity to their products, EB offers R&D services based on the latest wireless technologies and applications. EB also offers high quality information security solutions for mobile devices and portable computers.

Wireless Business Segments products are: EB Tough Mobile LTE smartphone for demanding Mobile Security and Public Safety needs, EB Tactical Wireless IP Network, EB Tough VoIP products and EB Tactical LTE Access Point for tactical communications. EB's product platforms are EB Special Device Platform for Android-based devices and EB IoT Device Platform for development of different kind of products that need wireless connectivity and various sensors. EB SafeMove solutions enable secure, seamless connectivity for mobile workforce.

Development of the Wireless Business Segment in October – December 2014

Net sales of the Wireless Business Segment during the fourth quarter of 2014 decreased by 11.3 per cent year-on-year to EUR 16.3 million (EUR 18.4 million, 4Q 2013). The share of the product based net sales was EUR 6.3 million (EUR 6.9 million 4Q 2013), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the

delivery of special terminal products for the authority use to a customer abroad. The decrease in the net sales year-on-year was mainly due to the decrease in the demand for R&D services.

Operating profit was EUR 2.0 million including non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove (operating loss of EUR 0.3 million, 4Q 2013). The profitability in both service and product based business improved from the last year.

On December 7, 2014 EB concluded the personnel negotiations (started on November 11, 2014) in order to rationalize its operations in the Wireless Business Segment in Finland by laying off up to a maximum of 19 employees in its offices in Kajaani and Tampere. As an alternative a few employees were offered new positions in Oulu. This caused non-recurring costs of EUR 0.4 million that weakened the result of the last quarter of 2014. With these actions EB will achieve annual cost savings of approximately EUR 1 million, from the beginning of 2015 onwards.

EB aims at bringing its products to the global defense and other authority markets and continued its sales and marketing efforts and R&D investments into these markets during the fourth quarter. Customers' purchase decisions proceeded slower than estimated, and therefore the net sales resulting from the international defense and other authority markets remained low.

R&D investments in the second quarter were EUR 2.0 million (EUR 1.2 million, 4Q 2013). R&D investments were increased for products for the use by authorities.

In the beginning of November EB presented the new EB Tough Mobile LTE smartphone, designed and built for demanding Mobile Security and Public Safety markets. The EB Tough Mobile is packed with innovative features tailored for professional users like government agencies, authorities, first responders and other professionals with critical and secure communication needs.

In the beginning of November EB announced a versatile and easily customizable EB IoT Device Platform. The platform offers customers a fast way to broaden their product offering into the IoT market with latest technology and optimized cost. This device platform, that supports different operating systems like Android, can be used to develop products with wireless connectivity and various sensors, such as, smart watches, intelligent jewelry, and wellness wristbands. Due to the versatility and performance of the device platform, it also suites for Industrial Internet use, for example to M2M device development.

Wireless Business Segment Market Outlook

In the Wireless Business Segment, EB's customers operate in various industries, each of them having their own industry specific factors driving the demand. A common factor creating demand among the whole customer base is the growing need for even higher speed and higher quality communications.

The following factors are expected to create demand for EB's products and services in 2015 and beyond:

- In the mobile infrastructure equipment market the use of LTE technology is expected to continue strong. This creates the need for services for LTE base station development. There is a wide range of frequencies allocated for LTE globally thus creating the need to develop multiple products to cover the market and creating demand for R&D services for development of product variants.
- The trend of using new commercial technologies, such as LTE, smart phones and applications, is expected to continue in special verticals such as public safety. The specific LTE frequency band allocations for authorities create demand for customized LTE devices, such as EB's specialized terminals, tablets and communication modules. EB Tough Mobile LTE smart phone creates the basis for new customer orders in the markets for public authorities and mobile safety phones.
- Due to the long history in developing smart phones and mobile communication devices, EB is in a good position to offer solutions, where e.g. mastering of multi-radio technologies and end-to-end system architectures covering both terminals and networks is needed.
- The demand for safety devices is expected to grow in the near future. EB SafeMove product family is expected to increase the performance and suitability in information security markets.
- IoT (Internet of Things) has become a significant development area in many industries. The need for R&D services for connected devices for business or consumer use, such as various wearable devices and solutions, implementing mobile applications and connected devices both with internet services as well as with other devices.
- In the tactical defense communication market the need for larger amounts of information data grows, generating demand for broadband networks, such as EB's IP (Internet Protocol) based tactical communications solutions.

The general cost savings of the mobile telecommunications network equipment companies is reflected as increasing price competition in the R&D services. Despite of that the demand for EB's R&D services is expected to remain steady during 2015.

EB continues the product development and delivering products and services to Finnish Defence Forces in 2015, and expects to get initial sales from the global defence markets.

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

RESEARCH AND DEVELOPMENT

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

The total R&D investments during January-December 2014 were EUR 20.1 million (EUR 18.5 million, in 2013), equaling 9.0% of the net sales (9.3%, in 2013). The share of R&D investments in the Automotive Business Segment was EUR 13.2 million (EUR 14.3 million, in 2013) and in the Wireless Business Segment EUR 6.9 million (EUR 4.2 million, in 2013).

EUR 2.1 million of R&D investments was capitalized (EUR 0.0 million, in 2013), and these capitalizations were R&D investments made in the Wireless Business Segment. The amount of capitalized R&D investments at the end of December 2014 was EUR 12.2 million (EUR 12.0 million, 31.12.2013). A significant part of these capitalized R&D investments is related to customer agreements in the Automotive Business Segment, where future license fees, based on the actual car delivery volumes, are expected to accumulate in the coming years. Depreciations of R&D investments were EUR 1.8 million during the reporting period (EUR 1.6 million, in 2013).

The total negative effect, caused from research and development investments, their capitalizations and their depreciation, on EB's income statement in January-December 2014 was EUR -19.8 million (EUR -20.1 million, in 2013).

OUTLOOK FOR 2015

For the year 2015 EB expects that the net sales and operating result will grow from the previous year (net sales of EUR 224.1 million and operating profit of EUR 16.8 million, in 2014). Net sales growth rate in 2015 is expected to be higher than in the previous year (net sales growth of 12.5 %, 2014).

The demand for R&D services and software products of the Automotive Business Segment is expected to continue as good. Net sales growth is expected to be almost at the same level as in the previous year (net sales growth of 24.0 per cent in 2014) and operating profit is expected to be at least at the same level than in the previous year (operating profit of EUR 16.0 million, in 2014).

In the Wireless Business Segment, the demand for R&D services and products is expected to develop positively especially in the authority markets and in various applications where wireless connectivity is needed. The net sales and operating profit are expected to grow from the previous year (net sales of EUR 53.0 million and operating profit of EUR 1.0 million in 2014).

The operating profit outlooks above do not include non-recurring costs resulting from the planned partial demerger. The total amount of non-recurring costs is estimated to be approximately EUR 2 million in 2015 in case the planned partial demerger will be implemented.

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

More information about other uncertainties regarding the outlook is presented in the sections "Risks and uncertainties" and "Events after the review period".

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.

In September 2014, Parrot SA withdrew the legal proceeding taken against e.solutions GmbH, a jointly owned company of EB and AUDI, in the Tribunal de Commerce de Paris (Commercial Court Paris). In the claim Parrot SA requested to collect damages in the amount of approximately EUR 18.4 million for loss of profit and reputational damage. During the reporting period, in January 2015, EB has received information that Parrot SA has filed a request for arbitration against e.solutions GmbH at the International Court of Arbitration of the International Chamber of Commerce seeking remuneration and/or damages currently in an amount of approximately EUR 9.4 million in connection with an automotive supply contract. The place of arbitration is Munich, Germany. Based on e.solutions GmbH's initial legal analysis the claim is without merit both in terms of the grounds and the amount of the claim. The claim is based on Parrot SA's allegation that e.solutions GmbH breached a supply contract between e.solutions GmbH and Parrot SA by not ordering Parrot SA's products for e.solutions GmbH's new infotainment software system. Parrot SA, also, claims that e.solutions GmbH's new infotainment software system infringes its IP rights. Based on the current analysis, the arbitral proceedings will not cause any financial obligation to e.solutions GmbH or to EB that would affect EB's profit outlook and financial position. It is possible that, based on later information, this view may need to be reconsidered. At worst, Parrot SA's claim could have significant negative impact on e.solutions' and EB's profit, cash flow and financial position. More information about Parrot SA's legal proceedings and its withdrawal as well as about the request for arbitration is presented in the "Significant Events during the Reporting Period" and in April 4, 2014, September 22, 2014 and January 9, 2015 stock exchange releases.

MARKET RISKS

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

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

BUSINESS RELATED RISKS

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

has certain significant customer projects and deviation in their expected continuation could result also significant deviations in the Company's outlook. In addition there are typical industry warranty and liability risks involved in selling EB's services, solutions and products.

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

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

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 10.0 million with Nordea Bank Finland Plc and a committed overdraft credit facility agreement of EUR 10.0 million with Pohjola Bank Plc. These agreements meant for general financing needs are valid until June 30, 2017. These agreements include customary covenants related to, among other things, equity ratio, transferring property and pledging. 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.

More short-term description of the risks and uncertainties are described in the report by the Board of Directors 2014.

STATEMENT OF FINANCIAL POSITION AND FINANCING

The figures presented in the statement of financial position of December 31, 2014, are compared with the statement of the financial position of December 31, 2013 (MEUR).

	31.12.2014	31.12.2013
Non-current assets	48.8	46.1
Current assets	118.0	98.2
Total assets	166.8	144.4
Share capital	12.9	12.9
Other equity	80.5	68.8
Total shareholders' equity	93.4	81.7
Non-current liabilities	7.6	6.1
Current liabilities	65.8	56.5
Total shareholders' equity and liabilities	166.8	144.4

The cash flows during the period under review:

+ net profit +/- adjustment of accrual basis items	EUR +27.4 million
+/- change in net working capital	EUR -12.1 million
- interest, taxes and dividends	EUR -4.7 million
= cash generated from operations	EUR +10.5 million
- net cash used in investment activities	EUR -9.2 million
- net cash used in financing	EUR -1.0 million
= net change in cash and cash equivalents	EUR +0.3 million

The increase in net working capital during the review period resulted mainly from the increase in non-interest bearing receivables and from the decreased non-interest bearing liabilities.

The amount of accounts receivable and other receivables, booked in current receivables, was EUR 72.5 million (EUR 54.3 million on December 31, 2013). Accounts payable and other payables, booked in interest-free current liabilities, were EUR 61.3 million (EUR 54.5 million on December 31, 2013). 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, 2013).

The amount of gross investments in the period under review was EUR 11.4 million. Net investments for the reporting period totaled EUR 11.3 million. The total amount of depreciation during the period under review was EUR 8.7 million, including EUR 0.2 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 8.3 million (EUR 5.3 million on December 31, 2013). The distribution of net financing expenses on the income statement was as follows:

Interest, dividend and other financial income	EUR 0.4 million
Interest expenses and other financial expenses	EUR -0.4 million
foreign exchange gains and losses	EUR -1.3 million

EB's equity ratio at the end of the period was 62.3% (65.1 % on December 31, 2013).

Cash and other liquid assets at the end of the reporting period were EUR 43.3 million (EUR 43.0 million on December 31, 2013). In July EB signed a EUR 10 million credit facility agreement with Nordea Bank Finland Plc. and a EUR 10 million credit facility agreement with Pohjola Bank Plc. These agreements, intended for general financing purposes, are valid until June 30, 2017. At the end of the review period, EUR 3.0 million of these facilities was in use.

EB follows a hedging strategy, the objective of which is to ensure the margins of business operations in changing market circumstances by minimizing the influence of exchange rates. In accordance with the hedging strategy, the agreed customer commitments net cash flow of the currency in question is hedged. The net cash flow is determined on the basis of sales receivables, payables, the order book and the budgeted net currency cash flow. The hedged foreign currency exposure at the end of the review period was equivalent to 8.0 million.

PERSONNEL

The parent company of the group and its subsidiaries employed an average of 1699 people between January and December 2014. In addition, e.solutions GmbH, the jointly owned company of EB and AUDI, employed 380 people. At the end of December, the parent company of the group and its subsidiaries had 1804 employees and e.solutions GmbH 431 employees (1648 in group's parent company and subsidiaries and e.solutions GmbH 321 at the end of 2013). A significant part of EB's personnel are R&D engineers.

FLAGGING NOTIFICATIONS

On May 12, 2014 EB received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Markets Act, according to which the number of Juha Hulkko's holdings of the shares and voting rights have decreased below the 20 per cent flagging threshold. The decrease took place on May 12, 2014.

On October 28, 2014 EB received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Markets Act, according to which the number of Elektrobit Corporation's shares increased on October 28, 2014 through share subscriptions pursuant to stock options, totaling to 131 407 100 shares, resulting in the decrease in the holdings of the shares and voting rights of Juha Hulkko below the 15 per cent flagging threshold. The decrease took place on October 28, 2014. The aggregate holdings of Juha Hulkko total to 19 701 862 shares in Elektrobit Corporation, corresponding to 14.99 per cent of the Elektrobit Corporation's shares and voting rights.

EVENTS AFTER THE REVIEW PERIOD

Acquisition of the SafeMove business

On January 2, 2015 Elektrobit Technologies Ltd, a subsidiary of Elektrobit Corporation acquired 100 per cent of the shares of Birdstep Technology Oy, which was a fully owned Finnish subsidiary of Birdstep Technology ASA, based in Norway. The acquisition strengthened the competitiveness of EB's Wireless Business Segment as a provider of secure communication solutions for defence, safety and other authorities markets. Birdstep Technology Oy provides its customers high quality information security solutions for mobile devices and portable computers. Birdstep Technology Oy's (SafeMove Oy from 2nd of January 2015 onwards) net sales was EUR 2.5 in 2013 million and in January-September 2014 EUR 2.1 million. The company employs 19 persons located in Espoo, Finland. The debt free cash purchase price is EUR 2.0 million, which will be adjusted based upon the level of networking capital and cash and debt in the Birdstep Technology Oy on December 31, 2014. The acquisition has no significant impact on EB's balance sheet, net sales and financial position. The company will be reported as part of EB's Wireless Business Segment from January 1, 2015 on.

Parrot's REQUEST FOR ARBITRATION AGAINST E.SOLUTIONS

In January EB received information that Parrot filed a request for arbitration against e.solutions at the International Court of Arbitration of the International Chamber of Commerce seeking remuneration and/or damages currently in an amount of

approximately EUR 9.4 million in connection with an automotive supply contract. Based on e.solutions' initial legal analysis the claim is without merit both in terms of the grounds and the amount of the claim. Based on the current analysis, the arbitral proceedings will not cause any financial obligation to e.solutions or to EB that would affect EB's profit outlook and financial position. It is possible that, based on later information, this view may need to be reconsidered. At the worst, Parrot's claim could have significant negative impact on e.solutions' and EB's profit, cash flow and financial position.

Increase of shares by virtue of the option rights 2008B and 2008C

A total of 508,697 new shares in Elektrobit Corporation were subscribed between December 15, 2014 and January 26, 2015 by virtue of the option rights 2008B and 2008C. The share subscription price, EUR 61,719.94, was recorded in the Company's invested non-restricted equity fund. The corresponding increase in the number of the Company's shares was entered into the Finnish Trade Register on February 6, 2015. Trading with the newly registered shares started on February 9, 2015 in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation's totals 131,588,510.

PLAN FOR PARTIAL DEMERGER AND LISTING OF BITTIUM CORPORATION

The Board of Directors of Elektrobit Corporation has on February 18, 2015 approved a plan for partial demerger of the company and intends to list Bittium Corporation as a separate entity at Nasdaq Helsinki. The Board of Directors of EB has also updated the strategic guidelines and financial targets of EB's Business Segments for the years 2015 -2017.

Based on the demerger plan, the assets and liabilities related to EB's Wireless Business Segment will be transferred to Bittium Corporation, an entity to be newly established in the partial demerger that will be listed at Nasdaq Helsinki. EB's Automotive Business Segment remains as a part of the current EB, which will continue its listing at Nasdaq Helsinki. The partial demerger will need to be approved by an extraordinary general meeting, expected to be held on June 11, 2015. The planned effective date for the demerger is June 30, 2015. Additional information on the partial demerger plan and the updated strategic guidelines has been presented today in a separate stock exchange release.

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, 2014, the distributable assets of the parent company are EUR 89,790,981.58 of which the profit of the financial year is EUR 2,448,934.17.

The Board of Directors proposes that the Annual General Meeting to be held on April 15, 2015 resolve to pay EUR 0.04 per share, as dividend based on the adopted balance sheet for the financial period of January 1, 2014 – December 31, 2014. 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, Friday, April 17, 2015. The Board of Directors proposes that the dividend be paid on Friday, April 24, 2015.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

Elektrobit Corporation's Annual General Meeting will be held on Wednesday, April 15, 2015, at 1 pm (CET+1) at the University of Oulu, Saalastinsali, Pentti Kaiteran katu 1, 90570 Oulu, Finland. Elektrobit Corporation's Annual Report, including the Annual



Accounts, the report by the Board of Directors and the Auditor's report as well as Corporate Governance Statement, is available on the company's website no later than on Monday, March 23, 2015.

Oulu February 19, 2015

Elektrobit Corporation
The Board of Members

Further Information:

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NASDAQ OMX Helsinki
Major media

ELEKTROBIT CORPORATION (EB)

CONDENSED FINANCIAL STATEMENTS 2014

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statement of 2014 has been audited and the auditing report has been dated on February 18, 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-12/2014	1-12/2013
Continuing operations	12 months	12 months
NET SALES	224.1	199.3
Other operating income	4.7	3.5
Change in work in progress and finished goods	0.0	-0.0
Work performed by the undertaking for its own purpose and capitalized	0.1	0.0
Raw materials	-16.3	-12.4
Personnel expenses	-125.6	-113.2
Depreciation	-8.7	-9.0
Other operating expenses	-61.5	-60.0
OPERATING PROFIT (LOSS)	16.8	8.1
Financial income and expenses	-1.3	-0.9
PROFIT BEFORE TAX	15.5	7.2
Income tax	-3.3	-0.6
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	12.3	6.7
Discontinued operations		
Profit for the year from discontinued operations	0.2	24.3
PROFIT FOR THE PERIOD	12.5	30.9
Other comprehensive income:		
Items that will not be reclassified to statement of income		
Re-measurement gains (losses) on defined benefit plans	-0.8	0.0
Income tax effect	0.2	
Items that may be reclassified subsequently to the statement of income		
Exchange differences on translating foreign operations	0.9	-0.0
Other comprehensive income for the period total	0.4	-0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12.9	30.9
Profit for the year attributable to		

Equity holders of the parent	12.5	30.9
Non-controlling interests		
Total comprehensive income for the period attributable to		
Equity holders of the parent	12.9	30.9
Non-controlling interests		
Earnings per share from continuing operations, EUR		
Basic earnings per share	0.094	0.051
Diluted earnings per share	0.093	0.051
Earnings per share from discontinued operations, EUR		
Basic earnings per share	0.002	0.188
Diluted earnings per share	0.002	0.187
Earnings per share from continuing and discontinued operations, EUR		
Basic earnings per share	0.096	0.239
Diluted earnings per share	0.095	0.238
Average number of shares, 1000 pcs	130 975	129 528
Average number of shares, diluted, 1000 pcs	131 663	130 092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Dec. 31, 2014	Dec. 31, 2013
ASSETS		
Non-current assets		
Property, plant and equipment	10.7	9.7
Goodwill	19.3	19.3
Intangible assets	17.0	15.5
Other financial assets	0.1	0.1
Deferred tax assets	1.7	1.5
Non-current assets total	48.8	46.1
Current assets		
Inventories	2.2	0.8
Trade and other receivables	72.5	54.3
Financial assets at fair value through profit or loss	21.0	20.7

Cash and short term deposits	22.3	22.4
Current assets total	118.0	98.2
TOTAL ASSETS	166.8	144.4
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	12.9	12.9
Invested non-restricted equity fund	25.1	24.5
Translation difference	1.5	0.6
Retained earnings	53.8	43.7
Non-controlling interests		
Total equity	93.4	81.7
Non-current liabilities		
Deferred tax liabilities	0.5	0.5
Pension obligations	3.0	2.1
Provisions	0.2	0.3
Interest-bearing liabilities	3.8	3.3
Non-current liabilities total	7.6	6.1
Current liabilities		
Trade and other payables	58.5	52.2
Financial liabilities at fair value through profit or loss	0.2	
Provisions	2.6	2.3
Interest-bearing loans and borrowings	4.5	2.0
Current liabilities total	65.8	56.5
Total liabilities	73.4	62.6
TOTAL EQUITY AND LIABILITIES	166.8	144.4

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)	1-12/2014 12 months	1-12/2013 12 months
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year from continuing operations	12.3	6.7
Profit for the year from discontinued operations	0.2	24.3
Adjustment of accrual basis items	14.9	-13.3
Change in net working capital	-12.1	18.7
Interest paid on operating activities	-1.3	-1.3

Interest received from operating activities	0.4	0.3
Other financial income and expenses, net received	0.0	0.0
Income taxes paid	-3.8	-0.7
NET CASH FROM OPERATING ACTIVITIES	10.5	34.7
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of business unit, net of cash acquired		30.0
Purchase of property, plant and equipment	-3.6	-4.0
Purchase of intangible assets	-5.7	-2.0
Sale of property, plant and equipment	0.1	0.2
Sale of intangible assets		0.0
Proceeds from sale of investments	0.0	
NET CASH FROM INVESTING ACTIVITIES	-9.2	24.4
CASH FLOW FROM FINANCING ACTIVITIES		
Share-option plans exercised	0.6	0.1
Proceeds from borrowing	19.4	16.6
Repayment of borrowing	-16.6	-28.4
Payment of finance liabilities	-1.8	-3.1
Dividend paid and repayment of capital	-2.6	-15.6
NET CASH FROM FINANCING ACTIVITIES	-1.0	-30.3
NET CHANGE IN CASH AND CASH EQUIVALENTS	0.3	28.7
Cash and cash equivalents at beginning of period	43.0	14.3
Cash and cash equivalents at end of period	43.3	43.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

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

Restated	A	B	C	D	E
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Shareholders equity on December 31, 2012	12.9	38.7	0.6	14.3	66.6
Change in accounting policy (IAS 19)				-0.6	-0.6
Shareholders equity on January 1, 2013 restated	12.9	38.7	0.6	13.7	66.0
Comprehensive income for the period					
Profit for the period				30.9	30.9
Exchange differences on translating foreign operations			-0.0		-0.0
Total comprehensive income for the period			-0.0	30.9	30.9
Transactions between the shareholders					
Dividend distribution				-1.3	-1.3
Capital repayment		-14.3			-14.3
Share option plans exercised		0.1			0.1
Share-related compensation				0.2	0.2
Total transactions between the shareholders		-14.2		-1.1	-15.3
Other changes				0.1	0.1
Shareholders equity on Dec. 31, 2013	12.9	24.5	0.6	43.7	81.7

	A	B	C	D	E
Shareholders equity on Jan. 1, 2014	12.9	24.5	0.6	43.7	81.7
Comprehensive income for the period					
Profit for the period				12.5	12.5
Re-measurement gains (losses) on defined benefit plans (IAS 19)				-0.5	-0.5
Exchange differences on translating foreign operations			0.9		0.9
Total comprehensive income for the period			0.9	12.0	12.9
Transactions between the shareholders					
Dividend distribution				-2.6	-2.6
Share option plans exercised		0.6			0.6
Share-related compensation				0.1	0.1
Total transactions between the shareholders		0.6		-2.5	-2.0
Other changes				0.7	0.7
Shareholders equity on Dec. 31, 2014	12.9	25.1	1.5	53.8	93.4

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS :

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS).

SEGMENT-INFORMATION (MEUR)

OPERATING SEGMENTS	1-12/2014 12 months	1-12/2013 12 months
Automotive		
Net sales to external customers	171.4	138.2
Net sales to other segments	0.0	0.1
Net sales total	171.4	138.3
Operating profit (loss)	16.0	8.5
Wireless		
Net sales to external customers	52.7	61.1
Net sales to other segments	0.3	0.1
Net sales total	53.0	61.2
Operating profit (loss)	1.0	-0.5
OTHER ITEMS		
Other items		
Net sales to external customers		
Operating profit (loss)	-0.2	0.1
Eliminations		
Net sales to other segments	-0.3	-0.2
Operating profit (loss)	0.0	0.0
Group total		

Net sales to external customers	224.1	199.3
Operating profit (loss)	16.8	8.1

Net sales of geographical areas (MEUR)	1-12/2014 12 months	1-12/2013 12 months
Net sales		
Europe	183.6	164.8
Americas	31.5	26.6
Asia	9.0	7.9
Net sales total	224.1	199.3

Related party transactions	1-12/2014 12 months	1-12/2013 12 months
Employee benefits for key management and stock options expenses total	1.9	1.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	10-12/2014 3 months	7-9/2014 3 months	4-6/2014 3 months	1-3/2014 3 months	10-12/2013 3 months
Continuing operations					
NET SALES	67.8	52.5	52.2	51.7	59.5
Other operating income	1.8	1.1	1.1	0.6	0.7
Change in work in progress and finished goods	-0.0	0.0	0.0	0.0	-0.1
Work performed by the undertaking for its own purpose and capitalized	0.0	0.0	0.1		0.0
Raw materials	-5.8	-1.9	-3.6	-5.1	-6.3
Personnel expenses	-34.0	-29.8	-30.5	-31.4	-28.8
Depreciation	-2.4	-2.1	-2.1	-2.2	-2.4
Other operating expenses	-20.2	-15.2	-14.2	-11.8	-17.0
OPERATING PROFIT (LOSS)	7.2	4.6	3.1	1.9	5.7
Financial income and expenses	-0.7	-0.4	-0.3	0.0	-0.2
PROFIT BEFORE TAX	6.5	4.2	2.8	1.9	5.5
Income tax	-0.4	-1.6	-1.0	-0.2	-0.4
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	6.1	2.6	1.8	1.7	5.0
Discontinued operations					

Profit for the period from discontinued operations	0.2				
PROFIT FOR THE PERIOD	6.4	2.6	1.8	1.7	5.0
Other comprehensive income	-0.1	0.2	0.3	-0.1	-0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6.3	2.8	2.1	1.6	4.9
Profit for the period attributable to:					
Equity holders of the parent	6.4	2.6	1.8	1.7	5.0
Non-controlling interests					
Total comprehensive income for the period attributable to:					
Equity holders of the parent	6.3	2.8	2.1	1.6	4.9
Non-controlling interests					

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Dec. 31, 2014	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013
ASSETS					
Non-current assets					
Property, plant and equipment	10.7	9.2	9.1	9.3	9.7
Goodwill	19.3	19.4	19.4	19.4	19.3
Intangible assets	17.0	16.8	14.7	14.8	15.5
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.7	1.6	1.5	1.5	1.5
Non-current assets total	48.8	47.1	44.9	45.1	46.1
Current assets					
Inventories	2.2	1.5	1.0	0.9	0.8
Trade and other receivables	72.5	60.9	71.6	55.3	54.3
Financial assets at fair value through profit or loss	21.0	20.9	20.9	20.8	20.7
Cash and short term deposits	22.3	19.8	10.0	21.8	22.4
Current assets total	118.0	103.1	103.5	98.8	98.2
TOTAL ASSETS	166.8	150.2	148.4	144.0	144.4
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	25.1	24.9	24.9	24.8	24.5
Translation difference	1.5	1.0	0.8	0.5	0.6
Retained earnings	53.8	47.0	44.7	45.4	43.7
Non-controlling interests					
Total equity	93.4	85.9	83.3	83.7	81.7
Non-current liabilities					
Deferred tax liabilities	0.5	0.5	0.5	0.5	0.5
Pension obligations	3.0	2.2	2.1	2.1	2.1
Provisions	0.2	0.2	0.3	0.5	0.3
Interest-bearing liabilities	3.8	3.0	2.9	3.0	3.3
Non-current liabilities total	7.6	5.9	5.8	6.1	6.1
Current liabilities					
Trade and other payables	58.5	51.2	45.4	43.5	52.2
Financial liabilities at fair value through profit or loss	0.2	0.4	0.0		
Provisions	2.6	2.5	3.0	2.3	2.3
Interest-bearing loans and borrowings	4.5	4.3	10.9	8.3	2.0
Current liabilities total	65.8	58.3	59.3	54.1	56.5
Total liabilities	73.4	64.3	65.1	60.3	62.6
TOTAL EQUITY AND LIABILITIES	166.8	150.2	148.4	144.0	144.4

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	10-12/2014 3 months	7-9/2014 3 months	4-6/2014 3 months	1-3/2014 3 months	10-12/2013 3 months
Net cash from operating activities	5.4	20.5	-9.7	-5.7	26.0
Net cash from investing activities	-2.6	-3.9	-1.7	-1.0	-0.3
Net cash from financing activities	-0.2	-6.7	-0.3	6.2	-26.5
Net change in cash and cash equivalents	2.5	9.8	-11.6	-0.5	-0.9

FINANCIAL PERFORMANCE RELATED RATIOS	1-12/2014 12 months	1-12/2013 12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)		
Net sales	224.1	199.3
Operating profit (loss)	16.8	8.1

Operating profit (loss), % of net sales	7.5	4.1
Profit before taxes	15.5	7.2
Profit before taxes, % of net sales	6.9	3.6
Profit for the period	12.3	6.7
PROFITABILITY AND OTHER KEY FIGURES		
Interest-bearing net liabilities, (MEUR)	-35.0	-37.7
Net gearing, -%	-37.4	-46.1
Equity ratio, %	62.3	65.1
Gross investments, (MEUR)	11.4	7.9
Average personnel during the period, parent and subsidiaries	1699	1627
Personnel at the period end, parent and subsidiaries	1804	1648
Average personnel during the period, jointly owned company	380	300
Personnel at the period end, jointly owned company	431	321

AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)	Dec. 31, 2014	Dec. 31, 2013
At the end of period	131 493	130 101
Average for the period	130 975	129 528
Average for the period diluted with stock options	131 663	130 092

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-12/2014 12 months	1-12/2013 12 months
Earnings per share from continuing operations, EUR		
Basic earnings per share	0.094	0.051
Diluted earnings per share	0.093	0.051
Earnings per share from discontinued operations, EUR		
Basic earnings per share	0.002	0.188
Diluted earnings per share	0.002	0.187
Earnings per share from continuing and discontinued operations, EUR		
Basic earnings per share	0.096	0.239
Diluted earnings per share	0.095	0.238
Equity *) per share	0.71	0.63

*) Equity attributable to equity holders of the parent		
MARKET VALUES OF SHARES (EUR)		
	1-12/2014	1-12/2012
	12 months	12 months
Highest	3.83	2.90
Lowest	2.30	0.64
Average	2.85	1.55
At the end of period	3.36	2.66
Market value of the stock, (MEUR)	441.8	346.1
Trading value of shares, (MEUR)	188.0	72.0
Number of shares traded, (1,000 pcs)	66 019	46 483
Related to average number of shares %	50.4	35.9
SECURITIES AND CONTINGENT LIABILITIES (MEUR)		
	Dec. 31, 2014	Dec. 31, 2013
AGAINST OWN LIABILITIES		
Floating charges	1.0	18.0
Guarantees	6.4	14.6
Rental liabilities		
Falling due in the next year	7.2	7.6
Falling due after one year	13.0	17.6
Other contractual liabilities		
Falling due in the next year	2.1	1.0
Falling due after one year	0.7	0.6
Mortgages are pledged for liabilities totaled	2.6	2.5
NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)		
	Dec. 31, 2014	Dec. 31, 2013
Foreign exchange forward contracts		
Market value	-0.1	0.1
Nominal value	3.0	6.0
Purchased currency options		
Market value	0.0	0.0



Nominal value	5.0	2.5
<hr/>		
Sold currency options		
Market value	-0.1	-0.0
Nominal value	10.0	5.0
