

Elektrobit Corporation

Financial Statement 2014



Jukka Harju, CEO
February 19, 2015



Forward-looking statements

- Some statements made in this material relating to future circumstances or status, including, without limitation, future performance of the company, expectations regarding market growth, trend projections as well as any statements preceded by the words “expect”, “believe”, “foresee” or similar expressions are forward-looking statements.
- By their nature, forward-looking statements involve risk and uncertainty and actual results may, therefore, differ materially from the results that are expressed or implied by these forward-looking statements.
- Elektrobit Corporation disclaims all obligations to update such forward-looking statements except as required by mandatory law.

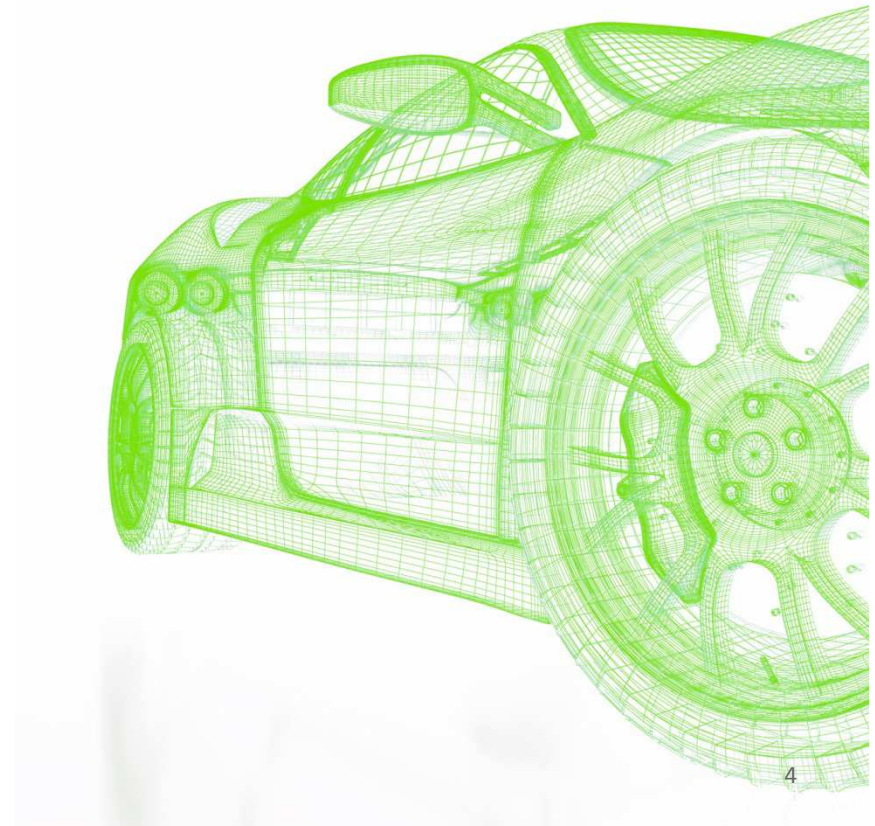
Contents

- Financial results in 4Q and 2014
- Business Segments in 4Q 2014
- Outlook for 2015

The main events in 4Q 2014

- EB's net sales and operating profit grew year-on-year.
- Automotive Business Segment
 - Net sales grew and operating result improved clearly from the previous year.
- Wireless Business Segment
 - Net sales decreased and operating result improved from the previous year.

In this presentation, the financials for the year 2013 presented for comparison include continuing operations only.

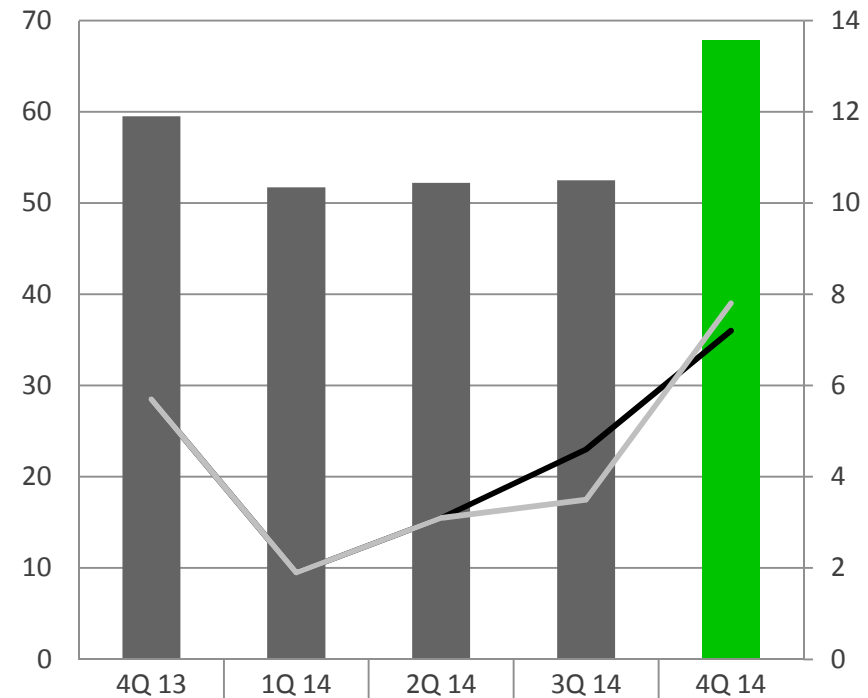


4Q 2014 - Net sales and operating result increased y-o-y

- Net sales increased by 13.9% to MEUR 67.8 (MEUR 59.5, 4Q 2013).
- Operating profit was MEUR 7.2 including non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment’s personnel reductions and from the acquisition costs of SafeMove business (MEUR 5.7, 4Q 2013).

Net sales, MEUR

OP, MEUR



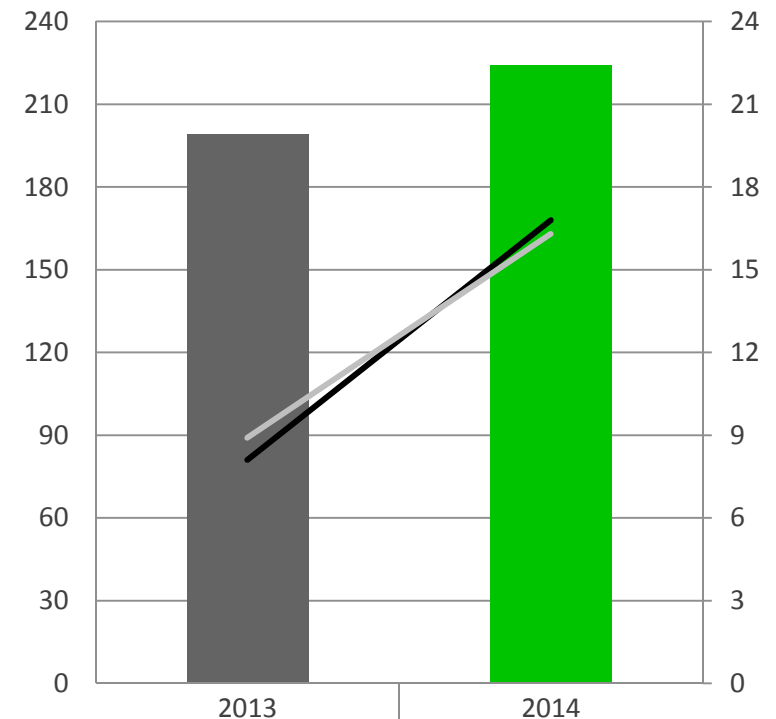
	4Q 13	1Q 14	2Q 14	3Q 14	4Q 14
■ Net Sales	59,5	51,7	52,2	52,5	67,8
— Operating Result	5,7	1,9	3,1	4,6	7,2
— Operating result w/o non-recurring items	5,7	1,9	3,1	3,5	7,8

2014: Net sales and operating result increased y-o-y

- Net sales increased by 12.5% to MEUR 224.1 (MEUR 199.3, in 2013).
- 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 the Wireless Business Segment’s personnel reductions 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 sales, MEUR

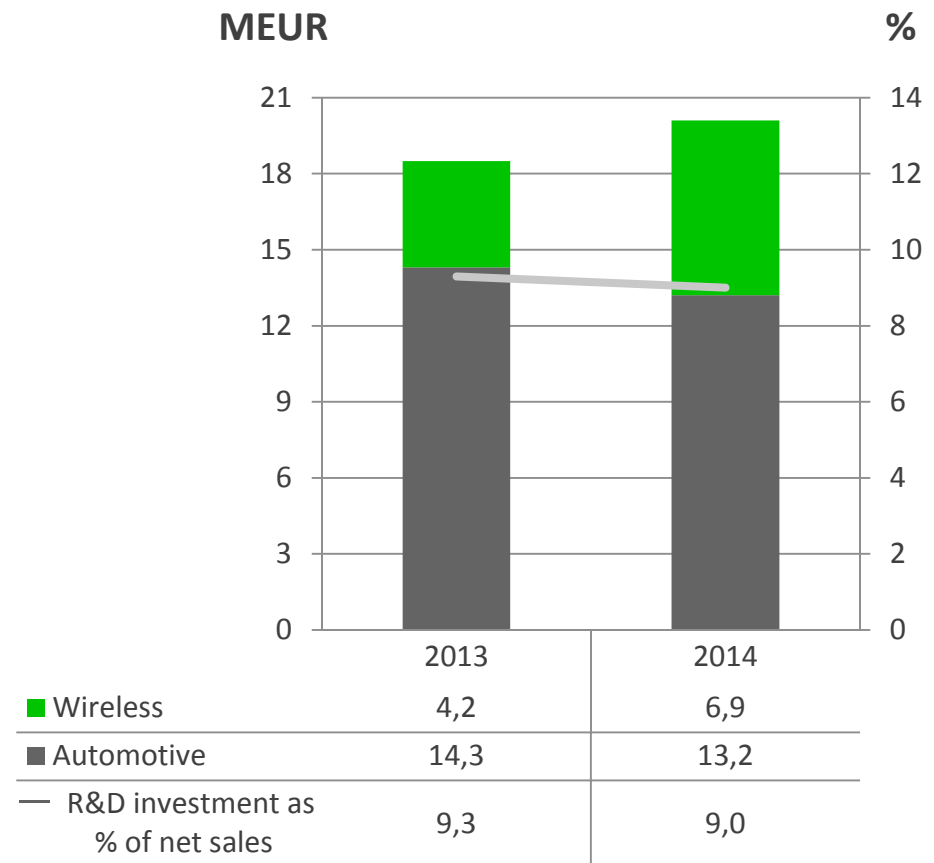
OP, MEUR



■ Net Sales	199,3	224,1
— Operating Result	8,1	16,8
— Operating result w/o non-recurring items	8,9	16,3

R&D Investments in 2014 were 9,0 % of the net sales

- R&D investments in 2014 were MEUR 20.1 equaling 9.0% of the net sales (MEUR 18.5 in 2013, equaling 9.3% of the net sales).
 - R&D investments in Automotive Business Segment decreased and were MEUR 13.2.
 - R&D investments in Wireless Business Segment increased and were MEUR 6.9.
- MEUR 2.0 was capitalized (MEUR 0.0, in 2013). Capitalizations were made in the Wireless Business Segment.
- Depreciations of R&D investments were MEUR 1.8 (MEUR 1.6 in 2013).
 - At the end of 2014 the amount of capitalized R&D expenses was MEUR 12.4.
 - Significant proportion of the capitalized R&D expenses is related to Automotive Business Segment's customer agreements with expected future license fees based on actual in-car software delivery volumes.



Cash flow in 2014

MEUR	4Q 2014	4Q 2013	Jan.-Dec. 2014	Jan.-Dec. 2013
Net profit +/- adjustment of accrual basis items	10.5	8.8	27.4	17.6
Change in net working capital	-2.8	17.4	-12.1	18.7
Interests, taxes, and dividends	-2.2	-0.2	-4.7	-1.6
NET CASH FROM OPERATING ACTIVITIES	5.4	26.0	10.5	34.7
Net cash from investing activities	-2.6	-0.3	-9.2	24.4
Net cash from financing activities	-0.2	-26.5	-1.0	-30.3
NET CHANGE IN CASH AND CASH EQUIVALENTS	2.5	-0.9	0.3	28.7

- Cash flow from operating activities in 2014 amounted to EUR 10.5 million (EUR 34.7 million in 1-9 2013).
- Net cash flow in 2014 was EUR 0.3 million (EUR 28.7 million in 2013, including non-recurring net cash flow approximately EUR 28 million resulting from the sale of Test Tools product business and the repayment of capital of EUR 14.3 million, distributed in December 2013).

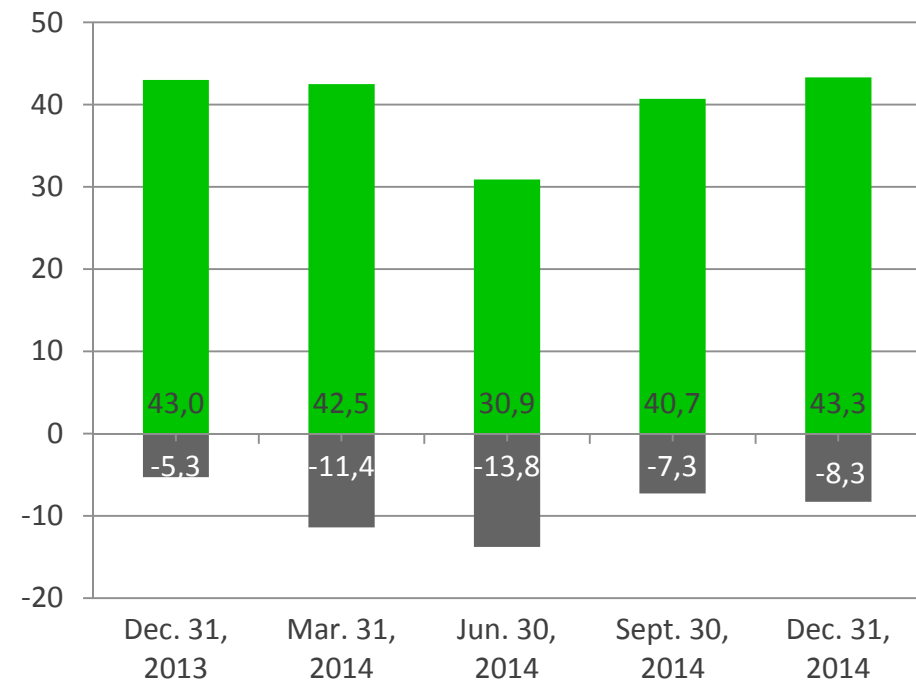
Strong balance sheet

- Cash reserves remained strong at the end of 2014.
 - Net debt was MEUR -35.0
 - MEUR 3.0 of the total MEUR 20 credit facilities were in use

- Equity ratio was 62.3%

Cash and Liquid Assets and Interest Bearing Debt

MEUR



■ Interest bearing debt ■ Cash and liquid assets



Automotive Business Segment

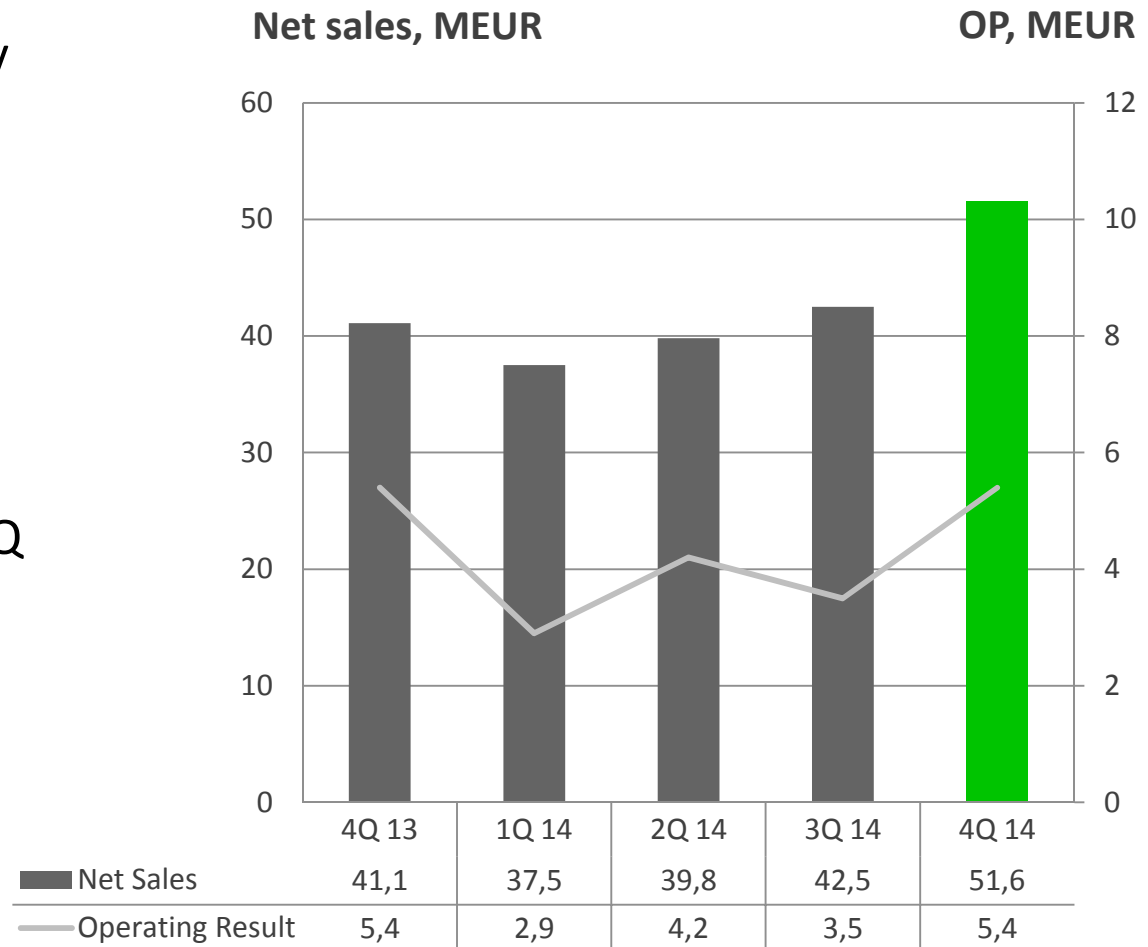
4Q 2014 – main events



- The demand for EB's software products and engineering services remained good in Automotive Business Segment, including e.solutions GmbH, the jointly owned company with Audi.
- Net sales grew clearly from the previous year. Operating profit was at the same level.
- R&D investments during the fourth quarter grew and were MEUR 5.0 (MEUR 3.3 in 4Q 2013). R&D investments grew mainly in product features and technologies needed for connected car and autonomous driving applications.

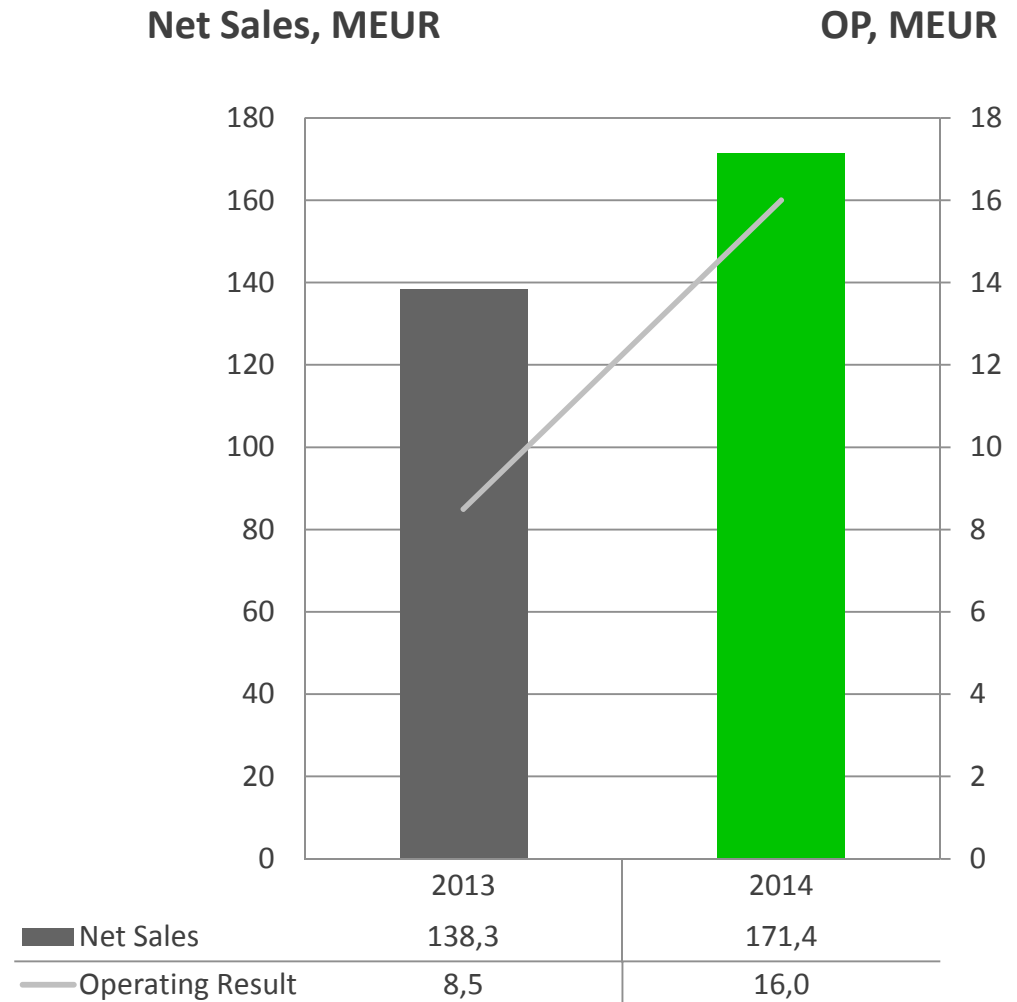
4Q 2014 - Net sales continued to grow y-o-y

- Net sales in 4Q 2014 grew by 25.5% to MEUR 51.6 (MEUR 41.1, 4Q 13).
 - Strong year-on-year growth continued.
- Operating profit in 4Q 2014 was MEUR 5.4 (MEUR 5.4, 4Q 13). The operating profit was at the same level as in the previous year
 - Increased costs in projects, R&D, IT, facilities and personnel.



2014 – Net sales grew and operating profit improved clearly y-o-y

- Net sales grew by 24.0% to MEUR 171.4 (MEUR 138.3, in 2013).
 - Strong year-on-year growth continued.
- Operating profit grew clearly to MEUR 16.0 (MEUR 8.5, in 2013).
 - The growth in the operating profit was driven by the growth in net sales of R&D services, the good performance in projects, the growth of software license sales and the lower R&D investments than in the previous year.



Wireless Business Segment



4Q 2014 – main events



EB Tough Mobile
LTE smartphone



adidas miCoach SMART RUN
premium running smart watch

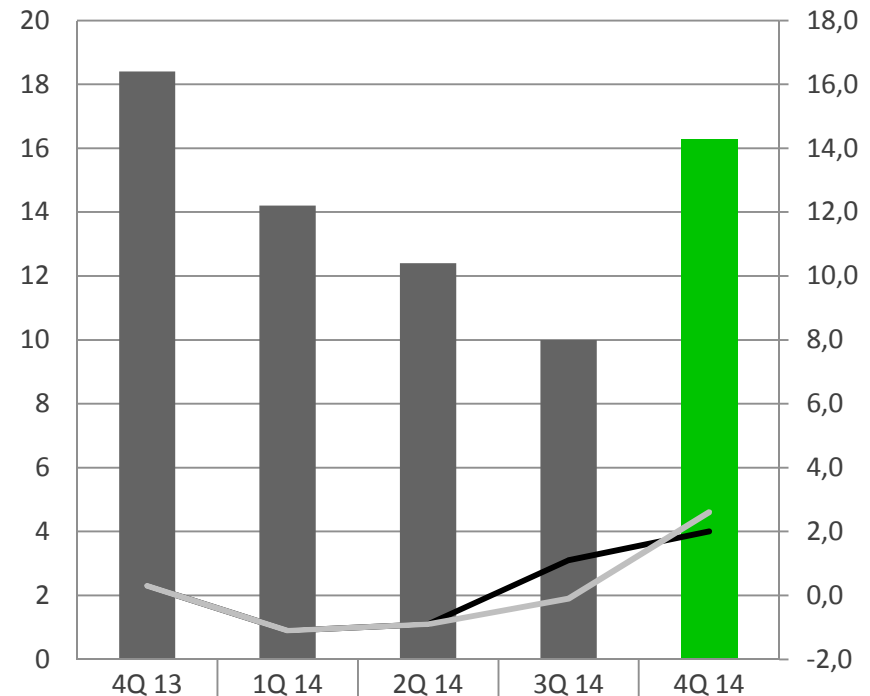
- Net sales decreased from the previous year.
 - Net sales of R&D services for mobile telecommunications network equipment and other markets decreased.
- Operating result increased.
 - Profitability of services and products based net sales improved.
- R&D costs increased y-on-y due to investments in products for the use by authorities.
- EB laid off up to a maximum of 19 employees in its Wireless Business Segment in Finland.
- EB launched EB Tough Mobile LTE smart phone for secure communications and public safety markets.
- EB launched EB IoT (Internet of Things) Device Platform that offers the customers a fast way to broaden their product offering into the IoT market with the latest technology and optimized cost.

4Q 2014 - Net sales decreased and operating result improved y-o-y

- Net sales decreased by 11.3 % year-on-year.
 - 4Q 2014 net sales was MEUR 16.3 (MEUR 18.4, 4Q 2013).
 - Product-based net sales was MEUR 6.3 (MEUR 6.9 in 4Q 2013)
- 4Q 2014 operating profit increased y-o-y and was MEUR 2.0 (MEUR 0.3, 4Q 13).
 - 4Q 2014 operating profit including non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment’s personnel reductions and from the acquisition costs of SafeMove business (operating profit of MEUR 0.3, 4Q 2013).

Net sales, MEUR

OP, MEUR



	4Q 13	1Q 14	2Q 14	3Q 14	4Q 14
Net Sales	18,4	14,2	12,4	10,0	16,3
Operating Result	0,3	-1,1	-0,9	1,1	2,0
Operating result w/o non-recurring items	0,3	-1,1	-0,9	-0,1	2,6

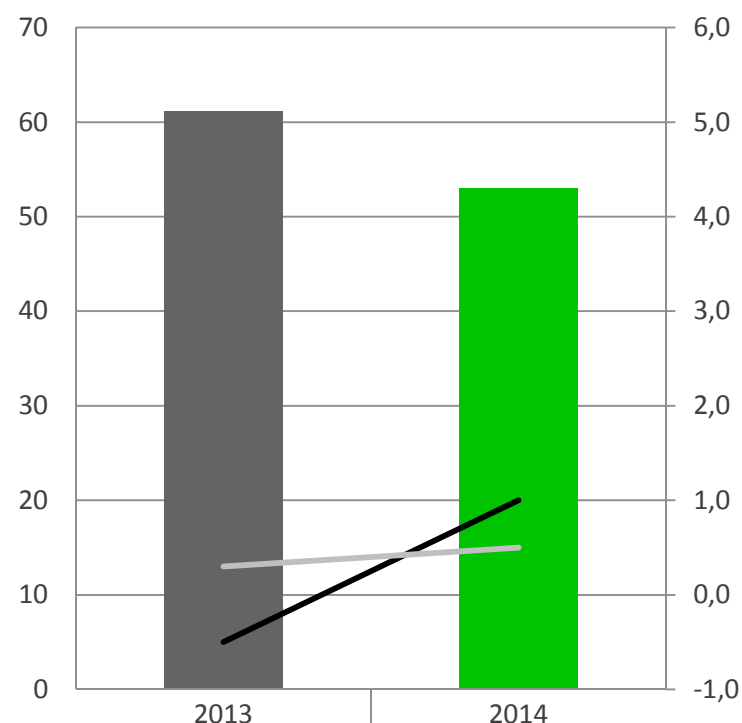
2014 – Net sales decreased and operating profit improved

- Net sales decreased by 13.4 % year-on-year.
 - 2014 net sales was MEUR 53.0 (MEUR 61.2, in 2013).
 - Product-based net sales was MEUR 14.1 (26.7 % of net sales)
- Operating result increased year-on-year and was positive at MEUR 1.0, 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 reductions and from the acquisition costs of SafeMove business

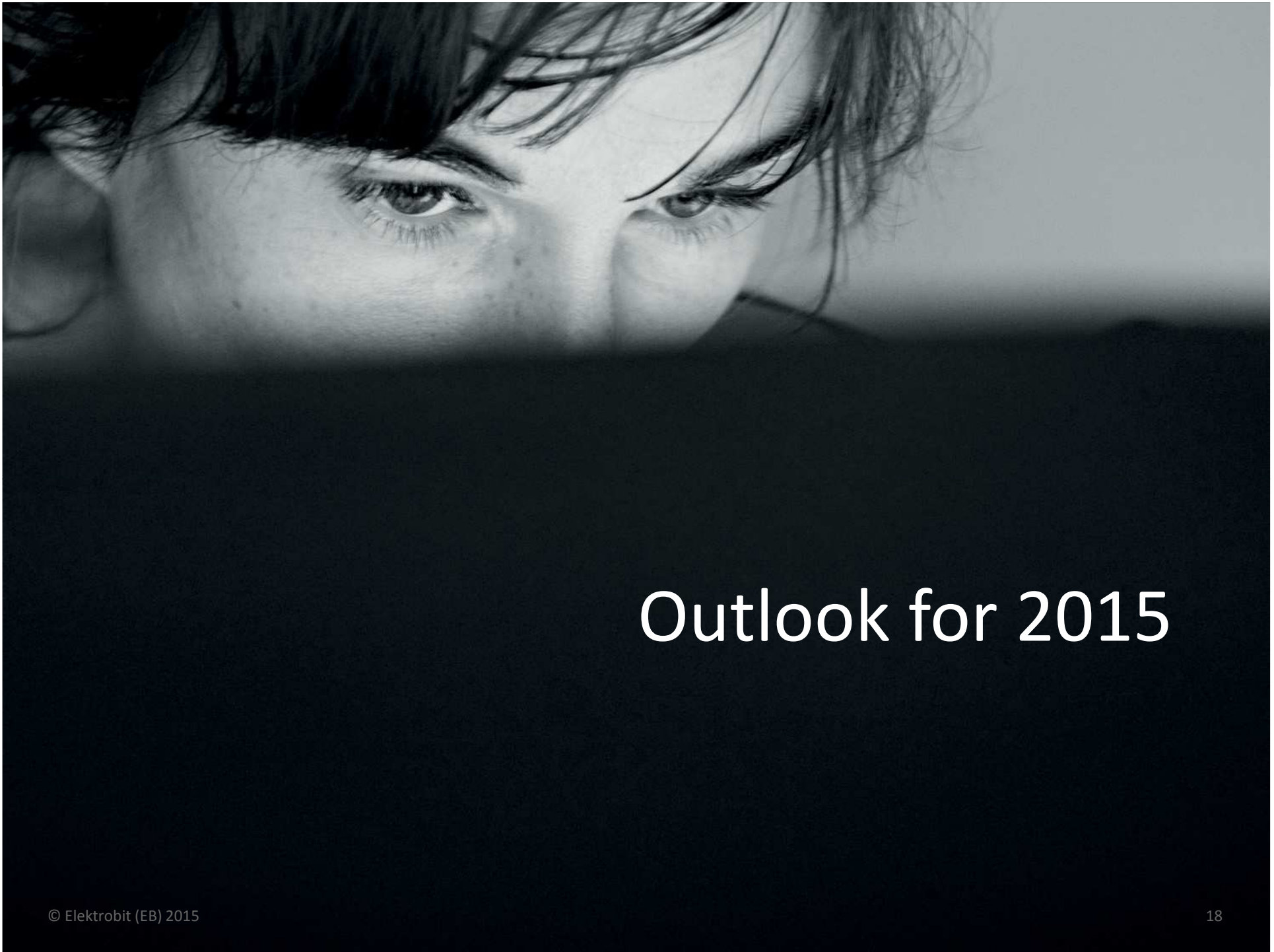
(operating loss of MEUR -0.5, in 2013, including non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in Wireless Business Segment).

Net sales, MEUR

OP, MEUR



■ Net Sales	61,2	53,0
— Operating Result	-0,5	1,0
— Operating result w/o non-recurring items	0,3	0,5



Outlook for 2015

Outlook for 2015 – Automotive Business Segment

- The demand for EB's products and services is estimated to develop positively year-on-year during 2015 in the Automotive Business Segment.
- 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.
- 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.
- Growth in the automotive software market in 2015 and beyond, and growth for EB, is expected to be driven mainly by:
 - Growing use of software in various parts of new cars as differentiator and factor for innovation.
 - Gradual separation of in-car electronics hardware and software.
 - The increasing complexity of car electronics and software is resulting in increasing efforts to fulfil data security requirements and provide safety-compliant systems.
 - Use of modular, global in-car software platforms to achieve scalability and ability to manage the complexity of a growing number of car models and variants.
 - Consumers expect in the car the same richness of features and user experiences as in smart phones and internet.
 - New applications are being introduced based on connected car solutions and cloud connections.
 - Introduction of new active safety systems and autonomous driving.

Outlook for 2014 – Wireless Business Segment

- The increasing use of LTE technology in mobile telecommunications networks creates the need for R&D services for LTE base station design, since many product variants and needed for various frequency bands.
 - However, general cost saving pressures in the mobile telecommunication network equipment markets is expected to increase price competition for R&D services in this market.
- The trend of adopting new commercial technologies, such as LTE and smart phone related operating systems and applications, is expected to continue in special verticals such as public safety. The specific LTE frequency band allocations for authorities create demand for customized LTE devices, such as EB's specialized terminals, tablets and communication modules.
- The demand for secure communications devices is expected to increase in the near future.
- The need for R&D services is emerging in the Internet of Things (IoT) markets for connected devices for business or consumer use, such as smart watch and other wearable devices, and creates demand for customized solutions based on EB IoT device platform.
- In the defense market, the need for larger amounts of data in tactical communications is generating demand for broadband networks, such as EB's customized Internet Protocol based tactical communications solutions.
- EB continues the product development and deliveries of products and services to Finnish Defence Forces in 2015, and expects to get initial sales from the global defense markets.

Outlook for 2015 – financial

For the year 2015 EB expects that the net sales and operating profit will grow from the previous year (net sales of EUR 224.1 million and operating profit of EUR 16.8 million).

Net sales growth rate in 2015 is expected to be higher than in the previous year (net sales growth 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 rate is expected to be at almost 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 as 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 authorities markets and in applications where wireless connectivity is needed. The net sales and operating profit are expected to grow from 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.

Investors' calendar 2015

March 23, 2015	Annual Report 2014
April 15, 2015	Annual General Meeting 2015
May 7, 2015	Interim Report January-March 2015
August 6, 2015	Interim Report January-June 2015
November 5, 2015	Interim Report January-September 2015

Q&A

Participants

Speaking:

Investor Relations - EB (Host, me)

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Press microphone
to unmute.

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