

Elektrobit Corporation

Interim Report

January-March 2015



Jukka Harju, CEO
May 7, 2015



Forward-looking statements

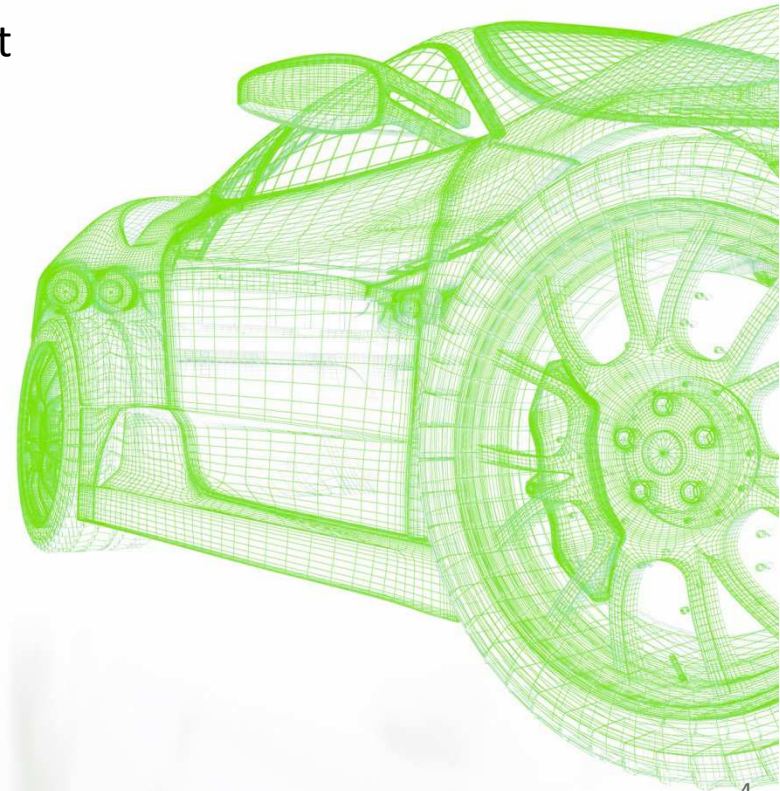
- Some statements made in this material relating to future circumstances or status, including, without limitation, future performance of the company, expectations regarding market growth, trend projections as well as any statements preceded by the words “expect”, “believe”, “foresee” or similar expressions 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

- Highlights of 1Q 2015
- Financial results in 1Q 2015
- Business Segments in 1Q 2015
- Outlook for 2015

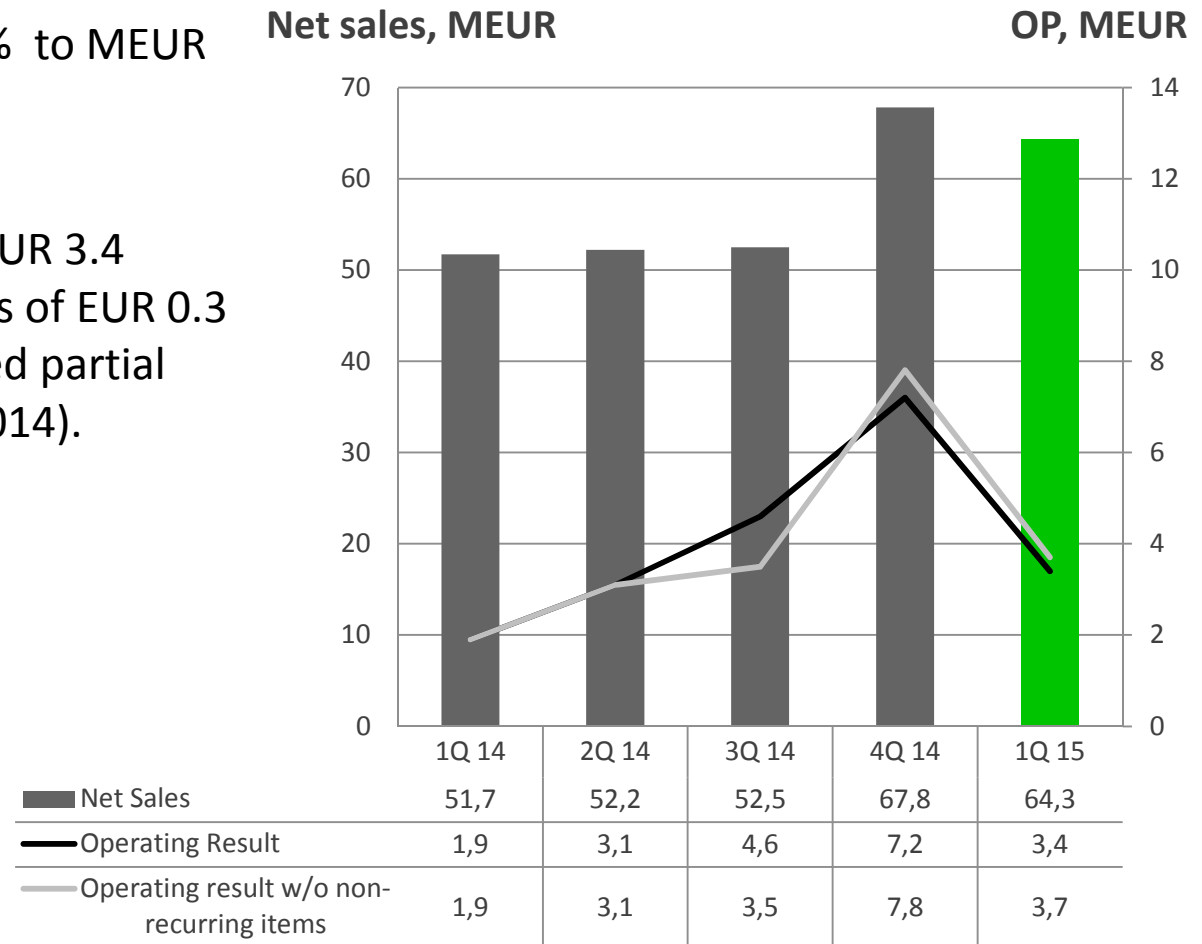
The main events in 1Q 2015

- EB's net sales and operating profit grew year-on-year.
- Automotive Business Segment
 - Net sales grew clearly and operating result was at the same level as in the previous year.
- Wireless Business Segment
 - Net sales grew and operating result improved from the previous year.
- The Board of Directors of Elektrobit Corporation approved the plan for partial demerger of Elektrobit Corporation.



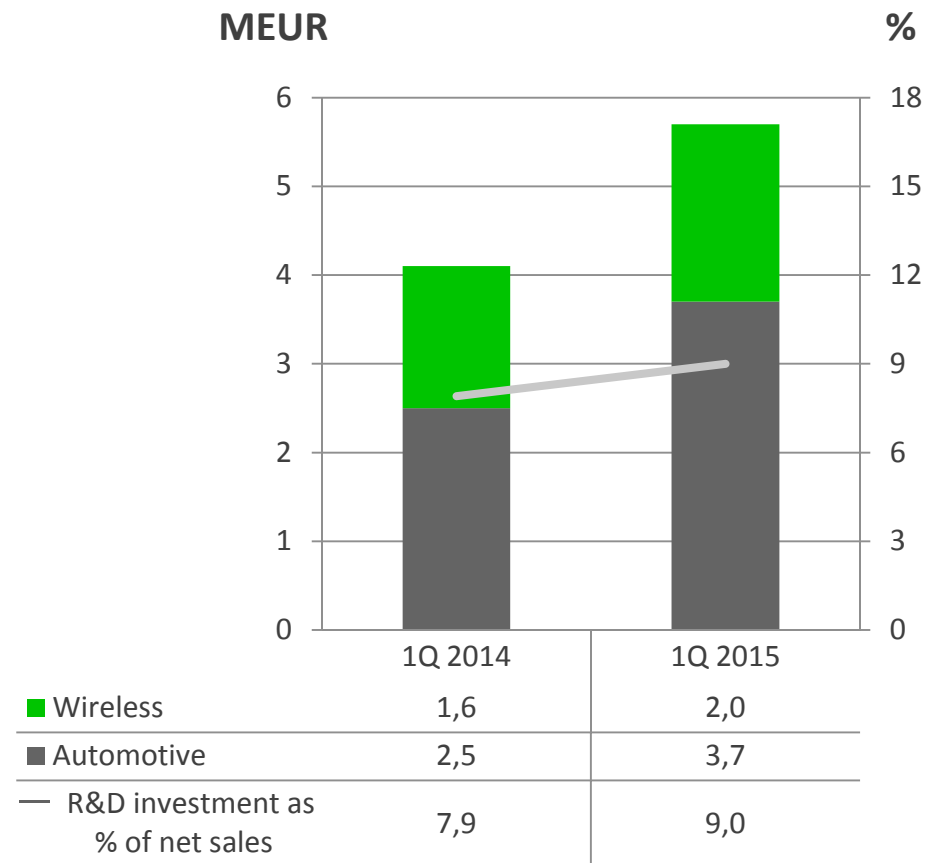
1Q 2015 – EB’s net sales and operating result increased y-o-y

- Net sales increased by 24.4% to MEUR 64.3 (MEUR 51.7, 1Q 2014).
- Operating profit grew to MEUR 3.4 including non-recurring costs of EUR 0.3 million related to the planned partial demerger (MEUR 1.9, 1Q 2014).



R&D Investments were 9.0% of the net sales

- R&D investments in 1Q 2015 were MEUR 5.8 equaling 9.0% of the net sales (MEUR 4.1 in 1Q 2014, equaling 7.9% of the net sales).
 - R&D investments in Automotive Business Segment increased and were MEUR 3.7.
 - R&D investments in Wireless Business Segment increased and were MEUR 2.0.
- MEUR 1.0 was capitalized (MEUR 0.2, in 1Q 2014). Capitalizations were made in the Wireless Business Segment.
- Depreciations of R&D investments were MEUR 0.5 (MEUR 0.4 in 1Q 2014).
 - At the end of 2014 the amount of capitalized R&D expenses was MEUR 13.0.
 - 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 1Q 2015

MEUR	Q1 2015	Q1 2014	Jan.-Dec. 2014
Net profit +/- adjustment of accrual basis items	5.6	4.5	27.4
Change in net working capital	6.7	-9.4	-12.1
Interests, taxes, and dividends	-1.4	-0.8	-4.7
NET CASH FROM OPERATING ACTIVITIES	10.9	-5.7	10.5
Net cash from investing activities	-4.1	-1.0	-9.2
Net cash from financing activities	0.4	6.2	-1.0
NET CHANGE IN CASH AND CASH EQUIVALENTS	7.3	-0.5	0.3

- Cash flow from operating activities in 1Q 2015 amounted to EUR 10.9 million (EUR -5.7 million in 1Q 2014).
- Net cash flow in 1Q 2015 was EUR 7.3 million (EUR -0.5 million in 1 Q 2014).

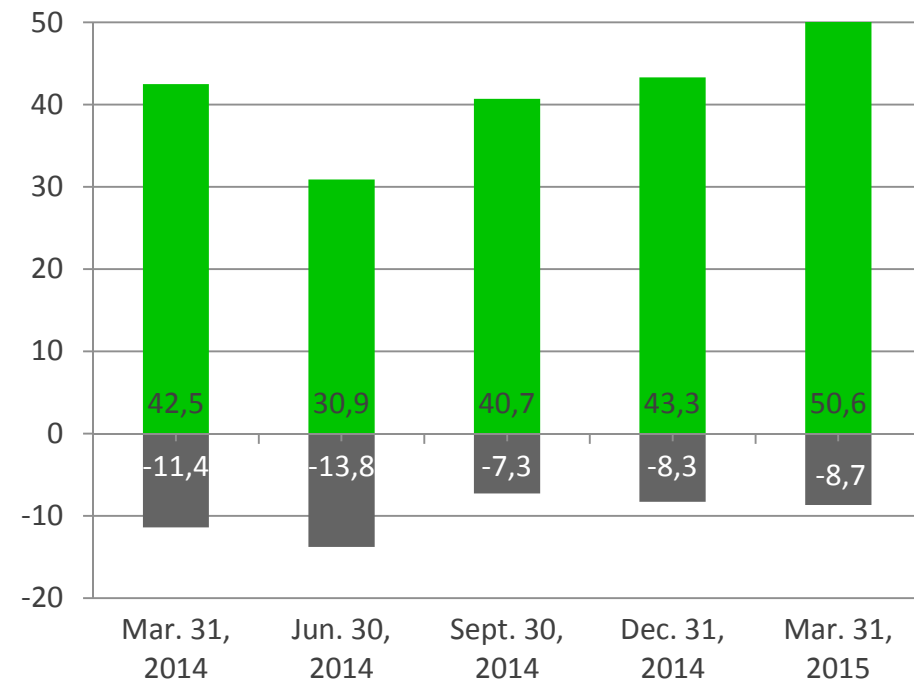
Strong balance sheet

- Cash reserves remained strong at the end of 1Q 2015
 - Net debt was MEUR -41.9
 - MEUR 3.3 of the total MEUR 20 credit facilities were in use

- Equity ratio was 65.0%

Cash and Liquid Assets and Interest Bearing Debt

MEUR



■ Interest bearing debt

■ Cash and liquid assets



Automotive Business Segment

1Q 2015 – main events



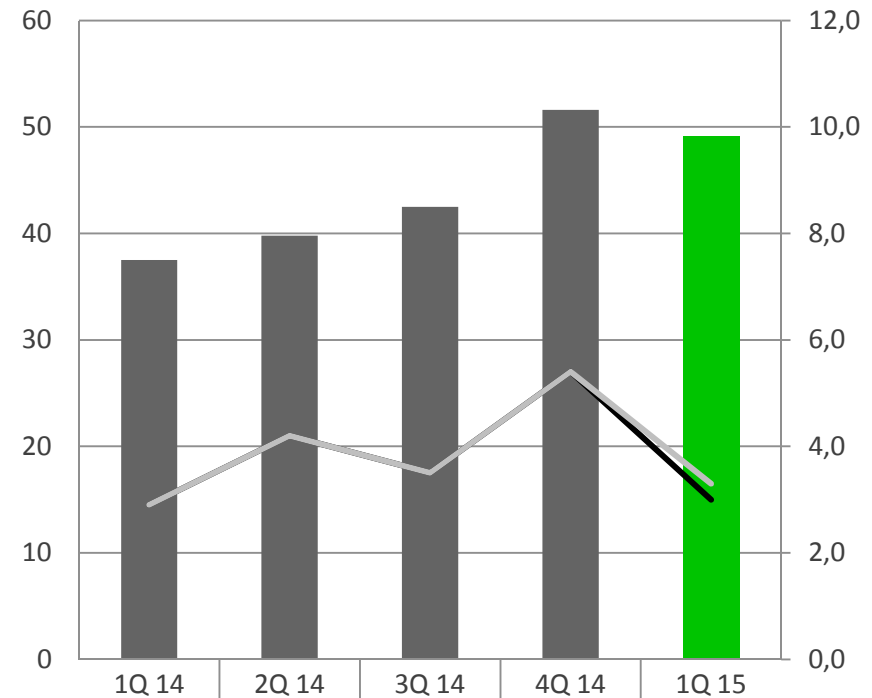
- The demand for EB’s software products and engineering services remained good in Automotive Business Segment, including e.solutions GmbH, the jointly owned company with AUDI.
- Net sales grew clearly from the previous year.
- Operating profit was at the same level.
- R&D investments grew mainly in new product features and technologies needed for connected car and autonomous driving applications.
- New EB automotive software innovation lab was founded in Silicon Valley.

1Q 2015 - Net sales continued to grow y-o-y

- Net sales grew by 31.1% to MEUR 49.1 (MEUR 37.5, 1Q 14).
 - Strong year-on-year growth continued
- Operating profit was MEUR 3.0 including non-recurring costs of EUR 0.2 million related to the planned partial demerger of the Company (MEUR 2.9, 1Q 14).
 - Operating profit was at the same level as in the previous year

Net sales, MEUR

OP, MEUR



	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15
Net Sales	37,5	39,8	42,5	51,6	49,1
Operating Result	2,9	4,2	3,5	5,4	3,0
Operating result w/o non-recurring items	2,9	4,2	3,5	5,4	3,3

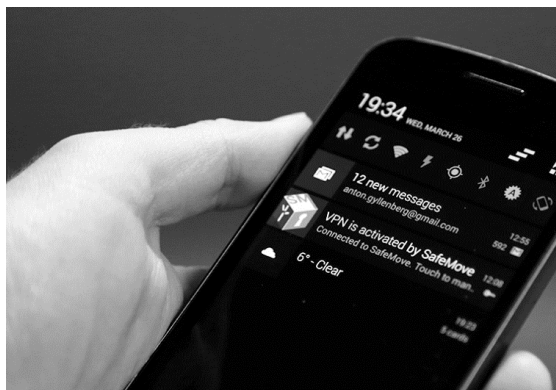


Wireless
Business Segment

1Q 2015 – main events



EB Tough Mobile LTE smartphone



EB SafeMove Mobile VPN

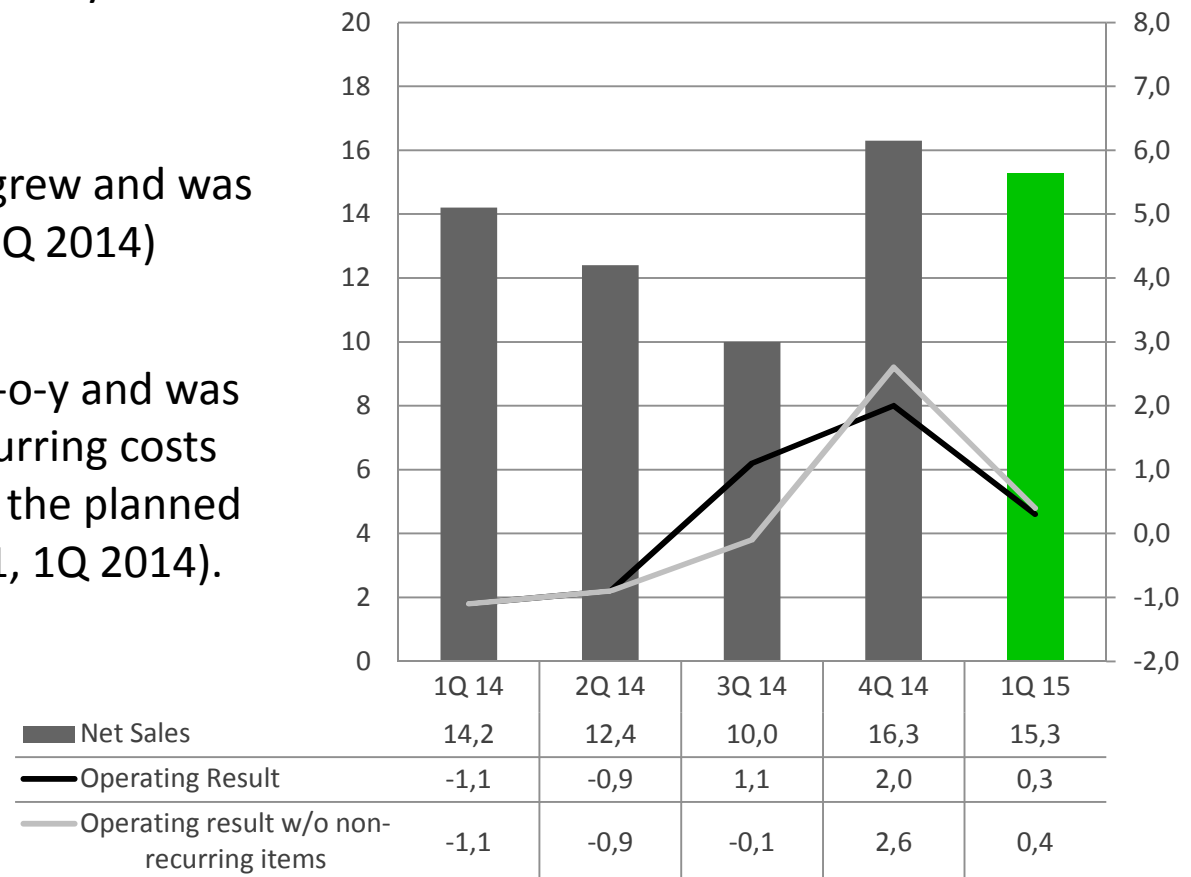
- Net sales increased from the previous year
 - Products sales grew
- Operating result improved.
 - improved gross margin
- R&D investments increased in products for the use by authorities.
- EB acquired SafeMove business which provides high-quality information security solutions for mobile devices and 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.
- EB continued its sales and marketing efforts for its products to the international defence, public safety and other authority markets.

1Q 2015 - Net sales grew and operating result improved y-o-y

- Net sales grew by 7.6 % year-on-year.
 - Net sales was MEUR 15.3 (MEUR 14.2, 1Q 2014).
 - Product-based net sales grew and was MEUR 4.5 (MEUR 3.6 in 1Q 2014)
- Operating profit increased y-o-y and was MEUR 0.3 including non-recurring costs of EUR 0.1 million related to the planned partial demerger (MEUR -1.1, 1Q 2014).

Net sales, MEUR

OP, MEUR





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 2015 – 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 are needed for various frequency bands.
- 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 and communication modules.
- The demand for secure communications devices is expected to increase.
- The growth of Internet of Things (IoT) applications creates needs for R&D services and customized solutions based on device platforms, such as EB IoT device platform. Applications include connected devices for consumer use, such as smart watches for sports and leisure time, and connected devices for industrial use.
- 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 between EUR 2.5 million and EUR 3.0 million in 2015 in case the planned partial demerger will be implemented.

The planned partial demerger of Elektrobit Corporation

KEY FACTS:

- On February 18, 2015 Elektrobit Corporation Board of Directors approved the plan of partial demerger.
- Based on the demerger plan, the assets and liabilities related to EB's Wireless Business Segment will be transferred to Bittium Corporation ("Bittium") an entity to be newly established in the partial demerger that will be listed on the Nasdaq Helsinki.
- EB's Automotive Business Segment remains in Elektrobit Corporation, which will continue to be listed on the Nasdaq Helsinki.
- The notice to convene extraordinary general meeting to be held on June 11, 2015 has been given, where the partial demerger shall be approved.

IMPORTANT DATES:

- April 29 – Notice to convene extraordinary general meeting
- Early June – Publication of prospectus
- June 11 - Extraordinary general meeting
- June 30 – Effective date of the partial demerger
- June 30 – trading with Bittium Corporation shares commences (estimation)
- August 6 – Elektrobit Corporation Interim Report January-June 2015
- August 6 – Bittium Corporation Interim Report January-June 2015

Investors' calendar 2015

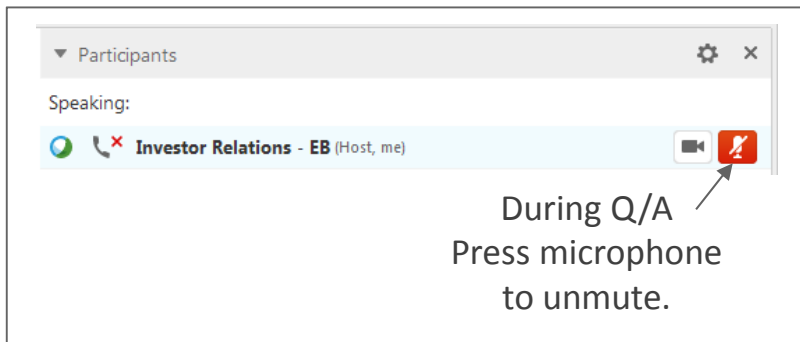
**August 6,
2015**

Interim Report
January-June 2015

**November 5,
2015**

Interim Report
January-September 2015

Q&A



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EB Investor Relations:

CEO Jukka Harju

Tel. +358 40 344 5466

Investor.relations@elektrobit.com



Elektrobit Corporation

Tutkijantie 8

FI - 90590 Oulu

Tel. +358 40 344 2000

www.elektrobit.com

