



Elektrobit

ELEKTROBIT CORPORATION (EB) INTERIM REPORT JANUARY - SEPTEMBER 2014

Net sales

156.4 MEUR

Net sales growth

11.9%

Operating profit

9.6 MEUR

Operating profit, % of net sales

6.1%

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

The 2013 figures presented in comparison in this interim report include the figures of Continuing Operations only.

SUMMARY JULY – SEPTEMBER 2014

- Net sales of July - September 2014 grew to EUR 52.5 million (EUR 45.7 million, 3Q 2013), representing an increase of 14.9 % year-on-year.
- Operating profit was EUR 4.6 million, including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies (EUR 1.0 million, 3Q 2013).
- Net cash flow was EUR 9.8 million (EUR 1.8 million, 3Q 2013).
- Earnings per share were EUR 0.020 (EUR 0.006, 3Q 2013).
- The number of EB's shares increased during the reporting period by altogether 51 296 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 131 242 492.
- 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 and include conventional covenants that are, among others, related to equity ratio, transfer and pledge of the assets.
- In July Elektrobit Inc., a subsidiary of Elektrobit Corporation, entered into a conditional agreement of settlement with the liquidating trust of TerreStar Networks Inc. (TSN). The United States Bankruptcy Court approved the conditional agreement and 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) in full and final satisfaction of its claims against TSN and in resolution of all disputes between EB and the liquidating trust of TSN. The Settlement Payment results in a non-recurring positive effect of approximately EUR 0.8 million on Elektrobit Corporation's operating result and in a positive effect on Elektrobit Corporation's cash flow of approximately EUR 0.8 million in the third quarter 2014.
- According to the information received by EB in September, Parrot S.A., a supplier of e.solutions GmbH, a jointly owned company of EB and AUDI, has withdrawn the legal proceeding taken against e.solutions GmbH in the Tribunal de Commerce de Paris (Commercial Court Paris) in April 2014.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. However, it is possible, that despite of the withdrawal, Parrot S.A.'s may initiate further legal actions in another forum.
- After the reporting period 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 booked in 2010. As a result of the approval of the proposal Elektrobit 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. The payment to IRS will be made in the fourth quarter of 2014 and the carryback refund, if the claim will be approved, is estimated to be received at the latest by the end of 2015.
- The settlement payment received in August formed the full and final satisfaction of Elektrobit Inc.'s laid and open claims against TerreStar companies in their reorganization cases. In consequence of receiving the full and final settlement payment and finishing of the tax appeal process, EB's activities related to TerreStar reorganization processes are expected to be concluded. EB reverses 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 have together approximately EUR 1.1 million non-recurring positive effect on EB's third quarter 2014 operating result.

SUMMARY JANUARY – SEPTEMBER 2014

- Net sales of January - September 2014 grew to EUR 156.4 million (EUR 139.8 million, 1-9 2013), representing an increase of 11.9 % year-on-year.
- Operating profit was EUR 9.6 million including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies (EUR 2.4 million, 1H-9 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 -2.3 million (EUR 29.6 million, 1-9 2013, including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business).
- Earnings per share were EUR 0.047 (EUR 0.012, 1-9 2013).

Group (MEUR)	3Q 14	3Q 13	1-9 14	1-9 13	2013
NET SALES	52.5	45.7	156.4	139.8	199.3
Change of net sales, %	14.9 %	10.1 %	11.9 %	11.3 %	14.6 %
OPERATING PROFIT / LOSS	4.6	1.0	9.6	2.4	8.1
Operating profit / loss, % of net sales	8.7 %	2.3 %	6.1 %	1.7 %	4.1 %
Operating profit /loss without non-recurring items	3.5	1.0	8.4	3.3	9.0
EBITDA	6.7	3.3	15.9	9.1	17.2
CASH AND OTHER LIQUID ASSETS	40.7	43.9	40.7	43.9	43.0
EQUITY RATIO (%)	64.0 %	63.9 %	64.0 %	63.9 %	65.1 %
EARNINGS PER SHARE (EUR)	0.020	0.006	0.047	0.012	0.051

Automotive Business Segment (MEUR)	3Q 14	3Q 13	1-9 14	1-9 13	2013
NET SALES	42.5	34.1	119.8	97.2	138.3
Change of net sales, %	24.5 %	24.5 %	23.3 %	23.4 %	25.0 %
OPERATING PROFIT / LOSS	3.5	1.9	10.6	3.1	8.5
Operating profit / loss, % of net sales	8.3 %	5.7 %	8.8 %	3.2 %	6.2 %
EBITDA	5.0	3.5	15.1	7.6	14.6

Wireless Business Segment (MEUR)	3Q 14	3Q 13	1-9 14	1-9 13	2013
NET SALES	10.0	11.6	36.7	42.8	61.2
Change of net sales, %	-13.2 %	-17,9 %	-14.3 %	-9.2 %	-3.7 %
OPERATING PROFIT / LOSS	1.1	-0.9	-0.9	-0.8	-0.5
Operating profit / loss, % of net sales	10.8 %	-7.9 %	-2.6 %	-1.8 %	-0.8 %
Operating profit /loss without non-recurring items	-0.1	-0.9	-2.1	0.1	0.4
EBITDA	1.7	-0.2	0.9	1.4	2.5

EB'S CEO JUKKA HARJU

“EB's net sales and operating profit continued to grow from previous year also during the third quarter. During January – September EB's net sales grew by 11.9 per cent year-on-year to EUR 156.4 million. Operating profit improved clearly from the previous year and was EUR 8.4 million without the non-recurring income of EUR 1.1 million in the third quarter. The reason for the improved net sales and operating profit was the good development of Automotive Business Segment.

In 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 of Automotive Business Segment grew strongly by 23.3 % from the previous year and operating profit improved to 8.8 % of net sales. The improvement of the operating profit was driven by the good performance in services projects, the growth of software license sales especially for the in-car navigation software and the lower R&D investments.

The net sales of the Wireless Business Segment decreased by 14.3 % from the previous year 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 7.8 million, which however did not fully compensate the decreased services sales. In the fourth quarter, in the Wireless Business Segment we expect the product-based sales to be generated mainly from the Finnish authority markets and the net sales resulting from the international defense and other authority markets to remain low due to these customers' slower than estimated purchase decisions. Operating result during the reporting period was lower than targeted and negative due to the weak result of the first half of the year. In the second half of the year, we expect the Wireless Business Segment to develop positively and its operating result to be profitable.

During the autumn, EB concluded its measures to collect the receivables from TerreStar companies based in the US in their reorganization cases, and entered into a settlement with US Internal Revenue Services (IRS) concerning tax treatment of impairment of receivables from TerreStar companies. These resulted in a non-recurring income of EUR 1.1 million in the third quarter of 2014.

Our main target in 2014 is to grow net sales and operating profit from the previous year and EB is in a good position to achieve this target.”

OUTLOOK FOR 2014

For the year 2014 EB expects that the net sales and operating result will grow from the previous year (net sales of EUR 199.3 million and operating profit of EUR 8.1 million, in 2013). Net sales growth rate in 2014 is expected to be slower than in the previous year (net sales growth 14.6 %, 2013). Operating profit in the second half of the year is expected to be higher than in the first half (operating profit of EUR 5.0 million, 1H 2014).

The demand for R&D services and software products of the Automotive Business Segment is expected to continue good in the second half of the year, and operating profit of Automotive Business Segment is expected to be at the same level or better than in the first half of the year (operating profit of EUR 7.1 million, 1H 2014). In the Wireless Business Segment, operating result without the non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies is expected to be positive in the second half of 2014 (operating loss of EUR -2.0 million, 1H 2014). In the last quarter in the Wireless Business Segment we expect the product-based net sales to come mainly from the Finnish authorities and the product-based net sales from international defense and other authority markets to remain low due to the customers' slower than estimated purchase decisions.

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

Following the same principle as in the previous guidance, the non-recurring income of EUR 1.1 million resulted from the reorganization cases of TerreStar companies, has not been included in the outlook for 2014.

More information about other uncertainties regarding the outlook is presented in the sections “Risks and uncertainties” and “Events after the review period”, and in the Report by the Board of Directors 2013, available at <http://annualreport.elektrobit.com>.



INVITATION TO A PRESS CONFERENCE

EB will hold a press conference on the January-September 2014 Interim Report for media, analysts and institutional investors in in Restaurant Savoy, Eteläesplanadi 14, Helsinki, Finland, on Thursday, November 6, 2014, at 11.00 a.m. (CET+1). The conference will also be held as a conference call and the presentation will be shown simultaneously in the Internet through GlobalMeet. The conference will be held in English. For more information please go to www.elektrobit.com/investors.

ELEKTROBIT CORPORATION (EB)

EB creates advanced technology and turns it into enriching end-user experiences. EB is specialized in demanding embedded software and hardware solutions for wireless and automotive industries. The net sales in 2013 totaled EUR 199.3 million and the operating profit was EUR 8.1 million, in 2013. Elektrobit Corporation is listed on NASDAQ OMX Helsinki. www.elektrobit.com.

ELEKTROBIT CORPORATION (EB) INTERIM REPORT JANUARY-SEPTEMBER 2014

2013 figures presented in comparison in this interim report include only figures of Continuing Operations.

FINANCIAL PERFORMANCE DURING JANUARY-SEPTEMBER 2014

EB's net sales during January-September 2014 grew by 11.9 per cent year-on-year to EUR 156.4 million (EUR 139.8 million, 1-9 2013). Operating profit was EUR 9.6 million including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies (EUR 2.4 million, 1-9 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment).

Net sales of the Automotive Business Segment in January-September 2014 grew to EUR 119.8 million (EUR 97.2 million, 1-9 2013), representing 23.3 per cent growth year-on-year. Operating profit improved clearly from the previous year and was EUR 10.6 million (EUR 3.1 million, 1-9 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 good performance in services projects, the growth of software license sales especially for the in-car navigation software and the lower R&D investments.

The Wireless Business Segment's net sales in January-September 2014 decreased by 14.3 per cent year-on-year, to EUR 36.7 million (EUR 42.8 million, 1-9 2013). The share of the product-based net sales was EUR 7.8 million, which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the delivery of a batch of special terminal products for the authority use to a customer abroad. The operating loss of the Wireless Business Segment in January-September 2014 was EUR -0.9 million, including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies (EUR -0.8 million, 1-9 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in 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, which decline the increased product-based net sales did not fully compensate.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-9 2014	1-9 2013
	9 months	9 months
CONTINUING OPERATIONS		
Net sales	156.4	139.8
Operating profit / loss	9.6	2.4
Financial income and expenses	-0.6	-0.7
Result before tax	9.0	1.8
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	6.2	1.6
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS		24.3
RESULT FOR THE PERIOD	6.2	25.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6.6	26.0
Result for the period attributable to:		
Equity holders of the parent	6.2	25.9
Non-controlling interests		

Total comprehensive income for the period attributable to:		
Equity holder of the parent	6.6	26.0
Non-controlling interests		
Earnings per share from continuing operations, EUR	0.047	0.012

- Cash flow from operating activities was EUR 5.1 million (EUR 8.7 million, 1-9 2013).
- Net cash flow was EUR -2.3 million (EUR 29.6 million, 1-9 2013, including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business).
- Equity ratio was 64.0 % (63.9 %, September 30, 2013).
- Net gearing was -38.9 % (-29.8 %, September 30, 2013).

QUARTERLY FIGURES

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

	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13
Net sales	52.5	52.2	51.7	59.5	45.7
Operating profit (loss)	4.6	3.1	1.9	5.7	1.0
Operating profit (loss) without non-recurring costs	3.5	3.1	1.9	5.7	1.0
Result before taxes	4.2	2.8	1.9	5.5	0.9
Result for the period	2.6	1.8	1.7	5.0	0.8

Non-recurring items are exceptional gains and costs that are not related to normal business operations and occur only seldom. These items include capital gains or losses, significant changes in asset values such as write-downs or reversals of write-downs, significant restructuring costs, or other items that the management considers to be non-recurring. When evaluating a non-recurring item, the euro translation value of the item is considered, and in case of a change in an asset value, it is measured against the total value of the asset.

In 2013 Wireless Business Segment reported non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment in the first quarter of 2013. In the review period and in the periods presented for comparison in the table above, no non-recurring items occurred.

In 2014 Wireless Business Segment reported non-recurring income of approximately EUR 1.1 million resulting from the reorganization cases of TerreStar companies during the third quarter of the year.

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

	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13
Automotive					
Net sales to external customers	42.5	39.8	37.5	41.1	34.1
Net sales to other segments	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	3.5	4.2	2.9	5.4	1.9

Wireless					
Net sales to external customers	10.0	12.4	14.2	18.3	11.5
Net sales to other segments	0.1	0.0	0.0	0.0	0.0
Operating profit (loss)	1.1	-0.9	-1.1	0.3	-0.9
Other businesses					
Net sales to external customers	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	-0.0	-0.2	0.1	0.0	0.0
Total					
Net sales	52.5	52.2	51.7	59.5	45.7
Operating profit (loss)	4.6	3.1	1.9	5.7	1.0

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

	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13
Asia	2.6 5.0 %	1.8 3.5 %	2.5 4.9 %	2.3 3.9 %	1.9 4.3 %
Americas	7.6 14.5 %	6.6 12.7 %	7.2 13.8 %	8.0 13.4 %	6.0 13.2 %
Europe	42.3 80.6 %	43.8 83.8 %	42.0 81.3 %	49.2 82.7 %	37.7 82.5 %

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A total of 1 141 617 new shares were subscribed for between December 5, 2013 and August 18, 2014 by virtue of the stock option rights 2008A, 2008B and 2008C. The share subscription price, EUR 399 873.09 was recorded in the Company's invested non-restricted equity fund. The increases in the number of the Company's shares were entered into the Finnish Trade Register on February 10, 2014, April 14, 2014, on June 26, 2014 and on August 27, 2014. The trading with the registered shares started on February 11, 2014, April 15, 2014 on June 27, 2014, and on August 29, 2014 as an additional lot of Elektrobit Corporation's shares in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation totaled 131 242 492.

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 targets cost savings of approximately EUR 0.8 million, which would materialize 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 July a subsidiary of Elektrobit Corporation, Elektrobit 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. The Settlement Payment has resulted in a non-recurring positive effect of approximately EUR 0.8 million on EB's operating result and in a positive effect on Elektrobit Corporation's cash flow of approximately EUR 0.8 million on the third quarter 2014.

After the reporting period EB has entered into 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. The reversal of the provision and the EUR 0.8 million settlement payment have together approximately EUR 1.1 million non-recurring positive effect on Elektrobit Corporation's third quarter 2014 operating result. More information about the settlement with IRS is presented in the section "Events after the reporting period".

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. More information about the legal action and withdrawal has been presented in stock exchange releases published on April 4, 2014 and on September 22, 2014. Neither the legal action nor the withdrawal has caused any such financial consequence that would affect EB's profit outlook or financial position. However, it is possible, that Parrot S.A. may initiate further legal actions in another forum.

BUSINESS SEGMENTS' DEVELOPMENT DURING JULY-SEPTEMBER 2014 AND MARKET OUTLOOK

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

AUTOMOTIVE

In Automotive Business Segment EB offers 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 July – September 2014

EB's net sales in Automotive Business Segment continued its strong growth during the third quarter of 2014 and amounted to EUR 42.5 million (EUR 34.1 million, 3Q 2013), representing a growth of 24.5 % year-on-year. Operating profit improved clearly and was

EUR 3.5 million (EUR 1.9 million, 3Q 2013). 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. The improvement of the operating profit was driven mainly by the good performance in services projects, growth of software license sales especially for the in-car navigation software and lower R&D investments.

The R&D investments in the third quarter were EUR 3.2 million (EUR 3.6 million, 3Q 2013). The reason for the decrease in the R&D investments was the transfer of certain product platform development from an initial investment phase to a continuing development phase.

In August EB announced its plans to build a new automotive software development site in Oulu, Finland. The new site is planned to employ up to 40 software engineers by the end of 2014, focusing on the development of embedded automotive software. EB's Automotive Business Segment has grown steadily during the last years, and expanding its operations to Oulu, Finland, will offer the company an opportunity to further grow its software engineering capacity for current and future needs.

Automotive Business Segment market outlook

The global car market is expected to grow by 3% in 2014 according to the forecast made by VDA (Verband der Automobilindustrie). Carmakers continued to invest in automotive software for new car models and the market for software products and services is estimated to continue growing during 2014. The demand for EB's products and services is estimated to develop positively year-on-year during 2014 in 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, and growth for EB, is mainly expected to be driven 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 areas comfort and security, information and entertainment, powertrain and communication. The trend of separating hardware from software continues in 2014 and beyond, allowing carmakers to speed up innovation and to improve the quality and cost efficiency of their vehicles.
- 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 to include localization for all regions.
- 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.
- 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 automotive markets like 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 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 consumer electronics companies such as Apples "CarPlay" or Google's announcement of Open Automotive Alliance.
- New Active Safety Systems and Driver Assistance applications are being brought to the market as automated driving is becoming 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 products and product platforms for defense, public safety and other authority markets as well as for industrial use. Further EB offers product development services and customized solutions for wireless communications markets and for companies needing wireless connectivity for their products. EB's products in the Wireless Business Segment are the EB Tactical Wireless IP Network for tactical communications, EB Tough VoIP for tactical IP-based communication, EB Wideband

COMINT Sensor for signals intelligence. The product platforms are the Android-based EB Specialized Device Platform and EB LTE Connectivity Module for specialized markets. For the latest wireless technologies and applications EB offers a broad range of R&D services such as consulting, integration, and development of software and hardware.

Development of the Wireless Business Segment in July – September 2014

Net sales of the Wireless Business Segment during the third quarter of 2014 decreased by 13.2 per cent year-on-year to EUR 10.0 million (EUR 11.6 million, 3Q 2013). The share of the product based net sales was EUR 1.9 million, which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces.

Operating profit was EUR 1.1 million, including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies (operating loss of EUR -0.9 million, 3Q 2013). 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, which decline the increased product-based net sales did not fully compensate.

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 third quarter. Customers' purchase decisions proceeded slower than estimated, and therefore we expect the net sales resulting from the international defense and other authority markets to remain low in the fourth quarter.

R&D investments in the second quarter were EUR 1.5 million (EUR 0.8 million, 3Q 2013). R&D investments were increased for products for the use by authorities.

In July EB received a purchase order from the Finnish Defence Forces for EB Tactical Wireless IP Network (TAC WIN) system products. The Finnish Defence Forces also issued a purchase option for further purchases of the same products. The purchase order and the purchase option are a continuation of the delivery contract signed between EB and the Finnish Defence Forces in September 2011 and related product deliveries that began in December 2012. In accordance with the contract EB is developing the Tactical Wireless IP Network for the Finnish Defence Forces and delivers software defined radios that are the basis for the EB TAC WIN system.

During the third quarter EB started the collaboration with Qualcomm to feature the Qualcomm® Snapdragon™ 801 processor in the new version of its EB Specialized Device Platform (SDP), which will be commercially available later this year. The device platform enables customer-specific tailoring of smartphones, tablets and other products, targeted primarily for professional applications in public safety, mobile satellite services and cyber-security. EB plans to utilize the Snapdragon™ 801 processor in different wireless products that will be customized based on EB's product platform.

Wireless Business Segment Market Outlook

In the Wireless Business Segment, EB's customers operate in various industries, each of them having own industry specific factors driving the demand. A common factor creating demand among the whole customer base is the introduction of new technologies. In 2014 the implementation of LTE (Long Term Evolution) technology is expected to continue to be important technological change driving the demand. 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 following factors are expected to create demand for EB's products and services in 2014 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 adopting 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.

- 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 smart watch and other Wearable devices is evolving and creating demand for customized solutions based on EB's product platforms.
- 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 a decrease in the demand for R&D services despite of the base station development needs generated by the LTE technology.

EB aims at bringing its products to the global defense and other authorities markets and expects the net sales generated from these markets to be low in 2014.

The public defense budget cuts affect negatively on the demand for products and product development services in Europe and also elsewhere in the world, and simultaneously increase the competition between the suppliers.

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-September 2014 were EUR 13.1 million (EUR 14.4 million, 1-9 2013), equaling 8.4% of the net sales (10.3%, 1-9 2013). The share of R&D investments in Automotive Business Segment was EUR 8.2 million (EUR 11.4 million, 1-9 2013) and in Wireless Business Segment EUR 4.9 million (EUR 3.0 million, 1-9 2013).

EUR 1.3 million of R&D investments was capitalized (EUR 0.0 million, 1-9 2013). The amount of capitalized R&D investments at the end of September 2014 was EUR 12.0 million (EUR 12.3 million, 30.9.2013). A significant part of these capitalizations is related to customer agreements in 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 1.3 million during the reporting period (EUR 1.2 million, 1-9 2013).

The total negative effect, caused from research and development investments, their capitalizations and their depreciation, on EB's income statement in January-September 2014 was EUR- 13.1 million (EUR -15.6 million, 1-9 2013).

OUTLOOK FOR 2014

For the year 2014 EB expects that the net sales and operating result will grow from the previous year (net sales of EUR 199.3 million and operating profit of EUR 8.1 million, in 2013). Net sales growth rate in 2014 is expected to be slower than in the previous year (net sales growth 14.6 %, 2013). Operating profit in the second half of the year is expected to be higher than in the first half (operating profit of EUR 5.0 million, 1H 2014).

The demand for R&D services and software products of the Automotive Business Segment is expected to continue good in the second half of the year, and operating profit of Automotive Business Segment is expected to be at the same level or better than in the first half of the year (operating profit of EUR 7.1 million, 1H 2014). In the Wireless Business Segment, operating result without the non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies is expected to be positive in the second half of 2014 (operating loss of EUR -2.0 million, 1H 2014). In the last quarter in the Wireless Business Segment we expect the product-based net sales to come mainly from the Finnish authorities and the product-based net sales from international defense and other authority markets to remain low due to the customers' slower than estimated purchase decisions.

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

Following the same principle as in the previous guidance, the non-recurring income of EUR 1.1 million resulted from the reorganization cases of TerreStar companies, has not been included in the outlook for 2014.

More information about other uncertainties regarding the outlook is presented in the sections “Risks and uncertainties” and “Events after the review period”, and in the Report by the Board of Directors 2013, available at <http://annualreport.elektrobit.com>.

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 August EB received a settlement payment of USD 1 075 000 (EUR 0.8 million) from TerreStar Networks Inc., and entered into a settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies. As a result from the approval of the proposal Elektrobit 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. The payment to IRS will be made in the fourth quarter of 2014 and carryback refund is estimated to be received at the latest by the end of 2015. In consequence of receiving full and final settlement payment and finishing of tax appeal process, EB's activities related to TerreStar reorganization processes are seen to be concluded. There is no full certainty that IRS will accept Elektrobit Inc.'s “carryback claim” from 2011.

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. More information about the legal action and withdrawal has been presented in stock exchange releases published on April 4, 2014 and on September 22, 2014. However, it is possible, that Parrot S.A. may initiate further legal actions in another forum. At the worst, Parrot's claim could result significant negative impact on e.solutions' and EB's profit, cash flow and financial position.

More short-term description of the risks and uncertainties are described in the report by the Board of Directors 2013. More information about risks and uncertainties are presented at the company's internet pages at www.elektrobit.com.

STATEMENT OF FINANCIAL POSITION AND FINANCING

The figures presented in the statement of financial position of September 30, 2014, are compared with the statement of the financial position of December 31, 2013 (MEUR).

	30.9.2014	31.12.2013
Non-current assets	47.1	46.1
Current assets	103.1	98.2
Total assets	150.2	144.4
Share capital	12.9	12.9
Other equity	73.0	68.8
Total shareholders' equity	85.9	81.7

Non-current liabilities	5.9	6.1
Current liabilities	58.3	56.5
Total shareholders' equity and liabilities	150.2	144.4

The cash flows during the period under review:

+ net profit +/- adjustment of accrual basis items	EUR +16.9 million
+/- change in net working capital	EUR -9.3 million
- interest, taxes and dividends	EUR -2.5 million
= cash generated from operations	EUR +5.1 million
- net cash used in investment activities	EUR -6.6 million
- net cash used in financing	EUR -0.8 million
= net change in cash and cash equivalents	EUR -2.3 million

The increase of the 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 60.9 million (EUR 54.3 million on December 31, 2013). Accounts payable and other payables, booked in interest-free current liabilities, were EUR 54.1 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 19.4 million (EUR 19.3 million on December 31, 2013).

The amount of gross investments in the period under review was EUR 7.2 million. Net investments for the reporting period totaled EUR 7.2 million. The total amount of depreciation during the period under review was EUR 6.3 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 7.3 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 0.3 million
Interest expenses and other financial expenses	EUR -0.3 million
foreign exchange gains and losses	EUR -0.7 million

EB's equity ratio at the end of the period was 64.0% (65.1 % on December 31, 2013).

Cash and other liquid assets at the end of the reporting period were EUR 40.7 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 1671 people between January and September 2014. In addition, e.solutions GmbH, the jointly owned company of EB and AUDI, employed 365 people. At the end of September, the parent company of the group and its subsidiaries had 1710 employees and e.solutions GmbH 407 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

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

EVENTS AFTER THE REVIEW PERIOD

In October Elektrobit Inc., a subsidiary of Elektrobit Corporation has entered into settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies booked in 2010. Initially IRS disallowed the deduction taken on Elektrobit Inc.'s federal income tax return. Elektrobit Inc. appealed the IRS decision to the IRS Office of Appeals that provided a proposal for a settlement. The parties have now accepted the proposal.

As a result from the approval of the proposal Elektrobit 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. The payment to IRS will happen on the fourth quarter of 2014 and carryback refund, if the claim will be approved, is estimated to be received at the latest by the end of 2015.

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 Elektrobit 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 Elektrobit Corporation's third quarter 2014 operating result. The above mentioned non-recurring items do not have effect on Elektrobit Corporation's financial outlook for 2014. EB will report the non-recurring items and tax items as part of its normal interim reporting.

A total of 164 608 new shares in Elektrobit Corporation were subscribed for between September 3, 2014 and October 15, 2014, pursuant to series 2008B-C stock options. The share subscription price, EUR 115 971.68 has been recorded in the Company's invested non-restricted equity fund. The corresponding increase in the number of the Company's shares has been entered into the Finnish Trade Register on October 28, 2014. Shareholder rights by virtue of the new shares commence as of the abovementioned registration entry date. Trading with the newly registered shares will start on October 29, 2014 as an additional lot of Elektrobit Corporation's shares in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation's totals to 131 407 100.

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.

On November 6, 2014 EB announced the plans to rationalize its operations in the Wireless Business Segment in Finland and targets to achieve annual cost savings of approximately EUR 1 million by centralizing some of its operations more in Oulu and by focusing the roles of its offices in Finland. EB started personnel negotiations with its Wireless Business Segment's personnel in Kajaani and



Tampere based on financial and production related reasons and restructuring of employer's operations, which is estimated to lead to termination of 20 employment relationships at the maximum. The planned cost saving actions, if materialized, are estimated to cause non-recurring costs of approximately EUR 0.4 million that will weaken the operating result of the last quarter 2014. Financial impacts of the planned actions are taken into account in the company's outlook for 2014 presented in this interim report.

Oulu November 6, 2014

Elektrobit Corporation
The Board of Members

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ELEKTROBIT CORPORATION (EB)

CONDENSED FINANCIAL STATEMENTS AND NOTES JANUARY – SEPTEMBER 2014

(unaudited)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Continuing operations	1-9/2014	1-9/2013	1-12/2013
	9 months	9 months	12 months
NET SALES	156.4	139.8	199.3
Other operating income	2.9	2.8	3.5
Change in work in progress and finished goods	0.0	0.1	-0.0
Work performed by the undertaking for its own purpose and capitalized	0.1		0.0
Raw materials	-10.6	-6.2	-12.4
Personnel expenses	-91.7	-84.4	-113.2
Depreciation	-6.3	-6.7	-9.0
Other operating expenses	-41.2	-43.1	-60.0
OPERATING PROFIT (LOSS)	9.6	2.4	8.1
Financial income and expenses	-0.6	-0.7	-0.9
PROFIT BEFORE TAX	9.0	1.8	7.2
Income tax	-2.8	-0.1	-0.6
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	6.2	1.6	6.7
Discontinued operations			
Profit for the year from discontinued operations		24.3	24.3
PROFIT FOR THE PERIOD	6.2	25.9	30.9
Other comprehensive income:			
Items that will not be reclassified to statement of income			
Re-measurement gains (losses) on defined benefit plans			0.0
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations	0.4	0.1	-0.0
Other comprehensive income for the period total	0.4	0.1	-0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6.6	26.0	30.9
Profit for the year attributable to			

Equity holders of the parent	6.2	25.9	30.9
Non-controlling interests			
Total comprehensive income for the period attributable to			
Equity holders of the parent	6.6	26.0	30.9
Non-controlling interests			
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.047	0.012	0.051
Diluted earnings per share	0.047	0.012	0.051
Earnings per share from discontinued operations, EUR			
Basic earnings per share		0.188	0.188
Diluted earnings per share		0.186	0.187
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.047	0.200	0.239
Diluted earnings per share	0.047	0.199	0.238
Average number of shares, 1000 pcs			
Average number of shares, 1000 pcs	130 868	129 432	129 528
Average number of shares, diluted, 1000 pcs	131 604	130 319	130 092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	9.2	9.3	9.7
Goodwill	19.4	19.3	19.3
Intangible assets	16.8	16.2	15.5
Other financial assets	0.1	0.1	0.1
Deferred tax assets	1.6	1.2	1.5
Non-current assets total	47.1	46.1	46.1
Current assets			
Inventories	1.5	0.8	0.8
Trade and other receivables	60.9	60.2	54.3
Financial assets at fair value through profit or loss	20.9	35.0	20.7

Cash and short term deposits	19.8	9.0	22.4
Current assets total	103.1	105.0	98.2
TOTAL ASSETS	150.2	151.1	144.4
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12.9	12.9	12.9
Invested non-restricted equity fund	24.9	38.7	24.5
Translation difference	1.0	0.7	0.6
Retained earnings	47.0	38.6	43.7
Non-controlling interests			
Total equity	85.9	91.0	81.7
Non-current liabilities			
Deferred tax liabilities	0.5	0.5	0.5
Pension obligations	2.2	2.1	2.1
Provisions	0.2	0.3	0.3
Interest-bearing liabilities	3.0	7.2	3.3
Non-current liabilities total	5.9	10.1	6.1
Current liabilities			
Trade and other payables	51.2	38.5	52.2
Financial liabilities at fair value through profit or loss	0.4		
Provisions	2.5	2.0	2.3
Interest-bearing loans and borrowings	4.3	9.6	2.0
Current liabilities total	58.3	50.1	56.5
Total liabilities	64.3	60.2	62.6
TOTAL EQUITY AND LIABILITIES	150.2	151.1	144.4

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)	1-9/2014	1-9/2013	1-12/2013
	9 months	9 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year from continuing operations	6.2	1.6	6.7
Profit for the year from discontinued operations		24.3	24.3
Adjustment of accrual basis items	10.7	-17.1	-13.3
Change in net working capital	-9.3	1.3	18.7
Interest paid on operating activities	-0.4	-1.1	-1.3

Interest received from operating activities	0.3	0.2	0.3
Other financial income and expenses, net received	0.0	0.0	0.0
Income taxes paid	-2.4	-0.5	-0.7
NET CASH FROM OPERATING ACTIVITIES	5.1	8.7	34.7
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of business unit, net of cash acquired		29.2	30.0
Purchase of property, plant and equipment	-2.2	-3.1	-4.0
Purchase of intangible assets	-4.4	-1.6	-2.0
Sale of property, plant and equipment	0.0	0.1	0.2
Sale of intangible assets	0.0	0.0	0.0
Proceeds from sale of investments	0.0		
NET CASH FROM INVESTING ACTIVITIES	-6.6	24.7	24.4
CASH FLOW FROM FINANCING ACTIVITIES			
Share-option plans exercised	0.4	0.1	0.1
Proceeds from borrowing	19.4	16.6	16.6
Repayment of borrowing	-16.6	-16.9	-28.4
Payment of finance liabilities	-1.4	-2.3	-3.1
Dividend paid and repayment of capital	-2.6	-1.3	-15.6
NET CASH FROM FINANCING ACTIVITIES	-0.8	-3.8	-30.3
NET CHANGE IN CASH AND CASH EQUIVALENTS	-2.3	29.6	28.7
Cash and cash equivalents at beginning of period	43.0	14.3	14.3
Cash and cash equivalents at end of period	40.7	43.9	43.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

A = Share capital

B = Invested non-restricted equity fund

C = Translation difference

D = Retained earnings

F = Non-controlling interests

G = Total equity

Restated	A	B	C	D	E	F
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	13.8		66.0
Comprehensive income for the period						
Profit for the period				25.9		25.9
Exchange differences on translating foreign operations			0.1			0.1
Total comprehensive income for the period			0.1	25.9		26.0
Transactions between the shareholders						
Dividend distribution				-1.3		-1.3
Share option plans exercised		0.1				0.1
Share-related compensation				0.1		0.1
Total transactions between the shareholders		0.1		-1.2		-1.1
Other changes				0.0		0.0
Shareholders equity on Sept. 30, 2013	12.9	38.7	0.7	38.6		91.0

	A	B	C	D	E	F
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				6.2		6.2
Exchange differences on translating foreign operations			0.4			0.4
Total comprehensive income for the period			0.4	6.2		6.6
Transactions between the shareholders						
Dividend distribution				-2.6		-2.6
Share option plans exercised		0.4				0.4
Share-related compensation				0.1		0.1
Total transactions between the shareholders		0.4		-2.5		-2.1
Other changes				-0.3		-0.3
Shareholders equity on Sept. 30, 2014	12.9	24.9	1.0	47.0		85.9

NOTES TO THE INTERIM FINANCIAL REPORTING

ACCOUNTING PRINCIPLES FOR THE INTERIM FINANCIAL REPORTING:

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Elektrobit Corporation has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2013, except for the adoption of new standards and interpretations effective during 2014. The changes did not have material impact on the Interim Report.

SEGMENT-INFORMATION (MEUR)

OPERATING SEGMENTS	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
Automotive			
Net sales to external customers	119.8	97.1	138.2
Net sales to other segments	0.0	0.1	0.1
Net sales total	119.8	97.2	138.3
Operating profit (loss)	10.6	3.1	8.5
Wireless			
Net sales to external customers	36.6	42.7	61.1
Net sales to other segments	0.1	0.1	0.1
Net sales total	36.7	42.8	61.2
Operating profit (loss)	-0.9	-0.8	-0.5
OTHER ITEMS			
Other items			
Net sales to external customers			
Operating profit (loss)	-0.0	0.1	0.1
Eliminations			
Net sales to other segments	-0.1	-0.2	-0.2
Operating profit (loss)	0.0	0.0	0.0
Group total			
Net sales to external customers	156.4	139.8	199.3
Operating profit (loss)	9.6	2.4	8.1

Net sales of geographical areas (MEUR)	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
Net sales			
Europe	128.0	115.6	164.8
Americas	21.4	18.6	26.6
Asia	7.0	5.6	7.9
Net sales total	156.4	139.8	199.3

Related party transactions	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
Employee benefits for key management and stock options expenses total	0.9	0.8	1.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	7-9/2014 3 months	4-6/2014 3 months	1-3/2014 3 months	10-12/2013 3 months	7-9/2013 3 months
Continuing operations					
NET SALES	52.5	52.2	51.7	59.5	45.7
Other operating income	1.1	1.1	0.6	0.7	0.9
Change in work in progress and finished goods	0.0	0.0	0.0	-0.1	0.1
Work performed by the undertaking for its own purpose and capitalized	0.0	0.1		0.0	
Raw materials	-1.9	-3.6	-5.1	-6.3	-2.0
Personnel expenses	-29.8	-30.5	-31.4	-28.8	-26.6
Depreciation	-2.1	-2.1	-2.2	-2.4	-2.3
Other operating expenses	-15.2	-14.2	-11.8	-17.0	-14.7
OPERATING PROFIT (LOSS)	4.6	3.1	1.9	5.7	1.0
Financial income and expenses	-0.4	-0.3	0.0	-0.2	-0.1
PROFIT BEFORE TAX	4.2	2.8	1.9	5.5	0.9
Income tax	-1.6	-1.0	-0.2	-0.4	-0.1
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	2.6	1.8	1.7	5.0	0.8
Discontinued operations					
Profit for the period from discontinued operations					0.7
PROFIT FOR THE PERIOD	2.6	1.8	1.7	5.0	1.5

Other comprehensive income	0.2	0.3	-0.1	-0.1	-0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2.8	2.1	1.6	4.9	1.4
Profit for the period attributable to:					
Equity holders of the parent	2.6	1.8	1.7	5.0	1.5
Non-controlling interests					
Total comprehensive income for the period attributable to:					
Equity holders of the parent	2.8	2.1	1.6	4.9	1.4
Non-controlling interests					

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013
ASSETS					
Non-current assets					
Property, plant and equipment	9.2	9.1	9.3	9.7	9.3
Goodwill	19.4	19.4	19.4	19.3	19.3
Intangible assets	16.8	14.7	14.8	15.5	16.2
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.6	1.5	1.5	1.5	1.2
Non-current assets total	47.1	44.9	45.1	46.1	46.1
Current assets					
Inventories	1.5	1.0	0.9	0.8	0.8
Trade and other receivables	60.9	71.6	55.3	54.3	60.2
Financial assets at fair value through profit or loss	20.9	20.9	20.8	20.7	35.0
Cash and short term deposits	19.8	10.0	21.8	22.4	9.0
Current assets total	103.1	103.5	98.8	98.2	105.0
TOTAL ASSETS	150.2	148.4	144.0	144.4	151.1
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	24.9	24.9	24.8	24.5	38.7
Translation difference	1.0	0.8	0.5	0.6	0.7

Retained earnings	47.0	44.7	45.4	43.7	38.6
Non-controlling interests					
Total equity	85.9	83.3	83.7	81.7	91.0
Non-current liabilities					
Deferred tax liabilities	0.5	0.5	0.5	0.5	0.5
Pension obligations	2.2	2.1	2.1	2.1	2.1
Provisions	0.2	0.3	0.5	0.3	0.3
Interest-bearing liabilities	3.0	2.9	3.0	3.3	7.2
Non-current liabilities total	5.9	5.8	6.1	6.1	10.1
Current liabilities					
Trade and other payables	51.2	45.4	43.5	52.2	38.5
Financial liabilities at fair value through profit or loss	0.4	0.0			
Provisions	2.5	3.0	2.3	2.3	2.0
Interest-bearing loans and borrowings	4.3	10.9	8.3	2.0	9.6
Current liabilities total	58.3	59.3	54.1	56.5	50.1
Total liabilities	64.3	65.1	60.3	62.6	60.2
TOTAL EQUITY AND LIABILITIES	150.2	148.4	144.0	144.4	151.1

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	7-9/2014 3 months	4-6/2014 3 months	1-3/2014 3 months	10-12/2013 3 months	7-9/2013 3 months
Net cash from operating activities	20.5	-9.7	-5.7	26.0	3.3
Net cash from investing activities	-3.9	-1.7	-1.0	-0.3	-1.6
Net cash from financing activities	-6.7	-0.3	6.2	-26.5	0.1
Net change in cash and cash equivalents	9.8	-11.6	-0.5	-0.9	1.8

FINANCIAL PERFORMANCE RELATED RATIOS	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	156.4	139.8	199.3
Operating profit (loss)	9.6	2.4	8.1
Operating profit (loss), % of net sales	6.1	1.7	4.1
Profit before taxes	9.0	1.8	7.2
Profit before taxes, % of net sales	5.7	1.3	3.6

Profit for the period	6.2	1.6	6.7
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	-33.4	-27.1	-37.7
Net gearing, -%	-38,9	-29.8	-46.1
Equity ratio, %	64.0	63.9	65.1
Gross investments, (MEUR)	7.2	5.8	7.9
Average personnel during the period, parent and subsidiaries	1671	1628	1627
Personnel at the period end, parent and subsidiaries	1710	1685	1648
Average personnel during the period, jointly owned company	365	294	300
Personnel at the period end, jointly owned company	407	331	321

AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
At the end of period	131 242	129 631	130 101
Average for the period	130 868	129 432	129 528
Average for the period diluted with stock options	131 604	130 319	130 092
STOCK-RELATED FINANCIAL RATIOS (EUR)			
	1-9/2014	1-9/2013	1-12/2013
	9 months	9 months	12 months
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.047	0.012	0.051
Diluted earnings per share	0.047	0.012	0.051
Earnings per share from discontinued operations, EUR			
Basic earnings per share		0.188	0.188
Diluted earnings per share		0.186	0.187
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.047	0.200	0.239
Diluted earnings per share	0.047	0.199	0.238
Equity *) per share	0.65	0.70	0.63
*) Equity attributable to equity holders of the parent			

MARKET VALUES OF SHARES (EUR)	1-9/2014 9 months	1-9/2013 9 months	1-12/2012 12 months
Highest	3.23	1.48	2.90
Lowest	2.30	0.64	0.64
Average	2.70	1.04	1.55
At the end of period	2.91	1.33	2.66
Market value of the stock, (MEUR)	381.9	172.4	346.1
Trading value of shares, (MEUR)	139.6	21.5	72.0
Number of shares traded, (1,000 pcs)	51 663	20 757	46 483
Related to average number of shares %	39.5	16.0	35.9

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
AGAINST OWN LIABILITIES			
Floating charges	1.0	18.0	18.0
Guarantees	15.3	14.6	14.6
Rental liabilities			
Falling due in the next year	7.4	6.6	7.6
Falling due after one year	14.3	14.5	17.6
Other contractual liabilities			
Falling due in the next year	2.0	1.3	1.0
Falling due after one year	0.6	0.3	0.6
Mortgages are pledged for liabilities totaled	1.5	13.6	2.5
NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
Foreign exchange forward contracts			
Market value	-0.0	0.1	0.1
Nominal value	3.0	5.0	6.0
Purchased currency options			
Market value	0.0	0.1	0.0
Nominal value	5.0	4.0	2.5
Sold currency options			



Market value	-0.3	-0.0	-0.0
Nominal value	8.0	8.0	5.0



Elektrobit

ELEKTROBIT CORPORATION (EB) INTERIM REPORT JANUARY - SEPTEMBER 2014

Net sales

156.4 MEUR

Net sales growth

11.9%

Operating profit

9.6 MEUR

Operating profit, % of net sales

6.1%

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

The 2013 figures presented in comparison in this interim report include the figures of Continuing Operations only.

SUMMARY JULY – SEPTEMBER 2014

- Net sales of July - September 2014 grew to EUR 52.5 million (EUR 45.7 million, 3Q 2013), representing an increase of 14.9 % year-on-year.
- Operating profit was EUR 4.6 million, including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies (EUR 1.0 million, 3Q 2013).
- Net cash flow was EUR 9.8 million (EUR 1.8 million, 3Q 2013).
- Earnings per share were EUR 0.020 (EUR 0.006, 3Q 2013).
- The number of EB's shares increased during the reporting period by altogether 51 296 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 131 242 492.
- 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 and include conventional covenants that are, among others, related to equity ratio, transfer and pledge of the assets.
- In July Elektrobit Inc., a subsidiary of Elektrobit Corporation, entered into a conditional agreement of settlement with the liquidating trust of TerreStar Networks Inc. (TSN). The United States Bankruptcy Court approved the conditional agreement and 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) in full and final satisfaction of its claims against TSN and in resolution of all disputes between EB and the liquidating trust of TSN. The Settlement Payment results in a non-recurring positive effect of approximately EUR 0.8 million on Elektrobit Corporation's operating result and in a positive effect on Elektrobit Corporation's cash flow of approximately EUR 0.8 million in the third quarter 2014.
- According to the information received by EB 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. However, it is possible, that despite of the withdrawal, Parrot S.A.'s may initiate further legal actions in another forum.
- After the reporting period 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 booked in 2010. As a result of the approval of the proposal Elektrobit 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. The payment to IRS will be made in the fourth quarter of 2014 and the carryback refund, if the claim will be approved, is estimated to be received at the latest by the end of 2015.
- The settlement payment received in August formed the full and final satisfaction of Elektrobit Inc.'s laid and open claims against TerreStar companies in their reorganization cases. In consequence of receiving the full and final settlement payment and finishing of the tax appeal process, EB's activities related to TerreStar reorganization processes are expected to be concluded. EB reverses 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 have together approximately EUR 1.1 million non-recurring positive effect on EB's third quarter 2014 operating result.

SUMMARY JANUARY – SEPTEMBER 2014

- Net sales of January - September 2014 grew to EUR 156.4 million (EUR 139.8 million, 1-9 2013), representing an increase of 11.9 % year-on-year.
- Operating profit was EUR 9.6 million including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies (EUR 2.4 million, 1H-9 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 -2.3 million (EUR 29.6 million, 1-9 2013, including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business).
- Earnings per share were EUR 0.047 (EUR 0.012, 1-9 2013).

Group (MEUR)	3Q 14	3Q 13	1-9 14	1-9 13	2013
NET SALES	52.5	45.7	156.4	139.8	199.3
Change of net sales, %	14.9 %	10.1 %	11.9 %	11.3 %	14.6 %
OPERATING PROFIT / LOSS	4.6	1.0	9.6	2.4	8.1
Operating profit / loss, % of net sales	8.7 %	2.3 %	6.1 %	1.7 %	4.1 %
Operating profit /loss without non-recurring items	3.5	1.0	8.4	3.3	9.0
EBITDA	6.7	3.3	15.9	9.1	17.2
CASH AND OTHER LIQUID ASSETS	40.7	43.9	40.7	43.9	43.0
EQUITY RATIO (%)	64.0 %	63.9 %	64.0 %	63.9 %	65.1 %
EARNINGS PER SHARE (EUR)	0.020	0.006	0.047	0.012	0.051

Automotive Business Segment (MEUR)	3Q 14	3Q 13	1-9 14	1-9 13	2013
NET SALES	42.5	34.1	119.8	97.2	138.3
Change of net sales, %	24.5 %	24.5 %	23.3 %	23.4 %	25.0 %
OPERATING PROFIT / LOSS	3.5	1.9	10.6	3.1	8.5
Operating profit / loss, % of net sales	8.3 %	5.7 %	8.8 %	3.2 %	6.2 %
EBITDA	5.0	3.5	15.1	7.6	14.6

Wireless Business Segment (MEUR)	3Q 14	3Q 13	1-9 14	1-9 13	2013
NET SALES	10.0	11.6	36.7	42.8	61.2
Change of net sales, %	-13.2 %	-17,9 %	-14.3 %	-9.2 %	-3.7 %
OPERATING PROFIT / LOSS	1.1	-0.9	-0.9	-0.8	-0.5
Operating profit / loss, % of net sales	10.8 %	-7.9 %	-2.6 %	-1.8 %	-0.8 %
Operating profit /loss without non-recurring items	-0.1	-0.9	-2.1	0.1	0.4
EBITDA	1.7	-0.2	0.9	1.4	2.5

EB'S CEO JUKKA HARJU

“EB's net sales and operating profit continued to grow from previous year also during the third quarter. During January – September EB's net sales grew by 11.9 per cent year-on-year to EUR 156.4 million. Operating profit improved clearly from the previous year and was EUR 8.4 million without the non-recurring income of EUR 1.1 million in the third quarter. The reason for the improved net sales and operating profit was the good development of Automotive Business Segment.

In 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 of Automotive Business Segment grew strongly by 23.3 % from the previous year and operating profit improved to 8.8 % of net sales. The improvement of the operating profit was driven by the good performance in services projects, the growth of software license sales especially for the in-car navigation software and the lower R&D investments.

The net sales of the Wireless Business Segment decreased by 14.3 % from the previous year 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 7.8 million, which however did not fully compensate the decreased services sales. In the fourth quarter, in the Wireless Business Segment we expect the product-based sales to be generated mainly from the Finnish authority markets and the net sales resulting from the international defense and other authority markets to remain low due to these customers' slower than estimated purchase decisions. Operating result during the reporting period was lower than targeted and negative due to the weak result of the first half of the year. In the second half of the year, we expect the Wireless Business Segment to develop positively and its operating result to be profitable.

During the autumn, EB concluded its measures to collect the receivables from TerreStar companies based in the US in their reorganization cases, and entered into a settlement with US Internal Revenue Services (IRS) concerning tax treatment of impairment of receivables from TerreStar companies. These resulted in a non-recurring income of EUR 1.1 million in the third quarter of 2014.

Our main target in 2014 is to grow net sales and operating profit from the previous year and EB is in a good position to achieve this target.”

OUTLOOK FOR 2014

For the year 2014 EB expects that the net sales and operating result will grow from the previous year (net sales of EUR 199.3 million and operating profit of EUR 8.1 million, in 2013). Net sales growth rate in 2014 is expected to be slower than in the previous year (net sales growth 14.6 %, 2013). Operating profit in the second half of the year is expected to be higher than in the first half (operating profit of EUR 5.0 million, 1H 2014).

The demand for R&D services and software products of the Automotive Business Segment is expected to continue good in the second half of the year, and operating profit of Automotive Business Segment is expected to be at the same level or better than in the first half of the year (operating profit of EUR 7.1 million, 1H 2014). In the Wireless Business Segment, operating result without the non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies is expected to be positive in the second half of 2014 (operating loss of EUR -2.0 million, 1H 2014). In the last quarter in the Wireless Business Segment we expect the product-based net sales to come mainly from the Finnish authorities and the product-based net sales from international defense and other authority markets to remain low due to the customers' slower than estimated purchase decisions.

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

Following the same principle as in the previous guidance, the non-recurring income of EUR 1.1 million resulted from the reorganization cases of TerreStar companies, has not been included in the outlook for 2014.

More information about other uncertainties regarding the outlook is presented in the sections “Risks and uncertainties” and “Events after the review period”, and in the Report by the Board of Directors 2013, available at <http://annualreport.elektrobit.com>.



INVITATION TO A PRESS CONFERENCE

EB will hold a press conference on the January-September 2014 Interim Report for media, analysts and institutional investors in in Restaurant Savoy, Eteläesplanadi 14, Helsinki, Finland, on Thursday, November 6, 2014, at 11.00 a.m. (CET+1). The conference will also be held as a conference call and the presentation will be shown simultaneously in the Internet through GlobalMeet. The conference will be held in English. For more information please go to www.elektrobit.com/investors.

ELEKTROBIT CORPORATION (EB)

EB creates advanced technology and turns it into enriching end-user experiences. EB is specialized in demanding embedded software and hardware solutions for wireless and automotive industries. The net sales in 2013 totaled EUR 199.3 million and the operating profit was EUR 8.1 million, in 2013. Elektrobit Corporation is listed on NASDAQ OMX Helsinki. www.elektrobit.com.

ELEKTROBIT CORPORATION (EB) INTERIM REPORT JANUARY-SEPTEMBER 2014

2013 figures presented in comparison in this interim report include only figures of Continuing Operations.

FINANCIAL PERFORMANCE DURING JANUARY-SEPTEMBER 2014

EB's net sales during January-September 2014 grew by 11.9 per cent year-on-year to EUR 156.4 million (EUR 139.8 million, 1-9 2013). Operating profit was EUR 9.6 million including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies (EUR 2.4 million, 1-9 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment).

Net sales of the Automotive Business Segment in January-September 2014 grew to EUR 119.8 million (EUR 97.2 million, 1-9 2013), representing 23.3 per cent growth year-on-year. Operating profit improved clearly from the previous year and was EUR 10.6 million (EUR 3.1 million, 1-9 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 good performance in services projects, the growth of software license sales especially for the in-car navigation software and the lower R&D investments.

The Wireless Business Segment's net sales in January-September 2014 decreased by 14.3 per cent year-on-year, to EUR 36.7 million (EUR 42.8 million, 1-9 2013). The share of the product-based net sales was EUR 7.8 million, which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the delivery of a batch of special terminal products for the authority use to a customer abroad. The operating loss of the Wireless Business Segment in January-September 2014 was EUR -0.9 million, including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies (EUR -0.8 million, 1-9 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in 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, which decline the increased product-based net sales did not fully compensate.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-9 2014	1-9 2013
	9 months	9 months
CONTINUING OPERATIONS		
Net sales	156.4	139.8
Operating profit / loss	9.6	2.4
Financial income and expenses	-0.6	-0.7
Result before tax	9.0	1.8
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	6.2	1.6
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS		24.3
RESULT FOR THE PERIOD	6.2	25.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6.6	26.0
Result for the period attributable to:		
Equity holders of the parent	6.2	25.9
Non-controlling interests		

Total comprehensive income for the period attributable to:		
Equity holder of the parent	6.6	26.0
Non-controlling interests		
Earnings per share from continuing operations, EUR	0.047	0.012

- Cash flow from operating activities was EUR 5.1 million (EUR 8.7 million, 1-9 2013).
- Net cash flow was EUR -2.3 million (EUR 29.6 million, 1-9 2013, including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business).
- Equity ratio was 64.0 % (63.9 %, September 30, 2013).
- Net gearing was -38.9 % (-29.8 %, September 30, 2013).

QUARTERLY FIGURES

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

	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13
Net sales	52.5	52.2	51.7	59.5	45.7
Operating profit (loss)	4.6	3.1	1.9	5.7	1.0
Operating profit (loss) without non-recurring costs	3.5	3.1	1.9	5.7	1.0
Result before taxes	4.2	2.8	1.9	5.5	0.9
Result for the period	2.6	1.8	1.7	5.0	0.8

Non-recurring items are exceptional gains and costs that are not related to normal business operations and occur only seldom. These items include capital gains or losses, significant changes in asset values such as write-downs or reversals of write-downs, significant restructuring costs, or other items that the management considers to be non-recurring. When evaluating a non-recurring item, the euro translation value of the item is considered, and in case of a change in an asset value, it is measured against the total value of the asset.

In 2013 Wireless Business Segment reported non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment in the first quarter of 2013. In the review period and in the periods presented for comparison in the table above, no non-recurring items occurred.

In 2014 Wireless Business Segment reported non-recurring income of approximately EUR 1.1 million resulting from the reorganization cases of TerreStar companies during the third quarter of the year.

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

	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13
Automotive					
Net sales to external customers	42.5	39.8	37.5	41.1	34.1
Net sales to other segments	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	3.5	4.2	2.9	5.4	1.9

Wireless					
Net sales to external customers	10.0	12.4	14.2	18.3	11.5
Net sales to other segments	0.1	0.0	0.0	0.0	0.0
Operating profit (loss)	1.1	-0.9	-1.1	0.3	-0.9
Other businesses					
Net sales to external customers	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	-0.0	-0.2	0.1	0.0	0.0
Total					
Net sales	52.5	52.2	51.7	59.5	45.7
Operating profit (loss)	4.6	3.1	1.9	5.7	1.0

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

	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13
Asia	2.6 5.0 %	1.8 3.5 %	2.5 4.9 %	2.3 3.9 %	1.9 4.3 %
Americas	7.6 14.5 %	6.6 12.7 %	7.2 13.8 %	8.0 13.4 %	6.0 13.2 %
Europe	42.3 80.6 %	43.8 83.8 %	42.0 81.3 %	49.2 82.7 %	37.7 82.5 %

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A total of 1 141 617 new shares were subscribed for between December 5, 2013 and August 18, 2014 by virtue of the stock option rights 2008A, 2008B and 2008C. The share subscription price, EUR 399 873.09 was recorded in the Company's invested non-restricted equity fund. The increases in the number of the Company's shares were entered into the Finnish Trade Register on February 10, 2014, April 14, 2014, on June 26, 2014 and on August 27, 2014. The trading with the registered shares started on February 11, 2014, April 15, 2014 on June 27, 2014, and on August 29, 2014 as an additional lot of Elektrobit Corporation's shares in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation totaled 131 242 492.

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 targets cost savings of approximately EUR 0.8 million, which would materialize 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 July a subsidiary of Elektrobit Corporation, Elektrobit 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. The Settlement Payment has resulted in a non-recurring positive effect of approximately EUR 0.8 million on EB's operating result and in a positive effect on Elektrobit Corporation's cash flow of approximately EUR 0.8 million on the third quarter 2014.

After the reporting period EB has entered into 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. The reversal of the provision and the EUR 0.8 million settlement payment have together approximately EUR 1.1 million non-recurring positive effect on Elektrobit Corporation's third quarter 2014 operating result. More information about the settlement with IRS is presented in the section "Events after the reporting period".

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. More information about the legal action and withdrawal has been presented in stock exchange releases published on April 4, 2014 and on September 22, 2014. Neither the legal action nor the withdrawal has caused any such financial consequence that would affect EB's profit outlook or financial position. However, it is possible, that Parrot S.A. may initiate further legal actions in another forum.

BUSINESS SEGMENTS' DEVELOPMENT DURING JULY-SEPTEMBER 2014 AND MARKET OUTLOOK

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

AUTOMOTIVE

In Automotive Business Segment EB offers 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 July – September 2014

EB's net sales in Automotive Business Segment continued its strong growth during the third quarter of 2014 and amounted to EUR 42.5 million (EUR 34.1 million, 3Q 2013), representing a growth of 24.5 % year-on-year. Operating profit improved clearly and was

EUR 3.5 million (EUR 1.9 million, 3Q 2013). 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. The improvement of the operating profit was driven mainly by the good performance in services projects, growth of software license sales especially for the in-car navigation software and lower R&D investments.

The R&D investments in the third quarter were EUR 3.2 million (EUR 3.6 million, 3Q 2013). The reason for the decrease in the R&D investments was the transfer of certain product platform development from an initial investment phase to a continuing development phase.

In August EB announced its plans to build a new automotive software development site in Oulu, Finland. The new site is planned to employ up to 40 software engineers by the end of 2014, focusing on the development of embedded automotive software. EB's Automotive Business Segment has grown steadily during the last years, and expanding its operations to Oulu, Finland, will offer the company an opportunity to further grow its software engineering capacity for current and future needs.

Automotive Business Segment market outlook

The global car market is expected to grow by 3% in 2014 according to the forecast made by VDA (Verband der Automobilindustrie). Carmakers continued to invest in automotive software for new car models and the market for software products and services is estimated to continue growing during 2014. The demand for EB's products and services is estimated to develop positively year-on-year during 2014 in 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, and growth for EB, is mainly expected to be driven 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 areas comfort and security, information and entertainment, powertrain and communication. The trend of separating hardware from software continues in 2014 and beyond, allowing carmakers to speed up innovation and to improve the quality and cost efficiency of their vehicles.
- 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 to include localization for all regions.
- 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.
- 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 automotive markets like 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 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 consumer electronics companies such as Apples "CarPlay" or Google's announcement of Open Automotive Alliance.
- New Active Safety Systems and Driver Assistance applications are being brought to the market as automated driving is becoming 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 products and product platforms for defense, public safety and other authority markets as well as for industrial use. Further EB offers product development services and customized solutions for wireless communications markets and for companies needing wireless connectivity for their products. EB's products in the Wireless Business Segment are the EB Tactical Wireless IP Network for tactical communications, EB Tough VoIP for tactical IP-based communication, EB Wideband

COMINT Sensor for signals intelligence. The product platforms are the Android-based EB Specialized Device Platform and EB LTE Connectivity Module for specialized markets. For the latest wireless technologies and applications EB offers a broad range of R&D services such as consulting, integration, and development of software and hardware.

Development of the Wireless Business Segment in July – September 2014

Net sales of the Wireless Business Segment during the third quarter of 2014 decreased by 13.2 per cent year-on-year to EUR 10.0 million (EUR 11.6 million, 3Q 2013). The share of the product based net sales was EUR 1.9 million, which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces.

Operating profit was EUR 1.1 million, including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies (operating loss of EUR -0.9 million, 3Q 2013). 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, which decline the increased product-based net sales did not fully compensate.

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 third quarter. Customers' purchase decisions proceeded slower than estimated, and therefore we expect the net sales resulting from the international defense and other authority markets to remain low in the fourth quarter.

R&D investments in the second quarter were EUR 1.5 million (EUR 0.8 million, 3Q 2013). R&D investments were increased for products for the use by authorities.

In July EB received a purchase order from the Finnish Defence Forces for EB Tactical Wireless IP Network (TAC WIN) system products. The Finnish Defence Forces also issued a purchase option for further purchases of the same products. The purchase order and the purchase option are a continuation of the delivery contract signed between EB and the Finnish Defence Forces in September 2011 and related product deliveries that began in December 2012. In accordance with the contract EB is developing the Tactical Wireless IP Network for the Finnish Defence Forces and delivers software defined radios that are the basis for the EB TAC WIN system.

During the third quarter EB started the collaboration with Qualcomm to feature the Qualcomm® Snapdragon™ 801 processor in the new version of its EB Specialized Device Platform (SDP), which will be commercially available later this year. The device platform enables customer-specific tailoring of smartphones, tablets and other products, targeted primarily for professional applications in public safety, mobile satellite services and cyber-security. EB plans to utilize the Snapdragon™ 801 processor in different wireless products that will be customized based on EB's product platform.

Wireless Business Segment Market Outlook

In the Wireless Business Segment, EB's customers operate in various industries, each of them having own industry specific factors driving the demand. A common factor creating demand among the whole customer base is the introduction of new technologies. In 2014 the implementation of LTE (Long Term Evolution) technology is expected to continue to be important technological change driving the demand. 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 following factors are expected to create demand for EB's products and services in 2014 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 adopting 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.

- 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 smart watch and other Wearable devices is evolving and creating demand for customized solutions based on EB's product platforms.
- 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 a decrease in the demand for R&D services despite of the base station development needs generated by the LTE technology.

EB aims at bringing its products to the global defense and other authorities markets and expects the net sales generated from these markets to be low in 2014.

The public defense budget cuts affect negatively on the demand for products and product development services in Europe and also elsewhere in the world, and simultaneously increase the competition between the suppliers.

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-September 2014 were EUR 13.1 million (EUR 14.4 million, 1-9 2013), equaling 8.4% of the net sales (10.3%, 1-9 2013). The share of R&D investments in Automotive Business Segment was EUR 8.2 million (EUR 11.4 million, 1-9 2013) and in Wireless Business Segment EUR 4.9 million (EUR 3.0 million, 1-9 2013).

EUR 1.3 million of R&D investments was capitalized (EUR 0.0 million, 1-9 2013). The amount of capitalized R&D investments at the end of September 2014 was EUR 12.0 million (EUR 12.3 million, 30.9.2013). A significant part of these capitalizations is related to customer agreements in 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 1.3 million during the reporting period (EUR 1.2 million, 1-9 2013).

The total negative effect, caused from research and development investments, their capitalizations and their depreciation, on EB's income statement in January-September 2014 was EUR- 13.1 million (EUR -15.6 million, 1-9 2013).

OUTLOOK FOR 2014

For the year 2014 EB expects that the net sales and operating result will grow from the previous year (net sales of EUR 199.3 million and operating profit of EUR 8.1 million, in 2013). Net sales growth rate in 2014 is expected to be slower than in the previous year (net sales growth 14.6 %, 2013). Operating profit in the second half of the year is expected to be higher than in the first half (operating profit of EUR 5.0 million, 1H 2014).

The demand for R&D services and software products of the Automotive Business Segment is expected to continue good in the second half of the year, and operating profit of Automotive Business Segment is expected to be at the same level or better than in the first half of the year (operating profit of EUR 7.1 million, 1H 2014). In the Wireless Business Segment, operating result without the non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies is expected to be positive in the second half of 2014 (operating loss of EUR -2.0 million, 1H 2014). In the last quarter in the Wireless Business Segment we expect the product-based net sales to come mainly from the Finnish authorities and the product-based net sales from international defense and other authority markets to remain low due to the customers' slower than estimated purchase decisions.

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

Following the same principle as in the previous guidance, the non-recurring income of EUR 1.1 million resulted from the reorganization cases of TerreStar companies, has not been included in the outlook for 2014.

More information about other uncertainties regarding the outlook is presented in the sections “Risks and uncertainties” and “Events after the review period”, and in the Report by the Board of Directors 2013, available at <http://annualreport.elektrobit.com>.

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 August EB received a settlement payment of USD 1 075 000 (EUR 0.8 million) from TerreStar Networks Inc., and entered into a settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies. As a result from the approval of the proposal Elektrobit 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. The payment to IRS will be made in the fourth quarter of 2014 and carryback refund is estimated to be received at the latest by the end of 2015. In consequence of receiving full and final settlement payment and finishing of tax appeal process, EB's activities related to TerreStar reorganization processes are seen to be concluded. There is no full certainty that IRS will accept Elektrobit Inc.'s “carryback claim” from 2011.

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. More information about the legal action and withdrawal has been presented in stock exchange releases published on April 4, 2014 and on September 22, 2014. However, it is possible, that Parrot S.A. may initiate further legal actions in another forum. At the worst, Parrot's claim could result significant negative impact on e.solutions' and EB's profit, cash flow and financial position.

More short-term description of the risks and uncertainties are described in the report by the Board of Directors 2013. More information about risks and uncertainties are presented at the company's internet pages at www.elektrobit.com.

STATEMENT OF FINANCIAL POSITION AND FINANCING

The figures presented in the statement of financial position of September 30, 2014, are compared with the statement of the financial position of December 31, 2013 (MEUR).

	30.9.2014	31.12.2013
Non-current assets	47.1	46.1
Current assets	103.1	98.2
Total assets	150.2	144.4
Share capital	12.9	12.9
Other equity	73.0	68.8
Total shareholders' equity	85.9	81.7

Non-current liabilities	5.9	6.1
Current liabilities	58.3	56.5
Total shareholders' equity and liabilities	150.2	144.4

The cash flows during the period under review:

+ net profit +/- adjustment of accrual basis items	EUR +16.9 million
+/- change in net working capital	EUR -9.3 million
- interest, taxes and dividends	EUR -2.5 million
= cash generated from operations	EUR +5.1 million
- net cash used in investment activities	EUR -6.6 million
- net cash used in financing	EUR -0.8 million
= net change in cash and cash equivalents	EUR -2.3 million

The increase of the 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 60.9 million (EUR 54.3 million on December 31, 2013). Accounts payable and other payables, booked in interest-free current liabilities, were EUR 54.1 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 19.4 million (EUR 19.3 million on December 31, 2013).

The amount of gross investments in the period under review was EUR 7.2 million. Net investments for the reporting period totaled EUR 7.2 million. The total amount of depreciation during the period under review was EUR 6.3 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 7.3 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 0.3 million
Interest expenses and other financial expenses	EUR -0.3 million
foreign exchange gains and losses	EUR -0.7 million

EB's equity ratio at the end of the period was 64.0% (65.1 % on December 31, 2013).

Cash and other liquid assets at the end of the reporting period were EUR 40.7 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 1671 people between January and September 2014. In addition, e.solutions GmbH, the jointly owned company of EB and AUDI, employed 365 people. At the end of September, the parent company of the group and its subsidiaries had 1710 employees and e.solutions GmbH 407 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

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

EVENTS AFTER THE REVIEW PERIOD

In October Elektrobit Inc., a subsidiary of Elektrobit Corporation has entered into settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies booked in 2010. Initially IRS disallowed the deduction taken on Elektrobit Inc.'s federal income tax return. Elektrobit Inc. appealed the IRS decision to the IRS Office of Appeals that provided a proposal for a settlement. The parties have now accepted the proposal.

As a result from the approval of the proposal Elektrobit 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. The payment to IRS will happen on the fourth quarter of 2014 and carryback refund, if the claim will be approved, is estimated to be received at the latest by the end of 2015.

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 Elektrobit 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 Elektrobit Corporation's third quarter 2014 operating result. The above mentioned non-recurring items do not have effect on Elektrobit Corporation's financial outlook for 2014. EB will report the non-recurring items and tax items as part of its normal interim reporting.

A total of 164 608 new shares in Elektrobit Corporation were subscribed for between September 3, 2014 and October 15, 2014, pursuant to series 2008B-C stock options. The share subscription price, EUR 115 971.68 has been recorded in the Company's invested non-restricted equity fund. The corresponding increase in the number of the Company's shares has been entered into the Finnish Trade Register on October 28, 2014. Shareholder rights by virtue of the new shares commence as of the abovementioned registration entry date. Trading with the newly registered shares will start on October 29, 2014 as an additional lot of Elektrobit Corporation's shares in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation's totals to 131 407 100.

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.

On November 6, 2014 EB announced the plans to rationalize its operations in the Wireless Business Segment in Finland and targets to achieve annual cost savings of approximately EUR 1 million by centralizing some of its operations more in Oulu and by focusing the roles of its offices in Finland. EB started personnel negotiations with its Wireless Business Segment's personnel in Kajaani and



Tampere based on financial and production related reasons and restructuring of employer's operations, which is estimated to lead to termination of 20 employment relationships at the maximum. The planned cost saving actions, if materialized, are estimated to cause non-recurring costs of approximately EUR 0.4 million that will weaken the operating result of the last quarter 2014. Financial impacts of the planned actions are taken into account in the company's outlook for 2014 presented in this interim report.

Oulu November 6, 2014

Elektrobit Corporation
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ELEKTROBIT CORPORATION (EB)

CONDENSED FINANCIAL STATEMENTS AND NOTES JANUARY – SEPTEMBER 2014

(unaudited)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Continuing operations	1-9/2014	1-9/2013	1-12/2013
	9 months	9 months	12 months
NET SALES	156.4	139.8	199.3
Other operating income	2.9	2.8	3.5
Change in work in progress and finished goods	0.0	0.1	-0.0
Work performed by the undertaking for its own purpose and capitalized	0.1		0.0
Raw materials	-10.6	-6.2	-12.4
Personnel expenses	-91.7	-84.4	-113.2
Depreciation	-6.3	-6.7	-9.0
Other operating expenses	-41.2	-43.1	-60.0
OPERATING PROFIT (LOSS)	9.6	2.4	8.1
Financial income and expenses	-0.6	-0.7	-0.9
PROFIT BEFORE TAX	9.0	1.8	7.2
Income tax	-2.8	-0.1	-0.6
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	6.2	1.6	6.7
Discontinued operations			
Profit for the year from discontinued operations		24.3	24.3
PROFIT FOR THE PERIOD	6.2	25.9	30.9
Other comprehensive income:			
Items that will not be reclassified to statement of income			
Re-measurement gains (losses) on defined benefit plans			0.0
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations	0.4	0.1	-0.0
Other comprehensive income for the period total	0.4	0.1	-0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6.6	26.0	30.9
Profit for the year attributable to			

Equity holders of the parent	6.2	25.9	30.9
Non-controlling interests			
Total comprehensive income for the period attributable to			
Equity holders of the parent	6.6	26.0	30.9
Non-controlling interests			
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.047	0.012	0.051
Diluted earnings per share	0.047	0.012	0.051
Earnings per share from discontinued operations, EUR			
Basic earnings per share		0.188	0.188
Diluted earnings per share		0.186	0.187
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.047	0.200	0.239
Diluted earnings per share	0.047	0.199	0.238
Average number of shares, 1000 pcs			
Average number of shares, 1000 pcs	130 868	129 432	129 528
Average number of shares, diluted, 1000 pcs	131 604	130 319	130 092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	9.2	9.3	9.7
Goodwill	19.4	19.3	19.3
Intangible assets	16.8	16.2	15.5
Other financial assets	0.1	0.1	0.1
Deferred tax assets	1.6	1.2	1.5
Non-current assets total	47.1	46.1	46.1
Current assets			
Inventories	1.5	0.8	0.8
Trade and other receivables	60.9	60.2	54.3
Financial assets at fair value through profit or loss	20.9	35.0	20.7

Cash and short term deposits	19.8	9.0	22.4
Current assets total	103.1	105.0	98.2
TOTAL ASSETS	150.2	151.1	144.4
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12.9	12.9	12.9
Invested non-restricted equity fund	24.9	38.7	24.5
Translation difference	1.0	0.7	0.6
Retained earnings	47.0	38.6	43.7
Non-controlling interests			
Total equity	85.9	91.0	81.7
Non-current liabilities			
Deferred tax liabilities	0.5	0.5	0.5
Pension obligations	2.2	2.1	2.1
Provisions	0.2	0.3	0.3
Interest-bearing liabilities	3.0	7.2	3.3
Non-current liabilities total	5.9	10.1	6.1
Current liabilities			
Trade and other payables	51.2	38.5	52.2
Financial liabilities at fair value through profit or loss	0.4		
Provisions	2.5	2.0	2.3
Interest-bearing loans and borrowings	4.3	9.6	2.0
Current liabilities total	58.3	50.1	56.5
Total liabilities	64.3	60.2	62.6
TOTAL EQUITY AND LIABILITIES	150.2	151.1	144.4

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)	1-9/2014	1-9/2013	1-12/2013
	9 months	9 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year from continuing operations	6.2	1.6	6.7
Profit for the year from discontinued operations		24.3	24.3
Adjustment of accrual basis items	10.7	-17.1	-13.3
Change in net working capital	-9.3	1.3	18.7
Interest paid on operating activities	-0.4	-1.1	-1.3

Interest received from operating activities	0.3	0.2	0.3
Other financial income and expenses, net received	0.0	0.0	0.0
Income taxes paid	-2.4	-0.5	-0.7
NET CASH FROM OPERATING ACTIVITIES	5.1	8.7	34.7
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of business unit, net of cash acquired		29.2	30.0
Purchase of property, plant and equipment	-2.2	-3.1	-4.0
Purchase of intangible assets	-4.4	-1.6	-2.0
Sale of property, plant and equipment	0.0	0.1	0.2
Sale of intangible assets	0.0	0.0	0.0
Proceeds from sale of investments	0.0		
NET CASH FROM INVESTING ACTIVITIES	-6.6	24.7	24.4
CASH FLOW FROM FINANCING ACTIVITIES			
Share-option plans exercised	0.4	0.1	0.1
Proceeds from borrowing	19.4	16.6	16.6
Repayment of borrowing	-16.6	-16.9	-28.4
Payment of finance liabilities	-1.4	-2.3	-3.1
Dividend paid and repayment of capital	-2.6	-1.3	-15.6
NET CASH FROM FINANCING ACTIVITIES	-0.8	-3.8	-30.3
NET CHANGE IN CASH AND CASH EQUIVALENTS	-2.3	29.6	28.7
Cash and cash equivalents at beginning of period	43.0	14.3	14.3
Cash and cash equivalents at end of period	40.7	43.9	43.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

A = Share capital

B = Invested non-restricted equity fund

C = Translation difference

D = Retained earnings

F = Non-controlling interests

G = Total equity

Restated	A	B	C	D	E	F
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	13.8		66.0
Comprehensive income for the period						
Profit for the period				25.9		25.9
Exchange differences on translating foreign operations			0.1			0.1
Total comprehensive income for the period			0.1	25.9		26.0
Transactions between the shareholders						
Dividend distribution				-1.3		-1.3
Share option plans exercised		0.1				0.1
Share-related compensation				0.1		0.1
Total transactions between the shareholders		0.1		-1.2		-1.1
Other changes				0.0		0.0
Shareholders equity on Sept. 30, 2013	12.9	38.7	0.7	38.6		91.0

	A	B	C	D	E	F
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				6.2		6.2
Exchange differences on translating foreign operations			0.4			0.4
Total comprehensive income for the period			0.4	6.2		6.6
Transactions between the shareholders						
Dividend distribution				-2.6		-2.6
Share option plans exercised		0.4				0.4
Share-related compensation				0.1		0.1
Total transactions between the shareholders		0.4		-2.5		-2.1
Other changes				-0.3		-0.3
Shareholders equity on Sept. 30, 2014	12.9	24.9	1.0	47.0		85.9

NOTES TO THE INTERIM FINANCIAL REPORTING

ACCOUNTING PRINCIPLES FOR THE INTERIM FINANCIAL REPORTING:

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Elektrobit Corporation has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2013, except for the adoption of new standards and interpretations effective during 2014. The changes did not have material impact on the Interim Report.

SEGMENT-INFORMATION (MEUR)

OPERATING SEGMENTS	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
Automotive			
Net sales to external customers	119.8	97.1	138.2
Net sales to other segments	0.0	0.1	0.1
Net sales total	119.8	97.2	138.3
Operating profit (loss)	10.6	3.1	8.5
Wireless			
Net sales to external customers	36.6	42.7	61.1
Net sales to other segments	0.1	0.1	0.1
Net sales total	36.7	42.8	61.2
Operating profit (loss)	-0.9	-0.8	-0.5
OTHER ITEMS			
Other items			
Net sales to external customers			
Operating profit (loss)	-0.0	0.1	0.1
Eliminations			
Net sales to other segments	-0.1	-0.2	-0.2
Operating profit (loss)	0.0	0.0	0.0
Group total			
Net sales to external customers	156.4	139.8	199.3
Operating profit (loss)	9.6	2.4	8.1

Net sales of geographical areas (MEUR)	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
Net sales			
Europe	128.0	115.6	164.8
Americas	21.4	18.6	26.6
Asia	7.0	5.6	7.9
Net sales total	156.4	139.8	199.3

Related party transactions	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
Employee benefits for key management and stock options expenses total	0.9	0.8	1.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	7-9/2014 3 months	4-6/2014 3 months	1-3/2014 3 months	10-12/2013 3 months	7-9/2013 3 months
Continuing operations					
NET SALES	52.5	52.2	51.7	59.5	45.7
Other operating income	1.1	1.1	0.6	0.7	0.9
Change in work in progress and finished goods	0.0	0.0	0.0	-0.1	0.1
Work performed by the undertaking for its own purpose and capitalized	0.0	0.1		0.0	
Raw materials	-1.9	-3.6	-5.1	-6.3	-2.0
Personnel expenses	-29.8	-30.5	-31.4	-28.8	-26.6
Depreciation	-2.1	-2.1	-2.2	-2.4	-2.3
Other operating expenses	-15.2	-14.2	-11.8	-17.0	-14.7
OPERATING PROFIT (LOSS)	4.6	3.1	1.9	5.7	1.0
Financial income and expenses	-0.4	-0.3	0.0	-0.2	-0.1
PROFIT BEFORE TAX	4.2	2.8	1.9	5.5	0.9
Income tax	-1.6	-1.0	-0.2	-0.4	-0.1
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	2.6	1.8	1.7	5.0	0.8
Discontinued operations					
Profit for the period from discontinued operations					0.7
PROFIT FOR THE PERIOD	2.6	1.8	1.7	5.0	1.5

Other comprehensive income	0.2	0.3	-0.1	-0.1	-0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2.8	2.1	1.6	4.9	1.4
Profit for the period attributable to:					
Equity holders of the parent	2.6	1.8	1.7	5.0	1.5
Non-controlling interests					
Total comprehensive income for the period attributable to:					
Equity holders of the parent	2.8	2.1	1.6	4.9	1.4
Non-controlling interests					

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013
ASSETS					
Non-current assets					
Property, plant and equipment	9.2	9.1	9.3	9.7	9.3
Goodwill	19.4	19.4	19.4	19.3	19.3
Intangible assets	16.8	14.7	14.8	15.5	16.2
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.6	1.5	1.5	1.5	1.2
Non-current assets total	47.1	44.9	45.1	46.1	46.1
Current assets					
Inventories	1.5	1.0	0.9	0.8	0.8
Trade and other receivables	60.9	71.6	55.3	54.3	60.2
Financial assets at fair value through profit or loss	20.9	20.9	20.8	20.7	35.0
Cash and short term deposits	19.8	10.0	21.8	22.4	9.0
Current assets total	103.1	103.5	98.8	98.2	105.0
TOTAL ASSETS	150.2	148.4	144.0	144.4	151.1
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	24.9	24.9	24.8	24.5	38.7
Translation difference	1.0	0.8	0.5	0.6	0.7

Retained earnings	47.0	44.7	45.4	43.7	38.6
Non-controlling interests					
Total equity	85.9	83.3	83.7	81.7	91.0
Non-current liabilities					
Deferred tax liabilities	0.5	0.5	0.5	0.5	0.5
Pension obligations	2.2	2.1	2.1	2.1	2.1
Provisions	0.2	0.3	0.5	0.3	0.3
Interest-bearing liabilities	3.0	2.9	3.0	3.3	7.2
Non-current liabilities total	5.9	5.8	6.1	6.1	10.1
Current liabilities					
Trade and other payables	51.2	45.4	43.5	52.2	38.5
Financial liabilities at fair value through profit or loss	0.4	0.0			
Provisions	2.5	3.0	2.3	2.3	2.0
Interest-bearing loans and borrowings	4.3	10.9	8.3	2.0	9.6
Current liabilities total	58.3	59.3	54.1	56.5	50.1
Total liabilities	64.3	65.1	60.3	62.6	60.2
TOTAL EQUITY AND LIABILITIES	150.2	148.4	144.0	144.4	151.1

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	7-9/2014 3 months	4-6/2014 3 months	1-3/2014 3 months	10-12/2013 3 months	7-9/2013 3 months
Net cash from operating activities	20.5	-9.7	-5.7	26.0	3.3
Net cash from investing activities	-3.9	-1.7	-1.0	-0.3	-1.6
Net cash from financing activities	-6.7	-0.3	6.2	-26.5	0.1
Net change in cash and cash equivalents	9.8	-11.6	-0.5	-0.9	1.8

FINANCIAL PERFORMANCE RELATED RATIOS	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	156.4	139.8	199.3
Operating profit (loss)	9.6	2.4	8.1
Operating profit (loss), % of net sales	6.1	1.7	4.1
Profit before taxes	9.0	1.8	7.2
Profit before taxes, % of net sales	5.7	1.3	3.6

Profit for the period	6.2	1.6	6.7
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	-33.4	-27.1	-37.7
Net gearing, -%	-38,9	-29.8	-46.1
Equity ratio, %	64.0	63.9	65.1
Gross investments, (MEUR)	7.2	5.8	7.9
Average personnel during the period, parent and subsidiaries	1671	1628	1627
Personnel at the period end, parent and subsidiaries	1710	1685	1648
Average personnel during the period, jointly owned company	365	294	300
Personnel at the period end, jointly owned company	407	331	321

AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
At the end of period	131 242	129 631	130 101
Average for the period	130 868	129 432	129 528
Average for the period diluted with stock options	131 604	130 319	130 092
STOCK-RELATED FINANCIAL RATIOS (EUR)			
	1-9/2014	1-9/2013	1-12/2013
	9 months	9 months	12 months
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.047	0.012	0.051
Diluted earnings per share	0.047	0.012	0.051
Earnings per share from discontinued operations, EUR			
Basic earnings per share		0.188	0.188
Diluted earnings per share		0.186	0.187
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.047	0.200	0.239
Diluted earnings per share	0.047	0.199	0.238
Equity *) per share	0.65	0.70	0.63
*) Equity attributable to equity holders of the parent			

MARKET VALUES OF SHARES (EUR)	1-9/2014 9 months	1-9/2013 9 months	1-12/2012 12 months
Highest	3.23	1.48	2.90
Lowest	2.30	0.64	0.64
Average	2.70	1.04	1.55
At the end of period	2.91	1.33	2.66
Market value of the stock, (MEUR)	381.9	172.4	346.1
Trading value of shares, (MEUR)	139.6	21.5	72.0
Number of shares traded, (1,000 pcs)	51 663	20 757	46 483
Related to average number of shares %	39.5	16.0	35.9

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
AGAINST OWN LIABILITIES			
Floating charges	1.0	18.0	18.0
Guarantees	15.3	14.6	14.6
Rental liabilities			
Falling due in the next year	7.4	6.6	7.6
Falling due after one year	14.3	14.5	17.6
Other contractual liabilities			
Falling due in the next year	2.0	1.3	1.0
Falling due after one year	0.6	0.3	0.6
Mortgages are pledged for liabilities totaled	1.5	13.6	2.5
NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
Foreign exchange forward contracts			
Market value	-0.0	0.1	0.1
Nominal value	3.0	5.0	6.0
Purchased currency options			
Market value	0.0	0.1	0.0
Nominal value	5.0	4.0	2.5
Sold currency options			



Market value	-0.3	-0.0	-0.0
Nominal value	8.0	8.0	5.0



Elektrobit

ELEKTROBIT CORPORATION (EB) INTERIM REPORT JANUARY - SEPTEMBER 2014

Net sales

156.4 MEUR

Net sales growth

11.9%

Operating profit

9.6 MEUR

Operating profit, % of net sales

6.1%

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

The 2013 figures presented in comparison in this interim report include the figures of Continuing Operations only.

SUMMARY JULY – SEPTEMBER 2014

- Net sales of July - September 2014 grew to EUR 52.5 million (EUR 45.7 million, 3Q 2013), representing an increase of 14.9 % year-on-year.
- Operating profit was EUR 4.6 million, including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies (EUR 1.0 million, 3Q 2013).
- Net cash flow was EUR 9.8 million (EUR 1.8 million, 3Q 2013).
- Earnings per share were EUR 0.020 (EUR 0.006, 3Q 2013).
- The number of EB's shares increased during the reporting period by altogether 51 296 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 131 242 492.
- 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 and include conventional covenants that are, among others, related to equity ratio, transfer and pledge of the assets.
- In July Elektrobit Inc., a subsidiary of Elektrobit Corporation, entered into a conditional agreement of settlement with the liquidating trust of TerreStar Networks Inc. (TSN). The United States Bankruptcy Court approved the conditional agreement and 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) in full and final satisfaction of its claims against TSN and in resolution of all disputes between EB and the liquidating trust of TSN. The Settlement Payment results in a non-recurring positive effect of approximately EUR 0.8 million on Elektrobit Corporation's operating result and in a positive effect on Elektrobit Corporation's cash flow of approximately EUR 0.8 million in the third quarter 2014.
- According to the information received by EB 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. However, it is possible, that despite of the withdrawal, Parrot S.A.'s may initiate further legal actions in another forum.
- After the reporting period 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 booked in 2010. As a result of the approval of the proposal Elektrobit 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. The payment to IRS will be made in the fourth quarter of 2014 and the carryback refund, if the claim will be approved, is estimated to be received at the latest by the end of 2015.
- The settlement payment received in August formed the full and final satisfaction of Elektrobit Inc.'s laid and open claims against TerreStar companies in their reorganization cases. In consequence of receiving the full and final settlement payment and finishing of the tax appeal process, EB's activities related to TerreStar reorganization processes are expected to be concluded. EB reverses 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 have together approximately EUR 1.1 million non-recurring positive effect on EB's third quarter 2014 operating result.

SUMMARY JANUARY – SEPTEMBER 2014

- Net sales of January - September 2014 grew to EUR 156.4 million (EUR 139.8 million, 1-9 2013), representing an increase of 11.9 % year-on-year.
- Operating profit was EUR 9.6 million including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies (EUR 2.4 million, 1H-9 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 -2.3 million (EUR 29.6 million, 1-9 2013, including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business).
- Earnings per share were EUR 0.047 (EUR 0.012, 1-9 2013).

Group (MEUR)	3Q 14	3Q 13	1-9 14	1-9 13	2013
NET SALES	52.5	45.7	156.4	139.8	199.3
Change of net sales, %	14.9 %	10.1 %	11.9 %	11.3 %	14.6 %
OPERATING PROFIT / LOSS	4.6	1.0	9.6	2.4	8.1
Operating profit / loss, % of net sales	8.7 %	2.3 %	6.1 %	1.7 %	4.1 %
Operating profit /loss without non-recurring items	3.5	1.0	8.4	3.3	9.0
EBITDA	6.7	3.3	15.9	9.1	17.2
CASH AND OTHER LIQUID ASSETS	40.7	43.9	40.7	43.9	43.0
EQUITY RATIO (%)	64.0 %	63.9 %	64.0 %	63.9 %	65.1 %
EARNINGS PER SHARE (EUR)	0.020	0.006	0.047	0.012	0.051

Automotive Business Segment (MEUR)	3Q 14	3Q 13	1-9 14	1-9 13	2013
NET SALES	42.5	34.1	119.8	97.2	138.3
Change of net sales, %	24.5 %	24.5 %	23.3 %	23.4 %	25.0 %
OPERATING PROFIT / LOSS	3.5	1.9	10.6	3.1	8.5
Operating profit / loss, % of net sales	8.3 %	5.7 %	8.8 %	3.2 %	6.2 %
EBITDA	5.0	3.5	15.1	7.6	14.6

Wireless Business Segment (MEUR)	3Q 14	3Q 13	1-9 14	1-9 13	2013
NET SALES	10.0	11.6	36.7	42.8	61.2
Change of net sales, %	-13.2 %	-17,9 %	-14.3 %	-9.2 %	-3.7 %
OPERATING PROFIT / LOSS	1.1	-0.9	-0.9	-0.8	-0.5
Operating profit / loss, % of net sales	10.8 %	-7.9 %	-2.6 %	-1.8 %	-0.8 %
Operating profit /loss without non-recurring items	-0.1	-0.9	-2.1	0.1	0.4
EBITDA	1.7	-0.2	0.9	1.4	2.5

EB'S CEO JUKKA HARJU

“EB's net sales and operating profit continued to grow from previous year also during the third quarter. During January – September EB's net sales grew by 11.9 per cent year-on-year to EUR 156.4 million. Operating profit improved clearly from the previous year and was EUR 8.4 million without the non-recurring income of EUR 1.1 million in the third quarter. The reason for the improved net sales and operating profit was the good development of Automotive Business Segment.

In 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 of Automotive Business Segment grew strongly by 23.3 % from the previous year and operating profit improved to 8.8 % of net sales. The improvement of the operating profit was driven by the good performance in services projects, the growth of software license sales especially for the in-car navigation software and the lower R&D investments.

The net sales of the Wireless Business Segment decreased by 14.3 % from the previous year 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 7.8 million, which however did not fully compensate the decreased services sales. In the fourth quarter, in the Wireless Business Segment we expect the product-based sales to be generated mainly from the Finnish authority markets and the net sales resulting from the international defense and other authority markets to remain low due to these customers' slower than estimated purchase decisions. Operating result during the reporting period was lower than targeted and negative due to the weak result of the first half of the year. In the second half of the year, we expect the Wireless Business Segment to develop positively and its operating result to be profitable.

During the autumn, EB concluded its measures to collect the receivables from TerreStar companies based in the US in their reorganization cases, and entered into a settlement with US Internal Revenue Services (IRS) concerning tax treatment of impairment of receivables from TerreStar companies. These resulted in a non-recurring income of EUR 1.1 million in the third quarter of 2014.

Our main target in 2014 is to grow net sales and operating profit from the previous year and EB is in a good position to achieve this target.”

OUTLOOK FOR 2014

For the year 2014 EB expects that the net sales and operating result will grow from the previous year (net sales of EUR 199.3 million and operating profit of EUR 8.1 million, in 2013). Net sales growth rate in 2014 is expected to be slower than in the previous year (net sales growth 14.6 %, 2013). Operating profit in the second half of the year is expected to be higher than in the first half (operating profit of EUR 5.0 million, 1H 2014).

The demand for R&D services and software products of the Automotive Business Segment is expected to continue good in the second half of the year, and operating profit of Automotive Business Segment is expected to be at the same level or better than in the first half of the year (operating profit of EUR 7.1 million, 1H 2014). In the Wireless Business Segment, operating result without the non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies is expected to be positive in the second half of 2014 (operating loss of EUR -2.0 million, 1H 2014). In the last quarter in the Wireless Business Segment we expect the product-based net sales to come mainly from the Finnish authorities and the product-based net sales from international defense and other authority markets to remain low due to the customers' slower than estimated purchase decisions.

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

Following the same principle as in the previous guidance, the non-recurring income of EUR 1.1 million resulted from the reorganization cases of TerreStar companies, has not been included in the outlook for 2014.

More information about other uncertainties regarding the outlook is presented in the sections “Risks and uncertainties” and “Events after the review period”, and in the Report by the Board of Directors 2013, available at <http://annualreport.elektrobit.com>.



INVITATION TO A PRESS CONFERENCE

EB will hold a press conference on the January-September 2014 Interim Report for media, analysts and institutional investors in in Restaurant Savoy, Eteläesplanadi 14, Helsinki, Finland, on Thursday, November 6, 2014, at 11.00 a.m. (CET+1). The conference will also be held as a conference call and the presentation will be shown simultaneously in the Internet through GlobalMeet. The conference will be held in English. For more information please go to www.elektrobit.com/investors.

ELEKTROBIT CORPORATION (EB)

EB creates advanced technology and turns it into enriching end-user experiences. EB is specialized in demanding embedded software and hardware solutions for wireless and automotive industries. The net sales in 2013 totaled EUR 199.3 million and the operating profit was EUR 8.1 million, in 2013. Elektrobit Corporation is listed on NASDAQ OMX Helsinki. www.elektrobit.com.

ELEKTROBIT CORPORATION (EB) INTERIM REPORT JANUARY-SEPTEMBER 2014

2013 figures presented in comparison in this interim report include only figures of Continuing Operations.

FINANCIAL PERFORMANCE DURING JANUARY-SEPTEMBER 2014

EB's net sales during January-September 2014 grew by 11.9 per cent year-on-year to EUR 156.4 million (EUR 139.8 million, 1-9 2013). Operating profit was EUR 9.6 million including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies (EUR 2.4 million, 1-9 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment).

Net sales of the Automotive Business Segment in January-September 2014 grew to EUR 119.8 million (EUR 97.2 million, 1-9 2013), representing 23.3 per cent growth year-on-year. Operating profit improved clearly from the previous year and was EUR 10.6 million (EUR 3.1 million, 1-9 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 good performance in services projects, the growth of software license sales especially for the in-car navigation software and the lower R&D investments.

The Wireless Business Segment's net sales in January-September 2014 decreased by 14.3 per cent year-on-year, to EUR 36.7 million (EUR 42.8 million, 1-9 2013). The share of the product-based net sales was EUR 7.8 million, which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the delivery of a batch of special terminal products for the authority use to a customer abroad. The operating loss of the Wireless Business Segment in January-September 2014 was EUR -0.9 million, including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies (EUR -0.8 million, 1-9 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in 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, which decline the increased product-based net sales did not fully compensate.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-9 2014	1-9 2013
	9 months	9 months
CONTINUING OPERATIONS		
Net sales	156.4	139.8
Operating profit / loss	9.6	2.4
Financial income and expenses	-0.6	-0.7
Result before tax	9.0	1.8
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	6.2	1.6
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS		24.3
RESULT FOR THE PERIOD	6.2	25.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6.6	26.0
Result for the period attributable to:		
Equity holders of the parent	6.2	25.9
Non-controlling interests		

Total comprehensive income for the period attributable to:		
Equity holder of the parent	6.6	26.0
Non-controlling interests		
Earnings per share from continuing operations, EUR	0.047	0.012

- Cash flow from operating activities was EUR 5.1 million (EUR 8.7 million, 1-9 2013).
- Net cash flow was EUR -2.3 million (EUR 29.6 million, 1-9 2013, including non-recurring net cash flow of about EUR 28 million resulting from the sale of the Test Tools product business).
- Equity ratio was 64.0 % (63.9 %, September 30, 2013).
- Net gearing was -38.9 % (-29.8 %, September 30, 2013).

QUARTERLY FIGURES

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

	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13
Net sales	52.5	52.2	51.7	59.5	45.7
Operating profit (loss)	4.6	3.1	1.9	5.7	1.0
Operating profit (loss) without non-recurring costs	3.5	3.1	1.9	5.7	1.0
Result before taxes	4.2	2.8	1.9	5.5	0.9
Result for the period	2.6	1.8	1.7	5.0	0.8

Non-recurring items are exceptional gains and costs that are not related to normal business operations and occur only seldom. These items include capital gains or losses, significant changes in asset values such as write-downs or reversals of write-downs, significant restructuring costs, or other items that the management considers to be non-recurring. When evaluating a non-recurring item, the euro translation value of the item is considered, and in case of a change in an asset value, it is measured against the total value of the asset.

In 2013 Wireless Business Segment reported non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment in the first quarter of 2013. In the review period and in the periods presented for comparison in the table above, no non-recurring items occurred.

In 2014 Wireless Business Segment reported non-recurring income of approximately EUR 1.1 million resulting from the reorganization cases of TerreStar companies during the third quarter of the year.

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

	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13
Automotive					
Net sales to external customers	42.5	39.8	37.5	41.1	34.1
Net sales to other segments	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	3.5	4.2	2.9	5.4	1.9

Wireless					
Net sales to external customers	10.0	12.4	14.2	18.3	11.5
Net sales to other segments	0.1	0.0	0.0	0.0	0.0
Operating profit (loss)	1.1	-0.9	-1.1	0.3	-0.9
Other businesses					
Net sales to external customers	0.0	0.0	0.0	0.0	0.0
Operating profit (loss)	-0.0	-0.2	0.1	0.0	0.0
Total					
Net sales	52.5	52.2	51.7	59.5	45.7
Operating profit (loss)	4.6	3.1	1.9	5.7	1.0

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

	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13
Asia	2.6 5.0 %	1.8 3.5 %	2.5 4.9 %	2.3 3.9 %	1.9 4.3 %
Americas	7.6 14.5 %	6.6 12.7 %	7.2 13.8 %	8.0 13.4 %	6.0 13.2 %
Europe	42.3 80.6 %	43.8 83.8 %	42.0 81.3 %	49.2 82.7 %	37.7 82.5 %

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A total of 1 141 617 new shares were subscribed for between December 5, 2013 and August 18, 2014 by virtue of the stock option rights 2008A, 2008B and 2008C. The share subscription price, EUR 399 873.09 was recorded in the Company's invested non-restricted equity fund. The increases in the number of the Company's shares were entered into the Finnish Trade Register on February 10, 2014, April 14, 2014, on June 26, 2014 and on August 27, 2014. The trading with the registered shares started on February 11, 2014, April 15, 2014 on June 27, 2014, and on August 29, 2014 as an additional lot of Elektrobit Corporation's shares in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation totaled 131 242 492.

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 targets cost savings of approximately EUR 0.8 million, which would materialize 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 July a subsidiary of Elektrobit Corporation, Elektrobit 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. The Settlement Payment has resulted in a non-recurring positive effect of approximately EUR 0.8 million on EB's operating result and in a positive effect on Elektrobit Corporation's cash flow of approximately EUR 0.8 million on the third quarter 2014.

After the reporting period EB has entered into 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. The reversal of the provision and the EUR 0.8 million settlement payment have together approximately EUR 1.1 million non-recurring positive effect on Elektrobit Corporation's third quarter 2014 operating result. More information about the settlement with IRS is presented in the section "Events after the reporting period".

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. More information about the legal action and withdrawal has been presented in stock exchange releases published on April 4, 2014 and on September 22, 2014. Neither the legal action nor the withdrawal has caused any such financial consequence that would affect EB's profit outlook or financial position. However, it is possible, that Parrot S.A. may initiate further legal actions in another forum.

BUSINESS SEGMENTS' DEVELOPMENT DURING JULY-SEPTEMBER 2014 AND MARKET OUTLOOK

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

AUTOMOTIVE

In Automotive Business Segment EB offers 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 July – September 2014

EB's net sales in Automotive Business Segment continued its strong growth during the third quarter of 2014 and amounted to EUR 42.5 million (EUR 34.1 million, 3Q 2013), representing a growth of 24.5 % year-on-year. Operating profit improved clearly and was

EUR 3.5 million (EUR 1.9 million, 3Q 2013). 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. The improvement of the operating profit was driven mainly by the good performance in services projects, growth of software license sales especially for the in-car navigation software and lower R&D investments.

The R&D investments in the third quarter were EUR 3.2 million (EUR 3.6 million, 3Q 2013). The reason for the decrease in the R&D investments was the transfer of certain product platform development from an initial investment phase to a continuing development phase.

In August EB announced its plans to build a new automotive software development site in Oulu, Finland. The new site is planned to employ up to 40 software engineers by the end of 2014, focusing on the development of embedded automotive software. EB's Automotive Business Segment has grown steadily during the last years, and expanding its operations to Oulu, Finland, will offer the company an opportunity to further grow its software engineering capacity for current and future needs.

Automotive Business Segment market outlook

The global car market is expected to grow by 3% in 2014 according to the forecast made by VDA (Verband der Automobilindustrie). Carmakers continued to invest in automotive software for new car models and the market for software products and services is estimated to continue growing during 2014. The demand for EB's products and services is estimated to develop positively year-on-year during 2014 in 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, and growth for EB, is mainly expected to be driven 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 areas comfort and security, information and entertainment, powertrain and communication. The trend of separating hardware from software continues in 2014 and beyond, allowing carmakers to speed up innovation and to improve the quality and cost efficiency of their vehicles.
- 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 to include localization for all regions.
- 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.
- 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 automotive markets like 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 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 consumer electronics companies such as Apples "CarPlay" or Google's announcement of Open Automotive Alliance.
- New Active Safety Systems and Driver Assistance applications are being brought to the market as automated driving is becoming 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 products and product platforms for defense, public safety and other authority markets as well as for industrial use. Further EB offers product development services and customized solutions for wireless communications markets and for companies needing wireless connectivity for their products. EB's products in the Wireless Business Segment are the EB Tactical Wireless IP Network for tactical communications, EB Tough VoIP for tactical IP-based communication, EB Wideband

COMINT Sensor for signals intelligence. The product platforms are the Android-based EB Specialized Device Platform and EB LTE Connectivity Module for specialized markets. For the latest wireless technologies and applications EB offers a broad range of R&D services such as consulting, integration, and development of software and hardware.

Development of the Wireless Business Segment in July – September 2014

Net sales of the Wireless Business Segment during the third quarter of 2014 decreased by 13.2 per cent year-on-year to EUR 10.0 million (EUR 11.6 million, 3Q 2013). The share of the product based net sales was EUR 1.9 million, which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces.

Operating profit was EUR 1.1 million, including non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies (operating loss of EUR -0.9 million, 3Q 2013). 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, which decline the increased product-based net sales did not fully compensate.

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 third quarter. Customers' purchase decisions proceeded slower than estimated, and therefore we expect the net sales resulting from the international defense and other authority markets to remain low in the fourth quarter.

R&D investments in the second quarter were EUR 1.5 million (EUR 0.8 million, 3Q 2013). R&D investments were increased for products for the use by authorities.

In July EB received a purchase order from the Finnish Defence Forces for EB Tactical Wireless IP Network (TAC WIN) system products. The Finnish Defence Forces also issued a purchase option for further purchases of the same products. The purchase order and the purchase option are a continuation of the delivery contract signed between EB and the Finnish Defence Forces in September 2011 and related product deliveries that began in December 2012. In accordance with the contract EB is developing the Tactical Wireless IP Network for the Finnish Defence Forces and delivers software defined radios that are the basis for the EB TAC WIN system.

During the third quarter EB started the collaboration with Qualcomm to feature the Qualcomm® Snapdragon™ 801 processor in the new version of its EB Specialized Device Platform (SDP), which will be commercially available later this year. The device platform enables customer-specific tailoring of smartphones, tablets and other products, targeted primarily for professional applications in public safety, mobile satellite services and cyber-security. EB plans to utilize the Snapdragon™ 801 processor in different wireless products that will be customized based on EB's product platform.

Wireless Business Segment Market Outlook

In the Wireless Business Segment, EB's customers operate in various industries, each of them having own industry specific factors driving the demand. A common factor creating demand among the whole customer base is the introduction of new technologies. In 2014 the implementation of LTE (Long Term Evolution) technology is expected to continue to be important technological change driving the demand. 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 following factors are expected to create demand for EB's products and services in 2014 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 adopting 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.

- 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 smart watch and other Wearable devices is evolving and creating demand for customized solutions based on EB's product platforms.
- 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 a decrease in the demand for R&D services despite of the base station development needs generated by the LTE technology.

EB aims at bringing its products to the global defense and other authorities markets and expects the net sales generated from these markets to be low in 2014.

The public defense budget cuts affect negatively on the demand for products and product development services in Europe and also elsewhere in the world, and simultaneously increase the competition between the suppliers.

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-September 2014 were EUR 13.1 million (EUR 14.4 million, 1-9 2013), equaling 8.4% of the net sales (10.3%, 1-9 2013). The share of R&D investments in Automotive Business Segment was EUR 8.2 million (EUR 11.4 million, 1-9 2013) and in Wireless Business Segment EUR 4.9 million (EUR 3.0 million, 1-9 2013).

EUR 1.3 million of R&D investments was capitalized (EUR 0.0 million, 1-9 2013). The amount of capitalized R&D investments at the end of September 2014 was EUR 12.0 million (EUR 12.3 million, 30.9.2013). A significant part of these capitalizations is related to customer agreements in 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 1.3 million during the reporting period (EUR 1.2 million, 1-9 2013).

The total negative effect, caused from research and development investments, their capitalizations and their depreciation, on EB's income statement in January-September 2014 was EUR- 13.1 million (EUR -15.6 million, 1-9 2013).

OUTLOOK FOR 2014

For the year 2014 EB expects that the net sales and operating result will grow from the previous year (net sales of EUR 199.3 million and operating profit of EUR 8.1 million, in 2013). Net sales growth rate in 2014 is expected to be slower than in the previous year (net sales growth 14.6 %, 2013). Operating profit in the second half of the year is expected to be higher than in the first half (operating profit of EUR 5.0 million, 1H 2014).

The demand for R&D services and software products of the Automotive Business Segment is expected to continue good in the second half of the year, and operating profit of Automotive Business Segment is expected to be at the same level or better than in the first half of the year (operating profit of EUR 7.1 million, 1H 2014). In the Wireless Business Segment, operating result without the non-recurring income of EUR 1.1 million resulting from the reorganization cases of TerreStar companies is expected to be positive in the second half of 2014 (operating loss of EUR -2.0 million, 1H 2014). In the last quarter in the Wireless Business Segment we expect the product-based net sales to come mainly from the Finnish authorities and the product-based net sales from international defense and other authority markets to remain low due to the customers' slower than estimated purchase decisions.

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

Following the same principle as in the previous guidance, the non-recurring income of EUR 1.1 million resulted from the reorganization cases of TerreStar companies, has not been included in the outlook for 2014.

More information about other uncertainties regarding the outlook is presented in the sections “Risks and uncertainties” and “Events after the review period”, and in the Report by the Board of Directors 2013, available at <http://annualreport.elektrobit.com>.

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 August EB received a settlement payment of USD 1 075 000 (EUR 0.8 million) from TerreStar Networks Inc., and entered into a settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies. As a result from the approval of the proposal Elektrobit 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. The payment to IRS will be made in the fourth quarter of 2014 and carryback refund is estimated to be received at the latest by the end of 2015. In consequence of receiving full and final settlement payment and finishing of tax appeal process, EB's activities related to TerreStar reorganization processes are seen to be concluded. There is no full certainty that IRS will accept Elektrobit Inc.'s “carryback claim” from 2011.

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. More information about the legal action and withdrawal has been presented in stock exchange releases published on April 4, 2014 and on September 22, 2014. However, it is possible, that Parrot S.A. may initiate further legal actions in another forum. At the worst, Parrot's claim could result significant negative impact on e.solutions' and EB's profit, cash flow and financial position.

More short-term description of the risks and uncertainties are described in the report by the Board of Directors 2013. More information about risks and uncertainties are presented at the company's internet pages at www.elektrobit.com.

STATEMENT OF FINANCIAL POSITION AND FINANCING

The figures presented in the statement of financial position of September 30, 2014, are compared with the statement of the financial position of December 31, 2013 (MEUR).

	30.9.2014	31.12.2013
Non-current assets	47.1	46.1
Current assets	103.1	98.2
Total assets	150.2	144.4
Share capital	12.9	12.9
Other equity	73.0	68.8
Total shareholders' equity	85.9	81.7

Non-current liabilities	5.9	6.1
Current liabilities	58.3	56.5
Total shareholders' equity and liabilities	150.2	144.4

The cash flows during the period under review:

+ net profit +/- adjustment of accrual basis items	EUR +16.9 million
+/- change in net working capital	EUR -9.3 million
- interest, taxes and dividends	EUR -2.5 million
= cash generated from operations	EUR +5.1 million
- net cash used in investment activities	EUR -6.6 million
- net cash used in financing	EUR -0.8 million
= net change in cash and cash equivalents	EUR -2.3 million

The increase of the 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 60.9 million (EUR 54.3 million on December 31, 2013). Accounts payable and other payables, booked in interest-free current liabilities, were EUR 54.1 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 19.4 million (EUR 19.3 million on December 31, 2013).

The amount of gross investments in the period under review was EUR 7.2 million. Net investments for the reporting period totaled EUR 7.2 million. The total amount of depreciation during the period under review was EUR 6.3 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 7.3 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 0.3 million
Interest expenses and other financial expenses	EUR -0.3 million
foreign exchange gains and losses	EUR -0.7 million

EB's equity ratio at the end of the period was 64.0% (65.1 % on December 31, 2013).

Cash and other liquid assets at the end of the reporting period were EUR 40.7 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 1671 people between January and September 2014. In addition, e.solutions GmbH, the jointly owned company of EB and AUDI, employed 365 people. At the end of September, the parent company of the group and its subsidiaries had 1710 employees and e.solutions GmbH 407 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

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

EVENTS AFTER THE REVIEW PERIOD

In October Elektrobit Inc., a subsidiary of Elektrobit Corporation has entered into settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies booked in 2010. Initially IRS disallowed the deduction taken on Elektrobit Inc.'s federal income tax return. Elektrobit Inc. appealed the IRS decision to the IRS Office of Appeals that provided a proposal for a settlement. The parties have now accepted the proposal.

As a result from the approval of the proposal Elektrobit 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. The payment to IRS will happen on the fourth quarter of 2014 and carryback refund, if the claim will be approved, is estimated to be received at the latest by the end of 2015.

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 Elektrobit 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 Elektrobit Corporation's third quarter 2014 operating result. The above mentioned non-recurring items do not have effect on Elektrobit Corporation's financial outlook for 2014. EB will report the non-recurring items and tax items as part of its normal interim reporting.

A total of 164 608 new shares in Elektrobit Corporation were subscribed for between September 3, 2014 and October 15, 2014, pursuant to series 2008B-C stock options. The share subscription price, EUR 115 971.68 has been recorded in the Company's invested non-restricted equity fund. The corresponding increase in the number of the Company's shares has been entered into the Finnish Trade Register on October 28, 2014. Shareholder rights by virtue of the new shares commence as of the abovementioned registration entry date. Trading with the newly registered shares will start on October 29, 2014 as an additional lot of Elektrobit Corporation's shares in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation's totals to 131 407 100.

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.

On November 6, 2014 EB announced the plans to rationalize its operations in the Wireless Business Segment in Finland and targets to achieve annual cost savings of approximately EUR 1 million by centralizing some of its operations more in Oulu and by focusing the roles of its offices in Finland. EB started personnel negotiations with its Wireless Business Segment's personnel in Kajaani and



Tampere based on financial and production related reasons and restructuring of employer's operations, which is estimated to lead to termination of 20 employment relationships at the maximum. The planned cost saving actions, if materialized, are estimated to cause non-recurring costs of approximately EUR 0.4 million that will weaken the operating result of the last quarter 2014. Financial impacts of the planned actions are taken into account in the company's outlook for 2014 presented in this interim report.

Oulu November 6, 2014

Elektrobit Corporation
The Board of Members

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ELEKTROBIT CORPORATION (EB)

CONDENSED FINANCIAL STATEMENTS AND NOTES JANUARY – SEPTEMBER 2014

(unaudited)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Continuing operations	1-9/2014	1-9/2013	1-12/2013
	9 months	9 months	12 months
NET SALES	156.4	139.8	199.3
Other operating income	2.9	2.8	3.5
Change in work in progress and finished goods	0.0	0.1	-0.0
Work performed by the undertaking for its own purpose and capitalized	0.1		0.0
Raw materials	-10.6	-6.2	-12.4
Personnel expenses	-91.7	-84.4	-113.2
Depreciation	-6.3	-6.7	-9.0
Other operating expenses	-41.2	-43.1	-60.0
OPERATING PROFIT (LOSS)	9.6	2.4	8.1
Financial income and expenses	-0.6	-0.7	-0.9
PROFIT BEFORE TAX	9.0	1.8	7.2
Income tax	-2.8	-0.1	-0.6
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	6.2	1.6	6.7
Discontinued operations			
Profit for the year from discontinued operations		24.3	24.3
PROFIT FOR THE PERIOD	6.2	25.9	30.9
Other comprehensive income:			
Items that will not be reclassified to statement of income			
Re-measurement gains (losses) on defined benefit plans			0.0
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations	0.4	0.1	-0.0
Other comprehensive income for the period total	0.4	0.1	-0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6.6	26.0	30.9
Profit for the year attributable to			

Equity holders of the parent	6.2	25.9	30.9
Non-controlling interests			
Total comprehensive income for the period attributable to			
Equity holders of the parent	6.6	26.0	30.9
Non-controlling interests			
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.047	0.012	0.051
Diluted earnings per share	0.047	0.012	0.051
Earnings per share from discontinued operations, EUR			
Basic earnings per share		0.188	0.188
Diluted earnings per share		0.186	0.187
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.047	0.200	0.239
Diluted earnings per share	0.047	0.199	0.238
Average number of shares, 1000 pcs	130 868	129 432	129 528
Average number of shares, diluted, 1000 pcs	131 604	130 319	130 092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	9.2	9.3	9.7
Goodwill	19.4	19.3	19.3
Intangible assets	16.8	16.2	15.5
Other financial assets	0.1	0.1	0.1
Deferred tax assets	1.6	1.2	1.5
Non-current assets total	47.1	46.1	46.1
Current assets			
Inventories	1.5	0.8	0.8
Trade and other receivables	60.9	60.2	54.3
Financial assets at fair value through profit or loss	20.9	35.0	20.7

Cash and short term deposits	19.8	9.0	22.4
Current assets total	103.1	105.0	98.2
TOTAL ASSETS	150.2	151.1	144.4
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12.9	12.9	12.9
Invested non-restricted equity fund	24.9	38.7	24.5
Translation difference	1.0	0.7	0.6
Retained earnings	47.0	38.6	43.7
Non-controlling interests			
Total equity	85.9	91.0	81.7
Non-current liabilities			
Deferred tax liabilities	0.5	0.5	0.5
Pension obligations	2.2	2.1	2.1
Provisions	0.2	0.3	0.3
Interest-bearing liabilities	3.0	7.2	3.3
Non-current liabilities total	5.9	10.1	6.1
Current liabilities			
Trade and other payables	51.2	38.5	52.2
Financial liabilities at fair value through profit or loss	0.4		
Provisions	2.5	2.0	2.3
Interest-bearing loans and borrowings	4.3	9.6	2.0
Current liabilities total	58.3	50.1	56.5
Total liabilities	64.3	60.2	62.6
TOTAL EQUITY AND LIABILITIES	150.2	151.1	144.4

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)	1-9/2014	1-9/2013	1-12/2013
	9 months	9 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year from continuing operations	6.2	1.6	6.7
Profit for the year from discontinued operations		24.3	24.3
Adjustment of accrual basis items	10.7	-17.1	-13.3
Change in net working capital	-9.3	1.3	18.7
Interest paid on operating activities	-0.4	-1.1	-1.3

Interest received from operating activities	0.3	0.2	0.3
Other financial income and expenses, net received	0.0	0.0	0.0
Income taxes paid	-2.4	-0.5	-0.7
NET CASH FROM OPERATING ACTIVITIES	5.1	8.7	34.7
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of business unit, net of cash acquired		29.2	30.0
Purchase of property, plant and equipment	-2.2	-3.1	-4.0
Purchase of intangible assets	-4.4	-1.6	-2.0
Sale of property, plant and equipment	0.0	0.1	0.2
Sale of intangible assets	0.0	0.0	0.0
Proceeds from sale of investments	0.0		
NET CASH FROM INVESTING ACTIVITIES	-6.6	24.7	24.4
CASH FLOW FROM FINANCING ACTIVITIES			
Share-option plans exercised	0.4	0.1	0.1
Proceeds from borrowing	19.4	16.6	16.6
Repayment of borrowing	-16.6	-16.9	-28.4
Payment of finance liabilities	-1.4	-2.3	-3.1
Dividend paid and repayment of capital	-2.6	-1.3	-15.6
NET CASH FROM FINANCING ACTIVITIES	-0.8	-3.8	-30.3
NET CHANGE IN CASH AND CASH EQUIVALENTS	-2.3	29.6	28.7
Cash and cash equivalents at beginning of period	43.0	14.3	14.3
Cash and cash equivalents at end of period	40.7	43.9	43.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

A = Share capital

B = Invested non-restricted equity fund

C = Translation difference

D = Retained earnings

F = Non-controlling interests

G = Total equity

Restated	A	B	C	D	E	F
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	13.8		66.0
Comprehensive income for the period						
Profit for the period				25.9		25.9
Exchange differences on translating foreign operations			0.1			0.1
Total comprehensive income for the period			0.1	25.9		26.0
Transactions between the shareholders						
Dividend distribution				-1.3		-1.3
Share option plans exercised		0.1				0.1
Share-related compensation				0.1		0.1
Total transactions between the shareholders		0.1		-1.2		-1.1
Other changes				0.0		0.0
Shareholders equity on Sept. 30, 2013	12.9	38.7	0.7	38.6		91.0

	A	B	C	D	E	F
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				6.2		6.2
Exchange differences on translating foreign operations			0.4			0.4
Total comprehensive income for the period			0.4	6.2		6.6
Transactions between the shareholders						
Dividend distribution				-2.6		-2.6
Share option plans exercised		0.4				0.4
Share-related compensation				0.1		0.1
Total transactions between the shareholders		0.4		-2.5		-2.1
Other changes				-0.3		-0.3
Shareholders equity on Sept. 30, 2014	12.9	24.9	1.0	47.0		85.9

NOTES TO THE INTERIM FINANCIAL REPORTING

ACCOUNTING PRINCIPLES FOR THE INTERIM FINANCIAL REPORTING:

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Elektrobit Corporation has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2013, except for the adoption of new standards and interpretations effective during 2014. The changes did not have material impact on the Interim Report.

SEGMENT-INFORMATION (MEUR)

OPERATING SEGMENTS	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
Automotive			
Net sales to external customers	119.8	97.1	138.2
Net sales to other segments	0.0	0.1	0.1
Net sales total	119.8	97.2	138.3
Operating profit (loss)	10.6	3.1	8.5
Wireless			
Net sales to external customers	36.6	42.7	61.1
Net sales to other segments	0.1	0.1	0.1
Net sales total	36.7	42.8	61.2
Operating profit (loss)	-0.9	-0.8	-0.5
OTHER ITEMS			
Other items			
Net sales to external customers			
Operating profit (loss)	-0.0	0.1	0.1
Eliminations			
Net sales to other segments	-0.1	-0.2	-0.2
Operating profit (loss)	0.0	0.0	0.0
Group total			
Net sales to external customers	156.4	139.8	199.3
Operating profit (loss)	9.6	2.4	8.1

Net sales of geographical areas (MEUR)	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
Net sales			
Europe	128.0	115.6	164.8
Americas	21.4	18.6	26.6
Asia	7.0	5.6	7.9
Net sales total	156.4	139.8	199.3

Related party transactions	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
Employee benefits for key management and stock options expenses total	0.9	0.8	1.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	7-9/2014 3 months	4-6/2014 3 months	1-3/2014 3 months	10-12/2013 3 months	7-9/2013 3 months
Continuing operations					
NET SALES	52.5	52.2	51.7	59.5	45.7
Other operating income	1.1	1.1	0.6	0.7	0.9
Change in work in progress and finished goods	0.0	0.0	0.0	-0.1	0.1
Work performed by the undertaking for its own purpose and capitalized	0.0	0.1		0.0	
Raw materials	-1.9	-3.6	-5.1	-6.3	-2.0
Personnel expenses	-29.8	-30.5	-31.4	-28.8	-26.6
Depreciation	-2.1	-2.1	-2.2	-2.4	-2.3
Other operating expenses	-15.2	-14.2	-11.8	-17.0	-14.7
OPERATING PROFIT (LOSS)	4.6	3.1	1.9	5.7	1.0
Financial income and expenses	-0.4	-0.3	0.0	-0.2	-0.1
PROFIT BEFORE TAX	4.2	2.8	1.9	5.5	0.9
Income tax	-1.6	-1.0	-0.2	-0.4	-0.1
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	2.6	1.8	1.7	5.0	0.8
Discontinued operations					
Profit for the period from discontinued operations					0.7
PROFIT FOR THE PERIOD	2.6	1.8	1.7	5.0	1.5

Other comprehensive income	0.2	0.3	-0.1	-0.1	-0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2.8	2.1	1.6	4.9	1.4
Profit for the period attributable to:					
Equity holders of the parent	2.6	1.8	1.7	5.0	1.5
Non-controlling interests					
Total comprehensive income for the period attributable to:					
Equity holders of the parent	2.8	2.1	1.6	4.9	1.4
Non-controlling interests					

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013
ASSETS					
Non-current assets					
Property, plant and equipment	9.2	9.1	9.3	9.7	9.3
Goodwill	19.4	19.4	19.4	19.3	19.3
Intangible assets	16.8	14.7	14.8	15.5	16.2
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.6	1.5	1.5	1.5	1.2
Non-current assets total	47.1	44.9	45.1	46.1	46.1
Current assets					
Inventories	1.5	1.0	0.9	0.8	0.8
Trade and other receivables	60.9	71.6	55.3	54.3	60.2
Financial assets at fair value through profit or loss	20.9	20.9	20.8	20.7	35.0
Cash and short term deposits	19.8	10.0	21.8	22.4	9.0
Current assets total	103.1	103.5	98.8	98.2	105.0
TOTAL ASSETS	150.2	148.4	144.0	144.4	151.1
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	24.9	24.9	24.8	24.5	38.7
Translation difference	1.0	0.8	0.5	0.6	0.7

Retained earnings	47.0	44.7	45.4	43.7	38.6
Non-controlling interests					
Total equity	85.9	83.3	83.7	81.7	91.0
Non-current liabilities					
Deferred tax liabilities	0.5	0.5	0.5	0.5	0.5
Pension obligations	2.2	2.1	2.1	2.1	2.1
Provisions	0.2	0.3	0.5	0.3	0.3
Interest-bearing liabilities	3.0	2.9	3.0	3.3	7.2
Non-current liabilities total	5.9	5.8	6.1	6.1	10.1
Current liabilities					
Trade and other payables	51.2	45.4	43.5	52.2	38.5
Financial liabilities at fair value through profit or loss	0.4	0.0			
Provisions	2.5	3.0	2.3	2.3	2.0
Interest-bearing loans and borrowings	4.3	10.9	8.3	2.0	9.6
Current liabilities total	58.3	59.3	54.1	56.5	50.1
Total liabilities	64.3	65.1	60.3	62.6	60.2
TOTAL EQUITY AND LIABILITIES	150.2	148.4	144.0	144.4	151.1

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	7-9/2014 3 months	4-6/2014 3 months	1-3/2014 3 months	10-12/2013 3 months	7-9/2013 3 months
Net cash from operating activities	20.5	-9.7	-5.7	26.0	3.3
Net cash from investing activities	-3.9	-1.7	-1.0	-0.3	-1.6
Net cash from financing activities	-6.7	-0.3	6.2	-26.5	0.1
Net change in cash and cash equivalents	9.8	-11.6	-0.5	-0.9	1.8

FINANCIAL PERFORMANCE RELATED RATIOS	1-9/2014 9 months	1-9/2013 9 months	1-12/2013 12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	156.4	139.8	199.3
Operating profit (loss)	9.6	2.4	8.1
Operating profit (loss), % of net sales	6.1	1.7	4.1
Profit before taxes	9.0	1.8	7.2
Profit before taxes, % of net sales	5.7	1.3	3.6

Profit for the period	6.2	1.6	6.7
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	-33.4	-27.1	-37.7
Net gearing, -%	-38,9	-29.8	-46.1
Equity ratio, %	64.0	63.9	65.1
Gross investments, (MEUR)	7.2	5.8	7.9
Average personnel during the period, parent and subsidiaries	1671	1628	1627
Personnel at the period end, parent and subsidiaries	1710	1685	1648
Average personnel during the period, jointly owned company	365	294	300
Personnel at the period end, jointly owned company	407	331	321

AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
At the end of period	131 242	129 631	130 101
Average for the period	130 868	129 432	129 528
Average for the period diluted with stock options	131 604	130 319	130 092
STOCK-RELATED FINANCIAL RATIOS (EUR)			
	1-9/2014	1-9/2013	1-12/2013
	9 months	9 months	12 months
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.047	0.012	0.051
Diluted earnings per share	0.047	0.012	0.051
Earnings per share from discontinued operations, EUR			
Basic earnings per share		0.188	0.188
Diluted earnings per share		0.186	0.187
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.047	0.200	0.239
Diluted earnings per share	0.047	0.199	0.238
Equity *) per share	0.65	0.70	0.63
*) Equity attributable to equity holders of the parent			

MARKET VALUES OF SHARES (EUR)	1-9/2014 9 months	1-9/2013 9 months	1-12/2012 12 months
Highest	3.23	1.48	2.90
Lowest	2.30	0.64	0.64
Average	2.70	1.04	1.55
At the end of period	2.91	1.33	2.66
Market value of the stock, (MEUR)	381.9	172.4	346.1
Trading value of shares, (MEUR)	139.6	21.5	72.0
Number of shares traded, (1,000 pcs)	51 663	20 757	46 483
Related to average number of shares %	39.5	16.0	35.9

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
AGAINST OWN LIABILITIES			
Floating charges	1.0	18.0	18.0
Guarantees	15.3	14.6	14.6
Rental liabilities			
Falling due in the next year	7.4	6.6	7.6
Falling due after one year	14.3	14.5	17.6
Other contractual liabilities			
Falling due in the next year	2.0	1.3	1.0
Falling due after one year	0.6	0.3	0.6
Mortgages are pledged for liabilities totaled	1.5	13.6	2.5
NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Sept. 30, 2014	Sept. 30, 2013	Dec. 31, 2013
Foreign exchange forward contracts			
Market value	-0.0	0.1	0.1
Nominal value	3.0	5.0	6.0
Purchased currency options			
Market value	0.0	0.1	0.0
Nominal value	5.0	4.0	2.5
Sold currency options			



Market value	-0.3	-0.0	-0.0
Nominal value	8.0	8.0	5.0