

## Stock exchange release

Free for publication on May 19, 2015 at 8.00 am. (CEST+1)

---

# Elektrobit Corporation (EB) sells its Automotive business to Continental AG for a purchase price of EUR 600 million, cancels the demerger process and updates the Outlook for the year 2015

### Transaction summary:

- Share purchase agreement with Continental AG ("Continental") was signed on May 18, 2015 and the transaction is expected to close at the beginning of July, subject to the approval of EB's Extraordinary General Meeting ("EGM"), receipt of the required authority approvals and other customary closing conditions
- EB cancels the ongoing demerger process, and it will continue to carry on the Wireless business within existing Elektrobit Corporation. EB will change its name to Bittium Corporation, as the Elektrobit brand will be included as a part of the transaction. The company will continue to be listed on Nasdaq Helsinki with the new name
- EB plans to hold an EGM on or about June 11, 2015 to approve the transaction. Continental has acquired all the necessary corporate approvals for the consummation of the transaction
- The Board of Directors of EB has assessed the transaction, its relative merits, terms and conditions, as well as requested and received a fairness opinion (the "Fairness Opinion") from Pohjola Bank plc concerning the fairness of the transaction, from a financial point of view. Based on its evaluation the Board of Directors of EB has undertaken to unanimously and unconditionally recommend the approval of the transaction to the shareholders of EB
- Certain major shareholders of EB representing approximately 46 % of the shares and votes of the Company have undertaken to irrevocably and unconditionally vote in favor of the approval of the transaction at the EGM
- The purchase price is EUR 600 million. EB expects that the transaction has a non-recurring positive effect of approximately EUR 530 million on net profit and approximately EUR 575 million positive effect on net cash flow in the year 2015
- EB intends to repatriate the majority or all of the net proceeds from the transaction to shareholders after the closing of the transaction. The resolution on the repatriation of funds is subject to a separate resolution by a separate shareholders meeting planned to be convened after the closing of the transaction
- EB has received an advance ruling from the Finnish tax authority according to which the transaction is tax exempt

Elektrobit Corporation ("EB" or the "Company") and Continental AG ("Continental") have signed a definitive share purchase agreement (the "SPA") on May 18, 2015, under the terms of which EB has agreed to sell its Automotive business (the "Automotive business") to Continental (the "Transaction"). The Transaction comprises the sale of Elektrobit Automotive GmbH and its subsidiaries, including EB's 51 per cent ownership in e.solutions GmbH, a jointly owned company between Elektrobit Automotive GmbH and Audi Electronics Venture GmbH. In addition, the rights to the name Elektrobit will transfer to Continental. The purchase price for the acquisition is EUR 600 million payable in cash and it shall be paid in full upon the closing of the Transaction.

EB's Automotive business 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. Its customers are carmakers, car electronics suppliers and other suppliers to the automotive industry. EB's Automotive business has been organized under Elektrobit Automotive GmbH and the segment employed 1,431 people worldwide, mainly in Germany, as of March 31, 2015. In addition, the jointly owned company e.solutions GmbH employed 459 persons.

The Automotive Business Segment comprises the following fully owned subsidiaries of Elektrobit Automotive GmbH: Elektrobit Automotive Finland Ltd., Elektrobit France SAS, Elektrobit Austria GmbH, Elektrobit Automotive Romania SRL, Elektrobit Automotive Americas Inc., Elektrobit Automotive Software (Shanghai) Ltd., Elektrobit Nippon K.K. and the 51 per cent ownership in e.solutions GmbH.

The net sales, operating profit and EBITDA of the Elektrobit Automotive Business Segment as reported on May 7, 2015 in EB's interim report for January-March 2015 were:

Automotive Business Segment (MEUR)	1Q 15	1Q 14	2014
Net sales	49.1	37.5	171.4
Change of net sales, %	31.1 %	22.9 %	24.0 %
Operating profit / loss	3.0	2.9	16.0
Operating profit / loss, % of net sales	6.2 %	7.7 %	9.3 %
Operating profit / loss without non-recurring items	3.3	2.9	16.0
EBITDA	4.6	4.5	22.4

The figures presented above include a share of the costs of the EB corporate functions that will not be transferred along with the Automotive business to the purchaser.

The purchaser, Continental, ranks among the top 5 automotive suppliers worldwide. As a supplier of brake systems, systems and components for powertrains and chassis, instrumentation, infotainment solutions, vehicle electronics, tires and technical elastomers, Continental contributes to enhanced driving safety and global climate protection. Continental is also a competent partner in networked automobile communication. In 2014, Continental corporation generated sales of approximately €34.5 billion and it currently employs approximately 200,000 people in 53 countries, including approximately 11,000 experts in the field of software development.

At the closing, the Transaction is estimated to increase EB's net profit of the full year 2015 by approximately EUR 530 million non-recurrently. The net cash flow is estimated to increase by approximately EUR 575 million non-recurrently. The net profit and net cash flow impacts are estimates based on the currently available information and the best view of the management of EB, and the actual impacts will be dependent on the actual assets on the balance sheet of Elektrobit Automotive sub-group at the time of the closing, and on the actual costs related to the transaction. These estimates will be updated at the closing. The assets of the transferring business totaled approximately EUR 98 million on the consolidated balance sheet of Elektrobit Automotive sub-group of December 31, 2014.

"The Automotive market, including software is in a very dynamic phase. Cars are becoming increasingly connected and automated driving is another megatrend in the car industry. The carmakers continue to invest in automotive software for new car models and the market for software products and services is estimated to continue to grow. As a result, the carmakers, suppliers of various parts and systems for cars and well-known consumer and IT products companies are increasing their focus on these markets. We believe Continental has the right capabilities and is very committed to further developing Elektrobit Automotive business as a part of a broader range of its products and solutions. For EB, this Transaction gives good cash consideration for the business and a significant non-recurring profit and cash increase. EB intends to repatriate the majority or all of the net proceeds from the Transaction to shareholders after the closing of the Transaction. After this divestiture, we will focus on growing the Wireless Business Segment under new name, Bittium Corporation," EB's CEO Mr. Jukka Harju comments on the transaction.

## Key terms and conditions of the share purchase agreement

The key terms and conditions of the SPA include, in addition to the terms described above, the following:

- The Transaction is subject to customary closing conditions including the approval of EB's EGM, Continental having obtained all authorizations, approvals and consents from the relevant authorities required for the lawful and valid consummation of the Transaction and that certain fundamental warranties of EB (regarding, for example, EB's ownership of the shares in Elektrobit Automotive GmbH) are true and accurate.
- In accordance with the SPA, EB cancels the demerger process contemplated by the demerger plan approved by EB's Board of Directors on February 18, 2015, pursuant to which the Wireless Business Segment of EB would have been demerged into a new company.
- EB cancels the notice published on April 29, 2015, to the EGM convened to be held on June 11, 2015 to decide on the demerger and will instead convene an EGM to approve the Transaction and, subject to the closing of the Transaction occurring, to change the Company's name to Bittium Corporation.
- Prior to the signing of SPA, Continental has acquired all necessary corporate approvals for the Transaction.

- Having evaluated the terms and conditions of the Transaction, the Board of Directors of EB has undertaken to unanimously and unconditionally recommend the approval of the Transaction to the shareholders of EB at the EGM to be convened separately and to be held on or about June 11, 2015.
- The SPA contains certain customary representations and warranties by each of EB and Continental concerning their respective organizations and businesses.
- The SPA contains undertakings by EB that are typical in similar transactions and include e.g. an undertaking by EB to conduct its Automotive business in the ordinary course before the closing of the Transaction and a non-competition undertaking for a period of 3 years. Furthermore, EB has undertaken not to solicit, initiate or encourage any competing offers or proposals for other transactions competing with the Transaction, and not to enter into discussions regarding or promote the progress of any competing proposal.
- Certain major shareholders of EB representing approximately 46 % of the shares and votes of the Company have undertaken to irrevocably and unconditionally vote in favor of the approval of the Transaction at the EGM.

## Strategy status – demerger is cancelled

As the Automotive Business Segment will no longer be a part of EB after closing of the Transaction, EB has decided to cancel the ongoing demerger process. As announced on February 19, 2015, the Board of Directors of EB had approved a Demerger Plan and had convened an EGM to be held on June 11, 2015 to resolve on the demerger. The Board of Directors now cancels the EGM which was convened to resolve on the demerger. Therefore, EB will continue as the same legal entity, and its continuing business will comprise its existing Wireless Business Segment. However, EB will change its name to Bittium Corporation, as Elektrobit brand will be included as a part of the Transaction.

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

### Historical figures of Wireless Business Segment

Wireless Business Segment (MEUR)	2013	2014	1Q 15
Net sales	61.2	53.0	15.3
Operating profit	-0.5	1.0	0.3
Operating profit without non-recurring items	0.4	0.5	0.4

The numbers above have been reported as Wireless Business Segment's numbers in EB's quarterly interim reports and financial statements reported by EB. Operating profit includes costs of corporate functions according to internal allocation principles used by EB. Therefore operating profit does not represent what operating profit of Wireless Business would have been as a stand-alone entity.

After the closing of the Transaction, EB intends to repatriate the majority or all of the net proceeds from the Transaction to shareholders. Timing or means for such repatriation will be decided upon separately after the closing has occurred, and a new EGM will be convened to decide on such repatriation.

## Recommendation of the Board of Directors of EB

Having carefully and thoroughly assessed the Transaction and its merits from the points of view of the Company and its shareholders, as well as in light of i) the SPA and the purchase price, ii) Continental's intentions regarding the future business of EB's Automotive Business, and iii) the Fairness Opinion rendered by Pohjola Bank plc, discussed in more detail below, the Board of Directors decided to enter into the Transaction and recommends that EB shareholders vote to confirm and approve the sale of Automotive business to Continental at the EGM.

#### i) SPA and the purchase price

The Board of Directors of EB considers that the SPA and the purchase price related thereto are fair to EB and its shareholders. The evaluation is, among others, based on the following analysis and factors which the Board of Directors has concluded to be material in evaluating the SPA, the purchase price and the conditions related thereto:

- The purchase price for EB's Automotive business represents a premium in comparison to the current value of the stock market capitalization of the whole Elektrobit Corporation;
- The valuation analysis of Elektrobit Automotive business based on certain generally accepted valuation methods, commissioned by the Board of Directors;
- The information and assumptions on the business operations and financial position of EB's Automotive business and their expected future development;
- Other strategic alternatives available for EB and its Automotive business, including the demerger;
- The support for the Transaction by certain large shareholders as referred in the section Voting undertakings below;
- Possibility to repatriate the majority or all of the net proceeds received from the Transaction to the shareholders of EB;
- EB has received an advance ruling from the Finnish tax authority according to which the Transaction is tax exempt.

The Board of Directors has concluded that, under the prevailing circumstances in which the Automotive market, including software, is in a very dynamic phase, EB would have viable opportunities to develop its Automotive business as an independent company for the benefit of EB and its shareholders, as planned as a part of the demerger process and demerger plan. However, there are also risks and uncertainties associated with EB's Automotive Business Segment in the dynamic market. Based on the aforementioned factors and circumstances, the Board of Directors of EB has concluded that the SPA and the purchase price are in the best interests of EB and its shareholders and represent a more favorable alternative for EB and its shareholders compared to continuing EB's Automotive business as an independent company after the planned demerger, or other potential strategic alternatives, reviewed by the Board of Directors.

#### ii) Continental's intentions regarding the future business of EB's Automotive business

As a part of its evaluation, the Board of Directors of EB has paid attention, among other things, to the strategic plans of Continental concerning the future of the two companies, based on discussions with and certain information provided by Continental.

Based on the dialogue between EB and Continental, the combination of EB's Automotive business and Continental has attractive development potential as both companies have very complementary areas of strength. The combination of strong software capabilities of EB's Automotive business and Continental's size, scale and access to a broad range of customers and OEM platforms worldwide shall bring benefits to both groups and enable offering best-in-class products and solutions to the customers of the two companies. EB would continue to also have a broad direct customer base.

In addition, Continental has indicated that it considers the management and employees of EB's Automotive business as a key asset and an important driver for continuing the company's impressive track record and, hence, retaining the management and employees is paramount to Continental's strategic plans. Continental is also confident that its strategic intentions to bring EB's Automotive business to the next level by growing and internationalizing the customer base will provide promising career paths for the employees of EB's Automotive business. In addition, Continental's intention to keep EB's Automotive business as a separate unit with its own brand under Continental umbrella, with a broad direct customer base, retain the business model and organizational structures within the company in place, as well as to maintain the location of the company's facilities shall provide continuity for both the company and its employees.

#### iii) Fairness Opinion rendered by Pohjola Bank plc

The Board of Directors of EB has requested and received a Fairness Opinion from Pohjola Bank plc regarding the financial merits of the Transaction and the purchase price payable to the Company. According to the fairness opinion given by Pohjola Bank plc, the Transaction is fair, from a financial point of view, for EB and its shareholders.

## Extraordinary general meeting

Under the terms of the SPA, the closing of the Transaction will be subject to approval by EB's shareholders. EB plans to hold an Extraordinary General Meeting (EGM) on or about June 11, 2015 and to publish a notice to the meeting in due course.

The Board of Directors will propose the name change from EB to Bittium Corporation, to be resolved in the same EGM.

## Voting undertakings

EB's board members Jorma Halonen, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen, CEO Jukka Harju as well as Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company, Eero Halonen and Kai Hilden, who according to the Euroclear book-entry securities system on May 15, 2015 together represented approximately 46 % of the shares and votes in the Company, have entered into irrevocable and unconditional voting undertakings to vote in favor of the Transaction at the EGM.

## Outlook for the year 2015

(Continuing Operations without Automotive Business)

The outlook is based on the assumption that the sale of EB's Automotive business, as described in this stock exchange release, will be closed at the beginning of July 2015 in accordance with the terms and conditions of the SPA. In the interim report January-June 2015 EB will report Wireless business as continuing operations and the Automotive business will be reported as discontinued operations.

For the year 2015 EB expects that from continuing operations the net sales will grow and operating profit will be at the same level or higher than in the previous year for the Wireless Business Segment (net sales of EUR 53.0 million and operating profit of EUR 1.0 million in 2014).

The 2015 business outlook for the Wireless business remains unchanged. In the Wireless Business Segment, the demand for R&D services and products is expected to develop positively especially in the authority markets and in various applications where wireless connectivity is needed. Assuming that the Transaction will be closed at the beginning of July, the Wireless Business Segment will carry approximately EUR 1 million more costs of corporate functions during the second half of year 2015, since these costs would no longer be shared with the Automotive Business Segment.

The above operating profit outlook of EB above does not include non-recurring profits and costs related to the sale of the Automotive business or the demerger process that is canceled. The non-recurring costs related to these events are included in the estimate of non-recurring items resulting from the sale of the Automotive business below.

### Non-recurring items

The Transaction is estimated to have approximately EUR 530 million positive non-recurring effect on EB's net profit for the full year 2015. This estimation includes both the proceeds from the sale of Automotive business and the costs related to this Transaction and the costs related to the cancelled demerger process. The final effect of the Transaction on EB's net profit and cash flow is dependent on the assets on the balance sheet of Elektrobit Automotive sub-group at the time of the closing, and on the actual costs related to the transaction. These estimates will be updated at the closing. The assets of the transferring business totaled approximately EUR 98 million on the consolidated balance sheet of Elektrobit Automotive sub-group as of December 31, 2014.

The previous outlook for EB given on May 7, 2015 including the Automotive Business Segment was:

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

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

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

The operating profit outlooks above do not include non-recurring costs resulting from the planned partial demerger, which amount of non-recurring costs is estimated to be approximately between EUR 2.5 million and 3.0 EUR million in 2015 in case the planned partial demerger will be implemented."

## Risks and uncertainties regarding the outlook

Market outlook for the Wireless Business Segment remains as described in the Interim Report for January-March 2015, under the section “Market outlook for the Wireless Business Segment”.

More information about other uncertainties regarding the outlook is presented in the sections “Risks and uncertainties” and “Events after the review period” in the interim report January – March 2015 of EB.

More information about EB's risks and uncertainties is available at [www.elektrobit.com](http://www.elektrobit.com).

Regarding the sale of EB's Automotive business to Continental, Pohjola Bank plc acts as a financial adviser and Roschier, Attorneys Ltd. acts as the legal adviser to EB.

Oulu, May 19, 2015,

Elektrobit Corporation  
The Board of Directors

### Further information:

Jukka Harju  
CEO  
Tel. +358 40 344 5466

### Distribution:

NASDAQ OMX Helsinki  
Principal media

### 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 2014 totaled EUR 224.1 million and operating profit was EUR 16.8 million. Elektrobit Corporation is listed on NASDAQ OMX Helsinki. [www.elektrobit.com](http://www.elektrobit.com)

### About Continental

Continental develops intelligent technologies for transporting people and their goods. As a reliable partner, the international automotive supplier, tire manufacturer, and industrial partner provides sustainable, safe, comfortable, individual, and affordable solutions. In 2014, the corporation generated sales of approximately €34.5 billion with its five divisions, Chassis & Safety, Interior, Powertrain, Tires, and ContiTech. Continental currently employs approximately 200,000 people in 53 countries.