



Elektrobit

Annual Report 2014

EB in 2014



A close-up, artistic photograph of a car's dashboard. The central focus is a tachometer with a black face, white markings, and a red needle. The text 'RPM x1000' is printed on the gauge. Below it, a temperature gauge shows a red needle and a red arc on the scale. The background is dark and blurred, showing parts of the steering wheel and other dashboard elements.

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10:39



Outside Temperature 72.3 °F

74 mph

Range: 417 miles

Fuel Consumption

Current 23.2 mpg Average 27.6 mpg

Trip: 323.6 miles

P R N D 2 1

62543.3 miles



EB in 2014

The 2013 figures presented in comparison in this Annual Report include the figures of Continuing operations only.

Financial development in 2014

The net sales grew and operating profit in 2014 improved clearly from the previous year

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

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

At the end of 2014, equity ratio was 62.3 % (65.1 %, December 31, 2013) and net gearing was -37.4 % (-46.1 %, December 31, 2013).

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

At the end of the review period, EUR 3.0 million of these facilities was in use.

Research and development

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

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

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

Significant events during 2014

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.

Option rights

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

Cost saving actions in the Wireless Business Segment

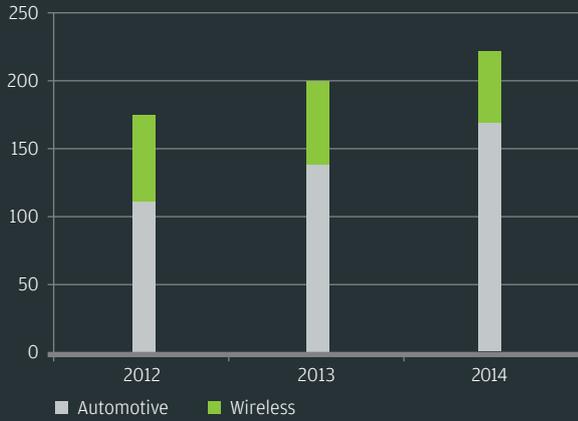
On April 30, 2014 EB started personnel negotiations to adjust its cost structure for the weakened order book for R&D services in the next few months. The negotiations were concluded on May 15, and the company decided to temporarily lay off at the maximum of 90 persons in the Wireless Business Segment.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

On November 11, 2014 EB started personnel negotiations in order to rationalize its operations in Wireless Business Segment in Finland. The negotiations were concluded on December 17, 2014 and decided to lay off up to a maximum of 19 employees in its offices in Kajaani and Tampere. As an alternative a few employees were offered new positions in Oulu. This caused non-recurring costs of EUR 0.4 million that weakened the result of the last quarter of 2014. With these actions EB will achieve annual cost savings of approximately EUR 1 million, from the beginning of 2015 onwards.

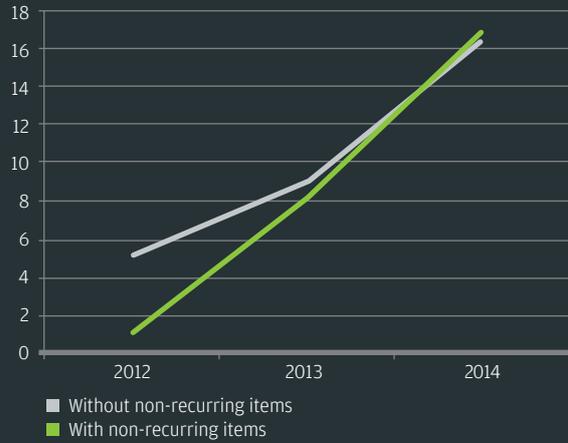
Parrot S.A.'s legal proceedings against e.solutions GmbH

Parrot S.A., a supplier of e.solutions GmbH, a jointly owned company of EB and AUDI, legal proceeding initiated 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. Accord-

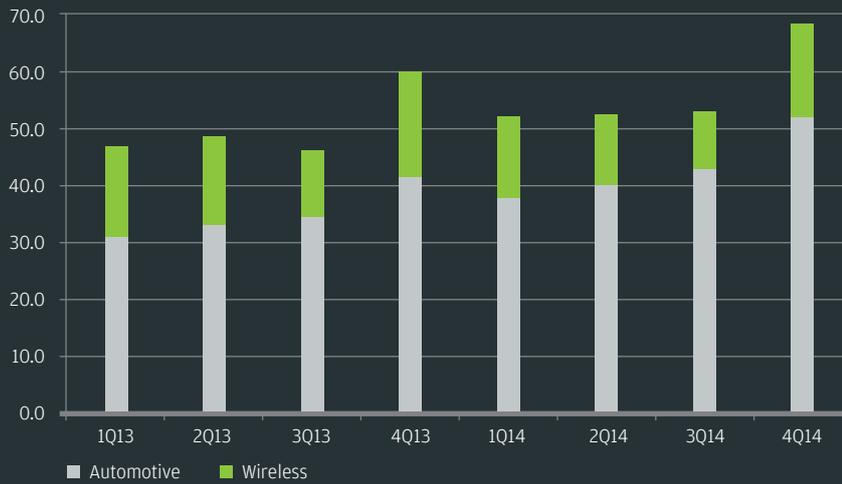
Net sales 2012-2014 (MEUR)
Continuing operations



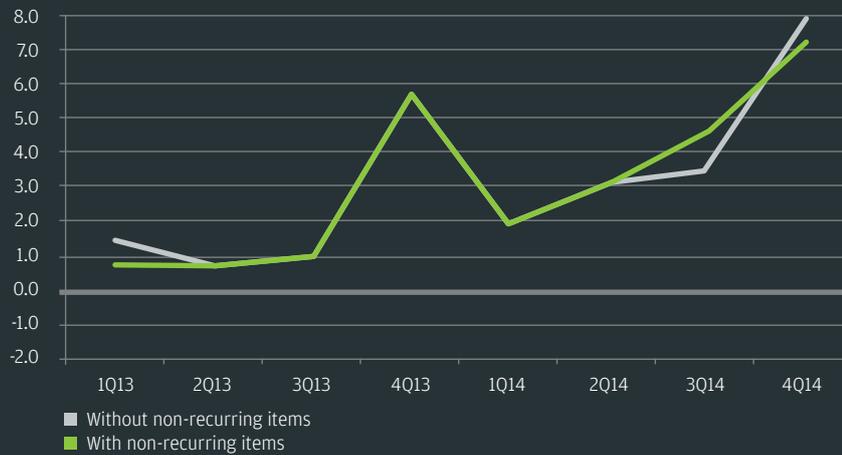
Operating result 2012-2014 (MEUR)
Continuing operations



Net sales quarterly 2013-2014 (MEUR)
Continuing operations



Operating result quarterly 2013-2014 (MEUR)
Continuing operations



ing 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. In September Parrot withdrew the legal proceeding against EB.

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

Events related to the reorganization cases of TerreStar Companies

In July a subsidiary of Elektrobit Corporation, Elektrobit Inc. and the TerreStar Networks Inc. (TSN) 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 TSN and in resolution of all disputes between EB and the bankruptcy estate of TSN and certain of its subsidiaries and affiliates.

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

In October Elektrobit Corporation's subsidiary Elektrobit Inc. entered into a settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies. Originally IRS disallowed a deduction taken on Elektrobit Inc.'s 2010 U.S. federal income tax return for the impairment of the receivables from the TerreStar companies. EB reversed the remaining EUR 0.3 million provision. As a result from the approval of the proposal Elektrobit Inc. paid IRS USD 1.4 million (EUR 1.1 million as per exchange rate of October 8, 2014) taxes including interests for fiscal year 2010 and at the same time submitted a carry-back claim of USD 1.3 million (EUR 1.0 million as per exchange rate of October 8, 2014) for fiscal year 2011. Both, the payment to IRS was made and the carryback refund was received during the fourth quarter of 2014.

In August after receiving full and final settlement payment and finishing of tax appeal process, EB's activities related to TerreStar reorganization processes were concluded. EB reversed 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 had together approximately EUR 1.1 million non-recurring positive effect on Elektrobit Corporation's third quarter 2014 operating result.

Plan for partial demerger and listing of Bittium Corporation

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

Based on the demerger plan, the assets and liabilities related to EB's Wireless Business Segment will be transferred to Bittium Corporation, an entity to be newly established in the partial demerger that will be listed at Nasdaq Helsinki. EB's Automotive Business Segment remains as a part of the current EB, which will continue its listing at Nasdaq Helsinki. The partial demerger will need to be approved by an extraordinary general meeting, expected to be held on June 11, 2015. The planned effective date for the demerger is June 30, 2015. Additional information on the partial demerger plan and the updated strategic guidelines has been presented in a separate stock exchange release on February 19, 2015.

Purpose and vision

The Purpose of EB is to enrich people's lives through innovative technologies, products and solutions.

EB's vision is that we are the innovation partner for our customers by offering value creating solutions in the automotive and wireless environments.

Strategic guidelines updated on February 18, 2015

EB's business is based on two business segments: Automotive and Wireless.

Strategic guidelines of the Automotive Business Segment

The Board of Directors of Elektrobit Corporation has on February 18, 2015 updated the strategic guidelines of the Automotive Business Segment based on recent market trends and business plans of the Company.

The software market for passenger vehicles is expected to continue growing and to provide EB an attractive long term growth potential. The global car market is expected to grow in 2015 between 2% according to the forecast made by VDA (Verband der Automobilindustrie) and 4% according to the study "The global automotive market" by Euler Hermes. The outlook for global passenger car demand is more mixed than at the corresponding time a year ago, particularly in view of the sharp fall in the price of oil and varying economic development in different regions. However the carmakers continue to invest in automotive software for new car models and the market for software products and services is estimated to continue growing during 2015. Based on Beryll's "Future Structure of Automotive (FAST) Electronics 2025" study, electronics for automotive industry are expected to grow from EUR 215 billion in 2012 into EUR 456 billion in 2025 (CAGR 6%).

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

- The majority of in-vehicle innovations come from electronics and software.
- Carmakers continue to develop modular car platforms for global markets to achieve scalability as well as good ability to handle the complexity of a growing number of car models and variants.

- 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 cars of all 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.
- 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. e.solutions GmbH, a company jointly owned by EB and AUDI, is developing high-end infotainment software solutions for various car models of the Volkswagen group companies. The software solutions developed by e.solutions will be used in several new car models.
- Autonomous driving is becoming one of the key trends and an important area for new investments, which will drive development of new safety solutions such as Active Safety and Driver Assistance, in compliance with the functional safety requirements of the automotive industry.
- Increasing complexity of electronics and software will create more demand on developing software which fulfils the relevant data security requirements.

The markets are evolving from in-car software products and their development tools to solutions, which provide connectivity to outside information systems and services. Connected Car applications enable e.g. the development of increasingly autonomous driving solutions and new value added services to car owners and to companies active in the automotive industry.

In the Automotive Business Segment, EB focuses on in-car software and aims at expanding its service offering to connected car solutions and new service applications emerging from the increasing connectivity. In addition to research and development services and software products, EB provides customized solutions based on product platforms and know-how in latest technologies and systems integration. Autonomous driving solutions are an example of a new area that EB will emphasize in the future by bringing new technologies and product solutions to the market. EB also develops products and customized solutions together with business partners who offer complementary solutions. Co-operation is also being built-up with the EB's Wireless Business Segment especially in Connected Car

applications, and the build-up of co-operation would continue also with Bittium if the demerger is implemented.

EB's key customers are leading car manufacturers and car electronics suppliers. EB targets to expand its customer base also to companies that focus on software based services. EB will also continue to make selected R&D investments into its own products and product platforms. In the coming years, EB aims to gradually develop its business model increasingly towards software products and connectivity-related services, which will slightly increase the direct dependency of net sales to car production volumes. The share of customized product development services of net sales will continue to stay significant, as in-car software is typically tailored to the needs of each carmaker and car model. In 2014, the net sales of software products and licenses linked to car production volumes and other software license sales (volume based turnover) amounted to approximately 25% of the segment's total net sales. In some of the Company's development projects, customer specific development costs cannot be fully invoiced during the development phase, but will be included in the license fees to be invoiced based on the actual car delivery volumes. EB is developing partnerships and will explore M&A opportunities that would strengthen its competitiveness and create new future market opportunities.

Strategic guidelines of the Wireless Business Segment

The Board of Directors of Elektrotit Corporation has on February 18, 2015 updated the strategic guidelines of the Wireless Business Segment as follows:

EB's offering in the Wireless Business Segment to its customers is based on strong and extensive know-how in radio technology, embedded software, electronics and product integration. This know-how is a result of long-term relationship with the world's leading mobile technology companies and with the Finnish Defence Forces as well as research programs started already in the 1980s on radio technology focusing on e.g. spread spectrum and software radio technologies.

In the Wireless Business Segment EB provides product development services and customized solutions for the wireless telecommunication market and for companies needing mobile connectivity in their products. EB offers products and customized products which are based on its product platforms for defense, public safety and other authorities as well as for industrial use. Manufacturing of the products has been outsourced to electronics manufacturing companies.

Rapid development of wireless technology will continue. More radio spectrum is being allocated for public mobile networks and the use of frequencies varies from country to country. Data traffic in mobile networks continues to grow fast, which creates demand for smaller network cells and low power base stations. These drivers continue to drive the need for research and development services for mobile radio network equipment. In addition, the usage of mobile networks in industrial internet solutions will increase the need for wireless solutions for industrial customers. Mobile connectivity is related to people, as well as machines and things.

Defense, security and other government agencies require more wireless communications capacity and more developed solutions at lower price points compared to the previous generations of wireless communication devices. Modern and low cost commercial mobile communications technologies offer opportunities to develop advanced and cost efficient solutions for their needs. At the same time, the increasing need for secure mobile connectivity together with more advanced solutions creates demand for services as well as new business opportunities for companies that can combine both security and latest commercial technologies in their products. The markets for defense, public safety and other public authority applications in wireless sectors are slow to evolve due to their nature. Other typical market characteristics are long lead times for purchasing decisions, which is due to the long planning processes typical of government projects. Once a supplier has been selected, product deliveries are typically executed over several years.

The demand for EB's R&D services in wireless telecommunications and industrial markets is as a whole expected to remain rather stable in the coming years. Net sales growth is sought from the company's own products and product platforms, which EB is introducing to the international defense and public authority markets. EB continues to make product development and marketing investments for these markets. In defense applications, EB offers advanced and high capacity IP based tactical communication solutions (EB Tactical Wireless IP Network, EB Tough VoIP, EB Tactical LTE Access Point, EB Tough Mobile). For use of the public safety and other authorities, EB offers EB Tough Mobile LTE smartphone and tailored security solutions, which supports LTE frequencies reserved for public safety authorities. These devices combine modern mobile technology with durability and high standards for information security. Based on the device, it is possible to develop tailored solutions such as satellite phones. For wearable devices and industrial applications, EB offers solutions based on its own EB IoT (Internet of Things) Device Platform which offers mobile connectivity.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)

CONTINUING OPERATIONS

	2014	2013
NET SALES	224.1	199.3
Other operating income	4.7	3.5
Change in work in progress and finished goods	0.0	-0.0
Work performed by the undertaking for its own purpose and capitalized	0.1	0.0
Raw materials	-16.3	-12.4
Personnel expenses	-125.6	-113.2
Depreciation	-8.7	-9.0
Other operating expenses	-61.5	-60.0
OPERATING PROFIT (LOSS)	16.8	8.1
Financial income and expenses	-1.3	-0.9
PROFIT BEFORE TAX	15.5	7.2
Income tax	-3.3	-0.6
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	12.3	6.7
Discontinued operations		
Profit for the year from discontinued operations	0.2	24.3
PROFIT FOR THE PERIOD	12.5	30.9
Other comprehensive income:		
Items that will not be reclassified to statement of income		
Re-measurement gains (losses) on defined benefit plans	-0.8	0.0
Income tax effect	0.2	
Items that may be reclassified subsequently to the statement of income		
Exchange differences on translating foreign operations	0.9	-0.0
Other comprehensive income for the period total	0.4	-0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12.9	30.9
Profit for the year attributable to		
Equity holders of the parent	12.5	30.9
Total comprehensive income for the period attributable to		
Equity holders of the parent	12.9	30.9
Earnings per share from continuing operations, EUR		
Basic earnings per share	0.094	0.051
Diluted earnings per share	0.093	0.051
Earnings per share from discontinued operations, EUR		
Basic earnings per share	0.002	0.188
Diluted earnings per share	0.002	0.187
Earnings per share from continuing and discontinued operations, EUR		
Basic earnings per share	0.096	0.239
Diluted earnings per share	0.095	0.238
Average number of shares, 1000 pcs	130 975	129 528
Average number of shares, diluted, 1000 pcs	131 663	130 092

CEO's Review

In 2014 EB's net sales grew by 12.5 per cent from previous year to EUR 224.1 million. Operating profit was almost double compared to previous year and was EUR 16.8 million (corresponding to 7.5 per cent of net sales). Both the growth in net sales and mainly also the improved operating profit were due to the good development of Automotive Business Segment. I am pleased to state that EB's financial development during 2014 continued good and the company reached its main goal to improve operating profit from previous year.

The demand for EB's software products and R&D services in Automotive Business Segment remained good, as carmakers continued to invest into the development of new car models. During the reporting period the net sales grew strongly, 24.0 per cent from previous year to EUR 171.4 million and operating profit improved to be 9.3 per cent from net sales. Also e.solutions GmbH, the jointly owned company of EB and AUDI that develops infotainment software systems for Volkswagen group car models, continued its growth and proceeded according to its targets. The growth in operating profit was driven by the growth in net sales of R&D services and by the good performance in projects, the growth of software license sales and lower R&D investments than in the previous year. In the last quarter, R&D investments were higher than in the previous year. In addition to connected car area, autonomous driving was strengthened as a key trend and area of development in automotive markets.

The net sales of the Wireless Business Segment decreased by 13.4% from the previous year to EUR 53.0 million due to the decreased demand for R&D services for mobile telecommunications network equipment and other markets. The product-based sales increased clearly from the previous year to EUR 14.1 million (approximately 26.7 per cent of net sales in 2014), which however did not fully compensate the decreased R&D services sales. The product-based sales in 2014 was generated mainly from the Finnish authority markets and the net sales resulting from the international defense and other authority markets remained low due to these customers' slower than estimated purchase decisions. Wireless Business Segment's operating result for the whole year improved year-on-year and was slightly positive due to the strong fourth quarter. Operating profit without non-recurring items was at the same level as in the previous year.

In 2014 EB strengthened its R&D investments in the Wireless Business Segment clearly from previous year to EUR 6.9 million (13 per cent of net sales) and launched EB Tough Mobile LTE (Long Term Evolution) smart phone for demanding security and authorities markets and EB IoT Device Platform. In the beginning of January 2015 EB acquired SafeMove business which provides high-quality information security solutions for mobile devices and portable computers. This acquisition strengthens Wireless Business Segment's competitiveness as a provider of secure communication solutions for defense, public safety and other authority markets.

EB's balance sheet remained strong in 2014. At the end of the reporting period the equity ratio was 62.3 per cent and cash and other liquid assets were EUR 43.3 million. A total of EUR 3.0 million of altogether EUR 20 million credit facilities were in use at the end of the year.

At the end of 2014 the parent company of the group and its subsidiaries employed 1,804 people, e.solutions GmbH, the jointly owned company with EB and AUDI employed 431 people. The amount of EB personnel in total grew during 2014 in Automotive Business Segment with 186 employees and decreased in Wireless Business Segment by 29 employees. In the autumn 2014, EB expanded its offices and opened a new R&D site in Oulu, in Finland. The operations had a good start and at the end of the year 2014 21 employees were working there.

During 2014, the company's share price grew 26.3 per cent year-on-year and share price volume on the NASDAQ OMX Helsinki grew from previous year representing more than 50 per cent of the share capital.

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

is to grow EB's net sales and operating profit from the previous year.

On February 18, 2015 EB's Board has accepted the partial demerger plan of Elektrobit Corporation and the listing of Wireless Business Segment as Bittium Corporation on the Nasdaq Helsinki stock exchange. In case the extraordinary general meeting, planned to be held on June 11, 2015, approves the plan, the demerger will come effective on June 30, 2015. Automotive business would remain in the current company, which will continue to be listed as before. The demerger plan and the updated strategic guidelines have been announced in more detail in this annual report in section 1 as well as in the stock exchange release, on February 19, 2015.



Jukka Harju
CEO

Business Segments

EB's reporting is based on two Business Segments: Automotive and Wireless.

The Automotive Business Segment

In the Automotive Business Segment, EB offers a range of software products and R&D services for in-car embedded software, as well as professional tools that support the whole process of the in-car software development. Our customers are carmakers, car electronics suppliers and other suppliers to the automotive industry. The offering includes secure & safe technologies and solutions for Connected Car Infrastructure, Driver Assistance and Infotainment solutions containing navigation and human machine interfaces (HMI) technologies.

Financial Development in 2014

The demand for automotive software products and services developed well during the whole year. Net sales of the Automotive Business Segment in 2014 grew to EUR 171.4 million (EUR 138.3 million, in 2013), representing 24.0 per cent growth year-on-year. Operating profit im-

proved clearly from the previous year and was EUR 16.0 million (EUR 8.5 million, in 2013). The demand for EB's software products and R&D services remained good, including the jointly owned company e.solutions GmbH. The improvement of the operating profit was driven mainly by the net sales growth of R&D services and good performance in services projects, the growth of software license sales and the lower R&D investments.

Products

During the first quarter EB and Universite de Sherbrooke in Quebec (Canada) presented urban concept vehicle (Vehicle Urbain Electrique (VUE)) with autonomous driving technology at 2014 International CES in Las Vegas. EB also announced to have developed breakthrough technology to help car makers test complex driver assistance systems. EB Assist Car Data Recorder is a measurement tool that allows product development engineers to record and visualize data during test drives using a common tablet computer without complicated cable installations, monitors or keyboards.

In June EB introduced new functions for its EB Assist Electronic Horizon Solution, offering more flexibility for carmakers and suppliers for implementing predictive driver assistance systems. The new version enables them to use digital map information across car lines and model configurations, without the need for having an active navigation system.

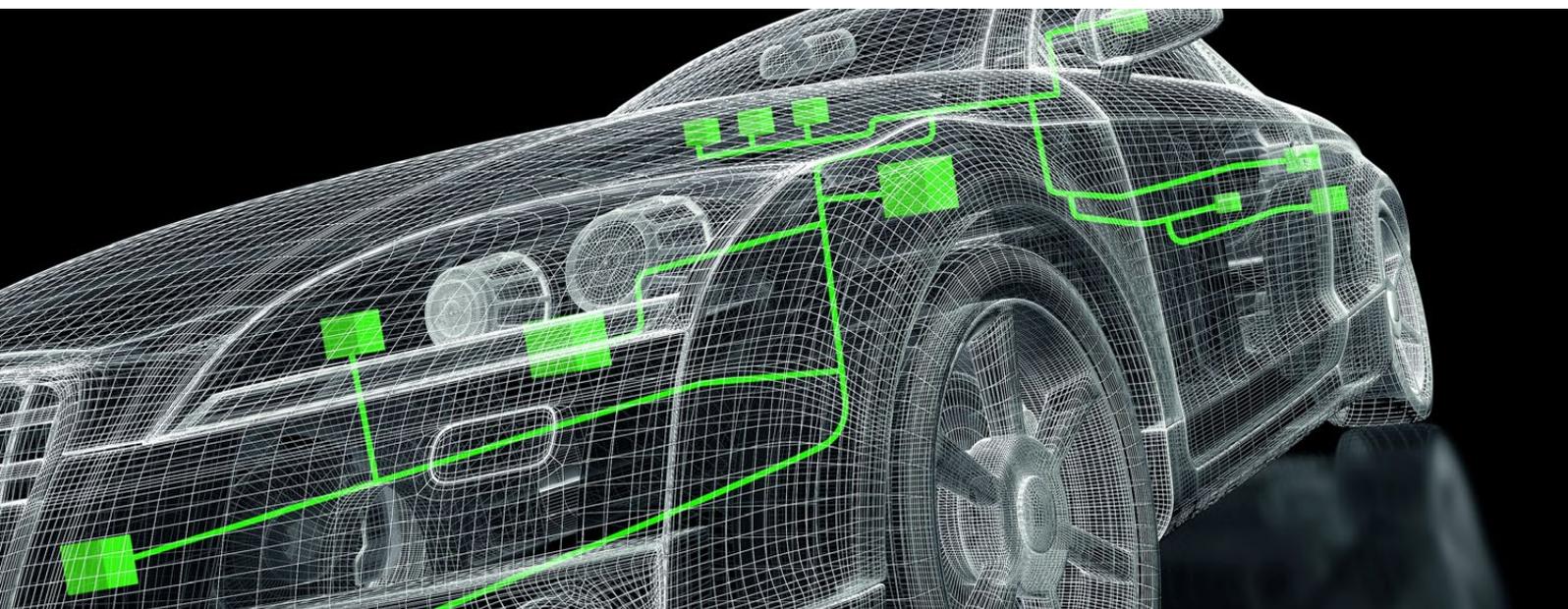
As recognition to EB's long-standing expertise in the development of driver assistance software solutions that provide maximum safety, quality and performance, EB received Best Telematics Safety and Security Award for driver assistance software solutions developed with Daimler for Daimler, during the Telematics Detroit 2014 conference and exhibition (June 4-5) in the Detroit suburb of Novi, Michigan.

EB's products and services in the Automotive Business Segment are:

- **EB street director** - a versatile navigation software platform with customization capabilities;
- **EB GUIDE** - an innovative, flexible HMI development and speech dialog platform;
- **EB tresos** - a product line of seamlessly collaborating AUTOSAR software components used in ECUs (Electronic Control Units) and tools for their configuration;
- **EB Assist** - an extensive product line with tooling and a software development kit for driver assistance solutions;
- **Engineering services** - comprehensive services concerning the software development for infotainment, driver assistance and ECU in the automotive industry.

By combining its software products and R&D services, EB is creating unique, customized solutions for the automotive industry. EB's 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% and AEV 49% of e.solutions GmbH. e.solutions GmbH is consolidated in EB group's financial statements by applying proportionate consolidation method.



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

In 2014, e.solutions GmbH, the jointly owned company of EB and AUDI, progressed well and according to its targets in developing the high-end infotainment systems for the Volkswagen Group car models. EB's navigation and speech products are used in e.solutions' products. At the end of 2014, e.solutions had 431 employees in Germany.

Personnel

The number of employees in the Automotive Business Segment grew by 186 employees in 2014. At the end of 2014, EB employed 1,324 professionals in Germany, Austria, Finland, France, Romania, United States, China and Ja-

pan in the Automotive Business Segment and the average age of the personnel was 36. R&D engineers constituted clearly the largest proportion of the personnel.

The number of employees increased mainly in Germany with over 90 employees and also in Romania and the USA and Finland, where EB established a new automotive software site in Oulu in September 2014. At the end of 2014 EB Automotive Oulu employed 21 persons. Expanding its operations in Oulu, Finland, offers the company an opportunity to further grow its software engineering capacity for current and future needs.

EB's core competences in the Automotive Business Segment are automotive-grade embedded software in Electronic Control Units (ECU), Human Machine Interface (HMI), infotainment solutions, navigation, driver assistance, Functional Safety, and software integration.

The year 2014 started with a new organization structure in place to strengthen the organization's capabilities in the continuing business growth and to promote innovations. The ASWgoesSpice program began its rollout in 2014. It aims at establishing processes and tools that strengthen EB's capabilities to comply internationally with Automotive Spice Level 3 and

requested Functional Safety standards. Renewing the processes affects the way of working of each employee of the Automotive Business Segment.

EB invested in new programs of people development and its own training academy. As part of the ASWgoesSpice program the project management capabilities were strengthened through the Lean Development Model and adapting the agile methods to achieve better quality and higher productivity. Investments into management and leadership competencies were continued by enhancing the supervisory and communication skills as well as many more. Key management was offered an opportunity to participate in a potential analysis aiming at evaluating of personal strengths and weaknesses in order to make a personal development plan.

EB continued to further cooperate with universities and schools and attended in 25 job fairs to grow the awareness of the company among students and find new talents.

Press releases in 2014

- On November 12, EB was named as 2015 CES Innovation Awards Honoree for its EB Assist Electronic Horizon solution.
- On October 14, EB introduced the first AUTOSAR multi-core safety operating system for automotive ECUs.
- On October 2, EB and Nuance unveiled the integration of voice and natural language understanding (NLU) technology as part of the Virtual Cockpit in the new Audi TT Roadster.
- On August 15, EB announced to open a new automotive software site in Oulu Finland.
- On June 5, EB wins the Best Telematic Safety and Security Award for driver assistance software solutions developed with Daimler.
- On June 3, EB introduced the new version of EB Assist Electronic Horizon solution to support state-of-the-art driver assistance functions, offering more flexibility for carmakers and suppliers implementing predictive driver assistance systems.
- On February 24, EB announced to have developed breakthrough technology to help carmakers test complex driver assistance systems.
- On January 7, EB and Universite de Sherbrooke in Canada presented urban concept vehicle with autonomous driving technology at 2014 International CES (Consumer Electronics Show).

Market outlook

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

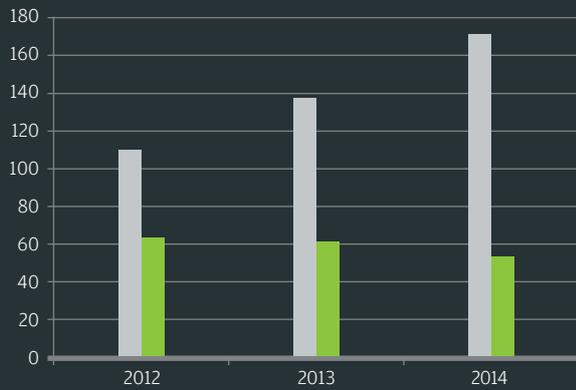
services is estimated to develop positively year-on-year during 2015 in the Automotive Business Segment.

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

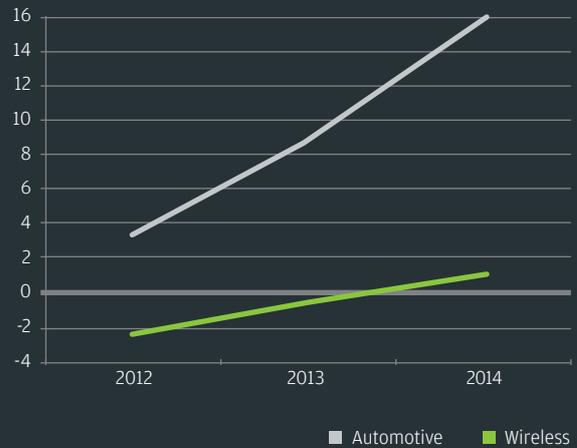
Growth in the automotive software market in 2015 and beyond, and growth for EB, is expected to be driven mainly by:

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

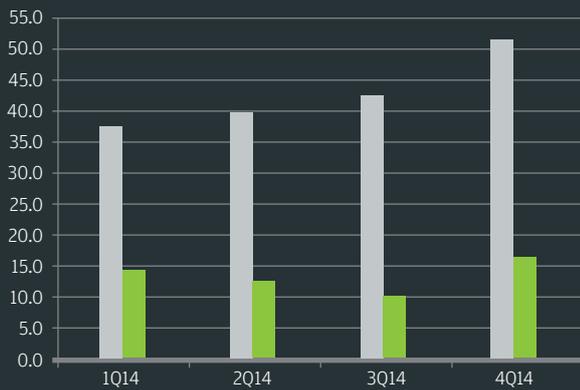
Net sales by Business Segments 2012-2014 (MEUR)
Continuing operations



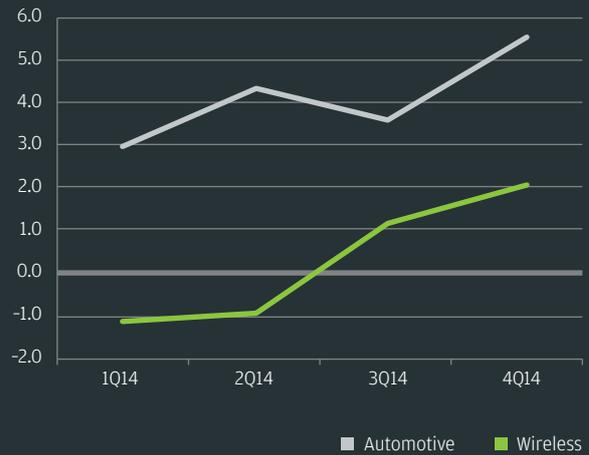
Operating result by Business Segments 2012-2014 (MEUR)
Continuing operations



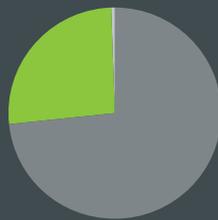
Net sales by Business Segments
quarterly 2014 (MEUR)



Operating result by Business Segments
quarterly 2014 (MEUR)

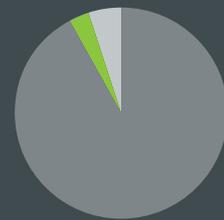


Personnel
by Business
Segments
Dec. 31, 2014
(parent company
and its subsidiaries)



	2014	%	2013	%
Automotive	1324	73	1138	69
Wireless	471	26	500	30
Corporate functions	9	1	10	1
Total	1804		1 648	

Personnel
by Market Areas
Dec. 31, 2014
(parent company
and its subsidiaries)



	2014	%	2013	%
Europe	1662	92	1529	93
Asia	54	3	50	3
Americas	88	5	69	4
Total	1804		1 648	

e.solutions GmbH, the jointly owned company of EB and AUDI had 431 employees at the end of 2014 (321 at the end of 2013).



EB Tough Mobile LTE smartphone



EB Tactical Wireless IP Network products and EB Tough VoIP phone

The Wireless Business Segment

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

Financial development in 2014

The Wireless Business Segment's net sales in 2014 decreased by 13.4 per cent year-on-year, to EUR 53.0 million (EUR 61.2 million, in 2013). The share of the product-based net sales was EUR 14.1 million (EUR 6.9 million in 2013), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the delivery of special terminal products for the authority use to a customer abroad.

The operating profit of the Wireless Business Segment in 2014 was EUR 1.0 million, including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies, and non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs

of SafeMove (operating loss of EUR -0.5 million, in 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment). The decrease in the net sales year-on-year and lower than expected operating result were due to the decline in the demand for R&D services for mobile telecommunications network equipment and other markets, the increased product-based net sales did not fully compensate this decline.

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

On November 6, 2014 EB started personnel negotiations in order to rationalize its operations in Wireless Business Segment in Finland. The negotiations were concluded on December 17, 2014 and decided to lay off up to a maximum of 19 employees in its offices in Kajaani and Tampere. As an alternative a few employees were offered new positions in Oulu. This caused non-recurring costs of EUR 0.4 million that weakened the result of the last quarter of 2014. With these actions EB will achieve annual cost savings of approximately EUR 1 million, from the beginning of 2015 onwards.

Products and services of the Wireless Business Segment

- **EB Tough Mobile LTE smartphone** - for demanding Mobile Security and Public Safety needs;
- **EB Tactical Wireless IP Network** - wireless IP network for tactical communications;
- **EB Tough VoIP phone** - VoIP phone for tactical communications;
- **EB Tactical LTE Access Point** - solution for wireless LTE access for tactical communications;
- **EB Special Device Platform** - for the development of Android-based devices;
- **EB IoT Device Platform** - for the development of different kind of products that need wireless connectivity and various sensors;
- **EB SafeMove software** - enabling secure, seamless connectivity for mobile workforce (from Jan. 2, 2015 onwards);
- **a broad range of R&D services** for the latest wireless technologies and applications, such as consulting, integration, and development of software and hardware.

Products

EB aims at bringing its products to the global defense and other authorities markets and continued its sales and marketing efforts and R&D investments into these markets in 2014. During the first quarter EB delivered a batch of special terminal devices to one customer abroad, and received several small orders from customers in Europe and in the USA, mainly intended for defense forces test and evaluation purposes, for its EB Tough VoIP phone system products developed for defense use. Customers' purchase decisions proceeded slower than estimated, and therefore the net sales resulting from the international defense and other authority markets remained low during 2014.

In the beginning of the year EB broadened its EB Special Device Platform (SDP) by introducing an Android-based smart watch technology version. This customizable device platform enables the delivery of complete product solutions to companies aspiring to extend the reach of their brand and product offering to the smart watch market. The platform has been used in the creation of the adidas miCoach SMART RUN premium running smart watch, launched in November 2013.

In June EB told that it is developing an EB Tactical LTE Access Point solution (Long Term Evolution, 4G) alongside its tactical communications products and systems to enable the utilization of regular terminals designed for civilian use in military purposes. This solution serves to establish a wireless broadband access point to cover data transfer and a call service within a specific area of the battlefield. EB presented its expanding product portfolio at the Eurosatory 2014 exhibition in Paris.

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 collaboration with Qualcomm to feature the Qualcomm® Snapdragon™ 801 processor in the new version of its EB Special Device Platform, which was commercially available later 2014. 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.

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

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

Personnel

At the end of 2014 471 employees worked in Wireless Business Segment in Finland, USA and Singapore. The amount of personnel decreased by 29 employees from last year. The decrease occurred mainly in Finland. The average age of the Wireless Business Segment personnel was 40.8. R&D engineers and specialists constituted clearly the largest proportion of the personnel.

EB's core competences in the Wireless Business Segment are radio technology, embedded software, electronics, and product integration. The development of engineering competences was further supported by virtual competence teams and technical trainings. The way of work-

ing in the Wireless Business Segment is based on the implementation of Lean and Agile methods.

During 2014 EB participated also to N4S (Need for Speed) program, where the operational models and methods of real time economy were developed and tested. One of the key focus areas during the year was so called experimental coaching, which aims at promoting a company culture with experimental operational models and methods. More than 10% of the personnel participated in this training of very practical operational model.

Other development models in 2014 were Nexten (focuses on managing networks) and Accelerate (aiming at creating and maintaining a growth basis for innovations). Related to Accelerate project, EB created an internal idea tool, through which the personnel can share ideas in a forum that enables discussing and co-developing of ideas further. Through an open tool the amount to present new ideas will increase and the ideas will be handled more regularly. The new tool also aims at pushing more ideas than before further to test their capabilities in practice.

During 2014, the focus in the personnel development was also in project management and supervisory work. 38 employees participated in internal project management training. The training aimed at improving the profitability and fluency of projects by increasing the competence of the project management i.e. in mastering also the financial aspects and processes, managing people and networks, as well as in communication. Training targeted for supervisors in 2014 focused on coaching management's methods, the role of a supervisor and on creating a dialogue. Approximately 20 supervisors and team leaders participated in the training.

Press releases in 2014

- On December 17, EB rationalizes its operations in the Wireless Business Segment in Finland
- On November 26, EB announces versatile and easily customizable Internet of Things (IoT) product platform
- On November 6, EB plans to rationalize its operations in the Wireless Business Segment in Finland
- On November 6, EB introduces the EB Tough Mobile smartphone targeted for demanding Mobile Security and Public Safety needs
- On October 15, EB demonstrates state-of-the-art tactical communications products and solutions at Indo Defence 2014
- On July 22, EB selects the Qualcomm® Snapdragon™ 801 processor for its next generation device platform
- On July 15, EB has received a purchase order from Finnish Defence Forces for Tactical Wireless IP Network system products
- On July 10, EB presents EB Special Device Platform at APCO 2014 exhibition
- On June 11, EB presents its expanding product portfolio at the Eurosatory 2014
- On June 5, EB expands its product family in tactical communications with EB Tactical LTE Access Point solution and publishes a white paper on the use of LTE technology in military data transmission
- On May 15, EB temporarily lays off 90 employees and aims at EUR 0.8 million cost savings in its Wireless Business Segment
- On April 30, EB starts personnel negotiations to temporarily lay off 90 employees at the maximum, targeting cost savings of about EUR 0.8 million in its Wireless Business Segment
- On March 12, EB develops a multiple antenna (MIMO) test environment for next generation satellite networks
- On February 25, EB develops a High Power User Equipment (HPUE) demonstrator for US public safety network
- On January 17, EB productizes its Android-based Special Device Platform for smart watch market

Market outlook

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

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

- In the mobile infrastructure equipment market the use of LTE technology is expected to continue strong. This creates the need for services for LTE base station development. There is a wide range of frequencies allocated for LTE globally thus creating the need to develop multiple products to cover the market and creating demand for R&D services for development of product variants.
- The trend of using new commercial technologies, such as LTE, smart phones and applications, is expected to continue in special verticals such as public safety. The specific LTE frequency band allocations for authorities create demand for customized LTE devices, such as EB's specialized terminals, tablets and communication modules. EB Tough Mobile LTE smart phone creates the basis for new customer orders in the markets for public authorities and mobile safety phones.
- Due to the long history in developing smart phones and mobile communication devices, EB is in a good position to offer solutions, where e.g. mastering of multi-radio technologies and end-to-end system architectures covering both terminals and networks is needed.
- The demand for safety devices is expected to grow in the near future. EB SafeMove product family is expected to increase the performance and suitability in information security markets.

- IoT (Internet of Things) has become a significant development area in many industries. The need for R&D services for connected devices for business or consumer use, such as various wearable devices and solutions, implementing mobile applications and connected devices both with internet services as well as with other devices.
- In the tactical defense communication market the need for larger amounts of information data grows, generating demand for broadband networks, such as EB's IP (Internet Protocol) based tactical communications solutions.

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

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

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

Shareholders

Shares and shareholders

The Shares of Elektrobot Corporation are quoted on the NASDAQ OMX Helsinki. The Company has one series of shares. All shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The Company's shares have been entered into the Euroclear Finland Ltd.'s book-entry securities system.

At the end of the financial period, the fully paid share capital of the Company entered into the Finnish Trade Register was EUR 12,941,269 and the total number of the shares was 130,493,144. The accounting par value of the Company's share is EUR 0.10. The Company has not its own shares in its possession.

Option rights

The Board of Directors of Elektrobot Corporation decided on June 5, 2013 on the transfer of stock options 2008A and 2008B to the Finnish book-entry system and to apply for listing of 1,400,000 stock options 2008A and of 1,400,000 stock options 2008B on the official list of NASDAQ OMX Helsinki. The trading with the stock options started on June 17, 2013.

The share subscription period for stock options 2008A ended on March 31, 2014. The share subscription period for stock options 2008B will end on March 31, 2015.

The Board of Directors of Elektrobot Corporation has decided on the transfer of series 2008C stock options to the Finnish book-entry system on December 20, 2013 and to apply for listing of 1,400,000 stock options 2008C on the official list of NASDAQ OMX Helsinki. Application was made for the listing to commence on April 1, 2014. The share subscription period for series 2008C stock options commenced on April 1, 2014 and will end on March 31, 2016.

Pursuant to series 2008A-B-C stock options, a total of 508,697 new shares were subscribed for between December 5, 2013 and January 28, 2014, a total of 461,673 new shares were subscribed for between February 11, 2014 and April 8, 2014, a total of 119,951 new shares were subscribed for between April 15, 2014 and June 9, 2014, a total of 51,296 new shares were subscribed for between June 26, 2014 and August 18, 2014, a total of 164,608 new shares were subscribed for between September 3, 2014 and October 15, 2014, and a total of 86,044 new shares were subscribed for between October 29, 2014 and December 1, 2014. The share subscription

prices were recorded in the Company's invested non-restricted equity fund. The respective increases in the number of the Company's shares were entered into the Finnish Trade Register on February 10, 2014, April 14, 2014, June 26, 2014, August 27, 2014, October 28, 2014 and December 12, 2014. The trading with the registered shares started on February 11, 2014, April 15, 2014, June 27, 2014, August 29, 2014, October 29, 2014 and December 15, 2014. After the registration of the new shares, the number of shares in Elektrobot Corporation's totaled 131,493,144. More information and the terms and conditions of stock options 2008 are available in the Company's web pages at www.elektrobot.com/investors.

Share price and trading volumes in 2014

The closing price of Elektrobot Corporation's share was EUR 3.36 in 2014; the share reached a high of EUR 3.83 and a low of EUR 2.30. During the year, a total of 66.0 million shares with the value of EUR 188.0 million changed hands on the NASDAQ OMX Helsinki. This is 50.4 per cent of the share capital. Elektrobot Corporation's market capitalization on December 31, 2014 was EUR 441.8 million.

Trading volume and average share price 2010–2014



Share price development in NASDAQ OMX Helsinki 2010–2014



Dividend and dividend policy

Elektrobit Corporation follows a dividend policy that takes into account the group's net income, financial situation, need for capital and financing of growth.

In 2014 EB paid EUR 0.02 per share as dividend based on the adopted balance sheet for the financial period of January 1 - December 31, 2013. The dividend was paid to the shareholders who are registered as shareholders in the company's register of shareholders as maintained by Euroclear Finland Ltd. on the dividend record date, April 15, 2014.

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

Trading Codes

Elektrobit Corporation has been listed on NASDAQ OMX Helsinki (previously Helsinki Stock Exchange) since 1998. Elektrobit Corporation's company code and trading code in the NASDAQ OMX Helsinki INET system is EBC and the trading code EBC1V.

Trading codes are:

NASDAQ OMX Helsinki	EBC1V
Reuters	EBC1V.HE
Bloomberg	EBC1V.FH

Trading codes of Elektrobit Corporation's stock options 2008A, 2008B and 2008C are:

NASDAQ OMX Helsinki	EBC1VEW108
NASDAQ OMX Helsinki	EBC1VEW208
NASDAQ OMX Helsinki	EBC1VEW308

Shareholders

At the end of 2014 Elektrobit Corporation had 24,547 shareholders. The ten largest shareholders owned 55.7 per cent of the shares. Private ownership was 69.7 per cent. The percentage of foreign and nominee-registered shareholders was 7.0 per cent at the end of 2014.

Shareholding of the Board of Directors and CEO

At the end of 2014, the shareholding of the Board of Directors, CEO and the companies controlled by them was 37,632,262 shares, corresponding to 28.6 per cent of all shares.

Information to shareholders

Press releases, reports, earnings estimates, share price ticker, contact details of analysts and other current investor material can be found on the Company's website at www.elektrobit.com. An e-mail-based subscription service for press releases and publications can be found from the Company's website as well.

Financial reports 2015

Elektrobit Corporation reports its financial development quarterly. In 2015 EB will publish financial reports as follows:

February 19th	Financial Statement Bulletin 2014
May 7th	Interim Report January-March 2015
August 6th	Interim Report January-June 2015
November 5th	Interim Report January-September 2015

Financial reports will be published simultaneously in Finnish and in English at 8.00 a.m. (CET+1) on EB's web pages at www.elektrobit.com/investors. The Company will hold press conference regarding the reports on dates to be specified later.

Silent period

Elektrobit Corporation will observe a Silent Period prior to announcing its results. The Silent Periods in 2015 are as follows:

January 29th-February 19th
April 16th-May 7th
July 16th-August 6th
October 15th-November 5th

The Annual General Meeting of Elektrobit Corporation 2015

The Annual General Meeting will be held on Wednesday April 15, 2015 at 1.00 p.m. at the University of Oulu, Saalastinsali, at the address Pentti Kaiteran katu 1, 90570 Oulu, Finland.

Shareholders registered in the shareholders' register

Each shareholder, who is registered on Wednesday April 1, 2015 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company.

A shareholder, who is registered in the shareholders' register of the company and who wants to participate in the General Meeting, shall register for the meeting no later than on Friday, April 10, 2015 by 10.00 a.m. by giving a prior notice of participation. The notice has to be received by the company before the end of the registration period. Such notice can be given:

- a) on the company's website at www.elektrobit.com, as from February 19, 2015 at 8.00 a.m.
- b) by telephone +358 40 344 3322 or +358 40 344 5425 on weekdays between 9.00 a.m. and 3.00 p.m.
- c) by telefax; +358 8 343 032; or
- d) by regular mail to the address Elektrobit Oyj, Yhtiökokous, Tutkijantie 8, 90590 Oulu, Finland.

In connection with the registration, a shareholder shall notify his/her name, personal identification number or business identity code, address, telephone number and the name of a possible assistant or proxy representative and the personal identification number of a proxy representative. The personal data given to Elektrobit Corporation is used only in connection with the General Meeting and with the processing of related registrations.

The shareholder, his/her authorized representative or proxy representative shall, where necessary, be able to prove his/her identity and/or right of representation at the General Meeting.

Holders of nominee registered shares

A holder of nominee registered shares has the right to participate in the General Meeting by virtue of such shares, based on which he/she on Wednesday, April 1, 2015 would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the General Meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd at the latest on Friday, April 10, 2015 by 10.00 a.m. As regards nominee registered shares this constitutes due registration for the General Meeting.

A holder of nominee registered shares is advised to request without delay the necessary instructions regarding registration in the temporary shareholder's register, the issuing of proxy documents and registration for the General Meeting from his/her custodian bank. The account management organization of the custodian bank has to register a holder of nominee registered shares, who wants to participate in the General Meeting, into the temporary shareholders' register of the company at the latest by the time stated above.

Further information on the General Meeting and participation in the General Meeting is available on the company's website www.elektrobit.com.

Proxy representative and powers of attorney

A shareholder may participate in the General Meeting and exercise his/her rights at the meeting by way of proxy representation. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder. If a shareholder participates in the General Meeting by means of several proxy representatives representing the shareholder with shares at different securities accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration for the General Meeting.

Possible proxy documents should be delivered in originals to the address Elektrobit Oyj, Yhtiökokous, Tutkijantie 8, 90590 Oulu, Finland, before the end of the registration period.

Other information

Pursuant to chapter 5, section 25 of the Companies Act, a shareholder who is present at the General Meeting has the right to request information with respect to the matters to be considered at the meeting.

On the date of this notice to the General Meeting February 19, 2015, the total number of shares and votes in Elektrobit Corporation is 131,588,510.

Documents of the General Meeting

The proposals for the decisions on the matters on the agenda of the General Meeting as well as the notice are available on Elektrobit Corporation's website at www.elektrobit.com.

This annual report of Elektrobit Corporation, which includes the company's annual accounts, the report of the board of directors and the auditor's report, as well as the company's corporate governance statement, has been published on Monday March 23, 2015 at the company's website. The proposals for decisions and other documents mentioned above are also available at the General Meeting. Copies of these documents and of this notice will be sent to shareholders upon request. The minutes of the General Meeting will be available on the above-mentioned website as from Wednesday April 29, 2015, at the latest.



Elektrobit

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Annual Report 2014

Corporate Governance Statement

Reporting Period Jan. 1-Dec. 31, 2014



Elektrobit





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Corporate Governance Statement

Reporting Period Jan. 1–Dec. 31, 2014

Introduction

The governance of Elektrobit Corporation (hereinafter "Company") is determined by the Company's Articles of Association, the laws of Finland (such as the Finnish Companies Act and Securities Market Act) and the Company's Corporate Governance Code. The Company follows with some exceptions the Finnish Corporate Governance Code 2010 prepared by the Finnish Securities Market Association ("Finnish Governance Code"). The Governance Code may be viewed, inter alia, at the Finnish Securities Market Association website at www.cgfinland.fi.

The Company has departed from an individual recommendation of the Finnish Governance Code. The departure concerns the gender composition of the Board (Recommendation 9) as explained in further detail below. According to the Finnish Governance Code, one element of a diverse composition of the board is to have both genders represented on the board. The Company has departed from this recommendation, as the Annual General Meeting held on April 10, 2014 did not elect both genders to the Board of Directors. The proposal adopted by the Annual General Meeting regarding the composition of the Board was made by shareholders who represented approximately 43.9% of the shares of the Company. Such shareholders were informed about the content of Recommendation 9 by the Board of Directors of the Company. According to the information received, the shareholders who made the proposal, on the one hand, wanted to emphasize the continuity of the Board composition due to foreseen focus areas in the Board work and did not, on the other hand, in view of the size and nature of the Company's operations, consider it appropriate to increase the number of the Board members from the previous five members. The management of the Company and the composition of the Board are thereby based on strong ownership steering and, thus, the main shareholders have a significant representation in the Company's Board. The Company does not have a nomination committee. The members of the Audit and Finance Committee during 2014 have been Staffan Simberg (Chairman of the Committee), Seppo Laine, Authorized Public Accountant and Erkki Veikkolainen.

This Corporate Governance Statement has been made according to recommendation 54 and the applicable legislation. This Statement is made separately from the Report by the Board. The Board's Audit and Finance Committee and the Company's auditor have reviewed this Statement.

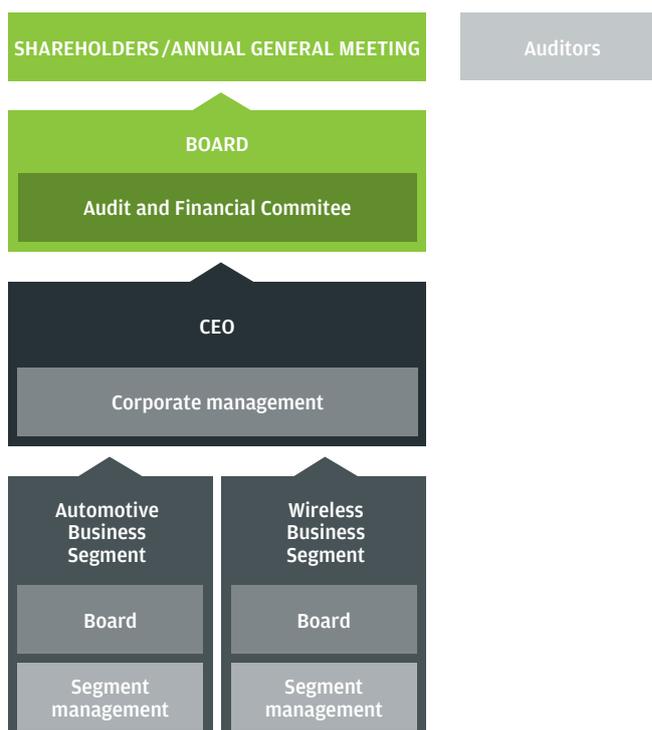
The statutory governing bodies of the Company are the Shareholders' meeting, Board of Directors, Chief Executive Officer and the Auditor. Other group management and the below described business segments' management support the statutory governing bodies of the Company. The Company's domicile is Oulu.

The operative business of Elektrobit Group takes place in business segments (sub-groups) formed branch-by-branch. The external reporting of the Group is also based on these business

segments which are the Automotive Business Segment and the Wireless Business Segment. The Presidents of the sub-groups' parent companies report the segment business to the Board of Directors of each sub-group's parent company ("Segment Board"). Segment Boards comprise the Company's CEO as the Chairman, and one or more Board members of the Company and possibly also one or more external expert members. Segment Board members are elected based on preparation of the Company's Board. Operative business decisions are made in each Business Segment.

The Company's Corporate Governance Code and this Corporate Governance Statement are publicly available at the Company's website at www.elektrobit.com.

The Governance of Elektrobit Corporation



The Board of Directors and the Composition and Operation of Committees Established by the Board

Board of Directors

The Board of Directors is responsible for the Company's governance and proper organization of the operations. The Board of Directors comprises three to seven (3-7) members and in addition it may have one to three (1-3) deputy members. The Annual General Meeting shall elect the members of the Board of Directors for a term which expires at the end of the following Annual General Meeting. The number of terms for the members of the Board of Directors is not limited. The Board of Directors selects a Chairman among its members.

The Annual General Meeting held on April 10, 2014 elected five (5) members to the Board of Directors. The following members of the Board of Directors were elected: Jorma Halonen, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen. The Board of Di-

rectors elected Seppo Laine as the Chairman of the Board of Directors at its assembly meeting on April 10, 2014. The Board had the same composition already from the beginning of the year 2014 until the Annual General Meeting. The Board of Directors decided in its assembly meeting held on April 10, 2014 to elect Staffan Simberg (Chairman of the Committee), Seppo Laine, Authorized Public Accountant and Erkki Veikkolainen as members of the Audit and Finance Committee.

According to the Finnish Governance Code, one element of a diverse composition of the board is to have both genders represented on the board (Recommendation 9). The Company has departed from this recommendation, as the Annual General Meeting held on April 10, 2014 did not elect both genders to the Board of Directors. The proposal adopted by the Annual General Meeting regarding the composition of the Board was made by shareholders who represented approximately 43.9% of the shares of the Company. Such shareholders were informed about the content of Recommendation 9 by the Board of Directors of the Company. According to the information received, the shareholders who made the proposal, on the one hand, want-

ed to emphasize the continuity of the Board composition due to foreseen focus areas in the Board work and did not, on the other hand, in view of the size and nature of the Company's operations, consider it appropriate to increase the number of the Board members from the previous five members. The management of the Company and the composition of the Board are thereby based on strong ownership steering and, thus, the main shareholders have a significant representation in the Company's Board. The Company does not have a nomination committee.

A corporate governance target is that at least half of the members of the Board of Directors are independent from immediate Company interest. In addition, at least two of the Directors representing this majority shall be independent from significant shareholders of the Company. On April 10, 2014 Jorma Halonen, Seppo Laine, Staffan Simberg and Erkki Veikkolainen are considered independent members of the Board as regards both the Company and its significant shareholders. Juha Hulkko is not independent from significant shareholders as his ownership in the Company exceeds 10% of the Company's share capital.

Chairman of the Board of Directors

Seppo Laine

b. 1953, Authorized Public Accountant

Full-time occupation: Professional Board Member, Authorized Public Accountant

Positions of trust: Sievi Capital Oyj, Member of the Board 2014-. Elektrobitt Corporation, Chairman of the Board 2010-, Member of the Board 2008-, Member of the Audit and Financial Committee 2009-. Elektrobitt Automotive GmbH, Member of the Board 2010-. Joutsen Media Oy, Chairman of the Board 2012-. Marpek Oy, Member of the Board 2009-. Oulu ICT Oyj, Member of the Board 2008-. Cor Group Oy, Member of the Board 2009-. Paikallis-Sähkö Oy, Member of the Board 2010-, Chairman of the Board 2013-. Pohjaset Oy, Chairman of the Board 2013-. IK Group Oy, Member of the Board, 2013-.

Previous work history: Elektrobitt Corporation, CFO 2000-2007. Auditing Company Ernst & Young Ltd., Director at the Oulu regional office and International Partner 1995-2000. Oulun Laskenta Oy, President 1979-1995. Turun Muna Oy, Jaakko Tehtaat, Financial Manager 1977-1979. Tammerneon Oy, Financial Manager 1975-1977.

Holdings Dec. 31, 2014: Holds 1,120,051 shares in Elektrobitt Corporation.

Independent as regards both the Company and its significant shareholders.

Member of the Board of Directors

Jorma Halonen

b. 1948, Bachelor of Science (Economics)

Full-time occupation: Professional Board Member

Positions of trust: Elektrobitt Corporation, Member of the Board 2009-. Elektrobitt Automotive GmbH, Member of the Board 2011-. Permira Nordic, Member of the Board 2009-. TMD Friction Holding GmbH, Chairman of the Board 2009-.

Previous work history: AB Volvo, Executive Vice President 2004-2008. Volvo Group, deputy CEO 2004-2008. Volvo Truck Corporation, Göteborg, Sweden, President and CEO 2001-2004. Scania Latin America, Sao Paulo, Brasil, President and CEO 1998-2001. Scania Latin America, Sao Paulo, Brasil, Vice President 1996-1998. Oy Scan-Automotive Ab, Oy Scan-Auto Ab (Scania importer) and Oy Saab-Auto Ab, Helsinki, Finland, President and CEO 1990-1996. Leading positions in different companies within computer and telecommunications industries 1972-1990.

Holdings Dec. 31, 2014: Holds 21,000 shares in Elektrobitt Corporation.

Independent as regards both the Company and its significant shareholders.

Elektrobit Corporation

BOARD OF DIRECTORS



From left to right:
Staffan Simberg,
Erkki Veikkolainen,
Seppo Laine,
Juha Hulkko and
Jorma Halonen.

Member of the Board of Directors

Juha Hulkko

b. 1954, M.Sc. (Eng.), eMBA, Dr.tech.h.c.

Full-time occupation: Professional Board Member

Positions of trust: Elektrobit Corporation, Member of the Board 2006-. Gamga Oy, Chairman of the Board 1999-. Spinning Wire GmbH, Member of the Board 2011-. Elproto Oy, Member of the Board and CEO 2011-2014. Elektrobit Technologies Ltd., Member of the Board 2012-2014. Oulun Energia Oy, Chairman of the Board 2014-.

Previous work history: Elektrobit Corporation, CEO 2005-2006, Chairman of the Board 2002-2005 and 2008-2010. Elektrobit Ltd., one of the founders 1985, CEO 1985-1995, Chairman of the Board 1995-2002.

Holdings Dec. 31, 2014: Holds 19,701,862 shares in Elektrobit Corporation.

Hulkko is independent from the Company but not from its significant shareholders as his holdings exceed 10 % of the Company shares.

Member of the Board of Directors

Staffan Simberg

b. 1949, MBA

Full-time occupation: Professional Board Member, Management Consultant

Positions of trust: Elektrobit Corporation, Member of the Board 2008- and Chairman of the Audit and Financial Committee 2010-. Elektrobit Technologies Ltd., Member of the Board 2011-. Nordic Vehicle Conversion AB, Member of the Board 2011-. Silva Group AB, Member of the Board 2011-. Endomines AB (publ), Member of the Board and Audit Committee 2011-, Chairman of the Board 2012-. Simberg & Partners Oy, Chairman of the Board. NEZ-Invest AB, Chairman of the Board 1994-.

Previous work history: Valmet Automotive Group, Advisor of the Board of Directors 2014. Metso Group, Industrial Advisor 2011. Cargotec Oyj, Industrial Advisor 2009, 2012. Metso Panel-board, Chairman 2008-2009. Landis & Gyr AG, Member of the Advisory Board 2007-2013. Enermet Group, Managing Director 2005-2007. Siar-Bossard, Associated Partner 1992-1994. Leading positions at Nokia 1978-1991.

Holdings Dec. 31, 2014: Corporation controlled by Simberg holds 250,000 shares in Elektrobit Corporation.

Independent as regards both the Company and its significant shareholders.

Member of the Board of Directors

Erkki Veikkolainen

b. 1952, M.Sc. (EE), eMBA

Full-time occupation: Mevita Invest Oy, CEO

Positions of trust: Elektrobit Corporation, Member of the Board 2008-. Elektrobit Technologies Ltd., Member of the Board 2014-. Elcoflex (Suzhou) Co. Ltd, Member of the Board 2007-. Elcoflex Oy, Chairman of the Board 2006-. Maustaja Oy, Member of the Board 2006-. Aplicom Oy, Member of the Board 2005-. Mecanova Oy, Member of the Board 2005-.

Previous work history: Elektrobit Corporation, Executive Vice President, Contract R&D and Test Business Units 2002-2003. Elektrobit Technologies Ltd., Managing Director 2001-2003. Elektrobit Ltd., Vice President, Business Development 1998-2001. Nokia Mobile Phones, various positions 1985-1998, latest Vice President.

Holdings Dec. 31, 2014: Holds 8,888,719 shares in Elektrobit Corporation.

Independent as regards both the Company and its significant shareholders.

Description of Activities

The Board of Directors has defined a working order and evaluates its performance annually. The Board of Directors shall implement the decisions of the General Meeting. The Board of Directors supervises the operations and management. The Board of Directors makes decisions on the Company's guiding principles for operation, strategy and budget. The Board of Directors decides on mergers and acquisitions and other strategic alliances as well as significant investments and significant matters regarding organization and finance. The Board of Directors supervises that the group companies' accounting and financial management is duly organized. The Board of Directors appoints the CEO and possible Deputy for him or her as well as approves the Company's organization structure.

The CEO, CFO and Chief Legal Officer (who acts as secretary of the Board of Directors) attend the meetings of the Board of Directors. The presidents of the business segments provide their business segment reviews and report on the strategy progress in last Board meeting of each year quarter. Other Group management attend the meetings when necessary or upon invitation by the Board of Directors. The Chair-

man of the Board approves the agendas of the meetings of the Board of Directors. The agendas are prepared by the CEO and the Chief Legal Officer.

In 2014, the Board convened 15 times. The Board members attended to the meetings as follows:

Jan. 1-Dec. 31, 2014	Board	Audit and Finance committee
Seppo Laine	15/15	6/6
Jorma Halonen	14/15	
Juha Hulkko	15/15	
Staffan Simberg	14/15	6/6
Erkki Veikkolainen	15/15	6/6

An annual clock, according to which the regular subjects to be handled are determined, is applied in the Board's work. In addition to the regular subjects of the annual clock, the most important subjects of the Board during the year were still profitability improvement of the Group, development of a segment based management system and business portfolio.

The Annual General Meeting decides on the compensation of the members of the Board of Directors and the compensations can be publicly reviewed from such Company's website at www.elektrobit.com.

The Board Committees

The proper function of the corporate governance of a company requires that Board work be organized as efficiently as possible. For this reason the Company established an Audit and Financial Committee.

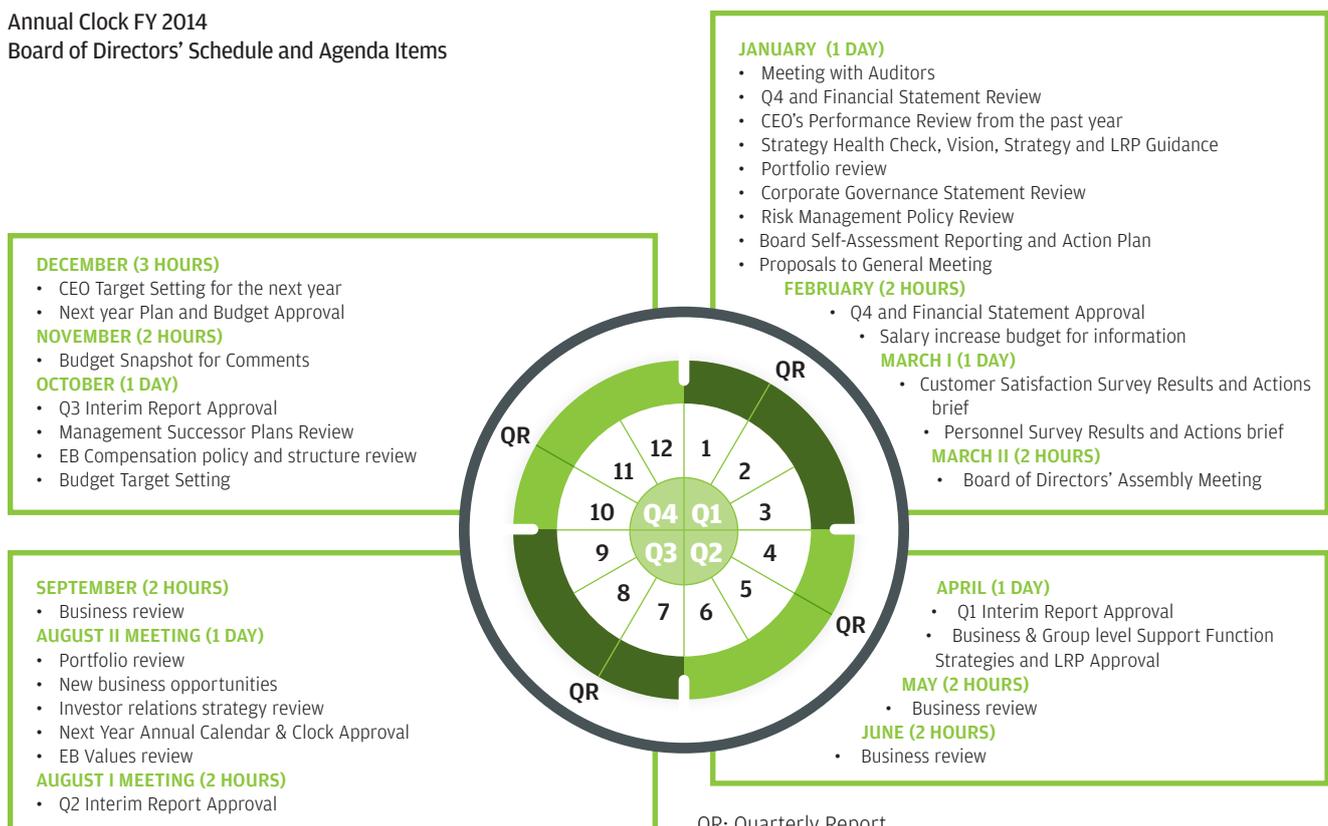
The Directors on the committee can concentrate on the matters delegated to the committee more extensively than the entire Board of Directors. The purpose of the committee is to enhance the efficient preparation of matters within the competence of the Board, increase transparency and ensure the quality and efficiency of the decision-making of the Board.

The committee assists the Board by preparing matters falling within the competence of the Board. The Board remains responsible for the duties assigned to the committee. The committee has no autonomous decision-making power, and thus the Board makes the decisions within its competence collectively.

A committee shall regularly report on its work to the Board. The reports shall include at least a summary of the matters addressed and measures taken by the committee.

The central duties and operating principles of the Audit and Financial Committee are described below. The Annual General Meeting de-

Annual Clock FY 2014 Board of Directors' Schedule and Agenda Items



cides on the compensation of the members of the Board committee and such compensations can be publicly reviewed from the Company's website at www.elektrobit.com.

The Audit and Financial Committee has the following duties:

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;
- to monitor the efficiency of the Company's internal control, internal audit, if applicable, and risk management systems;
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which are included in the Company's corporate governance statement;
- to monitor the statutory audit of the financial statements and consolidated financial statements;
- to evaluate the independence of the statutory auditor or audit firm and particularly the provision of related services; and
- to prepare the proposal for resolution on the election of the auditor.

The Chairman and the members of the Audit and Financial Committee are appointed by the Board of Directors of the Company. At least one committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company. The Board of Directors decided in its assembly meeting held on April 10, 2014 to elect Staffan Simberg (Chairman of the Committee), Seppo Laine, Authorized Public Accountant and Erkki Veikkolainen as members of the Audit and Finance Committee. All members of the committee are independent from immediate interest of both the Company and its significant shareholders and they have long-term experience in business management.

In addition to committee members, other regular participants to the committee meetings are CEO and CFO of the Company and optionally external auditors. Further, the committee members may meet the external auditors without the operative management being present in such meetings.

In 2014, the Audit and Financial Committee convened 6 times to ordinary meetings. The Committee has evaluated, prepared and reviewed the following subject matters during the financial period of January 1, 2014 - December 31, 2014:

- Financial Statements of 2013;
- Interim Reports of 2014;
- Annual audit plan for 2014;
- Observations based on auditing during the financial period;
- Observations by the internal control;
- Cash flow monitoring and evaluation of sufficiency of financing;
- Budget target setting and budgeting process;
- Dividend payment;
- M&A related issues and their effects on the result, balance sheet and financing status of the Group;
- Group legal structure related questions;
- Impairment testing of the subsidiary shares and goodwill;
- Depreciation principles of activated R&D costs.

During 2015 the Committee's focus areas are the improvement and assessment of financial processes and operating models of the rapidly grown e.solutions GmbH, a company jointly owned by EB and Audi Electronics Venture GmbH, analyzing of the effects of new IFRS 15 standard on EB's revenue recognition and accounting practices, and assuring of reliable and timely reporting in case of structural changes in EB Group.

Chief Executive Officer

The CEO is in charge of the operative management of the Company in accordance with the Finnish Companies Act, the Articles of Association as well as the instructions and orders given by the Board of Directors. The CEO is responsible for the preparation of the Board meetings and implementation of any decisions made therein. Further, the CEO is responsible for ensuring that the Company's accounting methods comply with the applicable law and that the financial matters are being handled in a reliable manner. The CEO prepares strategy, long-term planning, investments, mergers and acquisitions, financing and makes decisions thereof to the extent that such decisions are not tasks of the Board of the Directors. The CEO is responsible for financial planning, the Company's communications and investor relations.

The Board of Directors defines and approves the essential terms of the service of the CEO, including the CEO's remuneration, in the form of a written agreement. The CEO's service contract is effective until further notice and can be terminated by both the Company and the CEO with six (6) months' written notice.

The CEO is entitled to a pension under the Contracts of Employment Act and other legislation pertaining to pensions. The Finnish employee pension system (TyEL) allows for an old-age pension based on years of service and the income accumulated during those years, including the base salary, bonuses (excluding any option rights and shares subscribed on their basis) and taxable fringe benefits. The old age pension can be taken out at one's own discretion between the ages of 63-68 (flexible retirement age).



CEO

Jukka Harju

Chief Executive Officer 2009-
b. 1956, M.Sc. (Eng.), M.Sc. (Econ.)

Positions of trust: Elektrobit Technologies Ltd.
and Elektrobit Automotive GmbH,
Chairman of the Board 2010-.

Previous work history: Elektrobit Corporation,
Member of the Board 2006-2009. Boier Capital
Ltd., Partner 2007-2009. Efore Oyj, Member of
the Board 2007-2009. Incap Corporation, Member
of the Board 2007-2010. Elektrobit Corporation,
Chief Operating Officer 2005-2006 and Executive
Vice President, Business Development 2000-2004.
Tellabs Ltd, Managing Director 1994-1999.
Nokia Telecommunications Ltd, Vice President,
Microwave Radios 1990-1994 and other duties
in the same organization 1981-1990.

Holdings Dec. 31, 2014: Holds 7,650,630
shares in Elektrobit Corporation.

Other Management of the Company

Corporate Management

Corporate management supports the CEO in his tasks and consists of the CFO and the CLO (Chief Legal Officer) of the Group. Group management supports the CEO in operative management, implementation and follow-up of the CEO's competence area, in particular as regards the management and development of the business portfolio, asset management and taxation, internal audit, Corporate Governance of the Company, investor and marketing communications and risk management.



CFO

Veli-Pekka Paloranta
Chief Financial Officer 2010–
b. 1972, M.Sc. (Econ.)

Elektrobit Corporation, Member of
the Corporate Management Board 2010–.

Previous work history: Elektrobit Corporation,
Director, Finance 2008–2010. JOT Automation
Oy, CFO 2007–2008. Elektrobit Group Oyj,
Business Controller 2000–2007.

Holdings Dec.31, 2014: Holds 21,200
shares in Elektrobit Corporation.
He holds 40,000 stock options 2008B
and 20,000 stock options 2008C.

CLO

Kari Jokela
Chief Legal Officer 2014–
b. 1969, LL.M., trained on the bench, Mag.Jur.

Elektrobit Corporation, Member of
the Corporate Management Board 2014–.

Previous work history: Elektrobit Technologies
Ltd, Senior Legal Counsel, 2012–2014–.
Elektrobit Corporation, Senior Legal Counsel,
2010–2012. Elektrobit Automotive GmbH, Senior
Legal Counsel, 2008–2010. Elektrobit Group Oyj,
Senior Legal Counsel, 2008. Polar Electro Oy,
Group Legal Counsel, 2000–2007. Asianajotoimisto
Gilbert, Segall and Young Oy, Attorneys at Law
Helsinki, attorney, 1998–2000.

Holdings Dec.31, 2014: Holds 100 shares
in Elektrobit Corporation.

Business Segments (sub-groups)

The operative business of the Group takes place in business segments (sub-groups) formed branch-by-branch. The external reporting of the Group is also based on these business segments which are the Automotive Business Segment and the Wireless Business Segment. The Presidents of the parent companies of the sub-groups report the segment business to the Board of Directors of each sub-group's parent company ("Segment Board"). Segment Boards comprise the Company's CEO as the Chairman, one or more Board members of the Company and possibly also one or more external expert members. Operative business decisions are made in each business segment.

Automotive Business Segment

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

software products generate license fees, often combined with supply of R&D services for customized solutions.

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

The members of the Board of Directors of the parent company of the Automotive Business Segment sub-group, Elektrobit Automotive GmbH, are Jukka Harju (Chairman of the Board), Gerhard Jakobs, Seppo Laine and Jorma Halonen. The Managing Directors of Elektrobit Automotive GmbH are Alexander Kocher (business and overall responsibility) and Georg Zink (finance and administration).

Elektrobit Automotive GmbH
MANAGEMENT BOARD*



From left to right:
Gerhard Jakobs, Jukka Harju,
Jorma Halonen and Seppo Laine.

Chairman of the Board of Directors

Jukka Harju

Elektrobit Corporation, Chief Executive Officer
b. 1956, M.Sc. (Eng.), M.Sc. (Econ.)

Member

Jorma Halonen

Elektrobit Corporation,
Member of the Board of Directors
b. 1948, M.Sc. (Econ.)

Member

Seppo Laine

Elektrobit Corporation,
Chairman of the Board of Directors
b. 1953, Authorized Public Accountant

For other information about Mr. Harju,
Mr. Halonen and Mr. Laine, see pages 7 and 4.

Member

Gerhard Jakobs

b. 1946, Dr. (Eng.)

Full-time occupation: Professional Board Member,
Management Consultant

Key positions of trust: KRAMSKI Group, Chairman
of the Advisory Board 2014-. WÜRTH Elektronik,
Chairman of the Advisory Board 1996-.

Primary working history: Diehl Metal Foundation,
Diehl Metal Applications, CEO 2008-2011 and Vice
President of Sales & Marketing 2008-2009 and
Consultant within Corporate Division Diehl Metal 2008.
FCI Corporation, FCI Automotive Europe, Vice President,
and Connectors Holding, FCI Automotive Germany and
FCI Automotive Austria, General Manager 1998-2008.
TEMIC/Daimler Benz, TEMIC division Mikrosystems,
Chairman, and MBB Mikroelektronik GmbH, General
Manager 1993-1998 and Vice President of Operations
1992-1993. Messerschmitt-Bölkow-Blohm (MBB)/Daimler
Benz Deutsche Aerospace, Director of Microelectronic
1987-1992. MBB, Microelectronic and Service Center
Electronic, Head of Department 1986-1987, and Chief
Department Manager of Technical Plant Development
1985 1986, and Manager of departments for Production
Technology, Process Data and Test Technology 1984-1985.
Institute of Computer Technology, General Manager
1981-1984.

Holdings: Does not hold shares in Elektrobit Corporation.



Managing Director

Alexander Kocher

President, Automotive Business Segment 2011-
b. 1960, M.Sc., Electrical Engineering

Primary working history: Wind River Systems,
Automotive Solutions, Vice President and General
Manager 2008-2011. Continental, Vice President,
Navigation & Maps 2007-2008. Siemens VDO,
Vice President, TLA Platform 2002-2007. Siemens
Automotive, Director, Systems Engineering Infor-
tainment 2001-2002. Infineon, Director, Systems
Engineering Industrial & Automotive 1998-2000.
Siemens Communications and Siemens Industrial,
various management positions 1986-1997.

Holdings Dec.31, 2014: Holds 50,000 shares
in Elektrobit Corporation. Holds 25,000 stock
options 2008B and 100,000 stock options 2008C.



Managing Director

Gregor Zink

Executive Vice President,
Automotive Business Segment 2011-
b. 1966, MBA, M.Sc. (Econ.)

Primary working history: CA Germany,
RAC Manager/Finance Manager 2007-2010.
Aareon AG, CFO 2004-2007. ino 24 AG, Finance
Manager 2002-2004. Digital Advertising AG,
Finance Manager 2000-2001. AWT Allgemeine
Wirtschaftstreuhand, Wirtschaftsprüfungs-
and Steuerberatungsgesellschaft, Auditor
1996-2000. Hülzburger, Hemmer & Hoffman,
Accounting and Tax Consultant 1993-1996.

Holdings Dec.31, 2014: Holds 25,000
shares in Elektrobit Corporation.
Holds 120,000 stock options 2008C.

Elektrobit Automotive GmbH
MANAGING DIRECTORS

Elektrobit Technologies Ltd.
BOARD OF DIRECTORS



Wireless Business Segment

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

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

The members of the Board of Directors of the parent company of the Wireless sub-group, Elektrobit Technologies Ltd., are Jukka Harju (Chairman of the Board), Staffan Simberg, Matti Lainema (replaced Kai Hildén on December 31, 2014) and Erkki Veikkolainen (replaced Juha Hulkko on December 1, 2014). The President of Elektrobit Technologies Ltd. is Hannu Huttunen.

Chairman of the Board of Directors

Jukka Harju

Elektrobit Corporation, Chief Executive Officer
 b. 1956, M.Sc. (Eng.), M.Sc. (Econ.)
 For other information about Mr. Harju, please see page 7.

Member until December 1, 2014

Juha Hulkko

Elektrobit Corporation, Member of the Board
 b. 1954, DI, eMBA, Dr.tech.h.c.
 For other information about Mr. Hulkko, please see page 5.

Member from December 1, 2014

Erkki Veikkolainen

b. 1952, DI, eMBA
 For other information about Mr. Veikkolainen, please see page 5.

Member

Staffan Simberg

Elektrobit Corporation,
 Member of the Board of Directors
 b. 1949, MBA
 For other information about Mr. Simberg, please see page 5.

From left to right:

Erkki Veikkolainen, Staffan Simberg, Kai Hildén, Jukka Harju, Juha Hulkko and Matti Lainema.

Member until December 31, 2014

Kai Hildén

b. 1958, B.Sc.

Full-time occupation: K Hildén Ay, Entrepreneur.

Previous work history: Elektrobit Ltd., Managing Director 2007-2008. Extrabit Ltd., Managing Director 2006-2007. Elektrobit Ltd., Manager Finnish divisions 1997-2004. Elektrobit Ltd., Designer, Project Manager, Head of Division 1987-1997. Nokia-Mobira, Research Team Leader 1987. Nokia-Mobira, Designer, Project Manager, Head of Design 1982-1987.

Holdings Dec. 31, 2014: Holds 10,831,316 shares in Elektrobit Corporation.

Member from December 31, 2014

Matti Lainema

b. 1939, Doctor of Economics

Full-time occupation: Non-fiction author

Previous work history: Independent non-executive director and strategy consultant 2001-2012. SAMI Ernst & Young Oy, partner 1998-2000. S.A.M.I. Oy, managing partner 1982-1997. G.A. Serlachius Oyj Tissue Mill, general manager 1977-1982. Nestlé Finland Oy, managing director 1971-1977.

Holdings Dec. 31, 2014: Holds 103.000 shares in Elektrobit Corporation (including shareholding of corporation controlled by Lainema).



Elektrobit Technologies Ltd.
MANAGING DIRECTOR

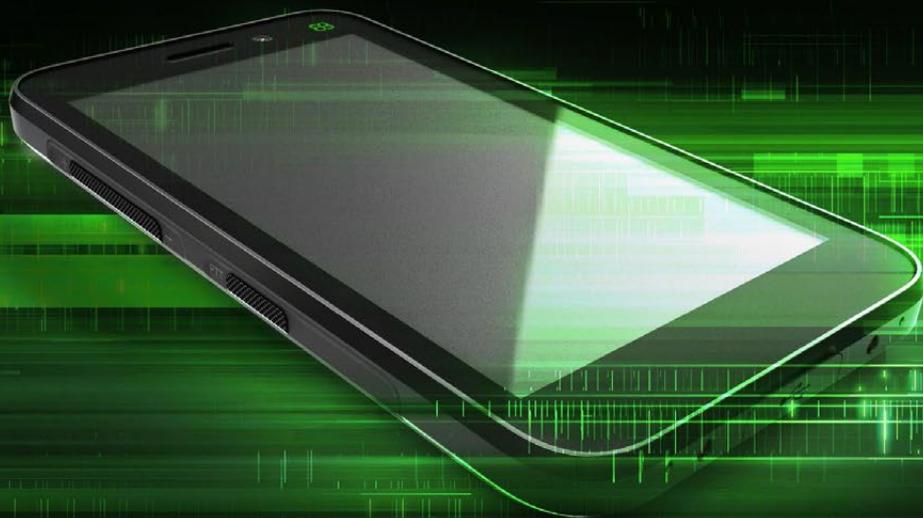
Hannu Huttunen

President, Wireless Business Segment 2010-
b. 1966, M.Sc. (Econ.)

Positions of trust: Tekniseri Oy,
Member of the Board 2012-.

Previous work history: EXFO Inc., Wireless
Division Leader 2010. NetHawk Oyj, CEO
2003-2010. NetHawk Oy, Executive Vice
President 2002-2003. Nokia Mobile Phones Oy,
IP Convergence Unit Leader 2002. Nokia Mobile
Phones Oy, Special Products Business Unit
Leader 1998-2002. Nokia Mobile Phones Oy,
NMT450 Business Unit Leader 1995-1998.

Holdings Dec. 31, 2014: Does not hold shares in
Elektrobit Corporation. He holds 100,000 stock
options 2008B and 100,000 stock options 2008C.



Main Features of Internal Control and Risk Management Processes Related to Financial Reporting Processes

Risk Management

The purpose of risk management is to secure positive development of earnings of the Company and the continuation of the business by implementing risk management cost-effectively and systematically throughout the different businesses.

Risk management is part of the Company's strategic and operative planning, daily decision-making process and internal control system. Business objectives, risks and risk management operations are combined through risk management as one chain of events.

Main Principles of Organizing Risk Management

Company adheres to the risk management policy approved by the Board.

Risk management contains all actions, which are connected to setting up targets, identification of risks, measurement, review, handling, reporting, follow-up, monitoring and reacting to risks.

The aim of risk management of the Company is to:

- systematically and thoroughly identify and assess all major risks, which threaten the achievement of objectives, including risks related to business operations, property, agreements, competence, currencies, financing and strategy;
- optimize business opportunities and secure continuation of business;
- recognize and identify uncertainties and subsequently develop the prediction of risks and measures needed to manage risks;
- take only calculated and assessed risks with respect to e.g. expanding the business, increasing market share and creating new businesses;
- avoid or minimize liability risks;
- ensure the safety of products, solutions and services;
- establish a safe working environment for the employees;
- minimize possibilities for unhealthy occurrences, crimes or misconduct by operating procedures, control and supervision;
- inform interest groups of risks and risk management; and
- be cost-effective in risk management.

The aim of risk management is not to:

- exclude all risks in their entirety;
- adopt unnecessary control and management procedures; or
- take bureaucratic processes and procedures into use.

Main Principles of the Risk Management Process

In connection with the strategy process and annual planning the CEO of the Company and Presidents of the Group's business segments review business risks which could endanger the achievement of strategic or profit targets. The businesses produce risk assessment reports for each business to support the strategy process. Strategic and operative risks are monitored through monthly reporting by businesses in the Segment Boards (see above section Business segments). Businesses must produce assessments of risks in their designated areas of responsibilities and provide action plans to manage risks as well as to report to the Segment Boards on measures taken including the stage and effectiveness of such measures.

The Company's CEO reports the identified risks concerning the Group as well as all planned and effected measures to control such risks to the Company's Board of Directors.

General Description of Internal Control and Operational Procedures

Internal control is a process applied by the Board of Directors, management and all levels of personnel in the Group to ensure that management has reasonable assurance that

1. operations are effective, efficient and aligned with strategy;
2. financial reporting and management information is reliable, complete and timely made; and
3. the Group is in compliance with applicable laws and regulations as well as the Company's internal policies and ethical values including sustainability.

The first category addresses the basic business objectives, including performance and profitability goals, strategy, implementation of objectives and actions and safeguarding resources. The second category relates to the preparation of reliable published financial statements, including interim reports and condensed financial statements and selected financial data derived from such statements, such as earnings releases, reported publicly. The third deals with complying with those laws and regulations to which the Company is subject to.

Internal Control Framework of the Company

EB's internal control framework consists of:

- the internal control, risk management and corporate governance policies and principles set by the Company's Board of Directors;
- management overseeing the implementation and application of the policies and principles;
- finance function and business controllers monitoring the efficiency and effectiveness of the operations and reliability of the financial and management reporting;
- enterprise risk management process identifying, assessing and mitigating risks threatening the realization of the Company's objectives;
- compliance procedures making sure that all applicable laws, regulations, internal policies and ethical values (including sustainability) are adhered to;
- effective control environment at all organizational levels including control activities tailored for defined processes and creating group minimum requirements for business and geographical areas;
- shared ethical values and strong internal control culture among all employees; and
- internal audit assignments reviewing the effectiveness of the internal controls as needed.

Risks and Controls in Core Business Processes

Risk management procedures are in place for business processes in the form of defined control points:

- Relevant process risks are identified;
- Common control points / group minimum requirement control points are identified;
- Common control points are implemented in business processes;
- Additional control points can be determined as needed at business or functional levels.

Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the Company's objectives. Control activities are set throughout the organization, at all levels and in all functions. They include various range of activities including but not limited to approvals, authorizations, verifications, reviews of operating performance, security of assets and segregation of duties.

Internal Controls over Financial Reporting

The Group's external financial reporting process, internal control and risk management systems are briefly described in this section. The main focus is on financial accounting and related controls.

FINANCIAL REPORTING ORGANIZATION

The Group's financial administration is organized so that both Business Segments have their own operative financial organization, and the financial management as well as central expert functions regarding accounting, taxation, financing, and asset management are centralized in the Group's parent company.

The financial management of the Business Segments is responsible for organizing the accounting, money transactions and other daily financial operations of the companies belonging to the segment as well as organizing the internal reporting that supports the segments' business. The financial management of the business segment controls and supervises the operation of the financial administration organizations of the segment companies, and it reports primarily to the President of the business segment but matrix-wise also to the CFO of the Group.

The tasks of the Group's parent company's financial administration consist of, inter alia, monthly consolidation of the Group entity, preparation of interim reports and consolidated financial statements, management and investment of monetary assets of the Group, management of liabilities, protection against exchange risk, and transfer pricing. The finance function of the Group's parent company implements operative supervision under the Group's CFO who reports any supervisory findings to the Finance and Audit Committee. The Group's parent company's financial administration and financial management of the Wireless Business Segment is located in Finland and the financial management of the Automotive Business Segment in Germany. The Group's subsidiaries in China, Germany and the USA have own accounting departments. Accounting functions in smaller subsidiaries in France and Japan are organized in external accounting offices or, as in Austria, in the accounting department of the German subsidiary. The tasks and responsibilities of the accounting function of the parent company and each subsidiary are included in the job descriptions of the teams and employees.

FINANCIAL REPORTING SYSTEMS

Consolidated financial statements are prepared by using the chosen consolidation tool. The accounting of the Group's subsidiaries is done by using the local accounting systems from which the actual figures are reported either manually or by automatic transfer to the group consolidation system.

The accounting systems in use include general ledger accounting, accounts payables and accounts receivables. Current assets and payroll accounting is organized through various programs or purchased as an outsourced service. Purchase invoices are circulated through electronic invoice processing system. The same bank application is used in both Finland and Germany, the USA has a similar bank application.

Global forecasts and budgets are prepared by using the same forecast and reporting program maintained by the Group parent company. In some business segment companies, separate programs supporting internal reporting are in use.

INTERNAL CONTROLS

The Group's internal control mechanisms are based on policies, instructions, limited process descriptions, authorization matrix, financial reporting review meetings, and segregation of key accounting duties.

COMPLIANCE PROCEDURES

Compliance procedures are in place at all levels of the organization to ensure that all applicable laws, regulations, internal policies and ethical values including sustainability are adhered to. Group functions and businesses are responsible for following up developments in legislation and regulations in their respective areas and communicating them to the organization. Businesses and corporate function directors are responsible for setting up adequate compliance controls and compliance related training in their units.

Roles and responsibilities regarding risk management and internal control

The key roles and responsibilities regarding the Group's internal control and risk management are defined as follows:

BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for the administration and the proper organization of the operations of the Company. According to good corporate governance, the Board also ensures that the Company has duly endorsed the corporate values applied to its operations. The Board approves the internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk bearing capacity of the Company and re-evaluates them on a regular basis as part of the strategy and goal setting of the Company. The Board reports to the shareholders of the Company.

AUDIT AND FINANCIAL COMMITTEE

Audit and Financial Committee is responsible for the following internal control related duties

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;
- to monitor the efficiency of the Company's internal control, internal audit, if applicable, and risk management systems;
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which are included in the Company's corporate governance statement; and
- to monitor the statutory audit of the financial statements and consolidated financial statements.

More detailed descriptions how Audit and Financial Committee is fulfilling its monitoring role are defined in the Committee's annual plan. The Audit and Financial Committee reports to the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER

CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. CEO sets the ground of the internal control environment by providing leadership and direction to senior managers and reviewing the way they are controlling the business. CEO is in charge of the risk management process of the Group and its continuous development, allocation of resources to the work, review of risk management policies as well as defining the principles of operation and overall process. CEO reports to the Board on risk management as part of the monthly reporting. CEO, and CFO, CLO, Segment Boards and the Presidents of the business segments, which operate under CEO, are responsible for the management of risks endangering the fulfillment of objectives set for the Company.

CHIEF FINANCIAL OFFICER

CFO ensures and controls that the Group's accounting and financial reporting practices comply with the law and that the financial reporting is reliable.

CHIEF LEGAL OFFICER

Chief Legal Officer ensures that the Group's corporate governance practices comply with the law and that legal matters of the Group are handled appropriately, in particular the contractual risks related to business operations.

BUSINESSES SEGMENTS

Segment Boards and management of business segments are responsible for internal control implementation in the business segments. More specific internal control policies and procedures are established within each segment within the principles set by the Group functions. Additionally, the management of business segments and the Group Management are responsible for implementing risk management practices in planning cycle and daily operations, and ensure the adherence of

- laws,
- regulations,
- internal policies, and
- ethical values

in their designated responsibility areas. Some areas of risk management, in particular the management of financial risks and insurances, have been centralized for the purpose of scale advantage and for securing sufficient Group-level control.

FINANCE FUNCTION

Group's parent company's finance function is responsible for:

- ensuring a setup of adequate control activities for business segments in cooperation with the business management;
- operative follow-up of the adequacy and effectiveness of control activities; and
- ensuring that external reporting is correct, timely and in compliance with regulations.

Finance function does not have a separate internal control function. Group CFO reports any supervisory findings to the Finance and Audit Committee.

INTERNAL AUDIT

The Company has no specific internal audit organization. This is taken into account in the content and scope of the annual audit plan. On the one hand external auditing focuses on specific areas in turn to be audited, and on the other hand, on separately agreed priority areas.



Elektrobit

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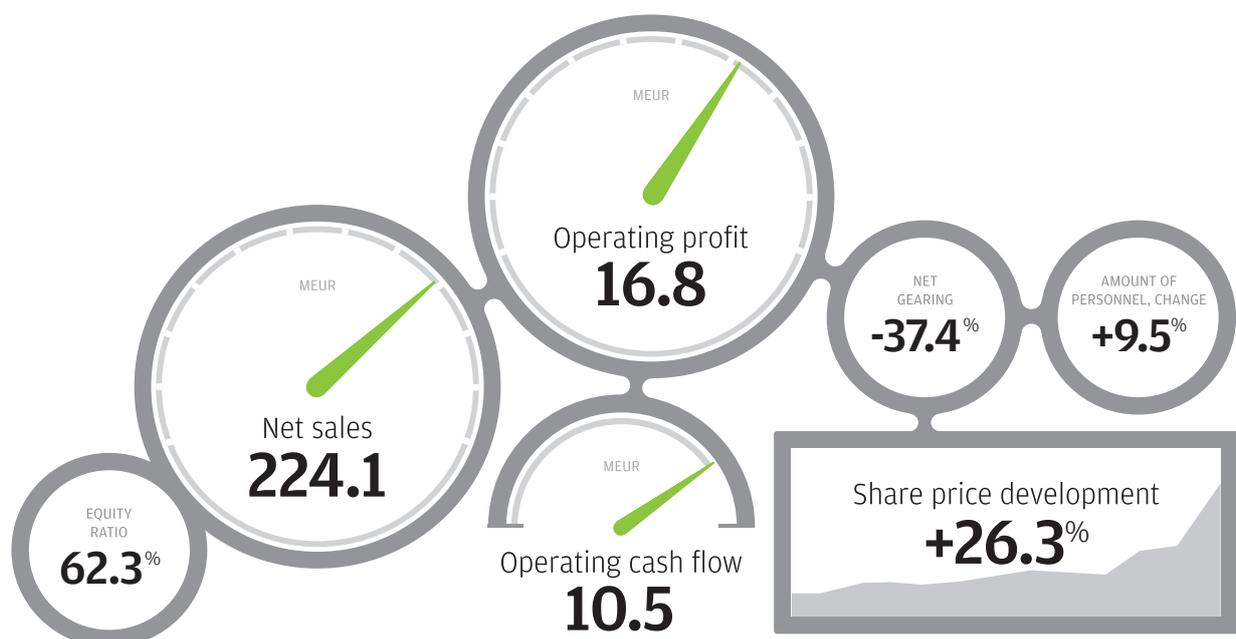
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Annual Report 2014

Report by the Board of Directors
and Financial Statements



Elektrobit



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Report by the Board of Directors 2014*

Year 2014 in Brief

Net Sales Grew and Operating Profit Improved Clearly from the Previous Year

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

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

The Wireless Business Segment's net sales in January-December 2014 decreased by 13.4 per cent year-on-year, to EUR 53.0 million (EUR 61.2 million, in 2013). The share of the product-based net sales was EUR 14.1 million (EUR 6.9 million in 2013), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the delivery of special terminal products for the authority use to a customer abroad. The operating profit of the Wireless Business Segment in January-December 2014 was EUR 1.0 million, including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies, and non-recurring

costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove (operating loss of EUR -0.5 million, in 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment). The decrease in the net sales year-on-year and lower than expected operating result were due to the decline in the demand for R&D services for mobile telecommunications network equipment and other markets, the increased product-based net sales did not fully compensate this decline.

Significant Events during the Reporting Period

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

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

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

* The 2013 figures presented in comparison in this Report by the Board of Directors include the figures of Continuing Operations only.

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

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

December 17, 2014 EB concluded the personnel negotiations (started on November 6, 2014) in order to rationalize its operations in Wireless Business Segment in Finland by laying off up to a maximum of 19 employees in its offices in Kaajaani and Tampere. As an alternative a few employees were offered new positions in Oulu. This caused non-recurring costs of EUR 0.4 million that weakened the result of the last quarter of 2014. With these actions EB will achieve annual cost savings of approximately EUR 1 million, from the beginning of 2015 onwards.

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

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

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

In October Elektrobitt Corporation's subsidiary Elektrobitt Inc. entered into a settlement with Internal Revenue Service (IRS) concerning tax treatment of impairment of receivables from TerreStar companies. Originally IRS disallowed a deduction taken on Elektrobitt Inc.'s 2010 U.S. federal income tax return for the impairment of the receivables from the TerreStar companies. EB reversed the remaining EUR 0.3 million provision. As a result from the approval of the

proposal Elektrobitt Inc. paid IRS USD 1.4 million (EUR 1.1 million as per exchange rate of October 8, 2014) taxes including interests for fiscal year 2010 and at the same time submitted a carry-back claim of USD 1.3 million (EUR 1.0 million as per exchange rate of October 8, 2014) for fiscal year 2011. Both, the payment to IRS was made and the carryback refund was received during the fourth quarter of 2014.

The settlement payment of USD 1,075,000 received from TerreStar Networks Inc. in August (more information on Company's stock exchange release on August 29, 2014) formed the full and final satisfaction of Elektrobitt 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 reversed 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 had together approximately EUR 1.1 million non-recurring positive effect on Elektrobitt Corporation's third quarter 2014 operating result.

Financial performance during January-December 2014

CONSOLIDATED INCOME STATEMENT (MEUR)	1-12/2014 12 MONTHS	1-12/2013 12 MONTHS
Continuing operations		
Net sales	224.1	199.3
Operating profit / loss	16.8	8.1
Financial income and expenses	-1.3	-0.9
Result before tax	15.5	7.2
Result for the period from Continuing Operations	12.3	6.7
Result for the period from Discontinuing Operations	0.2	24.3
Result for the Period	12.5	30.9
Total Comprehensive Income for the Period	12.9	30.9
Result for the period attributable to:		
Equity holders of the parent	12.5	30.9
Total comprehensive income for the period attributable to:		
Equity holders of the parent	12.9	30.9
Earnings per share from Continuing Operations, EUR	0.093	0.051

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

Quarterly figures

ELEKTROBIT GROUP'S NET SALES AND OPERATING RESULT, MEUR:

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

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

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

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

NET SALES AND OPERATING PROFIT DEVELOPMENT BY BUSINESS SEGMENTS AND OTHER BUSINESSES, CONTINUING OPERATIONS, MEUR

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

THE DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %:

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

Business Segments

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

Automotive

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

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

Development of the Automotive Business Segment in 2014

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

GmbH. The improvement of the operating profit was driven mainly by the net sales growth of R&D services and good performance in services projects, the growth of software license sales and the lower R&D investments.

During the first quarter EB and Université de Sherbrooke in Quebec (Canada) presented urban concept vehicle (Vehicle Urbain Electrique (VUE)) with autonomous driving technology at 2014 International CES in Las Vegas in January. EB also announced to have developed breakthrough technology to help car makers test complex driver assistance systems. EB Assist Car Data Recorder is a measurement tool that allows product development engineers to record and visualize data during test drives using a common tablet computer without complicated cable installations, monitors or keyboards.

In June EB introduced new functions for its EB Assist Electronic Horizon Solution, offering more flexibility for carmakers and suppliers for implementing predictive driver assistance systems. The new version enables them to use digital map information across car lines and model configurations, without the need for having an active navigation system.

As recognition to EB's long-standing expertise in the development of driver assistance software solutions that provide maximum safety, quality and performance, EB received Best Telematics Safety and Security Award for driver assistance software solutions developed with Daimler for Daimler, during the Telematics Detroit 2014 conference and exhibition (June 4-5) in the Detroit suburb of Novi, Michigan.

In August EB announced its plans to build a new automotive software development site in Oulu, Finland. The new site employed 21 software engineers in 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.

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

ers are able to engage in a more natural, conversational dialogue with AUDI's infotainment and navigation capabilities.

Automotive Business Segment Market Outlook

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

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

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

- The majority of in-vehicle innovations come from electronics and software. Using software as a differentiator carmakers are able to develop feature-rich vehicles and differentiate in the areas of comfort, safety and security, information and entertainment, powertrain and communication. The trend of separating hardware from software continues in 2015 and beyond, allowing carmakers to speed up innovation and to improve the quality and cost efficiency of their vehicles. As a software provider, this direction gives EB an opportunity to work directly with the major carmakers, providing them with software development services, products and tools according to their individual requirements. EB also offers software integration services to integrate software applications and modules from various suppliers.
- Carmakers continue to work on global modular car platforms to achieve scalability as well as good ability to handle the complexity of a growing number of car models and variants.

This means volumes for software platforms will increase and software development programs will become global and include localization for all regions.

- The Increasing complexity of car electronics and software is resulting in increasing efforts to provide safety-compliant systems. e.solutions, EB's jointly owned company with AUDI, is developing high-end infotainment software solutions for the Volkswagen Group companies. During 2015, development of software will continue and deliveries from e.solutions are planned for several new car models of Volkswagen Group.
- Consumers expect in the car the same richness of features and user experience they know from the Internet and mobile devices, and therefore infotainment systems become increasingly common in all car price categories. This is expected to create continuing demand for development of infotainment software and software development tools, such as EB GUIDE.
- Mobile connectivity will become one of the fastest-growing Internet-connected device platforms among other connected consumer electronics devices, such as media tablets and smartphones. Gartner estimates that by 2016, the majority of car buyers in the automotive markets, such as in the U.S. and the Western Europe, will view the availability of in-vehicle, web-enabled dynamic content as a key buying criterion when considering a standard brand car.
- Connected Car solutions and cloud connections enable the introduction of new applications and enhancements to car functions, for example real-time traffic information or map updates for navigation. The increasing demand to better integrate mobile devices with the car has been reflected in the announcements by consumer electronics companies, such as Apple's "CarPlay" or Google's Open Automotive Alliance. These drivers are creating demand for software integration services
- New Active Safety Systems and Driver Assistance applications are being brought to the market, as automated driving is one of the key trends and an area with significant investments. Carmakers are preparing highly automated driving systems for their new car models to be available in the market in the coming years.

Wireless Business Segment

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

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

Development of the Wireless Business Segment in 2014

The Wireless Business Segment's net sales in January-December 2014 decreased by 13.4 per cent year-on-year, to EUR 53.0 million (EUR 61.2 million, in 2013). The share of the product-based net sales was EUR 14.1 million (EUR 6.9 million in 2013), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the delivery of special terminal products for the authority use to a customer abroad.

The operating profit of the Wireless Business Segment in January-December 2014 was EUR 1.0 million, including EUR 1.1 million non-recurring income resulting from the reorganization cases of TerreStar companies, and non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove (operating loss of EUR -0.5 million, in 2013, including the non-recurring cost of approximately EUR 0.8 million resulting from the cost saving measures in the Wireless Business Segment). The decrease in the net sales year-on-year and lower than expected operating result were due to the decline in the demand for R&D services for

mobile telecommunications network equipment and other markets, the increased product-based net sales did not fully compensate this decline.

EB aimed 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 in the end of the year. During the first quarter EB delivered a batch of special terminal devices to one customer abroad, and received several small orders from customers in Europe and in the USA, mainly intended for defense forces test and evaluation purposes, for its EB Tough VoIP phone system products developed for defense use. During the second quarter EB continued its sales and marketing efforts and R&D investments into these markets. Customers' purchase decisions proceeded slower than estimated, and therefore the net sales resulting from the international defense and other authority markets remained low.

In the beginning of the year EB broadened its EB Specialized Device Platform (SDP) by introducing an Android-based smart watch technology version. This customizable device platform enables the delivery of complete product solutions to companies aspiring to extend the reach of their brand and product offering to the smart watch market. The platform has been used in the creation of the adidas miCoach SMART RUN premium running smart watch, launched in November 2013.

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.

In June EB told that it is developing an EB Tactical LTE Access Point solution (Long Term Evolution, 4G) alongside its tactical communications products and systems to enable the utilization of regular terminals designed for civilian use in military purposes. This solution serves to establish a wireless broadband access point to cover data transfer and a call service within a specific area of the battlefield. EB presented its expanding product portfolio at the Eurosatory 2014 exhibition in Paris.

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.

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

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

December 17, 2014 EB concluded the personnel negotiations (started on November 6, 2014) in order to rationalize its operations in Wireless Business Segment in Finland by laying off up to a maximum of 19 employees in its offices in Ka-

jaani and Tampere. As an alternative a few employees were offered new positions in Oulu. This caused non-recurring costs of EUR 0.4 million that weakened the result of the last quarter of 2014. With these actions EB will achieve annual cost savings of approximately EUR 1 million, from the beginning of 2015 onwards.

Wireless Business Segment Market Outlook

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

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

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

vices for business or consumer use, such as various wearable devices and solutions, implementing mobile applications and connected devices both with internet services as well as with other devices.

- In the tactical defense communication market the need for larger amounts of information data grows, generating demand for broadband networks, such as EB's IP (Internet Protocol) based tactical communications solutions.

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

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

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

Research and Development

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

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

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

accumulate in the coming years. Depreciations of R&D investments were EUR 1.8 million during the reporting period (EUR 1.6 million, in 2013).

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

Outlook for 2015

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

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

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

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

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

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

Risks and Uncertainties

EB has identified a number of business, market and finance related risk factors and uncertainties that can affect the level of sales and profits.

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

Market risks

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

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

Business related risks

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

EB's product delivery business model faces such risks as high dependency on actual product volumes, timing risks and potential delays in the markets. The above-mentioned risks may manifest themselves as lower amounts of product delivered or higher costs of production, and ultimately, as lower profit. EB's net sales from the automotive industry is currently primarily driven by the development of software for electronic devices to be used in new car models, and sales of licenses for in-car software and software development tools. EB aims at developing its business model to be more based on software products, which is expected to increase the direct dependency of net sales on production volumes over the forthcoming years. The dependency on EB's net sales on car delivery volumes is also increased by EB's customers

tending to allocate a part of the software development costs to be paid in license fees based on the actual car delivery volumes. When using this pricing model, which is common in the automotive industry, the project specific operating result and positive cash flow will be typically reached first during the car production years and this may cause significant additional financing needs for the R&D phase. However this model can offer EB also an opportunity for higher cumulative income, in case the take rate of additional software products or services, like in-car navigation system in the new cars sold, would be higher than originally estimated. This is dependent among others on the amount of additional software products and services, such as in-car navigation, chosen to new cars at the time of purchase.

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

Financing risks

Global economic uncertainty may lead to payment delays, increase the risk for credit losses and weaken the availability and terms of financing. To fund its operations, EB relies mainly on income from its operative business and may from time to time seek additional financing from selected financial institutions. Currently EB has a committed overdraft credit facility agreement of EUR 10.0 million with Nordea Bank Finland Plc and a committed overdraft credit facility agreement of EUR 10.0 million with Pohjola Bank Plc. These agreements meant for general financing needs are valid until June 30, 2017. These agreements include customary covenants related to, among other things, equity ratio, transferring property and pledging. There is no assurance that additional financing will not be needed in case of clearly weaker than expected development of EB's businesses or in case customer commitments of the Automotive Business Segment would represent more than planned funding for R&D phase.

Customer dependency in some parts of EB's business may translate as accumulation of risk with respect to outstanding receivables and ultimately with respect to credit losses.

Significant Events after the Reporting Period

Acquisition of the SafeMove business

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

Parrot S.A.'s request for arbitration against e.solutions

In January 2015 EB received information that Parrot filed a request for arbitration against e.solutions at the International Court of Arbitration of the International Chamber of Commerce seeking remuneration and/or damages currently in an amount of approximately EUR 9.4 million in connection with an automotive supply contract. The place of arbitration is Munich, Germany. Based on e.solutions' initial le-

gal analysis the claim is without merit both in terms of the grounds and the amount of the claim. The claim is based on Parrot S.A.'s allegation that e.solutions GmbH breached a supply contract between e.solutions GmbH and Parrot S.A. by not ordering Parrot S.A.'s products for e.solutions GmbH's new infotainment software system. Parrot S.A., also, claims that e.solutions GmbH's new infotainment software system infringes its IP rights. Based on the current analysis, the arbitral proceedings will not cause any financial obligation to e.solutions or to EB that would affect EB's profit outlook and financial position. It is possible that, based on later information, this view may need to be reconsidered. At worst, Parrot's claim could have significant negative impact on e.solutions' and EB's profit, cash flow and financial position.

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

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

Plan for partial demerger and listing of Bittium Corporation

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

Based on the demerger plan, the assets and liabilities related to EB's Wireless Business Segment will be transferred to Bittium Corporation, an entity to be newly established in the partial demerger that will be listed at Nasdaq Helsinki. EB's Automotive Business Segment remains as a part of the current EB, which will continue its listing at Nasdaq Helsinki. The partial demerger will need to be approved by an extraordinary general meeting, expected to be held on June 11, 2015. The planned effective date for the demerger is June 30, 2015. Additional information on the partial demerger plan and the updated strategic guidelines has been presented in a separate stock exchange release on February 19, 2015.

Statement of Financial Position and Financing

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

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

The cash flows during the period under review:

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

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

The amount of accounts receivable and other receivables, booked in current receivables, was EUR 72.5 million (EUR 54.3 million on December 31, 2013). Accounts payable and other payables, booked in interest-free current liabilities, were EUR 61.3 million (EUR 54.5 million on December 31, 2013). The amount of non-depreciated consolidation goodwill at the end of the period under review was EUR 19.3 million (EUR 19.3 million on December 31, 2013).

The amount of gross investments in the period under review was EUR 11.4 million. Net investments for the reporting period totaled EUR 11.3 million. The total amount of depreciation during the period under review was EUR 8.7 million, including EUR 0.2 million of depreciation owing to business acquisitions in Automotive Business Segment.

The amount of interest-bearing debt, including finance lease liabilities, at the end of the reporting period was EUR 8.3 million (EUR 5.3 million on December 31, 2013). The distribution of net financing expenses on the income statement was as follows:

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

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

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

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

Environmental Factors

EB's own business operations focus mostly on the design, assembly and marketing of products. This represents only a minor part of the environmental impacts over the entire life cycle of the products. Products manufactured by the Company have only minor general environmental impacts, since product manufacturing is not mass production.

Elektrobit Corporation has had ISO 14001 certified environment management system since 2001 concerning the current operations of the Wireless Business Segment. EB is applying ISO 14001 standards in its Wireless Business Segment business operations, the latest re-certification took place in 2013. Additional information about the certificate is available at www.elektrobit.com/environmental_factors

EB is monitoring globally the environmental requirements for products and derived national regulations to the extent that they are related to the Group's operations. EB has also observed and applied the requirements of the ROHS (use of hazardous substances) and WEEE (recycling of electrical and electronic equipment) directives in design since 2002. Since 2009, the applied environmental standards and

regulations in EB's operations have been consolidated as uniform EB substance list, applicable also to EB's significant suppliers. The substance list includes, in addition to the so called ROHS2 and REACH standards, the substance requirements applicable in different market areas against which identification of materials is made if needed. In addition materials declaration list observes certain customer specific requirements. During 2014, EB has further updated the requirements on a biannual basis and applied the proper environmental requirements to the products or solutions, in which EB has partial or total responsibility depending on the application scope. The imposed requirements will be observed in business operations on a country-specific basis.

Personnel

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

The following table presents the average personnel amounts and salaries of the Continuing operations from the past two years:

	2014	2013
The average amount of the personnel during the reporting period	2080	1925
Salaries and wages (MEUR) in the reporting period	105.4	94.1

At the end of 2014 about 79 per cent of the employees worked in the Automotive Business Segment, about 21 per cent in the Wireless Business Segment, and short of 1 per cent in corporate functions. When compared to 2013, the number of personnel in the Automotive Business Segment increased by 4 percentage points, in the Wireless Business Segment it decreased by 4 percentage points and in corporate functions remained at the same level.

Incentive Systems

Share related remuneration schemes

2008A-C

The Annual General Meeting decided on March 14, 2008 that there is a weighty financial reason for the Company to issue stock options since the stock options are intended for use as part of the incentive and commitment program for key personnel.

The maximum total number of stock options is 4,200,000, of which 1,400,000 were marked with the symbol 2008A, 1,400,000 with the symbol 2008B, and 1,400,000 with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the Company or treasury shares.

The subscription price for the shares to be subscribed based on the stock options is based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki in January 2009, January 2010 and January 2011. At the end of 2014, 1,292,322 stock options with symbol 2008A, 1,089,000 stock options with symbol 2008B, and 1,085,000 stock options with symbol 2008C were distributed to the key employees of Elektrobit Corporation.

Variable pay system

Variable pay will be paid based on the achieved targets. A limited amount of EB's employees are participating in the Variable Pay (VP) program. The criteria for the short-term merit pay are the financial strategic targets of the Company. In addition, part of the targets may be other objectives of the Company or Business Segment or personal targets. Personal targets vary between duties.

In 2014 the earning period for the Variable Pay was the calendar year. The targets are determined separately for each earnings period. The setting of targets and the review of their achievement is decided on one-over-one basis.

Authorizations of the Board of Directors at the End of the Reporting Period

Authorization of the Board of Directors to decide on the repurchase of the Company's own shares

The General Meeting held on April 10, 2014 authorized the Board of Directors to decide on the repurchase of the Company's own shares as follows.

The amount of own shares to be repurchased shall not exceed 12,500,000 shares, which corresponds to approximately 9.57 per cent of all of the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorization. Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. The Board of Directors decides how own shares will be repurchased. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).

The authorization cancels the authorization given by the General Meeting on April 11, 2013 to decide on the repurchase of the company's own shares. The authorization is effective until June 30, 2015.

Authorization of the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares

The General meeting held on April 10, 2014 authorized the Board of Directors to decide on the issuance of shares and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows.

The amount of shares to be issued shall not exceed 25,000,000 shares, which corresponds to approximately 19.14 per cent of all of the shares in the company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance

of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorization cancels the authorization given by the General Meeting on April 11, 2013 to decide on the issuance of shares as well as the issuance of other special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act. The authorization is effective until June 30, 2015.

Shares and Shareholders

The Shares of Elektrobit Corporation are quoted on the NASDAQ OMX Helsinki. The Company has one series of shares. All shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The Company's shares have been entered into the Euroclear Finland Ltd.'s book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 130,493,144. The accounting par value of the Company's share is EUR 0.10. The Company does not have its own shares in its possession.

Shareholding and control related information is presented in section 33 of the notes to the Financial Statement.

Flagging Notifications

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

On October 28, 2014 EB received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Markets Act, according to which the number of Elektrobit Corporation's shares increased on October 28, 2014 through share subscriptions pursuant to stock options, totaling to 131,407,100 shares, resulting in the decrease in the holdings of the shares and vot-

ing 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.

Stock Options

The Annual General Meeting of March 14, 2008, decided to issue stock options to EB's key personnel. The maximum number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares. The proportion of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1 per cent of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription. The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki in January 2009, January 2010 and January 2011. The subscription price will be recorded in the fund for unrestricted equity. The share subscription period for stock options 2008A is April 1, 2012–March 31, 2014, for stock options 2008B April 1, 2013–March 31, 2015, and for stock options 2008C April 1, 2014–March 31, 2016.

The Board of Directors of Elektrobit Corporation decided on June 5, 2013 on the transfer of stock options 2008A and 2008B to the Finnish book-entry system and to apply for listing of 1,400,000 stock options 2008A and of 1,400,000 stock options 2008B on the official list of NASDAQ OMX Helsinki. The trading with the stock options started on June 17, 2013. The share subscription period for stock options 2008A will end on March 31, 2014. The share subscription period for stock options 2008B will end on March 31, 2015.

The Board of Directors of Elektrobit Corporation has decided on the transfer of series 2008C stock options to the Finnish book-entry system on December 20, 2013 and to apply for listing of 1,400,000 stock options 2008C on the official list of NASDAQ OMX Helsinki. Application was made for the listing to commence on April 1, 2014. The share subscription period for series 2008C stock options will commence on April 1, 2014 and will end on March 31, 2016.

By virtue of the stock option rights 2008A, 2008B and 2008C, a total of 508,697 new shares were subscribed for between December 5, 2013 and January 28, 2014, a total of 1,090,321 new shares were subscribed between December 5, 2013 and January 28, 2014, a total of 461,673 new shares were subscribed between February 11, 2014 and April 8, 2014, a total of 119,951 new shares were subscribed between April 15, 2014 and June 9, 2014, a total of 51,296 new shares were subscribed between June 26, 2014 and August 18, 2014, a total of 164,608 new shares were subscribed between September 3, 2014 and October 15, 2014, a total of 86,044 new shares were subscribed between October 29, 2014 and December 1, 2014. The share subscription prices were recorded in the Company's invested non-restricted equity fund. Each increase in the number of the Company's shares was entered into the Finnish Trade Register on February 10, 2014, April 14, 2014, June 26, 2014, August 27, 2014, October 28, 2014 and December 12, 2014. The trading with the registered shares started on February 11, 2014, April 15, 2014, June 27, 2014, August 29, 2014, October 29, 2014 and December 15, 2014 as an additional lot of Elektrobit Corporation's shares in NASDAQ OMX Helsinki Ltd. At the end of the period, the number of shares in Elektrobit Corporation totaled 131,493,144.

More information and the terms and conditions of stock options 2008 are available in the Company's web pages at www.elektrobit.com/investors.

Changes in the Company's Management

Kari Jokela (LL.M. / Mag.lur.), 45, was appointed Chief Legal Officer of Elektrobit Corporation as of September 1, 2014. He will report to Jukka Harju, CEO. Kari Jokela has been working for EB as Senior Legal Counsel since 2007 in both Automotive and Wireless Business Segments in Finland and in Germany, having the focus on business agreements. Before that, he has worked as Legal Counsel in Polar Electro Ltd and in Attorneys Office Gilbert, Segall and Young Ltd. On May 7, 2014 EB announced that the employment of Päivi Timonen, Chief Legal Officer, will end in the autumn 2014 as she will assume a new role outside of EB.

Board of Directors, Board Committees And Auditor

The Annual General Meeting, held on April 10, 2014 decided that the Board of Directors shall comprise five (5) members. Jorma Halonen, Juhha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen were elected members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting.

At its assembly meeting held on April 10, 2014, the Board of Directors elected Mr. Seppo Laine Chairman of the Board. Further, the Board resolved to keep the Audit and Financial Committee with Mr. Staffan Simberg (Chairman of the committee), Mr. Seppo Laine and Mr. Erkki Veikkolainen as committee members.

The Annual General Meeting held on April 10, 2014, re-elected Ernst & Young Ltd, authorized public accountants as the auditor of the Company for a term of office ending at the end of the next Annual General Meeting. Ernst & Young Ltd has notified that Mr. Juhani Rönkkö, authorized public accountant, will act as responsible auditor. It was decided that the remuneration to the auditor shall be paid against the auditor's reasonable invoice.

EB's Board of Directors and the rest of the management are presented in the corporate governance statement for the reporting period of January 1 - December 31, 2014 and at www.elektrobit.com.

Dividend from 2013

The Annual General Meeting held on April 10, 2014 decided in accordance with the proposal of the Board of Directors to pay EUR 0.02 per share as dividend based on the balance sheet adopted for the financial period January 1, 2013 - December 31, 2013.

Corporate Governance Statement

The Board of Directors has issued the corporate governance statement separate from this report.

Proposal by the Board of Directors on the Use of the Profit Shown on the Balance Sheet and The Payment of Dividend

According to the parent company's balance sheet at December 31, 2014, the distributable assets of the parent company are EUR 89,790,981.58 of which the loss of the financial year is EUR -2,448,934.17.

The Board of Directors proposes that the Annual General Meeting to be held on April 15, 2015 resolve to pay EUR 0.04 per share, as dividend based on the adopted balance sheet for the financial period of January 1, 2014 - December 31, 2014. The dividend will be paid to the shareholders who are registered as shareholders in the company's register of shareholders as maintained by Euroclear Finland Ltd on the dividend record date, Friday, April 17, 2015. The Board of Directors proposes that the dividend be paid on Friday, April 24, 2015.

Oulu February 18, 2015



Seppo Laine
Chairman of the Board



Jorma Halonen
Member of the Board



Juha Hulkko
Member of the Board



Staffan Simberg
Member of the Board



Erkki Veikkolainen
Member of the Board



Jukka Harju
CEO

The Auditor's Note

Our Auditor's Report has been issued today.

Oulu, February 18, 2015

Ernst & Young Oy
Authorized Public Accountant Firm



Juhani Rönkkö
Authorized Public Accountant

Consolidated Statement of Comprehensive Income

CONTINUING OPERATIONS	NOTES	2014 1000 EUR	2013 1000 EUR
Net sales	1, 3	224 136	199 281
Other operating income	4	4 721	3 538
Change in work in progress and finished goods		29	-27
Work performed by the undertaking for its own purpose and capitalized		101	12
Raw materials		-16 344	-12 425
Personnel expenses	7	-125 637	-113 162
Depreciation	6	-8 748	-9 040
Other operating expenses	5	-61 465	-60 035
Operating Profit		16 793	8 143
Financial income and expenses	9	-1 267	-920
Profit Before Tax		15 526	7 222
Income tax	10	-3 253	-570
Profit for the Year from Continuing Operations		12 274	6 652
Profit for the year from Discontinuing operations	2	241	24 294
Profit for the Year		12 515	30 946
Other comprehensive income:			
Items that will not be reclassified to statement of income			
Re-measurement gains (losses) on defined benefit plans		-752	0
Income tax effect		225	
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations		914	-36
Total Comprehensive Income For The Year		12 903	30 910
Profit for the year attributable to			
Equity holders of the parent		12 515	30 946
Total		12 515	30 946
Total comprehensive income for the period attributable to			
Equity holders of the parent		12 903	30 910
Total		12 903	30 910
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY:			
Earnings per share from continuing operations, EUR			
Basic earnings per share	11	0.094	0.051
Diluted earnings per share	11	0.093	0.051
Earnings per share from Discontinuing operations, EUR			
Basic earnings per share	11	0.002	0.188
Diluted earnings per share	11	0.002	0.187
Earnings per share from continuing and Discontinuing operations, EUR			
Basic earnings per share	11	0.096	0.239
Diluted earnings per share	11	0.095	0.238
Average number of shares, 1000 pcs		130 975	129 528
Average number of shares, diluted, 1000 pcs		131 663	130 092

Consolidated Statement of Financial Position

	NOTES	Dec. 31, 2014 1000 EUR	Jan. 1, 2013 1000 EUR
Assets			
Non-current assets			
Property, plant and equipment	12	10 717	9 701
Goodwill	13	19 343	19 319
Intangible assets	13	17 001	15 512
Other financial assets	14	123	132
Deferred tax assets	15	1 665	1 473
Total		48 848	46 137
Current assets			
Inventories	16	2 175	819
Trade and other receivables	17	72 518	54 325
Financial assets at fair value through profit or loss	18	20 991	20 702
Cash and short-term deposits	19	22 284	22 372
Total		117 969	98 217
Total assets		166 817	144 354
Equity and liabilities			
Equity attributable to equity holders of the parent	20		
Share capital		12 941	12 941
Translation differences		1 513	599
Invested non-restricted equity fund		25 103	24 533
Retained earnings		53 850	43 654
Total		93 407	81 728
Total equity		93 407	81 728
Non-current liabilities			
Deferred tax liabilities	15	549	497
Pension obligations	22	2 970	2 086
Interest-bearing loans and borrowings (non-current)	24	3 803	3 260
Provisions	23	245	304
Total		7 568	6 147
Current liabilities			
Trade and other payables	25	58 491	52 160
Financial liabilities at fair value through profit or loss	25	248	
Provisions	23	2 584	2 303
Interest-bearing loans and borrowings (current)	24	4 520	2 016
Total		65 843	56 480
Total liabilities		73 410	62 626
Total equity and liabilities		166 817	144 354

Consolidated Statement of Cash Flows

	NOTES	2014 1000 EUR	2013 1000 EUR
Cash flow from operating activities			
Profit for the year from Continuing Operations		12 274	6 652
Profit for the year from Discontinuing operations		241	24 294
Adjustments			
Effects of non-cash business activities	27	10 348	-14 830
Finance costs		1 667	1 240
Finance income		-400	-318
Income tax		3 253	570
Change in net working capital			
Change in short-term receivables		-17 658	7 881
Change in inventories		-1 356	-517
Change in interest-free short-term liabilities		6 870	11 355
Interest paid on operating activities		-1 308	-1 269
Interest and dividend received from operating activities		400	314
Income taxes paid		-3 818	-685
Net cash from operating activities		10 512	34 687
Cash flow from investing activities			
Disposal of business unit, net of cash acquired			30 046
Purchase of property, plant and equipment		-3 597	-3 954
Purchase of intangible assets		-5 728	-1 989
Sale of property, plant and equipment		119	247
Sale of intangible assets		0	6
Proceeds from sale of other investments		5	
Net cash from investing activities		-9 202	24 357
Cash flows from financing activities			
Share option plans exercised		569	148
Proceeds from borrowing		19 441	16 614
Repayment of borrowing		-16 635	-28 427
Payment of finance lease liabilities		-1 771	-3 077
Dividend paid and capital repayment		-2 621	-15 605
Net cash from financing activities		-1 017	-30 348
Net change in cash and cash equivalents		293	28 696
Cash and cash equivalents at 1 January		42 983	14 287
Cash and cash equivalents at 31 December		43 275	42 983

Cash and cash equivalents include liquid and low risk financing securities.

Consolidated Statement of Changes in Equity

1000 EUR	Equity attributable to equity holders of the parent					Total
	Share capital	Invested non-restricted equity fund	Translation difference	Retained earnings	Non-controlling interests	
Shareholders' equity 1.1.2014	12 941	24 533	599	43 654	0	81 728
Comprehensive income for the period						
Profit for the period				12 515		12 515
Re-measurement gains (losses) of defined benefit plans (IAS 19)				-526		-526
Exchange differences on translating foreign operations			914			914
Total comprehensive income for the period	0	0	914	11 989	0	12 903
Transactions between the shareholders						
Share issue		569				569
Share-related compensation				84		84
Dividend distribution				-2 621		-2 621
Other changes				745		745
Shareholders' equity 31.12.2014	12 941	25 103	1 513	53 850	0	93 407
Shareholders' equity 1.1.2013	12 941	38 697	635	13 725	0	65 998
Comprehensive income for the period						
Profit for the period				30 946		30 946
Exchange differences on translating foreign operations			-36			-36
Total comprehensive income for the period	0	0	-36	30 946	0	30 910
Transactions between the shareholders						
Share issue		148				148
Share-related compensation				168		168
Dividend distribution				-1 294		-1 294
Capital repayment		-14 311				-14 311
Other changes				109		109
Shareholders' equity 31.12.2013	12 941	24 533	599	43 654	0	81 728

Notes to the Consolidated Financial Statements

Corporate Information

The company's field of activities is the development, production and selling of software, equipment and other products for the automotive and electronics industry, the production of R&D services and other services as well as other industrial operations. The company may administer product and other rights and conduct research and development operations, hold and trade securities and real-estate and conduct other investment activities.

The parent company of the Group is Elektrobit Corporation, which is a Finnish public company. The parent company is domiciled in Oulu and its registered address is Tutkijantie 8, 90590 Oulu.

Accounting Principles for the Consolidated Accounts

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the SIC and IFRIC interpretations in force at December 31, 2014. The financial statements are presented in thousands of euro. The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

Consolidation Principles

The consolidated financial statements of Elektrobit include the financial statements of the parent company Elektrobit Plc. and its subsidiaries as well as the proportional share of one company classified as joint arrangement.

Subsidiaries

The consolidated financial statements include Elektrobit Corporation and its subsidiaries' financial statements. Subsidiaries are companies in which the Elektrobit Corporation has a controlling interest. A controlling interest arises when the Group holds more than half of the voting rights or it otherwise has the power to govern the financial and operating policies of the entity. The existence of potential voting rights

is taken into account in assessing the conditions under which control arises whenever instruments conferring potential voting rights can be exercised at the review date.

Joint Arrangements

A joint arrangement is an arrangement of which two or more parties, bound by a contractual agreement, have joint control. Joint arrangements are classified, as either joint operations or joint ventures, dependent on the controlling parties' rights and obligations.

Elektrobit Corporation's subsidiary company Elektrobit Automotive GmbH holds together with Audi Electronics Venture GmbH (AEV) a stake of e.solutions GmbH, which activities include developing infotainment software for infotainment systems, provide systems engineering as well as systems integration services to VW Group. The subsidiaries of Elektrobit Corporation (EB) provide e.Solutions GmbH the software and applications, which e.Solutions integrates within its own solutions. In addition to this, EB delivers e.Solutions software development tools and R&D services. EB holds a 51% stake in e.solutions GmbH, with AEV holding the remaining 49%.

According to the IFRS 11 Standard, e.Solutions GmbH is classified as a joint operation which is consolidated to EB financial statements according to the rules of proportionate consolidation method. EB includes the joint operations assets, liabilities, revenue and expenses into its financial statements according to the proportionate share of EB's ownership.

- The 51% of joint operations balance sheet, income statement and statement of cash flows according to EB's proportionate share of ownership.
- The 49% (proportionate share of AEV's ownership) of the revenue, expenses, receivables and liabilities that are generated by transactions between Elektrobit Group companies and e.Solutions GmbH.

Elimination of intra-group transactions

Intra-group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control and divested

subsidiaries up to the time when control ceases. The excess of the acquisition cost of the subsidiary shares over fair value of the net assets acquired is allocated partly to the identifiable assets and liabilities. Any excess is recorded as goodwill. Business combinations that occurred before the implementation of IFRS, in 2004, the carrying amount of the goodwill has been treated according to the Finnish GAAP in accordance with the exemption under IFRS 1. According to IFRS goodwill is not amortized but tested annually for impairment.

Intra-group transactions, receivables, liabilities and margins are eliminated in preparation of the consolidated financial statements.

Foreign Currency Transactions

Figures relating to the financial statements of Group entities are measured in the currency that is the currency of each entity's main operating environment ("functional currency"). The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company.

Transactions denominated in foreign currency are recorded in euros using the exchange rate on the date of the transaction. Monetary items denominated in foreign currency are translated to euros using the European Central Bank exchange rates at the balance sheet date. Gains and losses arising from transactions denominated in foreign currency and the translation of monetary items are recorded in the income statement.

Income statements and cash flows of subsidiaries, whose functional and reporting currency is not the euro, are translated into euros at the average exchange rates during the financial period. Their balance sheets are translated at the exchange rates prevailing at the balance sheet date. Translating the profit for the period using different rates in the income statement and the balance sheet leads to a translation difference that is recorded in equity. The translation differences arising from the elimination of the cost of foreign subsidiaries are recorded in equity. When a subsidiary is sold, the cumulative translation differences are entered in the income statement as part of the capital gain or loss.

Cumulative exchange differences arising from the translation of internal long term loans, which are in actual terms net investments in foreign operations, are taken directly to a separate component of equity.

The goodwill arising from the acquisition of foreign operations as well as fair value adjustments made to the carrying amounts of the assets and liabilities of said foreign operations in connection with an acquisition are treated as the assets and liabilities of said foreign operations and translated to euros using the exchange rates at the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment are measured at historical cost less depreciation and impairment losses. Assets of acquired companies are stated at their fair values at the date of acquisition. Assets are depreciated using the straight-line or reducing balance method over their useful life.

The residual value of assets and their useful life are reviewed periodically in connection with each set of financial statements and the interim report and, if necessary, they are adjusted to reflect changes that have occurred in the expectations for the asset's useful life. Ordinary repair and maintenance costs are charged to the income statement during the financial year in which they incurred.

Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in operating profit.

Intangible Assets

Goodwill

After January 1st, 2004 the cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets. The goodwill arising from the business combinations prior to this represents the amount recorded under previous GAAP, which has been used as the deemed cost. The classification and accounting treatment of these business combinations has not been adjusted when the Group's opening IFRS balance sheet has been prepared.

Goodwill is tested annually or, if necessary, more frequently to determine any impairment. For this purpose, goodwill has been allocated to cash-generating units. The recoverable amount of a cash generating unit is compared to its carrying amount and an impairment loss is recognized if the carrying amount of the assets exceeds the recoverable amount. An impairment loss is recognized in the income statement.

Research and Development Expenditure

Research expenditures are recorded as an expense as they are incurred. Expenditure on development activities is capitalized if they meet the criteria defined in IAS 38 Intangible Asset. Capitalized development expenses include mainly materials, supplies and direct labor costs. They are amortized on a systematic basis over their expected useful lives.

Capitalized development expenses are reviewed for potential impairment regularly by comparing the carrying amount to their recoverable amount. Significant changes in the technological environment are taken into account. If the carrying amount of the development expenses is greater than the recoverable amount, an impairment loss is recognized immediately.

Other Intangible Assets

Purchased patents, trademarks, licenses and other intangible assets having a finite useful life are entered in the balance sheet and the amortized expense is recorded in the income statement over their useful life. If indications on possible impairment exist, the recoverable amount is determined and an impairment loss is recognized if necessary. Intangible assets with an indefinite useful life are not amortized but tested annually or, if necessary, more frequently to determine any impairment.

Inventories

Inventories are stated at the lower of initial cost or net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of sale. The value of raw material inventory is determined using a weighted average cost formula. The initial cost of finished and semi-finished products comprises of raw material, direct labor

and other direct expenses as well an appropriate share of fixed and variable production overheads, based on the normal capacity of the production facilities.

Borrowing costs

Borrowing costs are recognized in the income statement as they accrue.

Government Grants

Government grants are recognized when there is reasonable assurance that Group will comply with the conditions attaching to them and the grant will be received. Government grants received from public corporations are presented as other income in the income statement.

Leases

When the Group is a lessee, all lease contracts of property, plant and equipment, in which the Group has substantially all the risks and rewards of ownership, are classified as finance leases. A finance lease agreement is recognized in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease obligations are included in interest-bearing liabilities.

Lease agreements in which the risks and benefits attached to ownership remain with the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight line basis over the lease term.

Notes to the Consolidated Financial Statements

Impairment of Assets

At each balance sheet date (including interim reports) the Group estimates whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is estimated annually regardless of any indication of impairment to the following assets: goodwill, intangible assets with an indefinite useful life and for intangible assets which are not yet ready for use. The recoverable amount is based on the future discounted net cash flows, which are equivalent with the expected cash flows generated by the asset. The impairment testing has been disclosed in the note 14 to the financial statements.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable value. The loss is booked to the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill will under no circumstances be reversed.

Employee Benefits

Pension Liabilities

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. In Finland, the Group has organized pension coverage for its staff through independent pension insurance companies.

The Finnish system under the Employees' Pensions Act and the disability portion are treated as a defined contribution plan. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. After this the Group has no other obligations for additional payment.

The pension arrangements of the foreign subsidiaries have mainly been classified as defined contribution plans. The only significant de-

defined benefit plan relates to a German subsidiary. The present value of the obligation of the defined benefit plan is determined using the projected unit credit method. The pension expenditure calculations required by IAS 19 Employee Benefits standard are prepared by authorized actuaries.

Share-Based Payment

The Group has applied IFRS 2 Share-Based Payment to the share-based scheme which was granted June 23, 2005. Expenses of option and share incentive schemes prior to this have not been presented in the income statement. Option rights and shares granted are measured at fair value at the time they are granted and entered as an expense in the income statement in even installments during the vesting period. The expense determined is based on the defined fair value of the stock options and shares as well as on management's estimate of the amount of options or shares to which the employee will be entitled at the end of the vesting period. The fair value of the options is determined on the basis of the Black-Scholes pricing model. The Group updates the assumption concerning the final amount of stock options and shares at each balance sheet date. Changes in the estimates are recorded in the income statement. When options are exercised, the cash payments received on the basis of share subscriptions (adjusted for any transaction expenses) are entered in the share capital (at nominal value) and in the share premium reserve.

Provisions

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realized or cause a financial loss and the amount of the obligation can be estimated reliably. Provisions can arise from restructuring plans, onerous contracts, warranty repairs and allowances and from environmental, litigation or tax risks.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the time value of money is material, provisions will be discounted.

If a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset when it is virtually certain that the reimbursement will be received.

Taxes

Tax expense in the Group's income statement comprises the current tax and change in deferred taxes of each Group company. Current tax is calculated based on the taxable income using the tax rate that is enacted in each country at the balance sheet date.

Deferred tax liability is calculated on the temporary differences between the carrying amounts and the amounts used for taxation purposes. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the tax base which is in force at the time of preparing the financial statements or which has been enacted by the balance sheet date for the following period, has been applied.

Revenue Recognition

Sales of goods are recognized after the significant risks and rewards that, are connected with ownership, have been transferred to the buyer. Neither the Group retains a continuing managerial involvement to the degree usually associated with ownership, nor effective control of those goods. Revenues from services are recorded when the service has been performed. Sales are presented net of indirect sales taxes and discounts.

Revenue from long-term construction contracts is recognized based on the stage of completion when the outcome of the project can be reliably measured. The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs.

Assets Held for Sale and Discontinuing Operations

The Group classifies a non-current asset or disposal as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and asset items related to Discontinuing Operations, which are classified as held for sale, are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortization on these asset items is discontinued at the time of classification. Profit after tax and gain on sale of Discontinuing Operation is presented as a separate line item in the consolidated income statement.

Profit for the year from Discontinuing Operations is presented separately in Consolidated Statement of Comprehensive Income. Discontinuing Operations are disclosed in note 2.

Financial Assets, Financial Liabilities and Derivative Contracts

Financial Assets

The Group's financial assets are classified in accordance with IAS 39 Financial Instruments: Recognition and Measurement in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets held for sale. The classification is based on the purpose for which the assets have been acquired and they are classified upon acquisition.

A financial asset is classified at fair value through profit or loss, when it has been acquired for trading purposes. The category comprises the Group's investment portfolio and all derivative contracts. The consolidated balance sheet does not contain assets that would be classified in this category upon initial recognition as allowed under the fair value option of IAS 39. Realized and unrealized gains and losses from changes in fair values are recognized in profit or loss in the financial year they are incurred. The assets are in accordance with their nature included in the non-current and current assets of the balance sheet.

Loans and receivables are assets other than derivative contracts with related payments that

are fixed or determinable. They are not quoted on efficient markets and they are not held by the Group for trading purposes. They are valued at amortized cost. They are in accordance with their nature included in the current or long-term assets of the balance sheet: long-term if they fall due after more than 12 months.

The Group has not had held-to-maturity investments during the financial or the prior financial year. In case of occurrence they are valued at amortized cost.

Financial assets held for sale are assets other than derivative contracts that have particularly been classified into this category or have not been classified into any other category. They are included in the balance sheet on the basis of their estimated date of sale. Assets to be sold within 12 months are included in current assets. Such financial assets are disclosed separately in the consolidated balance sheet if their carrying amount is significant. The change in fair value of the financial assets held for sale is recognized net of tax in the revaluation fund in equity. The cumulative change in fair value recognized in equity is recognised in profit or loss when the asset is sold or the asset has been impaired and an impairment loss has to be recognized. Investments, whose fair value may not be reliably established, are valued at cost or cost adjusted for a permanent impairment loss.

Cash comprises cash on hand, bank deposits and other highly liquid investments. Assets classified as financial assets have a maximum maturity of three months from the date of acquisition.

Transaction costs are included in the cost of financial assets that are not valued at fair value through profit or loss. The purchases and sales of financial assets are recognized at the trade date.

Financial Liabilities

Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying amount of financial liabilities. All financial liabilities are subsequently measured at amortized cost. Financial liabilities are included in current and non-current liabilities and may be interest-bearing or interest-free.

The bases for determining the fair value of all financial assets and liabilities have been disclosed in notes 18, 24, 19 and 26.

The Impairment of Financial Assets

The Group assesses whether objective indications of the impairment of any financial assets exist at each balance sheet date. A loss is recognized in profit or loss as a recognized or probable credit loss, when there are indications that trade or loan receivables may not be collected in full. Impairment losses on trade receivables are included in other operating expenses and on loan receivables in financial expenses.

Impairment losses on financial assets recognized in the financial year are disclosed in notes 18 and 19.

Derivative Contracts and Hedge Accounting

Derivative contracts are recognized at their fair value. Hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and measurement is not applied. The change in fair value of hedging instruments is recognized in finance items in profit or loss.

The fair values of derivative contracts and the valuation methods used are disclosed in note 26.

Significant Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions about the future that affects the reported amounts. Used estimates and assumptions are based on prior experience and presumptions, which reflect the circumstances and expectations prevailing at the time of the preparation of the financial statements. Materiality and judgment in assessing the effect of uncertainties and the application of accounting principles have been observed in the preparation of the financial statements.

The management has exercised judgment during the financial year in applying e.g. the IFRS 11 standard for joint arrangements and in assessing the future prospects of Group companies in conjunction with standards IAS 12 Income Taxes and IAS 36 Impairment of Assets.

Notes to the Consolidated Financial Statements

Financial statements may include non-recurring income or expenses that are not related to normal operative business or that occur only infrequently. Such items are among others sales profits or losses, substantial changes in asset values, like impairment or reversal of impairment, substantial restructuring costs or other substantial items that are considered as non-recurring by the management. Substantiality of the item is based on the item's euro amount and the relative share of total value of the asset.

The Application of New and Revised IFRS regulations

The Group has applied the following new or revised standards and interpretations issued by IASB from 1.1.2014.

- IFRS 10, IFRS 12, IAS 27 and IAS 28 Investments in Associates and Joint Ventures. The revised standard will not have material impact on the consolidated financial statements.
- IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (revised). The revised standard will not have material impact on the consolidated financial statements.
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. The revised standard will not have material impact on the consolidated financial statements.
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting. The revised standard will not have material impact on the consolidated financial statements.
- IFRIC 21 Levies. The new interpretation will not have material impact on the consolidated financial statements.

Standards effective date on January 1, 2015 onwards

- IFRS 9 Financial Instruments: classification and measurement (revised). The revised standard will not have material impact on the consolidated financial statements.
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine. The new interpretation will not have material impact on the consolidated financial statements.
- The amendment of IFRS 11 Joint Arrangements. The amendment will not have material impact on the consolidated financial statements.
- IFRS 14 Regulatory Deferral Accounts. The revised standard will not have material impact on the consolidated financial statements.
- IFRS 15 Revenue from Contracts with Customers. The new standard will have impact on the consolidated financial statements. The impact will be further analyzed during the year 2015.

1. OPERATING SEGMENTS

Segment information will be shown according to the Group's business segment distribution. Operating segments are premised on the Group internal organization structure and Group internal financial management reporting. Inter-segment pricing is determined on an arm's length basis. IFRS-adjustments are allocated to segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax and financial assets and expenses and corporate assets and expenses. Segment capital expenditure comprise additions of property, plant and equipment and intangible assets that are expected to be used for more than one period.

EB's reporting is based on two operating segments, Automotive and Wireless.

Automotive Business Segment

In the Automotive Business Segment EB offers a range of software products and R&D services for in-car embedded software, as well as professional tools that support the whole process of the in-car software development. Our customers are carmakers, car electronics suppliers and other suppliers to the automotive industry. The offering includes secure & safe technologies and solutions for Connected Car Infrastructure, Driver Assistance and Infotainment solutions containing navigation and human machine interfaces (HMI) technologies. By combining its software products and R&D services, EB is creating unique, customized solutions for the automotive industry.

EB's software products are: EB street director navigation software, EB GUIDE HMI development and speech dialogue platform, EB tresos product line of software components used in

ECUs and tools for their configuration, and EB Assist ADF, an extensive software development kit for driver assistance solutions. These software products generate license fees, often combined with supply of R&D services for customized solutions.

Wireless Business Segment

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

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

Other items

Other items consist of parent company's services and Group's support function services.

Notes to the Consolidated Financial Statements

OPERATING SEGMENTS 2014 1000 EUR	Automotive Business Segment	Wireless Business Segment	Other items	Eliminations	Group total
Net sales					
Net sales to external customers	171 426	52 710	0		224 136
Net sales to other segments	2	266	0	-268	0
Net sales total	171 428	52 976	0	-268	224 136
Depreciation	-6 382	-2 335	-30		-8 748
Operating Profit	16 005	1 015	-227	0	16 793
<hr/>					
Unallocated expenses					-4 519
Profit for the year from Continuing Operations					12 274
Profit for the year from Discontinuing Operations					241
Profit for the year					12 515
<hr/>					
Assets and liabilities					
<hr/>					
Segment's assets	87 817	33 262	792	-692	121 179
Unallocated assets					45 638
Assets classified as held for sale					0
Total assets	87 817	33 262	792	-692	166 817
<hr/>					
Segment's liabilities	44 690	17 638	1 086	-692	62 722
Unallocated liabilities					10 688
Liabilities classified as held for sale					0
Total liabilities	44 690	17 638	1 086	-692	73 410
<hr/>					
Capital expenditure Continuing Operations					
Tangible assets	4 502	1 143	1		5 646
Intangible assets	2 399	3 353			5 752
Investments	0				0
Goodwill	0				0
<hr/>					
Capital expenditure Discontinuing Operations					
Tangible assets					0
Intangible assets					0

OPERATING SEGMENTS 2013 1000 EUR	Automotive Business Segment	Wireless Business Segment	Other items	Eliminations	Group total
Net sales					
Net sales to external customers	138 213	61 068	0		199 281
Net sales to other segments	86	93	0	-179	0
Net sales total	138 300	61 160	0	-179	199 281
Depreciation	-6 045	-2 960	-34		-9 040
Operating Profit	8 543	-472	72	0	8 143
<hr/>					
Unallocated expenses					-1 491
Profit for the year from Continuing Operations					6 652
Profit for the year from Discontinuing Operations					24 294
Profit for the year					30 946
<hr/>					
Assets and liabilities					
<hr/>					
Segment's assets	71 581	27 683	821	-471	99 613
Unallocated assets					44 741
Assets classified as held for sale					0
Total assets	71 581	27 683	821	-471	144 354
<hr/>					
Segment's liabilities	34 995	18 907	575	-471	54 006
Unallocated liabilities					8 621
Liabilities classified as held for sale					0
Total liabilities	34 995	18 907	575	-471	62 626
<hr/>					
Capital expenditure Continuing Operations					
Tangible assets	3 458	2 444	4		5 906
Intangible assets	1 686	243			1 929
Investments					0
Goodwill	32				32
<hr/>					
Capital expenditure Discontinuing Operations					
Tangible assets					21
Intangible assets					15

Notes to the Consolidated Financial Statements

Geographical areas

EB's two Business Segments operate in three geographical areas which are Europe, Americas and Asia. In presenting the geographical information, the revenue is based on the geographical location of customers. Geographical assets are based on the geographical location of the assets.

GEOGRAPHICAL AREAS

2014	Finland	Other Europe	Americas	Asia	Eliminations	Group total
1000 EUR						
Net sales						
Sales to external customers	35 230	148 405	31 478	9 024		224 136
Non-current assets	7 787	38 608	634	155		47 184
Unallocated non-current assets						0
Total non-current assets *)						47 184
*) does not include deferred tax assets						
Capital expenditure, Continuing Operations						
Tangible assets	1 311	3 882	331	144		5 669
Intangible assets	3 330	2 385	3	11		5 729
Investments						0
Goodwill		0				0
Capital expenditure, Discontinuing Operations						
Tangible assets	0					0
Intangible assets	0					0

GEOGRAPHICAL AREAS

2013	Finland	Other Europe	Americas	Asia	Eliminations	Group total
1000 EUR						
Net sales						
Sales to external customers	38 294	126 473	26 595	7 919		199 281
Non-current assets	5 579	38 553	491	41		44 663
Unallocated non-current assets						0
Total non-current assets *)						44 663
*) does not include deferred tax assets						
Capital expenditure, continuing operations						
Tangible assets	2 370	3 398	134	5		5 906
Intangible assets	255	1 657	2	16		1 929
Investments						0
Goodwill		32				32
Capital expenditure, Discontinuing Operations						
Tangible assets	21					21
Intangible assets	15					15

Information of primary customers

Group's revenue from the 10 largest customers in year 2014 was EUR 179.0 million (EUR 135.5 million in 2013) representing 79.9 per cent of the net sales (68.0 per cent in 2013).

2. DISCONTINUING OPERATIONS

Elektrobit Corporation ("EB") and Anite plc ("Anite") signed an agreement on 28 of January 2013, under the terms of which EB agreed to sell its Test Tools product business to Anite. The Transaction comprised the sale of the shares of EB's subsidiary Elektrobit System Test Ltd., a company based in Oulu, Finland, and certain related other assets in the USA and China. EB's Test Tools product business provides radio channel emulation tools and testing solutions for the development of the wireless technologies and is a part of the EB's Wireless Business Segment employing a total of 54 persons in Finland, USA and China.

Test Tools product business is classified as Discontinuing Operations in the 2012 financial statements.

	2014 1000 EUR	2013 1000 EUR
Test Tools product business		
Net sales	0	1 005
Expenses	241	-860
Profit before tax	241	148
Income tax	0	0
Profit after tax	241	148
Profit for the sale of Test Tools product business	0	24 146
Income tax	0	0
Profit for the sale of Test Tools product business after tax	0	24 146
Profit for the year from Discontinuing Operations	241	24 294

Impact of the sale Test Tools product business	Jan. 31, 2013
Property, plant and equipment	780
Intangible assets	382
Receivables	5 189
Inventories	1 844
Cash and short-term deposits	1 815
Trade and other payables	-4 833
Assets and liabilities total	5 178
Cash received	31 864
Cash of Test Tools product business	-1 815
Expenses related to transaction	-1 741
Disposal of business unit, net of cash acquired	28 308

Notes to the Consolidated Financial Statements

	2014 1000 EUR	2013 1000 EUR
3. NET SALES		
Income recognized from construction contracts	108 998	120 560
Net sales other	115 138	78 721
Total	224 136	199 281
Construction contracts		
The contract revenue is recognized in the income statement in proportion to the stage of completion of the contract. The stage of completion is defined as the ratio of costs incurred to total estimated costs.		
Income recognized as sales based on the stage of completion of long-term construction contracts	108 998	120 560
Revenue recognized from long-term construction contracts in progress amounted to	28 603	36 376
Advances received from long-term construction contracts recognized in the balance sheet amounted to	16 909	18 907
Receivables recognized from long-term construction contracts amounted to	14 827	10 919
4. OTHER OPERATING INCOME		
Government grants	2 091	1 542
Other income	2 630	1 996
Total	4 721	3 538
5. OTHER OPERATING EXPENSES		
External services	-22 686	-26 207
Voluntary staff expenses	-2 126	-2 158
Premises expenses	-9 155	-8 104
Travel expenses	-2 359	-2 263
IT expenses	-5 482	-2 668
Other expenses	-19 658	-18 634
Total	-61 465	-60 035
AUDITORS' CHARGES		
Ernst & Young		
Auditing	127	142
Certificates and statements	5	12
Tax advice	130	41
Other services	120	23
Total	383	217
Others		
Auditing	69	42
Certificates and statements	2	-
Tax advice	15	18
Other services	23	16
Total	108	76

	2014 1000 EUR	2013 1000 EUR
6. DEPRECIATIONS AND IMPAIRMENTS		
Depreciations		
Intangible assets		
Capitalized development expenditure	-1 808	-1 562
Intangible rights	-520	-1 365
Other intangible assets	-1 911	-1 286
Tangible assets		
Buildings and constructions	-44	-12
Machinery and equipment	-4 464	-4 815
Total	-8 748	-9 040
7. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL		
Number of personnel		
Average number of personnel during the fiscal period		
Wireless Business Segment, continuing operations	483	536
Automotive Business Segment, subsidiaries	1207	1079
Other businesses	10	10
Automotive Business Segment, joint operations	380	300
Personnel expenses 1000 EUR		
Personnel expenses		
Management salaries	-1 333	-1 532
Board of directors	-226	-200
Expense of share-based payments	-84	-168
Other salaries and wages	-103 798	-92 203
Total	-105 441	-94 103
Pension expenses, defined contribution plans	-5 239	-5 504
Pension expenses, defined benefit plans	-133	-126
Other personnel expenses	-14 823	-13 430
Total	-125 637	-113 162

Notes to the Consolidated Financial Statements

	2014 1000 EUR	2013 1000 EUR
8. RESEARCH AND DEVELOPMENT EXPENSES		
The research and development expenses total	20 097	18 462
Recognition as an asset	-2 070	0
The expensed research and development expenses recognized in the income statement amounted to	18 027	18 462
9. FINANCIAL EXPENSES (NET)		
Interest expenses	-237	-547
Interest income	17	18
Dividend income	0	0
Exchange gains and losses	-964	-639
Change of financial assets and liabilities at fair value through profit or loss	41	330
Other financial expenses	-128	-146
Other financial incomes	3	62
Reduction in value of investments	0	0
Total	-1 267	-920
10. INCOME TAXES		
Income taxes, current year	-2 815	-1 128
Other taxes	-249	-162
Income taxes, previous years	-53	6
Deferred taxes	-136	714
Total	-3 253	-570
A reconciliation between the effective tax rate and domestic tax rate (20.0%) of the Group:		
Profit before taxes	15 526	7 222
Tax at the domestic tax rate	-3 105	-1 769
Effect of tax rates of foreign subsidiaries	-1 837	-553
Taxes for prior years	-53	6
Tax free income	471	507
Non-deductible expenses	-926	-1 253
Utilization of deferred tax assets from previous years	1 637	
Reassessment of deferred tax assets	1 086	
The deferred tax assets from tax losses	-626	
Deferred tax	0	2 580
Others	101	-88
Income taxes in the consolidated income statement	-3 253	-570

11. EARNINGS PER SHARE	2014 1000 EUR	2013 1000 EUR
Basic		
Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.		
Profit attributable to the equity holders of the parent, Continuing Operations (1000 EUR)	12 274	6 652
Profit attributable to the equity holders of the parent, Discontinuing Operations (1000 EUR)	241	24 294
Profit attributable to the equity holders of the parent, Continuing and Discontinuing Operations (1000 EUR)	12 515	30 946
Weighted average number of ordinary shares during the financial year (1000 PCS)	130 975	129 528
Basic earnings per share, Continuing Operations, EUR	0.094	0.051
Basic earnings per share, Discontinuing Operations, EUR	0.002	0.188
Basic earnings per share, Continuing and Discontinuing Operations, EUR	0.096	0.239
Diluted		
Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Group has a share-based payment scheme (Share-option plan 2008A, 2008B and 2008C) which has a diluting effect, when the exercise price is lower than the closing share price.		
The exercise price of the stock options at 31 December 2014 is lower than the closing share price, hence the stock options has dilutive effect.		
Profit attributable to the equity holders of the parent, Continuing Operations (1000 EUR)	12 274	6 652
Profit attributable to the equity holders of the parent, Discontinuing Operations (1000 EUR)	241	24 294
Profit attributable to the equity holders of the parent, Continuing and Discontinuing Operations (1000 EUR)	12 515	30 946
Weighted average number of ordinary shares during the financial year (1000 PCS)	130 975	129 528
Effect of dilution (1000 PCS)	688	564
Weighted average number of ordinary shares during the financial year (1000 PCS)	131 663	130 092
Diluted earnings per share, Continuing Operations, EUR	0.093	0.051
Diluted earnings per share, Discontinuing Operations, EUR	0.002	0.187
Diluted earnings per share, Continuing and Discontinuing Operations, EUR	0.095	0.238

Notes to the Consolidated Financial Statements

	2014 1000 EUR	2013 1000 EUR
12. PROPERTY, PLANT AND EQUIPMENT		
The Group has not revalued property, plant and equipment, hence the Group has not recognized any impairment losses directly to equity or recorded any reversals of those.		
Buildings and constructsures		
Acquisition cost Jan. 1	2 896	2 685
Translation differences	8	-5
Additions during the period	249	247
Disposals during the period	-241	-31
Transfer to assets classified as held for sale		
Transfer to assets		
Acquisition cost Dec. 31	2 911	2 896
Accumulated depreciations Jan. 1	-1 874	-1 630
Translation differences	-4	3
Depreciation for the period	-347	-271
Depreciations on disposals	241	25
Transfer to assets classified as held for sale		
Carrying amount Dec. 31	927	1 022
No revaluations or capitalizations of the interest costs have been done.		
Machinery and equipment		
Acquisition cost Jan. 1	55 464	50 072
Translation differences	54	-56
Additions during the period	5 367	5 640
Disposals during the period	-1 424	-191
Transfer to assets classified as held for sale		
Transfer to assets		
Acquisition cost Dec. 31	59 461	55 464
Accumulated depreciations Jan. 1	-46 876	-42 516
Translation differences	-25	39
Depreciations on disposals	1 302	156
Depreciation for the period	-4 160	-4 555
Transfer to assets classified as held for sale		
Carrying amount Dec. 31	9 702	8 588
Advance payments		
Acquisition cost Jan. 1	3	
Additions during the period		3
Disposals during the period	-3	
Transfer to assets		
Acquisition cost Dec. 31	0	3

	2014 1000 EUR	2013 1000 EUR
Other tangible assets		
Acquisition cost Jan. 1	88	88
Additions during the period	3	
Disposals during the period	-3	
Acquisition cost Dec. 31	88	88
Translation differences	0	
Accumulated depreciations Jan. 1		
Depreciation for the period		
Carrying amount Dec. 31	88	88
Property, plant and equipment total		
Acquisition cost Jan. 1	58 450	52 844
Translation differences	62	-61
Additions during the period	5 619	5 890
Disposals during the period	-1 671	-222
Transfer to assets classified as held for sale	0	0
Transfer to assets	0	0
Acquisition cost Dec. 31	62 460	58 450
Accumulated depreciations Jan. 1	-48 750	-44 146
Translation differences	-29	42
Depreciations on disposals	1 543	181
Depreciation for the period	-4 508	-4 826
Transfer to assets classified as held for sale	0	0
Carrying amount Dec. 31	10 717	9 701
Finance leases		
The Group had the following amounts of property, plant and equipment acquired by finance leases:		
Machinery and equipment		
Acquisition cost Jan. 1	18 099	16 086
Accumulated depreciations	-14 333	-12 536
Carrying amount Dec. 31	3 766	3 550

Additions of property, plant and equipment include assets acquired by finance leases of EUR 2.0 million in 2014 (EUR 2.0 million in 2013).

Notes to the Consolidated Financial Statements

	2014 1000 EUR	2013 1000 EUR
13. INTANGIBLE ASSETS		
Capitalized development expenditure		
Acquisition cost Jan. 1	15 579	15 579
Additions during the period	2 079	
Acquisition cost Dec. 31	17 657	15 579
Accumulated depreciations Jan. 1	-3 609	-2 047
Depreciation for the period	-1 808	-1 562
Carrying amount Dec. 31	12 241	11 970
Intangible rights		
Acquisition cost Jan. 1	2 386	2 238
Translation differences		
Additions during the period	1 293	148
Transfer to assets classified as held for sale		
Disposals during the period		
Acquisition cost Dec. 31	3 679	2 386
Accumulated depreciations Jan. 1	-1 438	-1 081
Translation differences		0
Depreciation for the period	-352	-357
Transfer to assets classified as held for sale		0
Carrying amount Dec. 31	1 889	948
Customer relations and technology		
Acquisition cost Jan. 1	10 079	10 079
Disposals during the period		
Acquisition cost Dec. 31	10 079	10 079
Accumulated depreciations Jan. 1	-9 911	-8 903
Depreciation for the period	-168	-1 008
Carrying amount Dec. 31	0	168

	2014 1000 EUR	2013 1000 EUR
Other intangible assets		
Acquisition cost Jan. 1	5 973	4 193
Translation differences	5	-4
Additions during the period	2 349	1 792
Disposals during the period	-419	-9
Transfer to assets	0	
Acquisition cost Dec. 31	7 908	5 973
Accumulated depreciations Jan. 1	-3 609	-2 328
Translation differences	-4	3
Depreciations on disposals	419	2
Depreciation for the period	-1 911	-1 286
Carrying amount Dec. 31	2 803	2 364
Advance payments		
Acquisition cost Jan. 1	62	36
Translation differences	0	
Additions during the period	7	26
Carrying amount Dec. 31	69	62
Intangible assets total		
Acquisition cost Jan. 1	34 078	32 124
Translation differences	5	-4
Additions during the period	5 728	1 966
Disposals during the period	-419	-9
Acquisition cost Dec. 31	39 392	34 078
Accumulated depreciations Jan. 1	-18 566	-14 359
Translation differences	-4	3
Depreciations on disposals	419	2
Depreciation for the period	-4 240	-4 213
Carrying amount Dec. 31	17 001	15 512
Goodwill		
Acquisition cost Jan. 1	19 319	19 295
Translation differences	23	-8
Additions during the period	0	32
Carrying amount Dec. 31	19 343	19 319
Goodwill has been allocated to cash generating units as follows:		
Wireless Business Segment	194	170
Automotive Business Segment	19 149	19 149
Total	19 343	19 319

Notes to the Consolidated Financial Statements

Impairment test

Goodwill is allocated to the Group's Cash-Generating Units (CGU), which are based on the Business Segments (i.e. Automotive and Wireless). The recoverable amounts of each CGU are based on the calculations of value in use and the management estimations.

The cash flow forecasts employed in these calculations are based on the cash flow budgets for 2015 and the Long Range Plans (LRP) for 2016-2019 approved by management for the strategic period. The share of e.solutions GmbH LRP to be consolidated to EB is 51%. Forecasting method has been substantially the same as in previous financial years. Cash flows beyond five-year period are calculated by using the terminal value method. Future cash flows are exposed to the risks that are discussed in section "Risks and uncertainties" in the Report by the Board of Directors.

The used discount rate in impairment testing is Weighted Average Cost of Capital (WACC) after tax defined for EB. WACC defines average costs of equity and debt by noticing the risks belonging to the each component. The components of WACC are risk-free interest rate, market risk premium, beta, cost of debt, corporate income tax rate and target capital structure. WACC calculated according to these parameters ended up to 12.12% (12.12% in 2013).

In 2014 the Automotive Business Segment exceeded the cash flow forecasted in the impairment test calculation in 2013 but the Wireless Business Segment did not reach the forecasted cash flow. There have not been any fundamental changes in the Business Segments' business environment that would make an impact to the cash flow expectations compared to the previous financial year.

The impairment test is done when needed, but at least once per year. Impairment tests made in the fall 2014 did not indicate need for impairment bookings. Recoverable amounts exceed significantly the book value of goodwill and other assets. The terminal value represents 73% of Wireless Business Segment's value and 72% in Automotive Business Segment's value.

Sensitivity analysis was also carried out during the impairment test. CGU's cash flow forecast was either decreased by 20% or the discount factor was increased by 5%. It was noticed that cash flows are relatively sensitive to a decrease in turnover because cost structure can not easily be adapted simultaneously with declining turnover. However, there are no expectations for impairment losses in the future.

14. OTHER FINANCIAL ASSETS

	2014 1000 EUR	2013 1000 EUR
At 1 January	132	125
Additions		7
Disposals	-8	
At 31 December	123	132

15. DEFERRED TAX LIABILITIES AND ASSETS

1000 EUR	Jan. 1, 2014	Recognized in the income statement	Recognized in equity	Translation difference	Dec. 31, 2014
Deferred tax assets					
Unused old losses in taxation	1 118	-797			322
Other items	355	1 231	-222	-21	1 343
Total	1 473	435	-222	-21	1 665

Non booked deferred tax receivables of loss-making domestic companies is EUR 9.6 million

Group has booked deferred tax receivables EUR 2.8 million of confirmed losses in Finland, Germany and Austria subsidiaries.

Group had EUR 47.9 million (EUR 81.0 million December 31, 2013) of confirmed losses of December 31, 2014 from which it has not booked deferred tax receivable because Group does not have sufficient certainty of future profits or their tax treatment and in which company the profits will be generated. The losses will start aging from year 2016.

Deferred tax liabilities

Deferred tax liabilities	497	84	0	-32	549
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The book value of the deferred tax liabilities on December 31, 2014 is 497 TEUR. This is a net amount consisting of deferred tax receivables from tax losses -3.578 MEUR and deferred tax liabilities related to temporary differences in depreciations and revenue recognition amounting to 4.127 MEUR.

1000 EUR	Jan. 1, 2013	Recognized in the income statement	Recognized in equity	Translation difference	Dec. 31, 2013
Deferred tax assets					
Unused old losses in taxation	878	241			1 118
Other items	69	297	-12		355
Total	947	538	-12	0	1 473

Non booked deferred tax receivables of loss-making domestic companies was EUR 11.6 million

Group has booked deferred tax receivables EUR 0.2 million of confirmed losses in Finland subsidiaries.

Group had EUR 81.0 million (EUR 84.5 million December 31, 2012) of confirmed losses of December 31, 2013 from which has not booked deferred tax receivable because Group does not have confidence of point of time for future profits, tax treatment and in which company the profits will be generated. The losses will start aging from year 2016.

Deferred tax liabilities

Allocated goodwill	176	-176			0
Other items	499			-1	497
Total	674	-176	0	-1	497

Notes to the Consolidated Financial Statements

	2014 1000 EUR	2013 1000 EUR
16. INVENTORIES		
Raw materials and supplies	1 035	273
Work in progress	97	3
Finished products	472	335
Other inventories	571	208
Total	2 175	819
17. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	51 233	39 117
Receivables from construction contracts	14 827	10 919
Prepaid expenses and accrued income	4 520	2 486
Other receivables	1 939	1 803
Total	72 518	54 325
<p>Receivables are valued at nominal value or probable current value, whichever is lower. During the financial year Group has booked impairment losses from accounts receivable EUR 0.1 million (EUR 0.0 million 2013)</p>		
Age distribution of accounts receivable		
Current	34 820	29 705
Aged Overdue Amounts		
0-3 months	15 582	9 194
4-6 months	807	114
7-12 months	23	104
> 12 months		
Total	51 233	39 117

	2014 1000 EUR	2013 1000 EUR
18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Currency derivatives		
Balance sheet value on Jan. 1	90	
Changes in fair-value	-90	90
Balance sheet value on Dec. 31	0	90
Bond fund		
Balance sheet value on Jan. 1	20 611	9 674
Additions	0	25 000
Disposals	0	-14 300
Changes in fair-value	380	237
Balance sheet value on Dec. 31	20 991	20 611
Financial assets at fair value through profit or loss total		
Balance sheet value on Jan. 1	20 702	9 674
Additions	0	25 000
Disposals	0	-14 300
Changes in fair-value	289	328
Balance sheet value on Dec. 31	20 991	20 702
19. CASH AND SHORT-TERM DEPOSITS		
Cash and short-term deposits	22 284	22 372
Total	22 284	22 372
Cash and cash equivalents at consolidated cash flow statement consist of:		
Financial assets at fair value through profit or loss	20 991	20 611
Cash and short-term deposits	22 284	22 372
Total	43 275	42 983

Fair value of cash and cash equivalents does not significantly differ from the carrying amount.

Notes to the Consolidated Financial Statements

20. ISSUED CAPITAL AND RESERVES

	Shares 1000 PCS	Share premium 1000 EUR	Premium fund 1000 EUR	Invested non-restricted equity fund	Total 1000 EUR
On December 31, 2013	130 101	12 941	0	24 533	37 475
Share subscriptions pursuant	1 392			569	569
On December 31, 2014	131 493	12 941	0	25 103	38 044

Shares and the Share Capital

The shares of Elektrobit Corporation are listed on the Nasdaq Helsinki. The Corporation has one series of shares. All the shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The company's shares have been entered into the Finnish Central Securities Depository Ltd's book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 131,493,144. The accounting per value of the company's share is EUR 0.10. The company is not in the possession of its own shares.

Translation differences

The translation reserve comprises all foreign exchange differences arising from the transition of the financial statements of foreign subsidiaries.

Dividends

The Board of Directors proposes that the Annual General Meeting resolve to pay EUR 0.04 per share as dividend based on the adopted balance sheet for the financial period of January 1, 2014 - December 31, 2014.

21. SHARE-BASED PAYMENT PLANS

Stock Options

The Annual General Meeting of March 14, 2008, decided to issue stock options to EB's key personnel. The maximum number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares. The proportion

of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1 per cent of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription. The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at Nasdaq Helsinki. in January 2009, January 2010 and January 2011. The subscription price will be

recorded in the fund for invested unrestricted equity. The share subscription period for stock options 2008A is 1 April 2012-31 March 2014, for stock options 2008B 1 April 2013-31 March 2015, and for stock options 2008C 1 April 2014-31 March 2016.

Notes to the Consolidated Financial Statements

Share option plan 2008A

Share-based options, granted for key personnel

Nature of arrangement	Granted share options
Grant date	14.8.2009
Number of instruments granted (1000 PCS)	1 168
Exercise price, EUR	0.07
Share price at the grant date, EUR	0.68
Contractual life of the options (years)	4.7
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	43%
Expected contractual life of the options (years)	4.7
Risk-free interest rate (%)	2.65%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2014 1000 pcs	Number of options 2013 1000 pcs
Outstanding at the beginning of the year	627	1 168
Granted during the year		220
Forfeited during the year		-96
Exercised during the year	-627	-666
Expired during the year		
Outstanding at the end of the year	0	627
Exercisable at the end of the year	0	627

Share option plan 2008B

Share-based options, granted for key personnel

Nature of arrangement	Granted share options
Grant date	31.5.2010
Number of instruments granted (1000 PCS)	1134
Exercise price, EUR	0.73
Share price at the grant date, EUR	1.05
Contractual life of the options (years)	4.9
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	44%
Expected contractual life of the options (years)	4.9
Risk-free interest rate (%)	2.65%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2014 1000 pcs	Number of options 2013 1000 pcs
Outstanding at the beginning of the year	1 067	1 139
Granted during the year		
Forfeited during the year		-50
Exercised during the year	-548	-23
Expired during the year		
Outstanding at the end of the year	518	1 067
Exercisable at the end of the year	518	1 067

Notes to the Consolidated Financial Statements

Share option plan 2008C

Share-based options, granted for key personnel

Nature of arrangement	Granted share options
Grant date	19.8.2011
Number of instruments granted (1000 PCS)	740
Exercise price, EUR	0.61
Share price at the grant date, EUR	0.56
Contractual life of the options (years)	4.7
Vesting conditions	
Settlement method	Shares
Expected volatility (%)	45%
Expected contractual life of the options (years)	4.7
Risk-free interest rate (%)	2.07%
Dividend yield (%)	0
Expected early exercise (at grant date)	0
Market conditions (at grant date)	
Fair-value of the options at the grant date	
Option pricing model	Black-Scholes

	Number of options 2014 1000 pcs	Number of options 2013 1000 pcs
Outstanding at the beginning of the year	760	740
Granted during the year	325	65
Forfeited during the year		-45
Exercised during the year	-217	
Expired during the year		
Outstanding at the end of the year	868	760
Exercisable at the end of the year	868	

22. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The pension arrangements of the foreign subsidiaries have mainly been classified as defined contribution plans. The only significant defined benefit plan relates to the German subsidiary and to the German joint operation. The assets related to this benefit plan are held by a German insurance company. The assets are invested according to the insurance company's investment strategy.

The present value of the obligation of the defined benefit plan is determined using the projected unit credit method. The pension expenditure calculations required by the revised IAS 19 standard (effective 2013) are prepared by authorized actuaries. According to the revised standard, the actuarial gains and losses are recognized in other comprehensive income (OCI). In the EB balance sheet the remeasurement has increased the net pension liability by EUR 0.8 million. The increase is due to decreased discount rate.

	2014 1000 EUR	2013 1000 EUR
Benefit pension plan liability consists of following items:		
Present value of funded obligations	3 294	2 397
Fair value of plan assets	-324	-311
Net liability	2 970	2 086
Net periodic pension cost in income statement:		
Unrecognized net liability on Jan. 1		
Current service cost	68	66
Interest cost	75	70
Employee contributions	-10	-10
Total	133	126
Balance sheet reconciliation:		
Net liability on Jan. 1	2 086	1 960
Remeasurements (IAS 19)	752	0
Net periodic pension cost in income statement	133	126
Net liability on Dec. 31	2 970	2 086
Principal actuarial assumptions:		
Europe		
Discount rate	2.45	3.60
Expected return on plan assets	2.00	3.60
Future pension increase	0.00	2.00
Sensitivity of defined benefit obligation to changes in actuarial assumptions		
	Impact on defined benefit obligation	
Discount rate, +0.25%	3 108	2 266
Discount rate, -0.25%	3 494	2 538
Future pension increase +0.25%	3 388	2 460
Future pension increase -0.25%	3 205	2 336

23. PROVISIONS

1000 EUR	Provisions for reorganizing operations	Unprofitable rental agreements	Others	Total
December 31, 2013	66	473	2 068	2 607
Increase in provisions		12	1 442	1 454
Utilized provisions	-66	-166	-47	-279
Reversal of unutilized provisions			-953	-953
December 31, 2013	0	318	2 511	2 828
Non-current provisions	39	205		245
Current provisions	0	98	2 485	2 584
Total	39	304	2 485	2 828

24. FINANCIAL LIABILITIES

	2014 1000 EUR	2013 1000 EUR
Non-current loans		
Bank loans	1 356	1 150
Finance lease liabilities	2 448	2 110
Total	3 803	3 260
Current loans		
Bank loans	3 000	0
Finance lease liabilities	1 513	1 609
Repayments of non-current bank loans	8	407
Total	4 520	2 016
Repayment schedule of long-term loans:		
2015	0	988
2016	1 905	1 751
2017	841	391
2018	370	131
2019	689	0
Later	0	0
Total	3 803	3 260
The interest on loans fall due every half year. Their impact on the cash flow of the Elektrobit Group is not material.		
The interest-bearing non-current loans are distributed by currency as follows:		
EUR	3 803	3 260
Total	3 803	3 260
The interest-bearing current loans are distributed by currency as follows:		
EUR	4 520	2 016
Total	4 520	2 016
Maturities of the finance lease liabilities:		
Finance lease liabilities - minimum lease payments	4 311	3 995
Within one year	1 643	1 743
After one year but no more than five years	2 668	2 252
After five years	0	0
Finance lease liabilities - Present value of minimum lease payments	3 960	3 719
Within one year	1 513	1 609
After one year but no more than five years	2 448	2 110
After five years	0	0
Future finance charges	351	276
Total amount of finance lease liabilities	4 311	3 995

Notes to the Consolidated Financial Statements

25. TRADE AND OTHER PAYABLES	2014 1000 EUR	2013 1000 EUR
Current liabilities		
Trade and other payables		
Trade liabilities	19 128	14 822
Accrued liabilities, deferred income	16 683	14 435
Other liabilities	22 680	22 903
Total	58 491	52 160
Material of accrued expenses and deferred income consist of personnel expenses and other accruals.		
Fair value of the other liabilities than derivatives don't significantly differ from the initial carrying value, because the impact on discounting is not significant when taking into account the maturities of the loans.		
Financial liabilities at fair value through profit or loss		
Liabilities based on derivatives		
Balance sheet value on Jan. 1	0	2
Changes in fair-value	248	-2
Balance sheet value on Dec. 31	248	0

Notes to the Consolidated Financial Statements

26. FINANCIAL RISK MANAGEMENT

Under its normal business activities, Elektrobit Corporation is exposed to several financial risks. The primary financial risks are foreign exchange rate risk, interest rate risk, investment risk and default risk. The goal of the Group's financial risk management function is to reduce adverse effects of price fluctuations and other uncertainties on earnings, balance sheet and cash flows as well as to ensure sufficient liquidity. In its risk management, the Group uses financial instruments such as forward exchange agreements, currency options and interest rate swaps. External professional portfolio managers are employed for investing activities.

The Group's general risk management principles are approved by the Board of Directors. The responsibility for their implementation lies with the parent company together with operational units. The parent company identifies and assesses risks and obtains relevant financial instruments for hedging them in close co-operation with operative units. The management evaluates risk concentrations from the viewpoint of business activities, taking into consideration shared factors between underlying variables such as those arising from changes in economic conditions or other variables. Operations and funding programs executed in the financial markets are mainly concentrated into the parent company. Subsidiaries are mainly funded through intra-company loans and group account overdraft credit limits.

The Group's financial risks are divided into market, default and liquidity risk.

Market risks

Market risks are caused by changes in foreign exchange rates, interest rates and prices of securities. Fluctuations in these may have an impact on the Group's income statement, cash flow or balance sheet.

Foreign exchange rate risk

The Group operates globally and is exposed to transaction risk from foreign exchange positions as well as to risk due to the translation of investments in different currencies to the functional currency of the parent company. The most relevant currencies for the Group are the Euro and the US dollar. Foreign exchange rate risk is caused by commercial activities, monetary items on the balance sheet and net investments in foreign subsidiaries. A business unit's functional currency or generally used currencies (EUR, USD) are used as invoicing currency. Additional information on functional currency and foreign currency conversion is available in the accounting principles section of the consolidated financial statements.

The Group follows a currency strategy that aims at securing the margin of business activities in changing market conditions by minimizing the effect of fluctuations in foreign exchange rates. According to the principles of the currency strategy, surely considered and the most probable net cash flow in a particular currency is hedged. The cash flow is defined based on the net position of the trade receivables, trade payables, order intake and forecasted net currency cash flow. The Group does not apply hedge accounting as defined in the IAS 39 standard. According to the currency strategy the degree of hedging can vary from approximately 25% to 125% of the forecasted net position. At the end of the financial period the counter value of the hedged net position was EUR 8.0 million. During the financial year the amount of the hedged position has been changing between EUR 8.0 - 13.5 million.

The Group has hedged the transaction risk related to its income statement and as a principal rule has not hedged the translation risk related to equity on the balance sheet. Foreign currencies denominated equities of foreign subsidiaries on December 31, 2014 was EUR 10.7 million (EUR 7.9 million in 2013) from which dollar denominated equities of foreign subsidiaries was EUR 8.6 million (EUR 6.3 million in 2013).

On the closing date, the Group had the following foreign exchange derivative contract nominal amounts outstanding (the nominal amounts do not represent the amounts exchanged by the parties):

Currency derivatives	2014 1000 EUR	2013 1000 EUR
Forward contracts		
Market value	-146	70
Nominal value	3 000	6 000
Currency options purchased		
Market value	22	44
Nominal value	5 000	2 500
Sold currency options		
Market value	-124	-23
Nominal value	10 000	5 000

Dollar denominated assets and liabilities translated to euros using the closing date's value:

	2014 1000 EUR	2013 1000 EUR
Long-term assets	441	320
Long-term liabilities	988	1 160
Current assets	15 761	15 549
Current liabilities	6 642	8 415

The table below describes the 10% appreciation or depreciation of the Euro against the US dollar, other variables remaining constant. The sensitivity analysis is based on foreign currency denominated assets and liabilities as of the closing date. The change in dollar denominated trade receivables and debt would primarily have been due to fluctuations in the foreign exchange rate.

1000 EUR	Changes in income statement before tax		Changes in equity before tax	
	2014	2013	2014	2013
EUR appreciates	-800	-600	-800	-600
EUR depreciates	1 000	700	1 000	700

Interest rate risk

Part of the Group's debt is tied to fixed interest rates. Interest rate swaps are also utilized to an extent to reduce cash flow risk due to interest rate fluctuations. At closing date, the Group had the following fixed interest rate debts and interest rate swaps outstanding:

	2014	2013
	1000 EUR	1000 EUR
Fixed interest rate debts	5 324	4 876
Interest rate swaps	0	400

The table below describes the interest rate risk of debts should there have been a $\pm 1\%$ change in interest rates of short term reference interest rate debts, other variables remaining constant. The figures presented indicate the change in yearly interest expense calculated using the average amount of debt during the financial period.

1000 EUR	Changes in income statement before tax		Changes in equity before tax	
	2014	2013	2014	2013
Loan stock January, 1	5 300	18 300		
Loan stock December, 31	8 300	5 300		
Average loan stock	6 800	11 800		
Change in interest	+/- 0	+/- 100	+/- 0	+/- 100

Notes to the Consolidated Financial Statements

Market risk of investment activities

The Group's interest investments result in interest rate exposure, but their effect is not considered significant. The Group's revenue and operative cash flows are mainly independent of market rate fluctuations.

The Group invests in low-risk interest rate funds and therefore it has not been exposed to security price risk of fluctuations in the stock markets. According to the Group's principles, investments related to cash management are made in liquid and low-risk money market or bond instruments and thus have not been hedged using derivatives.

The table below describes the distribution of investments in securities at the closing date.

	2014	2013
Stock shares	0.0%	0.0%
Bonds	71.6%	41.3%
Money market investments	28.4%	58.7%
Total	100.0%	100.0%

The combined value of the above instruments during the financial period has ranged from approximately EUR 20.6 to EUR 21.0 million. At closing date their value was approximately EUR 21.0 million. This risk concentration has been managed by investing in well spread and low-risk money market funds.

The table below describes the price risk of the investments if they had exhibited a $\pm 1\%$ change in a market rate of interest, other variables remaining constant. Financial assets that are recognized at market value in the income statement affect to net income. Changes in the value of for-sale financial assets affect equity. In the calculations it is presumed that the Group's investments change with the interest rate level in question. The sensitivity analysis describes the total market risk of investment activity because all investments are in the interest rate instruments.

1000 EUR	Changes in income statement before tax		Changes in equity before tax	
	2014	2013	2014	2013
Interest investments	+/- 200	+/- 200	+/- 200	+/- 200

Default risk

EB's credit risks are mainly related to accounts receivable, cash, financial investments and derivatives used in hedging. In its deposit, financial investment and hedging activities EB operates only with well-known partners who have good credit rating.

The Group's trade receivables are distributed among a wide customer base and across several geographical areas and credit risk is mitigated for example by documentary credits or bank guarantees. Default risk concentration is mainly assessed as a single customer's share of total trade receivables but also according to receivables date of maturity.

EB's significant default risk concentration is EUR 0.3 million which represents approximately 0.5% of the total accounts receivable.

During the past financial year the amount of recognized credit losses was approximately EUR 0.1 million (EUR 0.1 million in 2013). Group did not have capital loans granted to outside Group at the end of 2014 (EUR 0.0 million in 2013).

The amount of the Group's counterparty default risk is consistent with the book value of financial assets at the closing date. For the maturity distribution of trade receivables, see note 17.

Liquidity risk

The Group and business segments strive to continuously evaluate and monitor the amount of liquid funds needed for business operations and loan repayments. The Group strives to guarantee the availability and flexibility of financing by its strong financial position and liquid investments. The Group has also EUR 10.0 million credit facility agreement with Nordea Bank Finland Plc and EUR 10.0 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. Breaking of the equity ratio covenant requires more than 20 percentages weakening to equity ratio at date of the financial statements. At the end of the reporting period EUR 3.0 million of these credit facilities was in use. For the maturity distribution of the Group's debt, see note 24.

Capital structure management

The Group strives to optimize its capital structure and thus support business activities by ensuring normal operating conditions under all circumstances. An optimal capital structure also ensures that the cost of capital is minimized.

The capital structure is affected by dividend policy and share issuance. The Group can alter and adjust dividends paid to shareholders as well as share repurchases. The Group can also alter and adjust the amount of shares issued, or make decisions on the sale of assets.

The management has continuously monitored the development of the Group's net gearing and solvency ratio. The Group's interest bearing net debt at the end of 2014 was EUR -35.0 million (EUR -37.7 million in 2013) and net gearing was -37.4% (-46.1% in 2013). The Group's solvency ratio at the end of 2014 was 62.3% (65.1% in 2013).

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FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

This section presents the Group's fair valuing principles for all financial instruments. The table below presents book values for each item in detail. Their fair values are not considered to materially differ from the book values presented in the consolidated balance sheets.

1000 EUR	Note	Book value 2014	Fair value 2013	Book value 2014	Fair value 2013
Financial assets					
Other financial assets	14	123	123	132	132
Trade receivables and other receivables	17	72 518	72 518	54 325	54 325
Financial assets at fair value through profit or loss	18	20 991	20 991	20 611	20 611
Cash and cash equivalents	19	22 284	22 284	22 372	22 372
Currency forwards and options	18			90	90
Financial liabilities					
Bank loans	24	4 363	4 366	1 557	1 543
Finance lease liabilities	24	3 960	3 960	3 719	3 719
Trade payables and other debts	22-25	64 839	64 839	57 350	57 350
Currency forwards and options	25	248	248		

Investments in shares and funds and other investments

For-sale financial assets consist mainly of money market investments that fair values are based on the quotes of the closing day (IFRS 7 fair value hierarchy level 1; quoted prices (unadjusted) in active markets for identical assets or liabilities).

Derivatives

The fair values of forward exchange and option contracts are defined based on publicly quoted currency and interest rate information and using commonly accepted valuation methods (IFRS 7 fair value hierarchy level 2; instruments whose fair value is observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)). These calculations have been carried out by an outside professional party.

Bank loans

In assigning fair values for bank loans, the cash flows have been discounted. Interest rate swaps are considered when the cash flows are defined.

Finance lease liabilities

Book values are considered to closely approximate fair values.

Trade receivables and other receivables

The original book value of receivables is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

Trade payables and other debts

The original book value of payables and other debts is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

27. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES	2014 1000 EUR	2013 1000 EUR
Business transactions without payments		
Depreciations	8 748	9 067
Employee benefits	84	168
Profit and loss from sale of property, plant and equipment	0	-24 146
Other adjustments	1 516	80
Total	10 348	-14 830

28. OPERATING LEASE AGREEMENTS

The Group as lessee

The total of future minimum lease payments under non-cancelable operating leases for each of the following periods:

	2014 1000 EUR	2013 1000 EUR
Not later than one year	7 225	7 607
Later than one year and not later than five years	11 736	16 392
Later than five years	1 249	1 247

The Group has rented all of its facilities. In average the maturities of the lease agreements are from 1 month to 10 years and normally they include an option to extend the rental period from originally agreed end date.

The Group as lessor

The Group has leased the excess office and production facilities with lease agreements valid until further notice.

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	2014 1000 EUR	2013 1000 EUR
29. SECURITIES AND CONTINGENT LIABILITIES		
Against own liabilities		
Floating charges	1 000	18 035
Guarantees	6 395	14 584
Rental liabilities		
Falling due in the next year	7 225	7 607
Falling due after one year	12 985	17 639
Other contractual liabilities		
Falling due in the next year	2 112	1 043
Falling due after one year	718	569
Mortgages pledged for liabilities totaled		
Loans from financial institutions	2 608	2 501
Other liabilities		

30. RELATED PARTY DISCLOSURES

The Group has the following structure:	Country of incorporation	Owned by Parent %	Owned by Group %
Parent			
Elektrobit Corporation	Finland		
Subsidiaries			
Elektrobit Technologies Ltd.	Finland	100.00	100.00
Elektrobit Wireless Communications Ltd.	Finland	0.00	100.00
Elektrobit Automotive Finland Ltd.	Finland	0.00	100.00
Elektrobit France SAS	France	0.00	100.00
Elektrobit Automotive GmbH	Germany	100.00	100.00
Elektrobit Austria GmbH	Austria	0.00	100.00
Elektrobit Automotive Romania SRL	Rumania	0.00	100.00
Elektrobit Inc.	USA	0.00	100.00
Elektrobit Automotive Inc.	USA	0.00	100.00
Elektrobit Automotive Americas Inc.	USA	0.00	100.00
Elektrobit Nippon KK	Japan	0.00	100.00
Elektrobit Wireless (Beijing) Ltd.	China	0.00	100.00
Elektrobit Automotive Software (Shanghai) Ltd.	China	0.00	100.00
Elektrobit Wireless Singapore Pte Ltd.	Singapore	0.00	100.00
Joint Operations			
e.solutions GmbH	Germany	0.00	51.00

Notes to the Consolidated Financial Statements

	2014 1000 EUR	2013 1000 EUR
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Jukka Harju 1.1.-31.12.2014 and 1.1.-31.12.2013	347	290
Total	347	290
Remuneration of the members of the board of the parent, the financial committee and the managing directors of the business segments		
Jorma Halonen 1.1.-31.12.2014 and 1.1.-31.12.2013	40	33
Kai Hilden 1.1.-31.12.2014 and 11.10.-31.12.2013	15	11
Juha Hulkko 1.1.-31.12.2014 and 1.1.-31.12.2013	39	34
Seppo Laine 1.1.-31.12.2014 and 1.1.-31.12.2013	60	56
Staffan Simberg 1.1.-31.12.2014 and 1.1.-31.12.2013	44	40
Erkki Veikkolainen 1.1.-31.12.2014 and 1.1.-31.12.2013	28	26
Total	226	200
There have not been any business transactions or open balances between the related parties.		
Members of the Group executive board	1 303	696
Loans and guarantees to related party		
There are no loans or guarantees granted between the related parties		
Stock option expenses	3	37

31. SUBSEQUENT EVENTS

The Group management is not aware of any significant events after balance sheet date, that would have had impact on the consolidated financial statements.

32. KEY RATIOS	IFRS	IFRS	IFRS	IFRS	IFRS
	2014	2013	2012	2011	2010
INCOME STATEMENT, MEUR			restated		
Net sales, MEUR *)	224.1	199.3	173.9	148.0	147.7
Net sales change, %	12.5	14.6	17.5	0.3	-4.0
Operating profit/loss, MEUR *)	16.8	8.1	1.1	-5.5	-17.3
% of net sales	7.5	4.1	0.6	-3.7	-11.7
Profit/loss for Continuing Operations before taxes, MEUR	15.5	7.2	1.1	-5.9	-18.7
% of net sales	6.9	3.6	0.6	-4.0	-12.6
Profit for the year from Continuing Operations, MEUR	12.3	6.7	1.1	-6.5	-15.7
% of net sales	5.5	3.3	0.6	-4.4	-10.7
Profit after tax for the year from Discontinuing Operations, MEUR	0.2	24.3	1.2	1.5	0.1
% of net sales	0.1	12.2	0.7	1.0	0.1
Profit for the year attributable to equity holders of the parent, MEUR	12.5	30.9	2.3	-5.3	-16.1
% of net sales	5.6	15.5	1.3	-3.6	-10.9
BALANCE SHEET (MEUR)					
Non-current assets	48.8	46.1	46.8	43.7	41.2
Inventories	2.2	0.8	0.4	1.8	1.9
Current assets	115.8	97.4	77.3	66.8	81.1
Assets classified as held for sale			7.7		
Shareholders' equity	93.4	81.7	66.0	65.8	71.8
Non-current liabilities	7.6	6.1	8.5	6.6	11.6
Current liabilities	65.8	56.5	53.2	40.0	40.7
Liabilities classified as held for sale			4.5		
Balance sheet total	166.8	144.4	132.2	112.3	124.2
PROFITABILITY AND OTHER KEY FIGURES					
Return on equity % (ROE) *)	14.0	9.0	1.6	-9.4	-17.1
Return on investment % (ROI) *)	16.8	9.2	1.7	-6.6	-16.6
Interest-bearing net liabilities, (MEUR)	-35.0	-37.7	4.0	-0.9	-7.4
Net gearing, %	-37.4	-46.1	6.1	-1.4	-10.3
Equity ratio, %	62.3	65.1	54.5	62.9	62.4
Gross investments, (MEUR) *)	11.4	7.9	11.4	12.4	10.7
Gross investments, % of net sales	5.1	4.0	6.5	7.7	6.6
R&D costs, (MEUR) *)	20.1	18.5	22.0	22.1	21.6
R&D costs, % of net sales	9.0	9.3	12.6	15.0	13.3
Average personnel during the period, parent and subsidiaries *)	1699	1627	1528	1553	1507
Average personnel during the period, jointly owned company	380	300	132		

*) Continuing operations. Excluding Test Tools income statements from years 2012, 2011, 2010

Notes to the Consolidated Financial Statements

	IFRS 2014	IFRS 2013	IFRS 2012 restated	IFRS 2011	IFRS 2010
STOCK-RELATED FINANCIAL RATIOS					
Earnings per share from Continuing Operations, EUR					
Basic earnings per share	0.094	0.051	0.008	-0.05	-0.13
Diluted earnings per share	0.093	0.051	0.008	-0.05	-0.12
Earnings per share from Discontinuing Operations, EUR					
Basic earnings per share	0.002	0.188	0.009	0.01	0.00
Diluted earnings per share	0.002	0.187	0.009	0.01	0.00
Earnings per share from Continuing and Discontinuing Operations, EUR					
Basic earnings per share	0.096	0.239	0.018	-0.04	-0.12
Diluted earnings per share	0.095	0.238	0.017	-0.04	-0.12
Equity per share, EUR	0.71	0.63	0.51	0.51	0.55
Dividend per share EUR *)	0.04	0.02	0.01		
Dividend per earnings, %	42.7	38.9	119.7		
P/E ratio	35.9	51.8	77.8	-9.2	-5.4
Effective dividend yield, %	1.2	0.8	1.5		
Market values of shares (EUR)					
Highest	3.83	2.90	0.79	0.76	1.25
Lowest	2.30	0.64	0.38	0.36	0.66
Average	2.85	1.55	0.64	0.55	0.92
At the end of period	3.36	2.66	0.65	0.38	0.67
Market value of the stock, (MEUR)	441.8	346.1	84.1	49.2	86.7
Trading value of shares					
MEUR	188.0	72.0	6.9	5.0	16.8
1000 PCS	66 019	46 483	10 750	9 169	18 190
Related to average number of shares %	50.4	35.9	8.3	7.1	14.1
Adjusted number of the shares at the end of the period (1000 PCS)					
	131 493	130 101	129 413	129 413	129 413
Adjusted number of the shares average for the period (1000 PCS)					
	130 975	129 528	129 413	129 413	129 413
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)					
	131 663	130 092	130 238	130 051	130 277

*) According to the Board of Directors' proposal, year 2014.

CALCULATION OF KEY RATIOS

Return on equity % (ROE)	=	$\frac{\text{Profit for the year} \times 100}{\text{Total equity (average for the accounting period)}}$
Return on investment % (ROI)	=	$\frac{\text{Profit before tax} + \text{interest and other financial expenses} \times 100}{\text{Balance sheet total} - \text{interest-free liabilities (average for the accounting period)}}$
Net gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{cash and deposits and short-term investments} \times 100}{\text{Total equity}}$
Equity ratio, %	=	$\frac{\text{Total equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Earnings per share	=	$\frac{\text{Profit attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares average for the period}}$
Equity per share	=	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares at the end of the period}}$
Dividend per share	=	$\frac{\text{Dividend for the period (Board's proposal) per share}}{\text{Adjustment coefficient of post-fiscal share issues}}$
Dividend per earnings, %	=	$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$
P/E ratio	=	$\frac{\text{Share issue adjusted share price at the end of the period}}{\text{Earnings per share}}$
Effective dividend yield, %	=	$\frac{\text{Dividend per share} \times 100}{\text{Share issue adjusted share price at the end of the period}}$

Notes to the Consolidated Financial Statements

33. SHAREHOLDINGS AND SHARES

Breakdown of Shares by Shareholding, December 31, 2014

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares pcs.	Percentage of shares and votes
1 - 100	10 169	41.4	485 061	0.4
101 - 500	7 102	28.9	1 921 637	1.5
501 - 1000	2 737	11.2	2 185 347	1.7
1001 - 5000	3 395	13.8	7 934 713	6.0
5001 - 10000	529	2.2	3 987 628	3.0
10001 - 50000	480	2.0	10 415 021	7.9
50001 - 100000	64	0.3	4 585 550	3.5
100001 - 500000	50	0.2	12 025 522	9.1
500001 - 999999999999	21	0.1	87 952 665	66.9
Total	24 547	100.0	131 493 144	100.0
Nominee-registered	12		8 059 844	6.1

Breakdown of Shareholders by Shareholder Type, December 31, 2014

Shareholders by shareholder type	Number of shareholders	Percentage of shareholders	Number of shares pcs.	Percentage of shares and votes
Corporations	745	3.0	14 293 965	10.9%
Financial sector	22	0.1	6 588 369	5.0%
Public sector	4	0.0	8 725 040	6.6%
Non-profit organizations	56	0.2	1 007 774	0.8%
Households	23 610	96.2	91 687 117	69.7%
Foreign owners	98	0.4	1 131 035	0.9%
Nominee-registered shares	12	0.0	8 059 844	6.1%
Total	24 547	100.0	131 493 144	100.0%

Largest Shareholders, December 31, 2014

	Number of shares	Percentage of shares and votes
Number of shares total	131 493 144	100.0
1. Hulkko Juha, Member of the Board	19 701 862	15.0
2. Hilden Kai	10 831 316	8.2
3. Veikkolainen Erkki, Member of the Board	8 888 719	6.8
4. Harju Jukka, CEO	7 650 630	5.8
5. Halonen Eero	7 047 905	5.4
6. Varma Mutual Pension Insurance Company	5 125 000	3.9
7. Majjos Oy	3 750 000	2.9
8. Nordea Bank Finland Plc	3 702 187	2.8
9. Skandinaviska Enskilda Banken AB (PUBL) Helsinki branch office	3 459 666	2.6
10. Ilmarinen Mutual Pension Insurance Company	3 100 000	2.4
Total	73 257 285	55.7
Others (including nominee-registered)	58 235 859	44.3

The Board and CEO

Juha Hulkko, Member of the Board	19 701 862	15.0
Veikkolainen Erkki, Member of the Board	8 888 719	6.8
Harju Jukka, CEO	7 650 630	5.8
Laine Seppo, Chairman of the Board	1 120 051	0.9
Simberg Staffan, Member of the Board*	250 000	0.2
Halonen Jorma, Member of the Board	21 000	0.0
Total	37 632 262	28.6

* Including the shareholdings of a company controlled by Staffan Simberg.

Income Statement, Parent Company

	NOTES	2014 1000 EUR	2013 1000 EUR
Net Sales	1, 2	1 200	1 046
Other operating income	3	1	15
Raw materials and services			
Personnel expenses	4	-1 356	-1 406
Depreciation and reduction in value	5	- 30	- 34
Other operating expenses	6	-1 634	-1 144
Operating Profit		-1 820	-1 522
Financial income and expenses	7	- 629	6 910
Profit before Extraordinary Items		-2 449	5 387
Profit (Loss) before Appropriations and Taxes		-2 449	5 387
Income tax	8	0	0
Net Profit for the Financial Year		-2 449	5 387

Balance Sheet, Parent Company

	NOTES	2014 1000 EUR	2013 1000 EUR
Assets			
Non-current assets			
Intangible assets	9	101	130
Tangible assets	10	72	73
Investments	11	86 471	86 479
Non-current assets total		86 644	86 683
Current assets			
Receivables			
Non-current receivables	12	0	0
Current receivables	13	2 480	3 819
Receivables total		2 480	3 819
Financing securities	14	20 991	20 611
Cash and bank deposits		939	5 369
Current assets total		24 410	29 800
Total Assets		111 054	116 482
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital	15	12 941	12 941
Invested non-restricted equity fund		25 103	24 533
Retained earnings		67 137	64 371
Net profit for the year		-2 449	5 387
Shareholders' equity total		102 732	107 233
Provisions			
Provisions current	16	73	
Liabilities			
Non-current liabilities	17		0
Current liabilities		7 869	9 249
Liabilities total		8 249	9 249
Shareholders' Equity and Liabilities Total		111 054	116 482

Cash Flow Statement, Parent Company

	2014 1000 EUR	2013 1000 EUR
Cash Flow From Operating Activities		
Profit before extraordinary items	-2 449	5 387
Adjustments:		
Depreciation according to plan	30	34
Effects of non-cash business activities	252	193
Financial income and expenses	629	-6 910
Cash flow before change in net working capital	-1 537	-1 295
Change in net working capital		
Change in interest-free short-term receivables	-78	1 417
Change in interest-free short-term payables	262	-128
Cash flow before financing activities	-1 353	-7
Interest paid	-1 286	-484
Dividends received	0	6 000
Interest received	755	1 306
Income taxes paid	0	0
Net cash from operating activities	-1 884	6 815

Cash Flow, Parent

	2014 1000 EUR	2013 1000 EUR
Cash Flow From Investing Activities		
Purchase of tangible and intangible assets	-1	-4
Sale of property, plant and equipment and sale of intangible assets +	1	
Purchase of investments		-7 000
Proceeds from repayments of loans		
Proceeds from sale of other investments +	5	
Net cash used in investing activities	4	-7 004
Cash Flow from Financial Activities		
Share option plans exercised	569	148
Proceeds from borrowing	3 000	
Repayment of borrowing	0	-11 281
Change in interest-free short-term receivables in Group	1 327	21 819
Change in interest-free short-term payables in Group	-4 445	2 324
Capital repayment received		19 000
Dividend paid and capital repayment	-2 621	-15 605
Net cash used in financial activities	-2 170	16 405
Net Change in Cash and Cash Equivalents	-4 050	16 216
Cash and cash equivalents at beginning of period	25 980	9 764
Cash and cash equivalents at end of period	21 930	25 980
Change in cash and cash equivalents in balance sheet	-4 050	16 216

Cash and cash equivalents include liquid and low risk financing securities.

Accounting Principles for the Preparation of Financial Statements of the Parent Company

The financial statements have been prepared in accordance with the Finnish Accounting Act.

Valuation Principles

Valuation of Non-current Assets

Non-current assets are capitalized in the balance sheet at the original acquisition cost deducted by accumulated depreciation. Depreciations according to the plan is calculated either using the straight-line method or the reducing balance method, taking into consideration of the useful life of assets.

The depreciation periods are:

Intangible assets	3-10 years
Tangible assets	3-5 years

Valuation of Financial Securities

Financial securities are valued at fair value. The fair value of forward exchange are defined based on forward exchange prices on balance sheet date and option contracts are defined based on market prices on balance sheet date.

Pensions

The Company has organized pension coverage for its personnel through independent pension insurance companies. The pension insurance expenditures are included into personnel expenses.

Leasing Agreements

Leasing agreements and fixed-term rental agreements are reported as contingent liabilities on the balance sheet.

Income Tax

Taxes of the financial year have been reported in the income statement as income taxes. Deferred tax or liabilities or receivables has not been recorded on the financial statement.

Foreign Currency Items

The transactions in the income statement have been converted into euro using the exchange rate of the transaction date. Receivables and payables denominated in foreign currency have been converted into euro by using the exchange rate of the European Central Bank at the balance sheet date.

Net Sales

Sales of goods is recorded when goods have been handed over to the customer or the services have been rendered. Sales are shown net of indirect sales taxes and discounts.

Notes to the Financial Statements of the Parent Company

	2014 1000 EUR	2013 1000 EUR
1. NET SALES BY SEGMENTS		
Common functions	1 200	1 046
Total	1 200	1 046
2. NET SALES BY MARKET AREAS		
Europe	1 113	982
America	73	53
Asia	13	12
Total	1 200	1 046
3. OTHER OPERATING INCOME		
Other operating income	1	15
Total	1	15
4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel during the fiscal period		
Common functions	9	10
Total	9	10
Number of personnel at year end		
	8	9
Personnel expenses		
Management salaries	347	290
Board of Directors	211	138
Other salaries and wages	579	780
Total	1 137	1 207
Pension expenses	188	166
Other social expenses	32	32
Total	1 356	1 406
5. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	29	29
Other capitalized long-term expenditures	1	4
Machinery and equipment	0	0
Total	30	34

Notes to the Financial Statements of the Parent Company

	2014 1000 EUR	2013 1000 EUR
6. OTHER OPERATING CHARGES		
IT equipment and SW expenses	255	184
Premises expenses	45	37
Administrative services	822	395
Travel expenses	115	92
Voluntary staff expenses	13	11
Other business expenses	383	426
Total	1 634	1 144
Auditor's charges		
Auditing	27	27
Certificates and statements	4	
Tax advice	14	1
Other services	86	14
Total	130	42
7. FINANCIAL INCOME AND EXPENSES		
Income from investments		
From Group companies		6 000
From others	380	237
Total	380	6 237
Other interest and financial income		
From Group companies	246	648
From others	376	512
Total	623	1 161
Other interest and financial expenses		
To Group companies	0	0
To others	-1 632	-488
Total	-1 632	-489
Reduction in value of investment		
	0	0
Net financial income and expenses	-629	6 910
includes exchange gains and losses	-1 146	284
8. INCOME TAX		
Other direct taxes		
	0	0
Total	0	0

	2014 1000 EUR	2013 1000 EUR
9. INTANGIBLE ASSETS		
Intangible rights		
Acquisition cost Jan. 1	289	286
Investments during the period		4
Acquisition cost Dec. 31	289	289
Accumulated depreciations Jan. 1	-159	-130
Depreciation for the period	-29	-29
Book value Dec. 31	101	130
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	27	27
Acquisition cost Dec. 31	27	27
Accumulated depreciations Jan. 1	-27	-22
Depreciation for the period		-4
Book value Dec. 31	0	0
Intangible assets total		
Acquisition cost Jan. 1	316	313
Investments during the period		4
Acquisition cost Dec. 31	316	316
Accumulated depreciations Jan. 1	-186	-152
Depreciation for the period	-29	-34
Book value Dec. 31	101	130

Notes to the Financial Statements of the Parent Company

	2014 1000 EUR	2013 1000 EUR
10. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost Jan. 1	11	11
Investments during the period	1	0
Disposals during the period	-1	
Acquisition cost Dec. 31	11	11
Accumulated depreciations Jan. 1	-9	-9
Depreciation for the period	-1	0
Book value Dec. 31	1	1
Other tangible assets		
Acquisition cost Jan. 1	71	71
Acquisition cost Dec. 31	71	71
Book value Dec. 31	71	71
Tangible assets total		
Acquisition cost Jan. 1	82	82
Investments during the period	1	
Deduction during the period	-1	
Acquisition cost Dec. 31	82	82
Accumulated depreciations Jan. 1	-9	-9
Depreciation for the period	-1	0
Book value Dec. 31	72	73
11. INVESTMENTS		
Investments in subsidiaries		
Acquisition cost Jan. 1	86 470	98 470
Investments during the period		7 000
Disposals during the period	0	-19 000
Acquisition cost Dec. 31	86 470	86 470
Investments in other shares		
Acquisition cost Jan. 1	9	9
Disposals during the period	-8	
Acquisition cost Dec. 31	1	9
Investments total		
Acquisition cost Jan. 1	86 479	98 479
Investments during the period		7 000
Disposals during the period	-8	-19 000
Acquisition cost Dec. 31	86 471	86 479

	2014 1000 EUR	2013 1000 EUR
12. NON-CURRENT RECEIVABLES		
Loan receivables		
From Group companies		
Total		
Long-term receivables total		
13. CURRENT RECEIVABLES		
Accounts receivable		
From Group companies	553	400
From others		50
Total	553	450
Other receivables		
From Group companies	1 862	3 189
From others	64	42
Total	1 926	3 231
Prepaid expenses and accrued income		
From others	1	139
Total	1	139
Current receivables total	2 480	3 819
14. FINANCING SECURITIES		
Cash and cash equivalents include liquid and low risk financing securities		
Financial assets at fair value through profit or loss	20 991	20 611
15. SHAREHOLDERS' EQUITY		
Share capital at the beginning of the period	12 941	12 941
Share capital at the end of the period	12 941	12 941
Invested unrestricted equity fund at the beginning of the period	24 533	38 697
Share issue	569	148
Capital repayment		-14 311
Invested unrestricted equity fund at the end of the period	25 103	24 533
Retained earnings at the beginning of period	69 759	65 666
Dividend distribution	-2 621	-1 294
Net profit for the financial year	-2 449	5 387
Retained earnings at the end of period	64 688	69 759
Distributable earnings at the end of the period	89 791	94 292
Shareholders' equity total	102 732	107 233

Notes to the Financial Statements of the Parent Company

	2014 1000 EUR	2013 1000 EUR
16. PROVISIONS		
Provisions		
Provisions, current	73	
Total	73	
17. LIABILITIES		
Current liabilities		
Current loans		
Loans from financial institutions	3 000	
Total	3 000	
Accounts payable		
To Group companies	15	4
To others	124	74
Total	139	78
Other short-term liabilities		
To Group companies	4 233	8 723
To others	41	43
Total	4 274	8 766
Accrued expenses and deferred income		
To others	837	405
Total	837	405
Current liabilities total	8 249	9 249
18. SECURITIES AND CONTINGENT LIABILITIES		
On behalf of Group companies		
Guarantees	8 183	10 329
Against own liabilities		
Floating charges		10 000
Leasing liabilities		
Falling due in the next year	912	1 198
Falling due after one year	1 120	1 072
Rental liabilities		
Falling due in the next year	22	23
Contractual liabilities		
Falling due in the next year	156	401

	2014 1000 EUR	2013 1000 EUR
19. NOMINAL VALUE OF CURRENCY DERIVATES		
Foreign exchange forwards		
Market value	-146	70
Nominal value	3 000	6 000
Options		
Currency options purchased		
Market value	22	44
Nominal value	5 000	2 500
Sold options		
Market value	-124	-23
Nominal value	10 000	5 000

20. SHARES AND HOLDINGS	Owned by Parent %	Owned by Group %	Book value 1000 EUR
Subsidiaries			
Elektrobit Technologies Ltd.	100.00	100.00	39 749
Elektrobit Automotive GmbH	100.00	100.00	46 721
Other holdings by Parent			
Oulu ICT Oy			1

Auditor's Report

To the Annual General Meeting of Elektrobit Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elektrobit Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the ap-

propriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

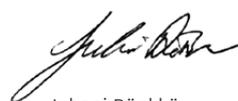
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

In Oulu on February 18, 2015

Ernst & Young Oy
Authorized Public Accountant Firm



Juhani Rönkkö
Authorized Public Accountant



Elektrobit

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