



EB, Elektrobitt Corporation Interim Report, January - March 2011

CEO Jukka Harju

April 29, 2011

Forward-looking Statements

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



Agenda



- Financial Performance in 1Q 2011
- Business Segments in 1Q 2011
- Outlook for 1H 2011
- Q&A

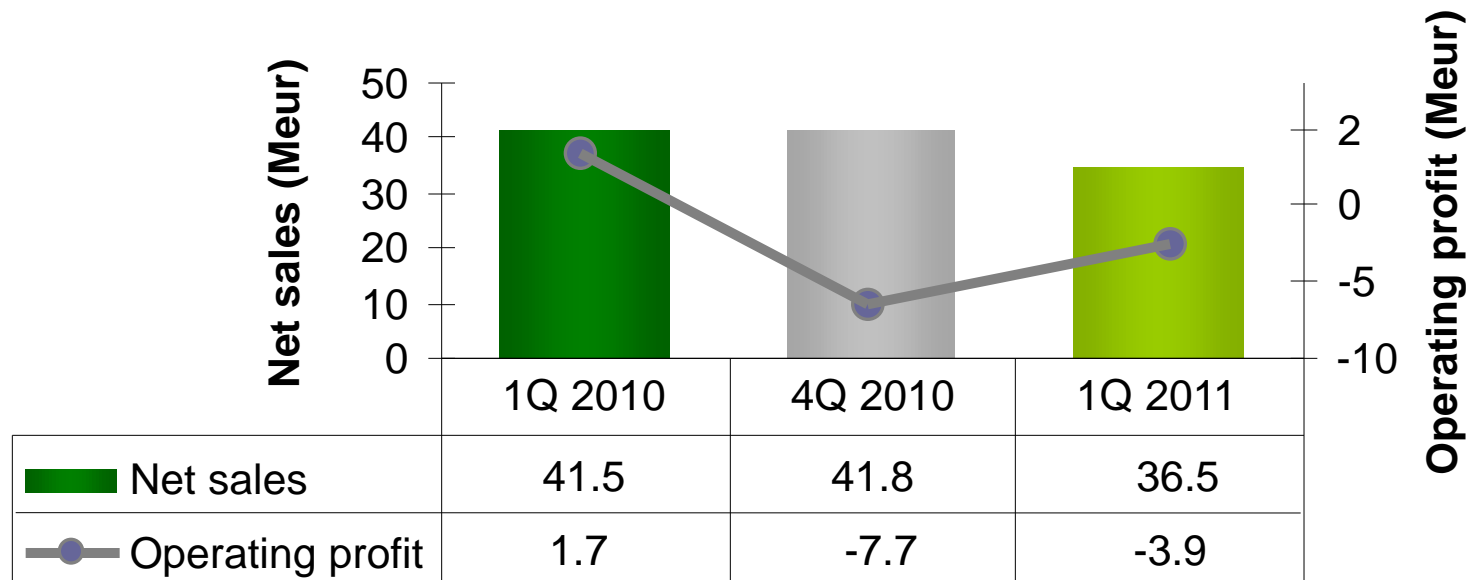
Major Events during 1Q 2011

- Net sales decreased and operating result was clearly negative



- EB's net sales decreased from 1Q 2010 due to lower business volumes in the satellite terminal business in the Wireless Business Segment
- Net sales of the Automotive Business Segment grew by 27.4% compared to the previous year
- Balance sheet remained strong
- EB continued strong R&D investments

Net Sales and operating result decreased in 1Q Y-on-Y due to weaker performance in the Wireless Business Segment



- Net sales fell by 12.1% Y-on-Y
- Operating loss was MEUR -3.9
- EPS at EUR -0.03



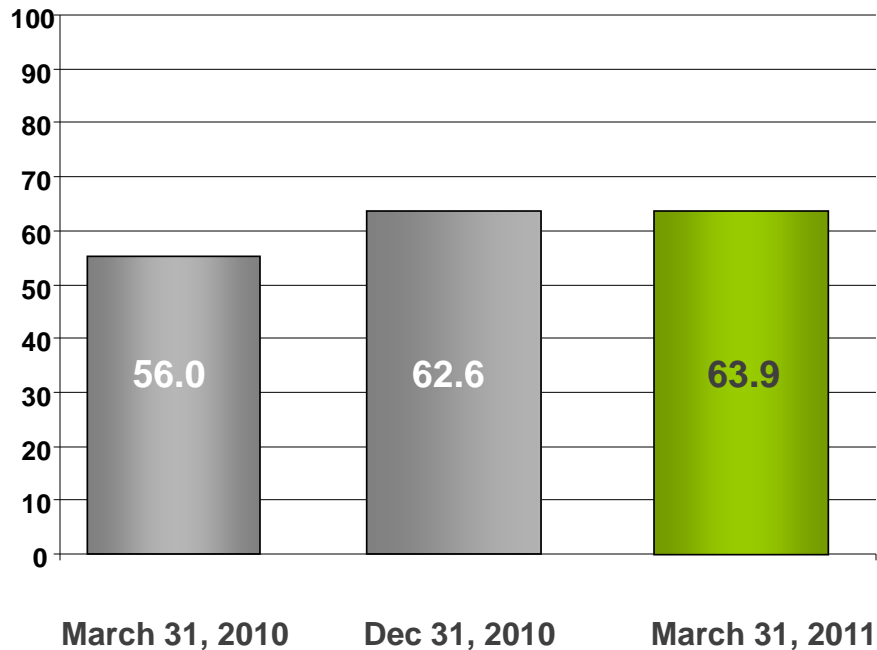
Operating cash flow 1Q2011 was positive

MEUR	1Q 2011	1Q 2010	Jan. - Dec. 2010
- net profit +/- adjustment of accrual basis items	-2.0	+3.2	+1.8
- change in net working capital	+2.7	+8.7	+3.5
- interests, taxes, and dividends	+0.8	-1.2	-3.8
NET CASH FROM OPERATING ACTIVITIES	+1.4	+10.6	+1.5
- net cash from investing activities	-2.3	-0.9	-7.9
- net cash from financing activities	-1.6	-1.7	-32.1
NET CHANGE IN CASH AND CASH EQUIVALENTS	-2.4	+8.0	-38.5

- Cash flow from Business Operations amounted to EUR 1.4 million (EUR 10.6 million in 1Q 2010).

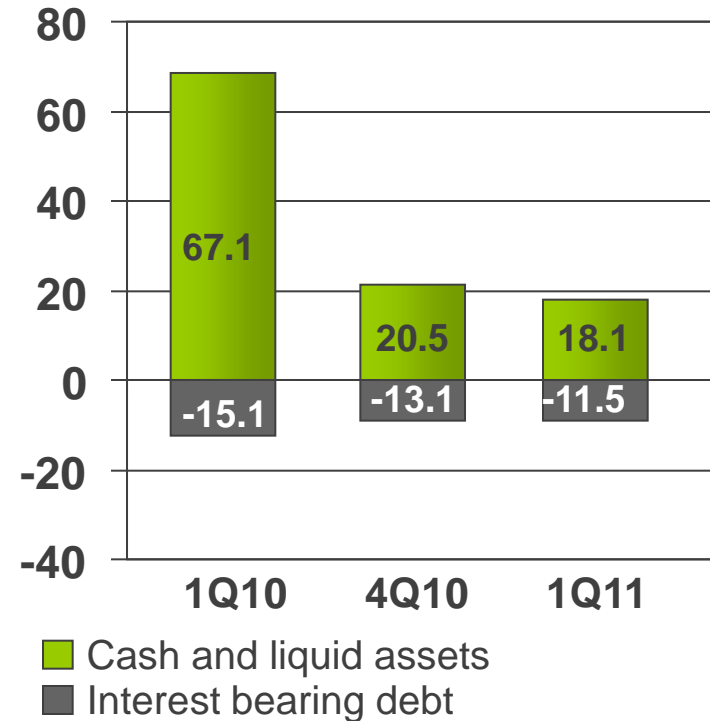
Balance Sheet Remained Strong

Equity ratio, %



- Equity ratio remained at a high level

Cash and liquid assets & interest bearing debt, MEUR

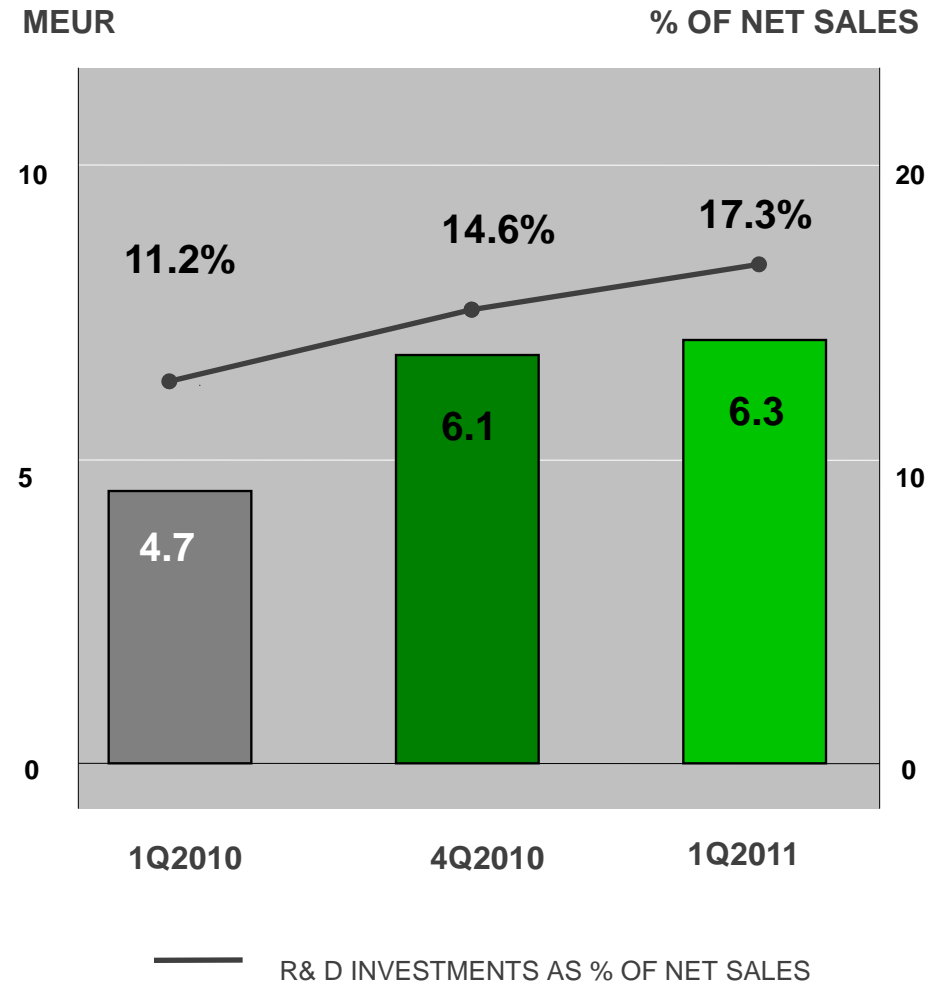


- Net debt free balance sheet



R&D investments were 17.3% of net sales

- During 1Q 2011 EB continued investing in Automotive software products and tools, radio channel emulation products and Wireless product platforms
- The R&D investments in 1Q 2011 were MEUR 6.3 (MEUR 4.7 in 1Q 2010)



Major Events during 1Q 2011

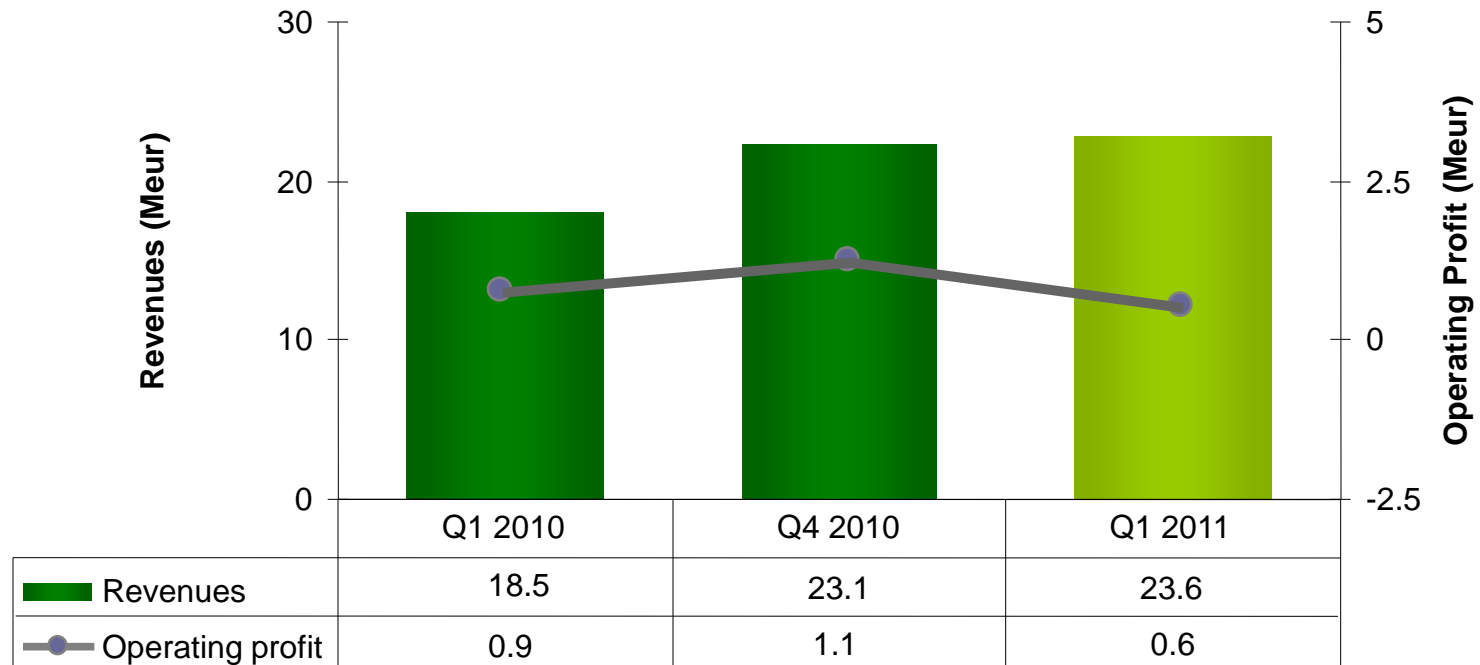
- Automotive Business Segment



- Strong growth of net sales continued, 27.4% growth year-on-year
- Operating profit as planned
- Solid overall market demand continued for EB's software products, services and solutions based on own automotive grade software products adapted and integrated to the customer specific requirements.
- EB continued to grow during the first quarter both in the Infotainment and ECU (Electronic Control Unit) software markets.

Automotive Business Segment

- Strong growth in net sales Y-o-Y



- Net sales grew by 27.4% year-on-year
- Operating profit was MEUR 0.6



Automotive Market Outlook

The share of electronics and software in cars has grown significantly during the past years and the trend is expected to continue.



- The estimated **annual automotive software market long-term growth rate** is some 15% (Frost & Sullivan).
 - The expected underlying world **automotive market** growth rate is about 6% yearly during 2010-2015 (CSM).
 - Gradual **separation of software and hardware**
 - Increasing use of **standard software solutions**
- *Cost pressures of the industry are expected to accelerate the need of productized, efficient software solutions EB is offering.*
- Transition towards **software product business models**
- *The dependency of EB's net sales on the car production volumes is expected to increase in the coming years.*

Major Events during 1Q 2011

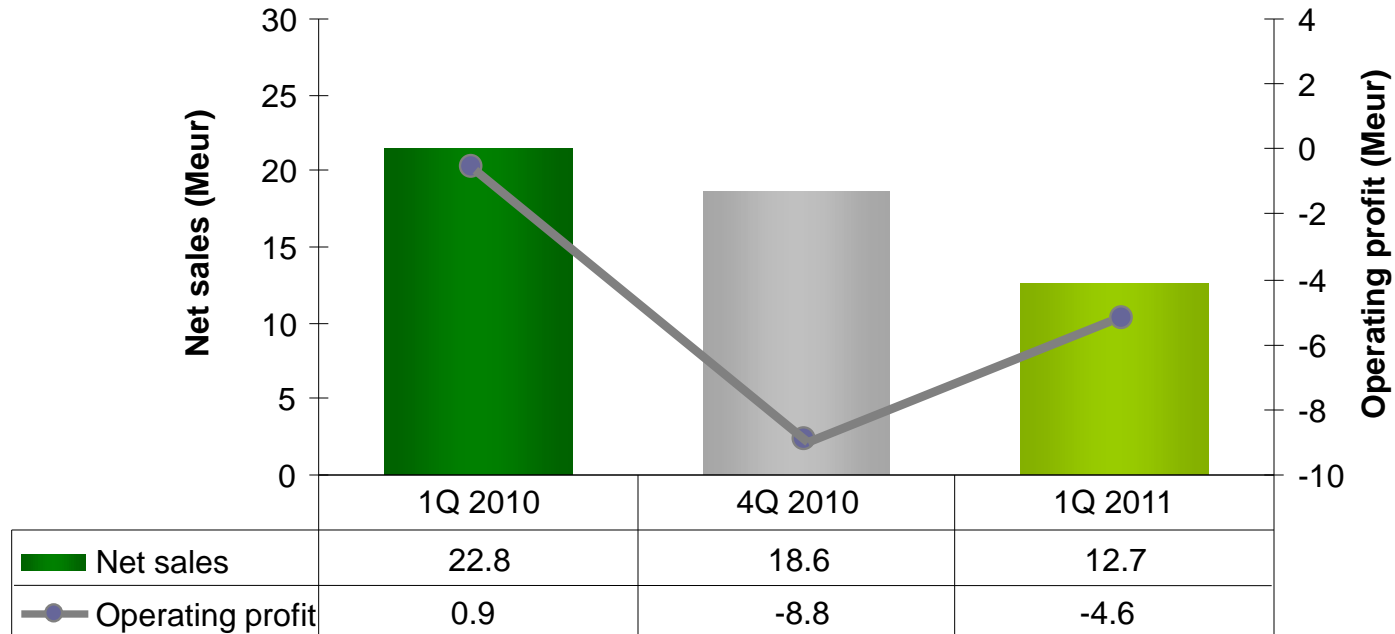
- Wireless Business Segment



- Net sales in the Wireless Business Segment decreased year-on-year due to the significantly lower business volume in the satellite terminal business.
- Operating result was clearly negative and lower than expected due to slower than expected order book development in the new satellite communication service solutions and due to increased competition in smart phones related R&D services.
- The market demand for EB's Product Development Services in the Wireless Business Segment improved towards the end of the 1Q 2011

Wireless Business Segment 1Q 2011

- significant operating loss and clearly lower net sales year-on-year



- Net sales declined by 44.2% Y-on-Y
- Operating loss was MEUR -4.6



Wireless Market Outlook

Technological changes, driving the demand, are expected to continue in the wireless communications market



Smart phone and mobile infrastructure markets

- Increasing use of **LTE radio technology** creates needs to develop new mobile infrastructure products.
- Growth of **smart phones volumes** and changes in **software architectures and platforms** continue. Smart phones related R&D services market is still challenging and the outsourced R&D market is expected to decrease in future. OEMs are expected to **continue utilizing outsourcing for their R&D flexibility**.
- *continuing opportunities for EB's broad technology and integration capabilities.*

Defense, security and mobile satellite communications markets

- The mobile satellite communication service industry is introducing **new data and mobile communication services**. The demand for products and services for **the satellite-terrestrial services market is expected to develop slowly**.
- The market for **communications, interference and intelligence solutions** targeted for public authorities is estimated to **remain stable** and to be increasingly **based on commercial technologies** in the future.
- *EB's competence on commercial technologies and mastering the radio channel and software radio solutions create opportunities for EB.*

Radio channel testing tools market

- Need for **advanced development tools for new LTE technologies** is expected to **remain** as a driver for the demand.
- *EB provides world leading channel emulation tools for these radio technologies.*

Outlook for the First Half of 2011

During the first half of 2011 EB's sales in the Automotive Business Segment is expected to increase. Sales in EB's Wireless Business Segment is expected to remain in the same level than in the second half of 2010.



- EB expects that net sales in the first half of 2011 will be lower than in the first half of 2010 (MEUR 86.2). EB expects a clearly negative operating result for the first half of 2011 (MEUR 1.8, 1H 2010).
- The profit estimate is based on the assumption that no further impairments of the receivables from TerreStar Networks and TerreStar Corporation have to be made during 1H 2011.
- The continuing challenges of TerreStar Networks Inc. in obtaining funding have resulted in payment delays and increased the risk of credit losses. The risk for credit losses may still increase during the 1H 2011.

Financial Reports in 2011

August 5 Interim Report 2Q 2011

November 1 Interim Report 3Q 2011





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