



Elektrobit Corporation
Interim Report January – March 2007

May 9, 2007

Pertti Korhonen, CEO

J.T. Bergqvist, Chairman of the Board



Agenda

- Interim Report January – March 2007
 - Pertti Korhonen
- Outlook for the first half of 2007
 - Pertti Korhonen
- Q&A
 - Pertti Korhonen and J.T. Bergqvist



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.



Elektrobit during 1–3/2007

- Elektrobit continued the implementation of the new strategy to focus on growth opportunities in automotive software and wireless communications.
- Elektrobit continued to increase its investments in the development of new products. Total R&D investments during the period were EUR 7.6 million.
- According to the IFRS5 standard, Elektrobit reports its financial results divided between Continuing Operations and Discontinued Operations (Network Test in 2006).
- The net sales and the operating profit of Continuing Operations were as follows:
 - Net sales at EUR 39.5 million (EUR 42.1 million in Q1/2006)
 - Operating loss EUR -8.8 million (EUR -1.9 million in Q1/2006)



Business Segments during the First Quarter 2007

- The Automotive Software Business Segment continued to grow, net sales amounting to EUR 10.6 million (EUR 8.7 million) and the operating loss amounting to EUR -0.6 million (EUR 0.5 million).
- The net sales of the Wireless Communications Solutions Business Segment decreased compared to the previous year amounting to EUR 15.5 million (EUR 17.2 million), the operating loss amounting to EUR -6.1 million (EUR -0.3 million).
- The net sales of the Test and Automation Business Segment decreased compared to the previous year amounting to EUR 13.2 million (EUR 16.2 million) and the operating loss amounting to EUR -1.9 million (EUR -1.7 million).



Income Statement

MEUR	Jan.–Mar. 2007	Jan.–Mar. 2006	Jan.–Dec. 2006
Net sales	39.5	42.1	181.5
Operating profit (loss)	-8.8	-1.9	-3.0
Result before taxes	-8.1	-1.9	-3.4
Result for the period from continuing operations	-8.1	-1.6	-3.9
Result after taxes for the period from discontinued operations	-	1.7	78.2
Result for the period	-8.1	0.1	74.2



Automotive Software Business Segment during 1–3/2007

Automotive Software Business Unit

- The market for automotive software solutions grew more than 15 per cent in 2006 and it is expected that the percentage of electronics and software in cars will continue to grow.
- Net sales amounted to EUR 10.6 million (EUR 8.7 million), which represents a growth of 22.3 per cent and the operating loss was EUR -0.6 million (EUR 0.5 million) due to continued strong investments in the development of Elektrobit's automotive software platform products.
- In February Automotive Software presented its market leading tresos® ECU AUTOSAR Suite 2007 for the AUTOSAR specification 2.0.



Wireless Communications Solutions Business Segment during 1–3/2007 (1)

- The net sales of the Wireless Communications Solutions Business Segment from January to March 2007 amounted to EUR 15.5 million (EUR 17.2 million) and the operating loss was EUR -6.1 million (EUR -0.3 million).
- Compared to the corresponding period in 2006, the decline in profitability was due to significantly higher investments in the product development of mobile WiMAX base station module products and weaker than expected demand of mobile terminal solutions R&D services.



Wireless Communications Solutions Business Segment during 1–3/2007 (2)



Mobile Terminal Solutions Business Unit

- The business environment for the mobile terminals business was turbulent and under intense competition during the reporting period.
- The Mobile Terminal Solutions Business Unit continued to retune the project portfolio towards less risky business models and allocated the released manpower to R&D service projects. The reallocation could not fully be accomplished which, consequently, caused lower than planned resource utilization and revenue for the period under review.
- The volume and share of sales associated with the application area of professional mobile radios increased over the reporting period.



Wireless Communications Solutions Business Segment during 1–3/2007 (3)

Radio Network Solutions Business Unit

- The business environment for the R&D services business was somewhat volatile.
- The revenue from R&D services grew slightly in comparison with the corresponding period in 2006 despite of the fact that a significant part of the R&D resources were allocated to the development of Elektrobit's own mobile WiMAX base station module products, which are expected to start generating revenue from the end of 2007 or early 2008.
- Product development investments associated with mobile WiMAX base station modules increased over the period under review and were on a slightly higher level than planned.



Test and Automation Business Segment during 1–3/2007 (1)

- The net sales of the Test and Automation Business Segment amounted to EUR 13.2 million (EUR 16.2 million), and its operating loss stood at EUR -1.9 million (EUR -1.7 million).
- The company continued to invest in product development in order to strengthen the product portfolios of the Productions Solutions and System Test Business Units.



Test and Automation Business Segment during 1–3/2007 (2)



Production Solutions Business Unit

- The sales of production solutions declined in comparison with the corresponding period in 2006 mostly due to a low season in the deliveries of production automation projects, heavy price reduction pressures and shift of the business towards intensively competed Asian markets.
- Product development investments to strengthen the competitiveness of the product portfolio were clearly higher than in the corresponding period in 2006.
- A new product for the automation of R&D testing of mobile phones was launched in March.



Test and Automation Business Segment during 1–3/2007 (3)



System Test Business Unit

- The high demand of MIMO-capable radio channel emulation solutions for both cellular and non-cellular applications continued. Deliveries for the pre-deployment test of new radio networks continued on a strong level at the wireless operator segment.
- The total sales of the System Test Business Unit grew from the corresponding period of 2006.
- R&D investments expanding the Prosim product portfolio continued.



Net Sales and Operating Profit – Quarterly

MEUR	Jan.–Mar. Q1/2007	Oct.–Dec. Q4/2006	Jul.–Sep. Q3/2006	Apr.–Jun. Q2/2006	Jan.–Mar. Q1/2006	Jan.–Dec. 2006
Net sales	39.5	45.6	44.0	49.8	42.1	181.5
Operating profit (loss)	-8.8	-5.6	-0.4	4.9	-1.9	-3.0
Result before taxes	-8.1	-5.4	-0.4	4.1	-1.9	-3.4
Result for the period from continuing operations	-8.1	-5.0	-0.4	3.0	-1.6	-3.9
Result after taxes for the period from discontinued operations	0.0	74.0	1.1	1.3	1.7	78.2
Result for the period	-8.1	69.0	0.8	4.3	0.1	74.2



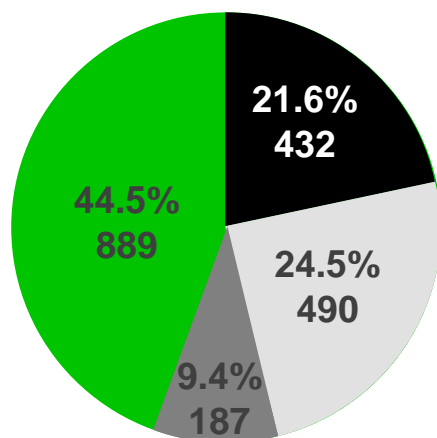
Net Sales by Market Area (Continuing Operations) – Quarterly

MEUR	Jan.–Mar. Q1/2007	Oct.–Dec. Q4/2006	Jul.–Sep. Q3/2006	Apr.–Jun. Q2/2006	Jan.–Mar. Q1/2006	Jan.–Dec. 2006
Asia	5.2 (13%)	5.2 (11%)	8.1 (18%)	9.4 (19%)	4.8 (11%)	27.5 (15%)
Americas	5.3 (13%)	5.9 (13%)	4.7 (11%)	6.1 (12%)	6.4 (15%)	23.1 (13%)
Europe	29.1 (74%)	34.6 (76%)	31.1 (71%)	34.3 (69%)	30.9 (74%)	130.9 (72%)
Total	39.5 (100%)	45.6 (100%)	44.0 (100%)	49.8 (100%)	42.1 (100%)	181.5 (100%)

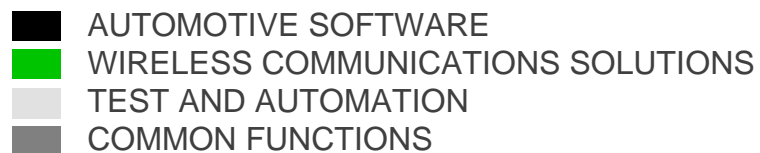


Personnel – March 31, 2007

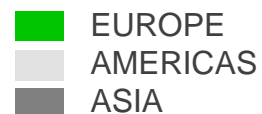
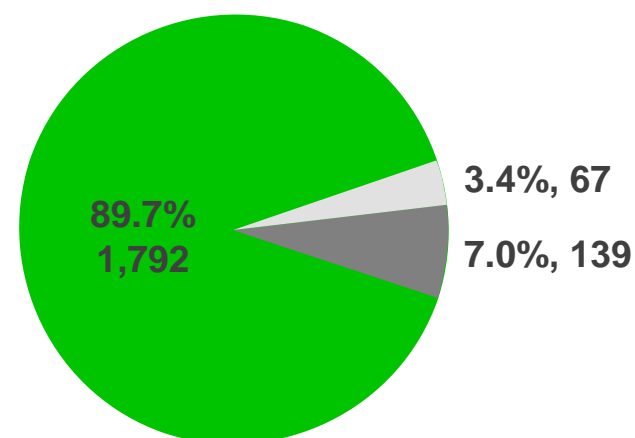
BY BUSINESS SEGMENTS



Total 1,998



BY MARKET AREAS



Balance Sheet – Quarterly

MEUR	Mar. 31, 2007	Dec. 31, 2006	Sep. 30, 2006	Jun. 30, 2006	Mar. 31, 2006
Assets					
Non-current assets	76.0	66.3	67.8	68.5	70.0
Current assets	165.6	196.5	118.1	119.8	113.4
Total assets	241.6	262.8	185.9	188.3	183.4
Equity and liabilities					
Share capital	12.9	12.9	12.9	12.9	12.9
Minority interest	0.0	2.1	1.9	1.9	1.9
Total equity	164.3	188.6	118.1	117.2	113.0
Non-current liabilities	28.9	23.7	24.1	25.2	26.2
Current liabilities	48.5	50.5	43.6	46.0	44.2
Total equity and liabilities	241.6	262.8	185.9	188.3	183.4



Cash Flow

MEUR	Jan.–Mar. 2007	Jan.–Mar. 2006	Jan.–Dec. 2006
+ net profit +/- adjustment of accrual basis items	-6.3	2.8	10.2
+/- change in net working capital	0.1	-0.3	-7.4
- interests, taxes, and dividends	0.8	-1.5	-4.2
NET CASH FROM OPERATING ACTIVITIES	-5.5	1.0	-1.4
- net cash from investing activities	-11.7	-0.4	78.5
- net cash from financing activities	-11.3	-9.6	-12.6
NET CHANGE IN CASH AND CASH EQUIVALENTS	-28.5	-9.0	64.5



Outlook for the First Half of 2007

Elektrobit expects the revenue during the first half of 2007 to be on the same level compared to the second half of 2006 (MEUR 89.6). The company will continue to invest in:

- Software platform based products in the Automotive Software Business Unit.
- Development of mobile WiMAX radio base station module products in the Radio Network Solutions Business Unit.
- Improving the price competitiveness and updating the product portfolio in the Production Solutions Business Unit.
- Expanding the application domain and the product portfolio in the System Test Business Unit.
- The technical core competence areas defined in the strategy.
- Developing the Sales and Marketing organisation.
- Building up efficient and unified support functions and platforms to enable global business operations according to the strategy.

Mainly due to these continued considerable investments, Elektrobit expects the operating loss in the first half of 2007 to be more than double compared to the operating loss of the second half of 2006 (MEUR -5.9).



Financial Reporting in 2007

- The results of the second quarter of 2007 will be published on August 2, and of the third quarter on November 7.
- Investor Relations
Maija-Liisa Fors, Director, Investor Relations
Tel. +358 40 344 2875, fax +358 8 570 1304,
investor.relations@elektrobit.com



Elektrobit Corporation
P.O. Box 45 (Automaatitie 1)
FIN-90461 OULUNSALO, FINLAND

TEL. +358 40 344 2000
FAX +358 8 570 1301

www.elektrobit.com





Discover the Experience