



Elektrobit Corporation (EB)  
Interim Report January - September  
2007

November 7, 2007

# 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.



Pertti Korhonen, CEO

J.T. Bergqvist, Chairman of the Board



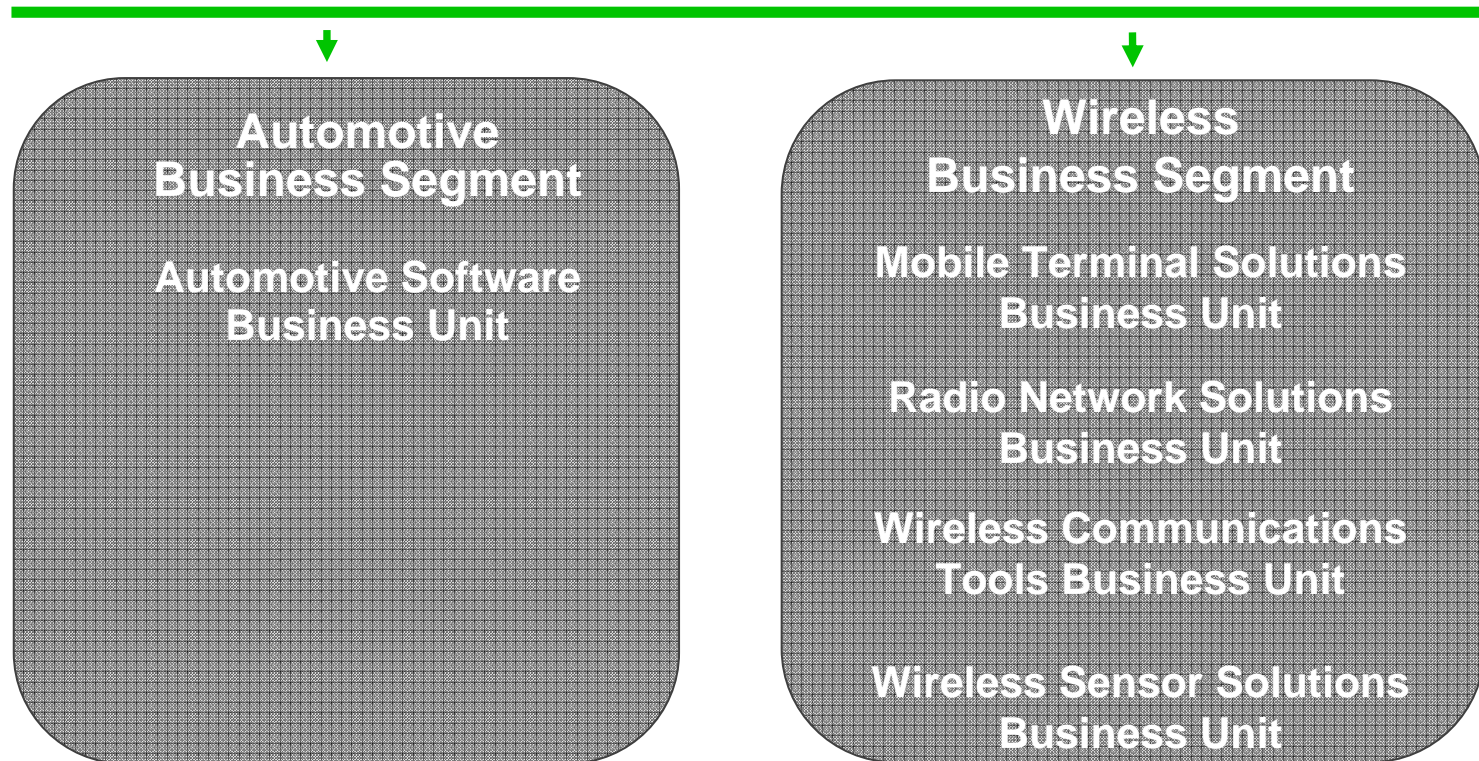
# Agenda

- Interim Report January – September 2007
  - Pertti Korhonen
- Outlook for 2007
  - Pertti Korhonen
- Q&A
  - Pertti Korhonen and J.T. Bergqvist



# EB Business Segments and Business Units from April 1, 2007 Onwards

EB



# Strategy Implementation

- **The major strategy related changes in EB's business portfolio have been made during the second half of 2006 and 2007.**
  - **In addition to focusing the business portfolio, major progress has been made in building a balanced customer portfolio.**
  - **In addition to the acquisitions of DECOMSYS and 7iD, EB continues to search acquisition opportunities to strengthen the business growth.**
- **EB is seeking for growth by becoming a focused global leader in selected automotive and wireless businesses with a balanced customer portfolio and scalable business models.**



EB in the third quarter of 2007



## EB during 7 – 9 / 2007 1 (2)

- During the third quarter of 2007, EB continued to follow the strategic path as defined in the spring 2006 as being one that focuses the business operations of EB and concentrates on clear growth businesses in the Automotive and Wireless Business Segments.
- According to the strategy during the third quarter of 2007, EB:
  - Balanced its customer portfolio by entering new markets and acquiring new customers. During the reporting period, none of the customer shares exceeded 11 per cent of the net sales and in addition, the summarized share of the ten biggest customers is 54 per cent.
  - Announced an agreement concerning the development of handset technologies and reference designs for TerreStar's upcoming satellite-terrestrial all-IP mobile network.





## EB during 7 – 9 / 2007 2(2)

According to the strategy during the third quarter of 2007, EB (cont.) :

- Continued the actions to render the company cost structure to correspond with the new focused business setup after the divestments of the Network Test and Production Solutions businesses. These actions will increase the productivity and improve the fixed costs efficiency of such operational activities as facilities, sourcing, logistics, information management and administration.
- Continued significant investments in research and product development in order to develop new business for the company.



# Financial Results and Business Segments during 7 - 9 / 2007 (1)

- According to the IFRS5 standard, EB reports its financial results divided between Discontinued and Continuing Operations (Production Solutions in 2006 and 2007, Network Test in 2006).
- For the third quarter of 2007, the net sales and the operating profit of Continuing Operations were as follows:
  - The net sales amounted to EUR 35.3 million (EUR 27.6 million in Q3/2006, an increase of EUR 7.6 million or 27.7%).
  - Operating loss EUR -4.0 million (EUR -2.5 million in Q3/2006 and EUR -6.6 million in Q2/2007).



# Financial Results and Business Segments during 7 - 9 / 2007 (2)

- The Automotive Business Segment:
  - The net sales of the Automotive Business Segment were EUR 14.5 million (EUR 10.1 million; an increase of EUR 4.5 million or 44.3%).
  - The operating profit of Automotive Business Segment was EUR 0.5 million (EUR 0.5 million)
- The Wireless Business Segment:
  - The net sales of the Wireless Business Segment were EUR 20.4 million (EUR 17.5 million; an increase of EUR 2.9 million or 16.5%).
  - The operating loss of Wireless Business Segment was EUR -5.2 million (EUR -3.0 million).



# Net Sales and Operating Profit - Quarterly

MEUR	<b>July - Sept. Q3/2007</b>	Apr.- June Q2/2007	Jan.- Mar. Q1/2007	Oct.- Dec Q4/2006	July - Sept. Q3/2006	Jan.- Dec. 2006
Net sales	<b>35.3</b>	33.5	31.0	33.3	27.6	120.5
Operating profit (loss)	<b>-4.0</b>	-6.6	-7.2	-5.3	-2.5	-6.0
Result before taxes	<b>-4.0</b>	-6.3	-6.4	-4.9	-2.4	-6.1
Result for the period from continuing operations	<b>-4.0</b>	-6.4	-6.3	-4.6	-2.2	-6.1
Result after taxes for the period from discontinued operations	<b>-0.0</b>	14.5	-1.8	73.7	2.9	80.3
Result for the period	<b>-4.0</b>	8.1	-8.1	69.0	0.8	74.2



# Net Sales by Market Area (Continuing Operations) – Quarterly

MEUR	July - Sept. Q3/2007	Apr. - June Q2/2007	Jan. - Mar. Q1/2007	Oct. - Dec. Q4/2006	July - Sep. Q3/2006	Jan.- Dec. 2006
Asia	4.4 (13%)	0.6 (2%)	2.5 (8%)	1.9 (6%)	2.1 (7%)	8.7 (7%)
Americas	7.4 (21%)	7.3 (22%)	4.1 (13%)	4.2 (12%)	3.2 (11%)	15.2 (13%)
Europe	23.5 (67%)	25.7 (77%)	24.3 (79%)	27.3 (82%)	22.4 (81%)	96.5 (80%)
<b>Total</b>	<b>35.3 (100%)</b>	33.5 (100%)	31.0 (100%)	33.3 (100%)	27.6 (100%)	120.5 (100%)



EB during 1 – 9 / 2007



# Financial Results for the Reporting Period of 1 – 9 / 2007

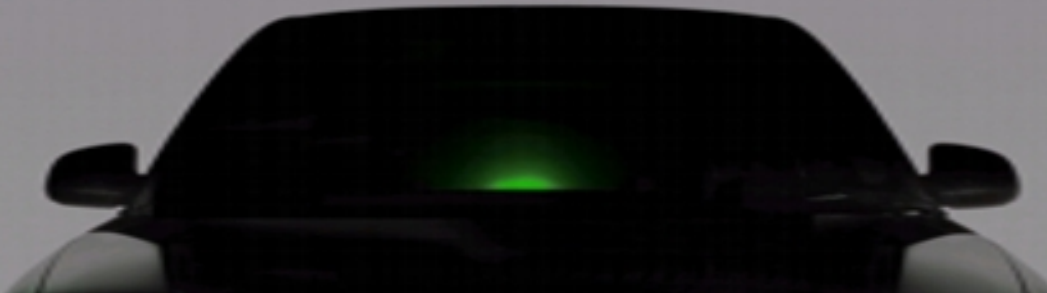
- During the reporting period of 1 – 9 / 2007, the net sales and the operating profit of Continuing Operations were as follows:
  - Net sales amounted to EUR 99.7 million (EUR 87.1 million, an increase of EUR 12.6 million or 14.5%).
  - Operating loss was EUR -17.8 million (EUR -0.8 million, a decrease of EUR 17.1 million) and it was distributed as follows:
    - the Automotive Business Segment EUR -0.3 million (EUR 1.2 million)
    - the Wireless Business Segment EUR -18.7 million (EUR -2.1 million, a decrease of EUR 16.5 million) and other businesses a profit of EUR 1.1 million (EUR 0.1 million).
  - Cash flow from operations amounted to EUR -18.4 million (EUR -0.2 million).
  - Equity ratio was 72.1% (64.3%).



# Automotive Business Segment during 1 – 9 / 2007 (1)

## **Automotive Software Business Unit**

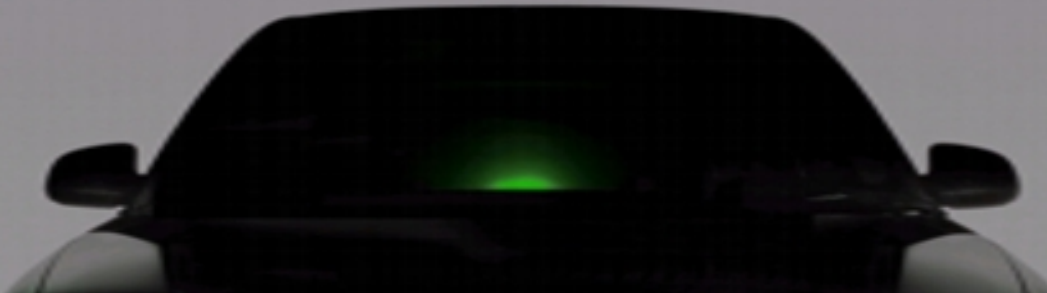
- The market for automotive software solutions grew more than 15 per cent in 2006 (Mercer study 2005). The automotive embedded software market is expected to grow 15 per cent during 2005-2009 in North America and Europe, (Frost & Sullivan).
- The net sales during the period under review amounted to EUR 36.4 million (EUR 27.5 million), which represents a growth of 32 per cent, and the operating loss was EUR -0.3 million (EUR 1.2 million) due to the continued significant investments in the R&D of EB's automotive software platform products.





# Automotive Business Segment during 1 – 9 / 2007 (2)

- **With the acquisition of DECOMSYS GmbH in June, EB became the leading solution provider for FlexRay™, the new high performance network communications protocol standard for automotive electronics.**
  - The first car in the market with FlexRay™ car networking technology is BMW's new X5 Sports Activity Vehicle (SAV). It has been implemented using EB's FlexRay™ knowledge and solution.
- **Product launches were continued also during the third quarter;**
  - For example EB announced in August the availability of the new version EB tresos®:
    - It introduces a complete ready-for-production AUTOSAR kernel for the automotive industry.



# Wireless Business Segment during 1 – 9 / 2007 (1)



- The net sales of the Wireless Business Segment from January to September 2007 amounted to EUR 62.6 million (EUR 59.4 million) and the operating loss was EUR -18.7 million (EUR -2.1 million).
- Compared to the corresponding period in 2006, the decline in profitability was due
  - to significantly higher investments in product development of mobile WiMAX products,
  - weaker than expected demand and intensive price competition in Radio Network Solutions R&D services,
  - R&D investments in RFID reader products portfolio and
  - weaker than expected demand, price competition and lower than planned resource utilisation rate of Mobile Terminal Solutions R&D services during the first half of 2007



# Wireless Business Segment during 1 – 9 / 2007 (2)

## Mobile Terminal Solutions Business Unit

- The business environment for the mobile terminals business continued to be under intense competition during the early part of the reporting period.
- The Mobile Terminal Solutions Business Unit continued efforts to improve its profitability through widening the customer portfolio, redirecting the project portfolio, improving internal efficiency and growing new application areas such as professional mobile radios. During the third quarter the resource utilisation rate reached a good level.
- In September, EB and TerreStar entered into an agreement which comprises the development of two dual-mode reference smartphones where EB acts as the main integrator and delivers turn-key product creation services to TerreStar. This is in line with EB's strategy for entering new markets and broadening the company's customer base.



# Wireless Business Segment during 1 – 9 / 2007 (3)

## Radio Network Solutions Business Unit

- The business environment for R&D services has been somewhat volatile and under intense price competition.
- The revenue from R&D services has grown slightly in comparison with the corresponding period in 2006 despite the fact that a significant part of the R&D resources have been allocated to the development of EB's own mobile WiMAX base station module product.
- EB continued to invest significantly in product development associated with mobile WIMAX base stations.
- Mobile WiMAX base station module products are expected to start generating revenue from the end of 2007 or early 2008.



# Wireless Business Segment during 1 – 9 / 2007 (4)

## Wireless Communications Tools Business Unit

- The total sales of the Wireless Communications Tools Business Unit grew strongly from the corresponding period of 2006.
- R&D investments expanding the application domain and Prosim™ product portfolio continued.
  - In September, new releases of the OBSAI™ tester (EB Base Station Interface Tester) supporting the WiMAX and LTE base stations were released and delivered.
  - At the end of Q3, the EB Wireless Environment Solution enabling operators, telecommunications infrastructure suppliers and device manufacturers to bring the real-world field data of the radio environment to the laboratory, was introduced to the market.



# Wireless Business Segment during 1 – 9 / 2007 (5)

## Wireless Sensor Solutions Business Unit

- The EB RFID solutions are targeted especially at serving the supply chain and manufacturing of logistics service providers, automotive, telecommunications, electronics, and other high technology industries.
- The acquisition of 7iD, in June, strengthened EB's offering in the Wireless Sensor Solutions Business Unit.
  - The work to combine 7iD offering with the EB RFID portfolio is progressing as planned.
  - The customers can utilize the EB Identification Network that offers scalable performance for various demanding RFID applications.



# Research and Development during 1 – 9 / 2007

- The R&D investments continued in the following development areas:
  - The development of software platform based products in the Automotive Software Business Unit,
  - The development of mobile WiMAX radio base station module products in the Radio Network Solutions Business Unit,
  - Expanding the application domain and the product portfolio in the Wireless Communications Tools Business Unit,
  - The development of product portfolio in the Wireless Sensor Solutions Business Unit, and
  - The technical core competence areas as defined in the strategy.
- The total R&D investments during the period under review were EUR 25.1 million (EUR 13.4 million) and EUR 3.6 million of them have been capitalized.



# Income Statement

(continuing operations)

MEUR	<b>Jan. - Sept. 2007</b>	Jan. - Sept. 2006	Jan. - Dec. 2006
Net sales	<b>99.7</b>	87.1	120.5
Operating profit (loss)	<b>-17.8</b>	-0.8	-6.0
Result before taxes	<b>-16.7</b>	-1.1	-6.1
Result for the period from continuing operations	<b>-16.7</b>	-1.5	-6.1
Result after taxes for the period from discontinued operations	<b>12.7</b>	6.7	80.3
Result for the period	<b>-4.0</b>	5.2	74.2





# Balance Sheet

## – Quarterly

MEUR	Sept. 30, 2007	June 30, 2007	Mar. 31, 2007	Dec. 31, 2006	Sept. 30, 2006
<b>Assets</b>					
Non-current assets	<b>90.1</b>	87.7	76.0	66.3	67.8
Current assets	<b>145.2</b>	161.3	165.6	196.5	118.1
<b>Total assets</b>	<b>235.3</b>	249.1	241.6	262.8	185.9
<b>Equity and liabilities</b>					
Share capital	<b>12.9</b>	12.9	12.9	12.9	12.9
Minority interest	<b>0.0</b>	0.0	0.0	2.1	1.9
<b>Total equity</b>	<b>168.4</b>	172.3	164.3	188.6	118.1
Non-current liabilities	<b>29.7</b>	34.3	28.9	23.7	24.1
Current liabilities	<b>37.2</b>	42.4	48.5	50.5	43.6
<b>Total equity and liabilities</b>	<b>235.3</b>	249.1	241.6	262.8	185.9



# Cash Flow

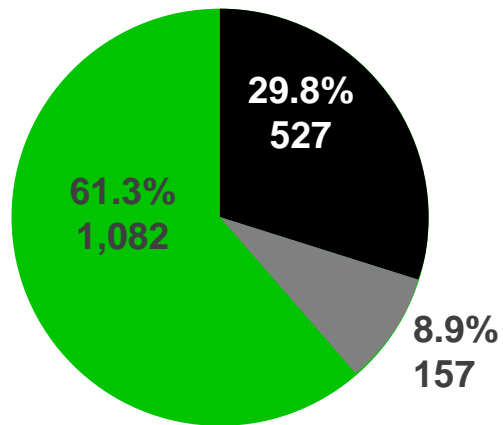
MEUR	Jan.- Sept. 2007	Jan.- Sept. 2006	Jan.- Dec. 2006
+ net profit +/- adjustment of accrual basis items	-11.9	16.0	10.2
+/- change in net working capital	-6.7	-11.0	-7.4
- interests, taxes, and dividends	0.2	-5.2	-4.2
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-18.4</b>	-0.2	-1.4
- net cash from investing activities	-6.1	-2.0	78.5
- net cash from financing activities	-17.9	-12.8	-12.6
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-42.4</b>	-15.0	64.5



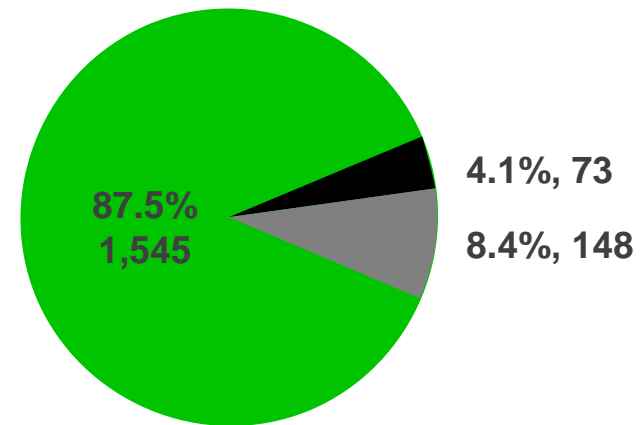
# Personnel

– End of September 30, 2007

BY BUSINESS SEGMENTS



BY MARKET AREAS



Total 1,766

AUTOMOTIVE	■	AMERICAS
WIRELESS	■	EUROPE
COMMON FUNCTIONS	■	ASIA



# Outlook for the Second Half of 2007 (1)

- EB expects the sequential revenue growth from the first half of 2007 to the second half of 2007 to be stronger than it was from the second half of 2006 (MEUR 61.0) to the first half of 2007 (MEUR 64.5).
- 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.
  - Expanding the application domain and the product portfolio in the Wireless Communications Tools Business Unit.
  - Widening the product portfolio of the Wireless Sensor Solutions Business Unit.
  - The technical core competence areas defined in the strategy.
  - Developing the Sales and Marketing capabilities.
  - Building up efficient and unified structures and platforms to enable global business operations according to the strategy.



## Outlook for the Second Half of 2007 (2)

- EB will continue actions to increase the productivity and improve the fixed costs efficiency of such operational activities as facilities, sourcing, logistics, information management and administration.
- EB expects the operating loss in the second half of 2007 to reduce significantly compared to the operating loss of the first half of 2007 (MEUR -13.8), with Q3 2007 and Q4 2007 being approximately at the same level.



# Financial Reporting for 2007

- The reporting dates in 2008 will be disclosed with a separate stock exchange announcement in December at the latest.
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