



EB, Elektrobitt Corporation

Interim Report January-June 2008

August 8, 2008

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



- Interim Report January-June 2008
 - Pertti Korhonen, CEO
- Outlook for the second half of 2008
 - Pertti Korhonen
- Q&A
 - Pertti Korhonen and J.T. Bergqvist, Chairman of the Board



EB in 2Q 2008

EB during 2Q 2008

- **Strong sales growth continued**
 - Net sales amounted to EUR 41.0 million (EUR 33.5 million, 2Q 2007), representing a 22.4% growth year-on-year.
- **Operating loss grew**
 - Operating loss from business operations amounted to EUR -9.9 million
 - Non-recurring goodwill write-off amounted to EUR -3.4 million, resulting in a total operating loss of EUR -13.3 million (EUR -6.6 million, 2Q 2007).
- **Substantial R&D investments were continued with the share of the investments in the Automotive Business Segment growing**
 - EB continued to invest substantially in R&D, EUR 10.0 million (24.4 % of net sales).
- **Equity ratio was 69.9% (69.6 % in 2007).**



Net Sales and Operating Profit - Quarterly

MEUR	2Q2008	1Q2008	4Q2007	3Q2007	2Q2007	Jan.- Dec. 2007
Net sales	41.0	47.3	44.6	35.3	33.5	144.3
Operating profit (loss)	-13.3*	-8.0**	-2.4	-4.0	-6.6	-20.3
Result before taxes	-13.6	-7.7	-3.3	-4.0	-6.3	-20.0
Result for the period from continuing operations	-13.5	-7.7	-3.3	-4.0	-6.4	-20.0
Result after taxes for the period from discontinued operations	0.1	0.0	0.4	-0.0	14.5	13.1
Result for the period	-13.4	-7.7	-2.9	-4.0	8.1	-6.9

* Including non-recurring goodwill write-off of EUR -3.4 million

** Including non-recurring restructuring costs of EUR -2.9 million



Net Sales by Market Area - Quarterly

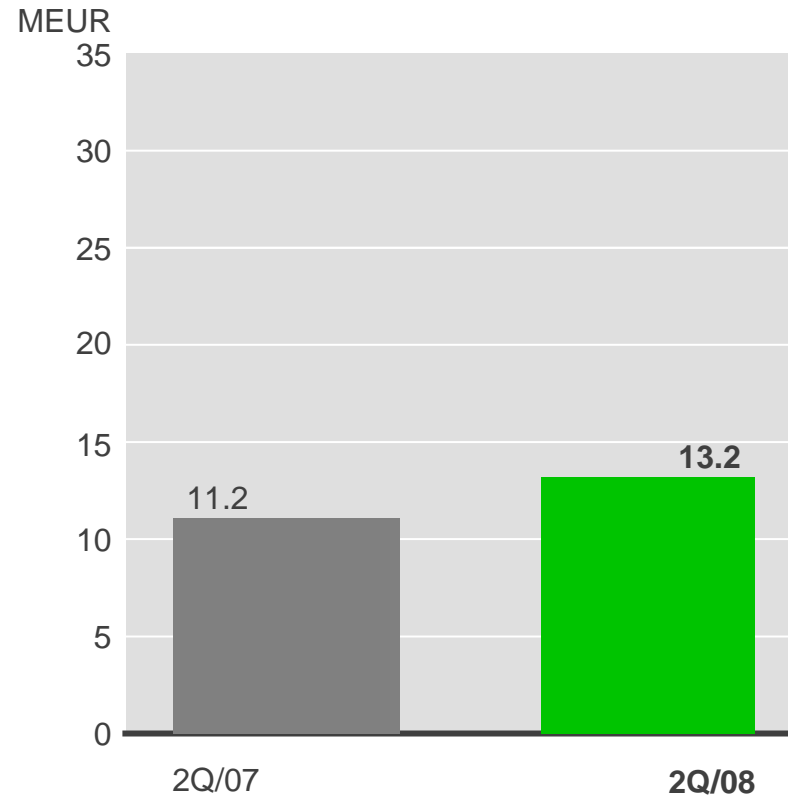
MEUR	2Q2008	1Q2008	4Q2007	3Q2007	2Q2007	Jan.- Dec. 2007
Asia	2.1 (5%)	2.0 (4%)	2.0 (5%)	4.4 (13%)	0.6 (2%)	9.5 (7%)
Americas	12.7 (31%)	18.5 (39%)	14.5 (32%)	7.4 (21%)	7.3 (22%)	33.3 (23%)
Europe	26.2 (64%)	26.8 (57%)	28.1 (63%)	23.5 (67%)	25.7 (77%)	101.6 (70%)
Total	41.0 (100%)	47.3 (100%)	44.6 (100%)	35.3 (100%)	33.5 (100%)	144.3 (100%)



Net Sales by Segments Quarterly

- Automotive

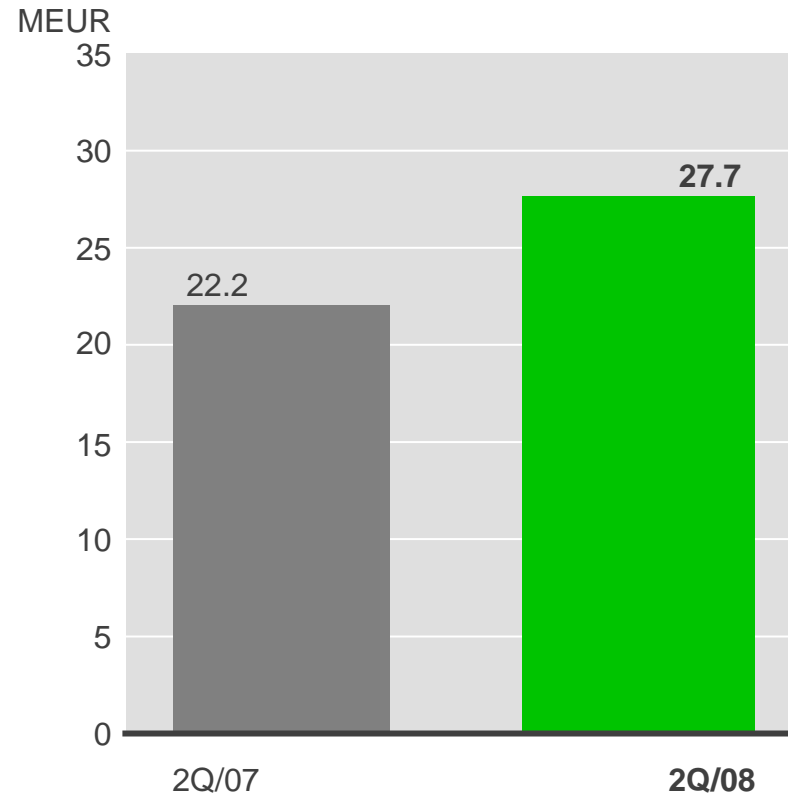
- Net sales EUR 13.2 million (EUR 11.2 million in 2Q 2007).
- Growth 18% year-on-year.
- Operating loss EUR -4.1 million (EUR -0.2 million in 2Q 2007):
 - Increased investments in:
 - R&D
 - Marketing and sales
 - Expanding the geographical footprint
 - Weaker than expected sales of personal navigation device software licenses



Net Sales by Segments Quarterly

- Wireless

- Net sales EUR 27.7 million (EUR 22.2 million in 2Q 2007).
- Growth 25% year-on-year.
- Operating loss EUR -9.1 million (EUR -7.1 million in 2Q 2007), including non-recurring costs of EUR -3.4 million.
 - Large investments in R&D of mobile WiMAX
 - Deceleration of the sales of wireless communication tools
 - Delay of net sales of WiMAX products



Balance Sheet

– Quarterly

MEUR	Jun. 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sep. 30, 2007	June 30, 2007
Assets					
Non-current assets	62.8	66.4	77.2	90.1	87.7
Current assets	144.4	159.6	158.9	145.2	161.3
Total assets	207.2	226.0	236.1	235.3	249.1
Equity and liabilities					
Share capital	12.9	12.9	12.9	12.9	12.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	142.3	155.3	165.7	168.4	172.3
Non-current liabilities	26.8	28.7	28.9	29.7	34.3
Current liabilities	38.0	42.0	41.5	37.2	42.4
Total equity and liabilities	207.2	226.0	236.1	235.3	249.1



Cash Flow

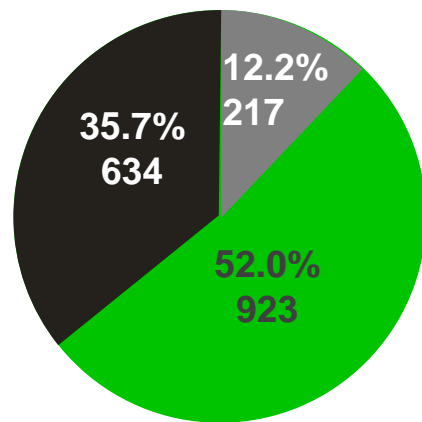
MEUR	2Q 2008	2Q 2007	Jan. - Dec. 2007
+ net profit +/- adjustment of accrual basis items	-9.0	-11.3	-13.2
+/- change in net working capital	-6.3	-2.2	-11.6
- interests, taxes, and dividends	-1.2	-13.5	-2.2
NET CASH FROM OPERATING ACTIVITIES	-16.5	1.8	-27.1
- net cash from investing activities	25.7	-0.5	-6.8
- net cash from financing activities	-6.3	-14.1	-19.3
NET CHANGE IN CASH AND CASH EQUIVALENTS	2.9	-26.3	-53.2



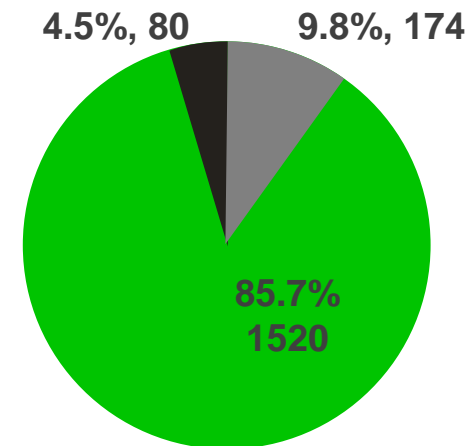
Personnel

– End of June 30, 2008

BY BUSINESS SEGMENTS



BY MARKET AREAS



Total of 1,774

AUTOMOTIVE	■	AMERICAS
WIRELESS	■	EUROPE
COMMON FUNCTIONS	■	ASIA

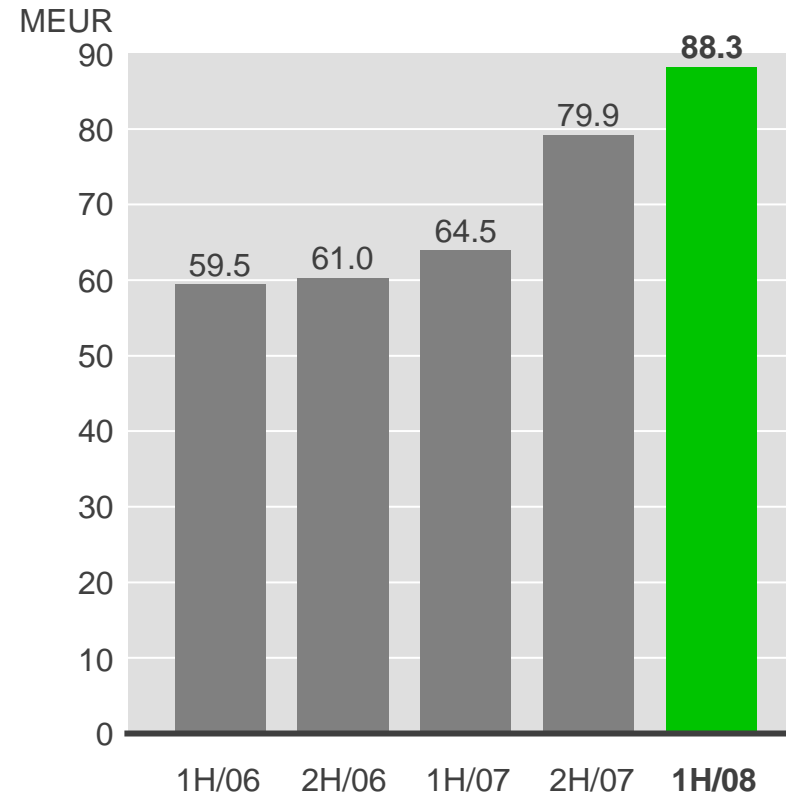




EB in 1H 2008

Financial Performance 1H 2008

- **Strong Net Sales Growth**
 - Net sales increased by 37% to EUR 88.3 million (EUR 64.5 million 1H 2007).
- **Yet, Challenges in Profitability**
 - Operating loss from Business Operations, including non-recurring items, EUR -21.4 million (EUR -13.8 million 1H 2007).



Non-recurring Items in 1H 2008

- Non-recurring items affected negatively the operating loss in the first half of 2008 by EUR 6.3 million.
 - In March, the rearrangements in the Wireless Business Segment and a capital loss and a write-off from the sale of the shares of the Swiss subsidiary, Elektrobit AG resulted in EUR 2.9 million.
 - In June, the goodwill valuations of the RFID reader system business resulting in a write-off of approximately EUR 2.8 million.
 - Write-off of EUR 0.6 million of an activated R&D investment.





Business Segments in 1H 2008

Automotive Business Segment in 1H 2008 1 (2)

- During the reporting period, the Automotive Business Segment continued to grow strongly.
 - The net sales were EUR 28.7 million (EUR 21.8 million 1H 2007)
 - Growth of 31.5% compared to 1H 2007.
- The operating loss was EUR -5.7 million (EUR -0.8 million 1H 2007).
 - Significantly increased investments in the R&D of EB's automotive software platform products as well as marketing and sales investments and expanding the geographical footprint.
 - Weaker than expected sales of personal navigation device software licenses in 2Q, 2008.



Automotive Business Segment in 1H 2008 2 (2)



- New customers in USA, Japan, Italy and France
- Acquisition of Net Consulting & Services in July
- Expanding the offering of software solutions in
 - Navigation
 - HMI (infotainment user interface) tooling and framework environment,
 - ECU (electronic control unit) software rich configuration, runtime and validation environment.
- The majority of the innovation and differentiation in the automotive industry is brought about by software and electronics and the use of standard software solutions is expected to increase.

Wireless Business Segment in 1H 2008 1 (5)

- The net sales of the Wireless Business Segment were EUR 59.4 million (EUR 42.2 1H 2007).
 - Growth of 40.5% compared to 1H 2007.
- The operating loss, including non-recurring restructuring costs of EUR -6.3 million, was EUR -15.6 million (EUR -13.5 million 1H 2007) due to
 - The significant investments in the R&D of mobile WiMAX base station module products and RFID reader systems especially in 1Q 2008.
 - The rapid deceleration of the market and therefore the sales of wireless communications emulation and design tools.
 - Delay of the accumulation of net sales of WiMAX base station modules products.
 - Weaker demand and stronger than expected price competition in radio networks solutions' R&D services.



Wireless Business Segment in 1H 2008 2 (5)



Mobile terminals business

- Mobile terminal R&D services have increasingly evolved to providing higher value added solutions, e.g. in multi-radio applications, which have improved the profitability.
- The development of handset technologies and reference designs for TerreStar Networks has continued, while its share of mobile terminal business net sales started to decrease as planned.
- EB signed a contract with the Finnish Armed Forces Technical Research Center to develop a Software Defined Radio (SDR) prototype for tactical communication.
- New multi-radio combinations and software platforms are creating new business opportunities.

Wireless Business Segment in 1H 2008 3(5)



Radio networks business

- The demand of R&D services in radio network solutions has been weaker and the price competition stronger than expected during the reporting period.
- Personnel negotiations were concluded in May.
- EB continued to invest in the product development associated with mobile WiMAX base stations technology.
- The value chain and hence the horizontal technology and product market for mobile WiMAX are still in a forming phase.
- The main mobile WiMAX operator services market in America has been announced to start during the second half of 2008.



Wireless Business Segment during 1H 2008 4(5)



Channel emulators business

- The sales declined especially in the USA and Asia apart from China.
- The slow sales reflects the phase of test tool investments in wireless technologies where the initial investments for WiMAX have been made and the LTE test tool investments have not yet started in a large scale.
- Outsourcing the production of the emulator products was completed during 2Q.
- The R&D investments were targeted at renewing and extending the current product platform and range of product portfolio.
- The wireless communications tools market is predicted to expand moderately.



Wireless Business Segment in 1H 2008 5 (5)



RFID reader systems business

- Progress in product development of RFID reader systems and the first deliveries started.
- The UHF (Ultra High Frequency) RFID reader system market volume growth has been delayed as it consists mostly of pilots and trials, which keep the market and its growth lower than expected.
- In March, the Swiss subsidiary, Elektrobit AG, was sold to the acting management and EB's RFID development was consolidated to Graz, Austria.
- The UHF (Ultra High Frequency) RFID reader system market is expected to start moving gradually to commercial deployments.



Research and Development in 1H 2008



EB continued to invest in the following development areas:

- Automotive software platform based products
- Mobile WiMAX radio base station module products
- Radio channel emulation product portfolio
- RFID reader systems product portfolio
- Technical core competence areas.

The total R&D investments during the reporting period were EUR 21.6 million (EUR 15.7 million in the first half of 2007), equaling 24.5% of the net sales (24.4% in 2007). EUR 1.0 million of them were capitalized.



Outlook for the Second Half of 2008

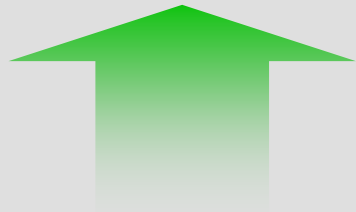
- Improvement of profitability is the main focus of EB during the second half of 2008.
- EB expects the net sales to be roughly at the level of the first half of 2008 (EUR 88.3 million).
- EB expects the operating result from business operations to be significantly better than the operating loss from business operations in the first half of 2008 (EUR -15,1 million without non-recurring items).



Profitability Improvements

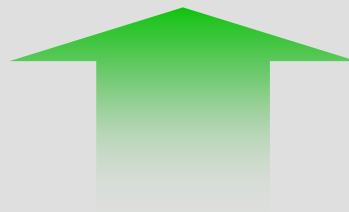
During the second half of 2008 EB will focus on improving the profitability of its business by

Customer Focus



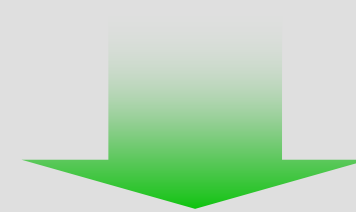
- Further growing and balancing the customer portfolio
- Increasing value added solutions instead of pure R&D subcontracting sales

Productivity



- Structural changes improving cost structure, flexibility and resource utilization
- Establishment of Wireless solutions business

R&D



- Adjusting the R&D investments to sustainable level

Financial Reporting in 2008

- Interim Report 3Q 2008 publication:
 - Tuesday, October 21, 2008, at 8.00 am
- Investor Relations:
 - Outi Torniainen, Director, Communications and Marketing
 - Tel. +358 40 512 1375, telefax +358 9 256 1012
 - investor.relations@elektrobit.com





Discover the Experience