



Elektrobit Corporation (EB)  
Interim Report January - June 2007

August 2, 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 - June 2007
  - Pertti Korhonen
- Outlook for 2007
  - Pertti Korhonen
- Q&A
  - Pertti Korhonen and J.T. Bergqvist



## EB during 4 - 6 / 2007

- EB's strategy was redefined 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 second quarter of 2007, EB:
  - Sold its Production Solutions business as of June 1, 2007 with a sales price of EUR 29 million.
  - Focused the System Test Business Unit to advanced wireless emulation and engineering tools, renamed it as Wireless Communications Tools and transferred it into the Wireless Business Segment.
  - As consequence, reduced the number of Business Segments to two: "Automotive" and "Wireless".
  - Formulated RFID and related industrial wireless network solutions as the Wireless Sensor Solutions Business Unit under the Wireless Business Segment.
  - Continued significant product research and development investments totalling to EUR 8.5 million during April to June 2007, of which EUR 1.2 million have been capitalized.
  - Purchased 100 per cent of the shares in DECOMSYS Beteiligungs GmbH in June.
  - Purchased 100 per cent of the shares in 7iD Technologies GmbH in June.



# Financial Results and Business Segments during the Second Quarter of 2007 (1)

- According to the IFRS5 standard, EB reports its financial results divided between Continuing Operations and Discontinued Operations (Production Solutions in 2006 and 2007 and Network Test in 2006) .
- The net sales and the operating profit of Continuing Operations were as follows:
  - The net sales amounted to EUR 33.5 million.  
(EUR 31.6 million; an increase of EUR 1.9 million or 5.9 % compared to Q2.2006).
  - Operating loss EUR -6.6 million  
(EUR 2.8 million in Q2/2006).



# Financial Results and Business Segments during the Second Quarter of 2007 (2)

- The Automotive Business Segment continued to grow compared to the corresponding period in 2006. The operating profit was slightly negative due to significant R&D investments.
  - The net sales of the Automotive Business Segment were EUR 11.2 million (EUR 8.8 million; an increase of EUR 2.4 million or 27.6 %).
  - The operating loss of Automotive Business Segment was EUR -0.2 million (EUR 0.2 million).
- The net sales of the Wireless Business Segment were at a similar level but due to significant growth in R&D investments the profitability weakened compared to the corresponding period in 2006.
  - The net sales of the Wireless Business Segment were EUR 22.2 million (EUR 22.8 million; a decrease of EUR 0.6 million or 2.8 %).
  - The operating loss of Wireless Business Segment EUR was -7.1 million (EUR 2.0 million).



# Strategy Update

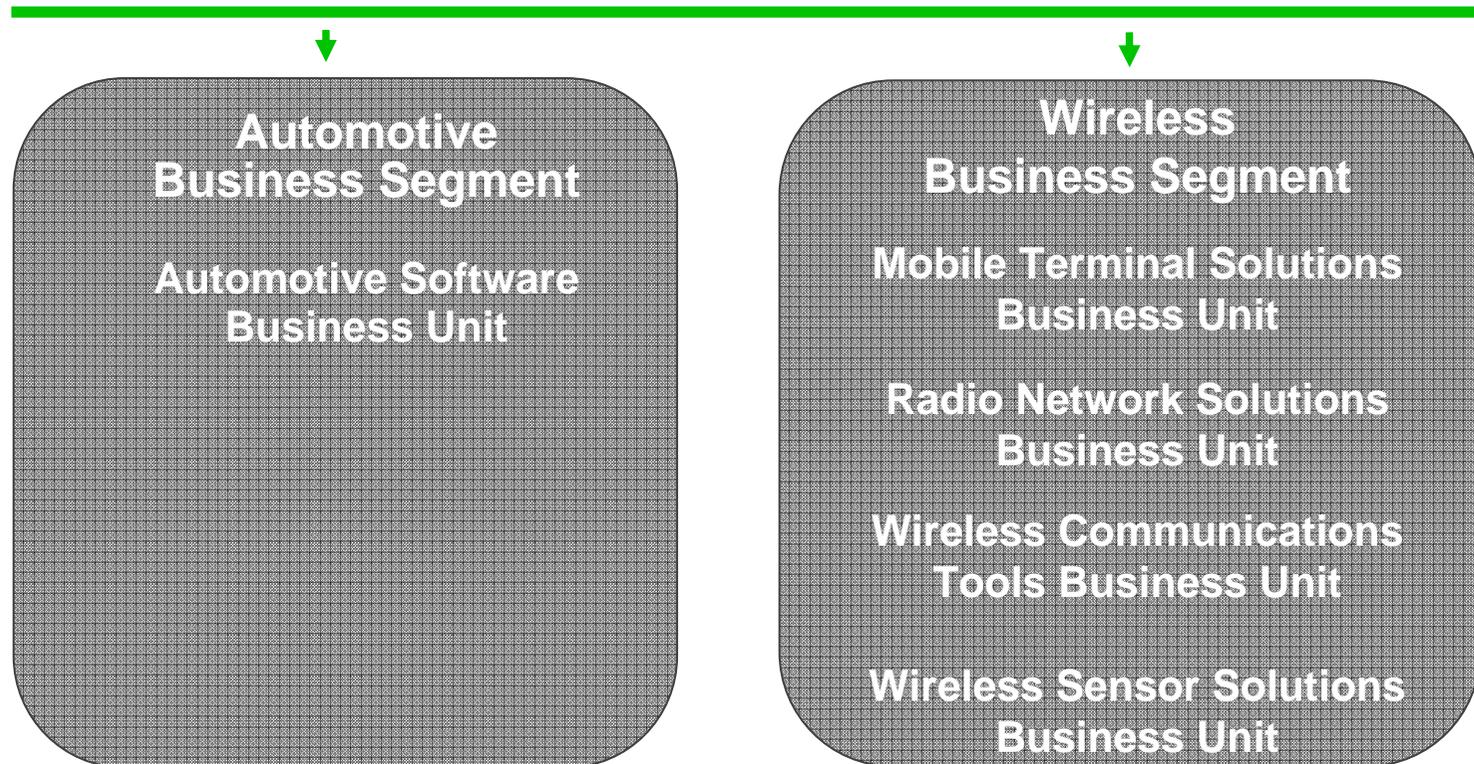
- **EB has now reached the business portfolio and structure it was striving for, and which constitutes a solid base for future operations' development.**
- **EB is also searching for merger and acquisition opportunities to strengthen the business growth.**

- **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 Business Segments and Business Units from April 1, 2007 Onwards

EB



# Income Statement

(continuing operations)

MEUR	<b>Apr. - June 2007</b>	Apr. - June. 2006	Jan. - Dec. 2006
Net sales	<b>33.5</b>	31.6	120.5
Operating profit (loss)	<b>-6.6</b>	2.8	-6.0
Result before taxes	<b>-6.3</b>	2.3	-6.1
Result for the period from continuing operations	<b>-6.4</b>	1.3	-6.1
Result after taxes for the period from discontinued operations	<b>14.5</b>	3.0	80.3
Result for the period	<b>8.1</b>	4.3	74.2



# Automotive Business Segment during 1 - 6 / 2007 (1)

## **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 during the period under review amounted to EUR 21.8. million (EUR 17.5 million), which represents a growth of 25.0 per cent and the operating loss was EUR –0.8 million (EUR 0.8 million) due to continued strong investments in the R&D of automotive software platform products.



# Automotive Business Segment during 1 - 6 / 2007 (2)

- Several product launches during the second quarter;
  - Fiat is now bringing the next generation of the infotainment system with Blue&Me™ Nav into the market. Fiat has developed the system together with Microsoft and EB.
  - In addition to CAN (Controller Area Network) and LIN (Local Interconnect Network), also FlexRay is available as an integrated component of the EB tresos® Automotive Standard Core.
  - The newest version of the EB street director™ portable navigation solution, which responds to spoken commands was published in May.
- The purchase of DECOMSYS in June supports EB's technology and product offering for automotive customers.
  - The core products of DECOMSYS are FlexRay™ design tools, FlexRay™ software stacks, and FlexRay™ network analysis tools.



# Wireless Business Segment during 1 - 6 / 2007 (1)



- The net sales of the Wireless Business Segment from January to June 2007 amounted to EUR 42.2 million (EUR 41.9 million) and the operating loss was EUR – 13.5 million (EUR 0.8 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 intense price competition of mobile terminal solutions R&D services and R&D investments in RFID reader products portfolio.



# Wireless Business Segment during 1 - 6 / 2007 (2)

## Mobile Terminal Solutions Business Unit

- The business environment for the mobile terminals business continued to be under intense competition during the reporting period.
- The Mobile Terminal Solutions Business Unit made 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.
- By the end of the review period the resource utilization rate was recovered to normal level.
- In April, EB joined the Mobile Internet Device Innovation Alliance (MIDIA) in order to develop technology for mobile internet devices.
  - EB demonstrated the EB MIMD reference device at the Computex Taipei International Information Technology Show in June.



# Wireless Business Segment during 1 - 6 / 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 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.
- The Radio Network Solutions Business Unit has been able to grow the customer base for mobile WiMAX module products.
- Product development investments associated with mobile WiMAX base station modules increased and were on a slightly higher level than planned.



# Wireless Business Segment during 1 - 6 / 2007 (4)

## Wireless Communications Tools Business Unit

- The Former System Test Business Unit was focused to advanced wireless emulation and engineering tools, renamed as Wireless Communications Tools and transferred into the Wireless Business Segment due to its undisputed global product leadership and critical role in generating leading-edge radio propagation know-how for the integrated use of the whole company.
- 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 Wireless Communications Tools Business Unit grew strongly from the corresponding period of 2006.
- R&D investments expanding the Prosim™ product portfolio continued. In June, the first deliveries of the new tester product applications for the OBSAI were performed.



# Wireless Business Segment during 1 - 6 / 2007 (5)

## Wireless Sensor Solutions Business Unit

- The Wireless Sensor Solutions Business Unit, being established to the Wireless Business segment in June, provides RFID reader systems and related industrial wireless network solutions.
- A line of RFID reader products introduced in November 2006 together with EB's industrial WLAN products represents the initial product portfolio of the Wireless Sensor Solutions Business Unit.
- The EB RFID solutions are targeted especially at solving challenges in the supply chain and manufacturing of logistics service providers, automotive, telecommunications, electronics, and other high technology industries.
- The acquisition of 7iD, in June, strengthens EB's offering in the Wireless Sensor Solutions Business Unit.
  - The core products of 7iD are reader and acquisition service software products, RFID controllers and related application-specific edgeware software products.



# Net Sales and Operating Profit - Quarterly

MEUR	<b>Apr.- June Q2/2007</b>	Jan.- Mar. Q1/2007	Oct.- Dec Q4/2006	July - Sep. Q3/2006	Apr.- June Q2/2006	Jan.- Dec. 2006
Net sales	<b>33.5</b>	31.0	33.3	27.6	31.6	120.5
Operating profit (loss)	<b>-6.6</b>	-7.2	-5.3	-2.5	2.8	-6.0
Result before taxes	<b>-6.3</b>	-6.4	-4.9	-2.4	2.3	-6.1
Result for the period from continuing operations	<b>-6.4</b>	-6.3	-4.6	-2.2	1.3	-6.1
Result after taxes for the period from discontinued operations	<b>14.5</b>	-1.8	73.7	2.9	3.0	80.3
Result for the period	<b>8.1</b>	-8.1	69.0	0.8	4.3	74.2



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

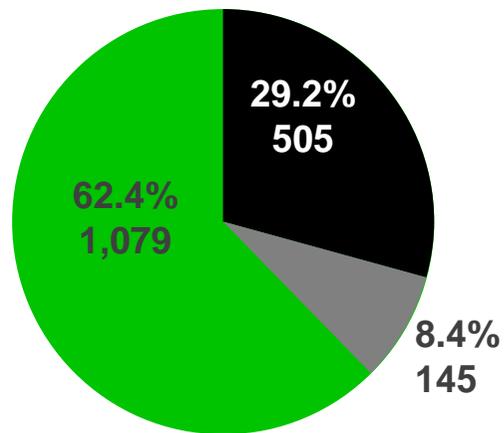
MEUR	<b>Apr.- June Q2/2007</b>	Jan.- Mar. Q1/2007	Oct. - Dec. Q4/2006	July - Sep. Q3/2006	Apr.- June Q2/2006	Jan.- Dec. 2006
Asia	<b>0.6 (2%)</b>	2.5 (8%)	1.9 (6%)	2.1 (7%)	3.2 (10%)	8.7 (7%)
Americas	<b>7.3 (22%)</b>	4.1 (13%)	4.2 (12%)	3.2 (11%)	4.0 (13%)	15.2 (13%)
Europe	<b>25.7 (77%)</b>	24.3 (79%)	27.3 (82%)	22.4 (81%)	24.4 (77%)	96.5 (80%)
<b>Total</b>	<b>33.5 (100%)</b>	31.0 (100%)	33.3 (100%)	27.6 (100%)	31.6 (100%)	120.5 (100%)



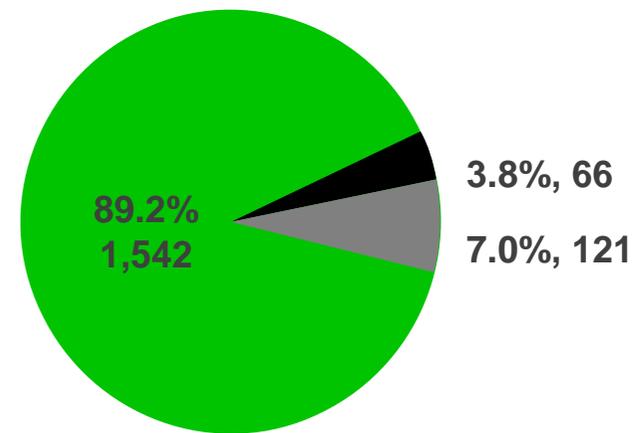
# Personnel

## - June, 2007

BY BUSINESS SEGMENTS



BY MARKET AREAS



Total 1,729

AUTOMOTIVE	■	AMERICAS
WIRELESS	■	EUROPE
COMMON FUNCTIONS	■	ASIA



# Balance Sheet - Quarterly

MEUR	<b>June 30, 2007</b>	Mar. 31, 2007	Dec. 31, 2006	Sep. 30, 2006	Jun. 30, 2006
<b>Assets</b>					
Non-current assets	<b>87.7</b>	76.0	66.3	67.8	68.5
Current assets	<b>161.3</b>	165.6	196.5	118.1	119.8
<b>Total assets</b>	<b>249.1</b>	241.6	262.8	185.9	188.3
<b>Equity and liabilities</b>					
Share capital	<b>12.9</b>	12.9	12.9	12.9	12.9
Minority interest	-	0.0	2.1	1.9	1.9
<b>Total equity</b>	<b>172.3</b>	164.3	188.6	118.1	117.2
Non-current liabilities	<b>34.3</b>	28.9	23.7	24.1	25.2
Current liabilities	<b>42.4</b>	48.5	50.5	43.6	46.0
<b>Total equity and liabilities</b>	<b>249.1</b>	241.6	262.8	185.9	188.3



# Cash Flow

MEUR	Jan.- June 2007	Jan.- June 2006	Jan.- Dec. 2006
+ net profit +/- adjustment of accrual basis items	-11.3	11.6	10.2
+/- change in net working capital	-2.2	-9.1	-7.4
- interests, taxes, and dividends	1.8	-4.4	-4.2
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-11.7</b>	-1.9	-1.4
- net cash from investing activities	-0.5	-1.2	78.5
- net cash from financing activities	-14.1	-10.7	-12.6
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-26.3</b>	-13.8	64.5



# 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 organization.
  - 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)

- During the second half, EB will commence actions to render the company cost structure to correspond with the reduced sales turnover level, after the earlier implemented sale of businesses and reduction of business segments into two.
- 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).



# Financial Reporting in 2007

- The results of the third quarter on November 7.
- Investor Relations;
  - Seppo Laine, CFO, until 14.8.2007  
Tel. +358 40 344 2250, fax +358 8 570 1304,
  - Susanna Marklund, Director, IR and Press Relations,  
15.8.2007 onwards
  - [investor.relations@elektrobit.com](mailto:investor.relations@elektrobit.com)



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