



EB, Elektrobit Corporation
Interim Report 2Q 2012

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August 8, 2012

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



- Highlights of 2Q 2012
- Financial Performance in 2Q 2012 and 1H 2012
- Business Segments in 2Q 2012
- Outlook for 2012
- Q&A

Major Events during 2Q 2012

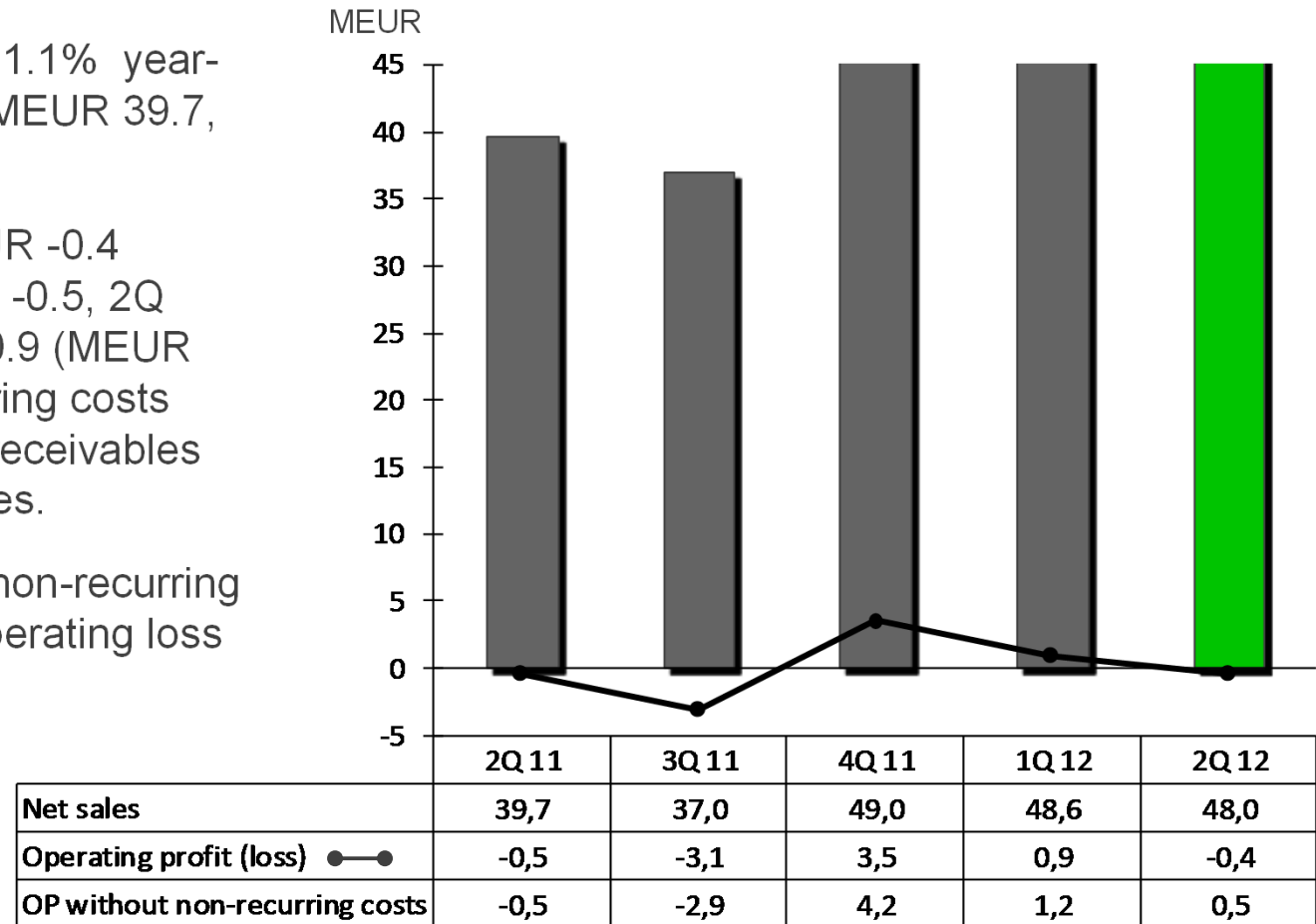
Net sales grew clearly from previous year and operating result was slightly negative



- EB's net sales increased strongly compared to 2Q 2011. Net sales continued to grow in both Business Segments.
- EB's operating result was slightly negative due to the non-recurring costs related to collecting the receivables from TerreStar Companies, and higher than expected project expenses in both Business Segments.
- EB continued strong R&D investments.
- EB signed EUR 20 million credit facility agreements valid until mid 2014.
- In June EB lowered its operating result guidance for the first half of 2012 and gave more precise guidance for the whole year 2012 based on the more specific outlook available.
- In August EB entered into a conditional settlement agreement in the reorganization case of TerreStar Corporation.

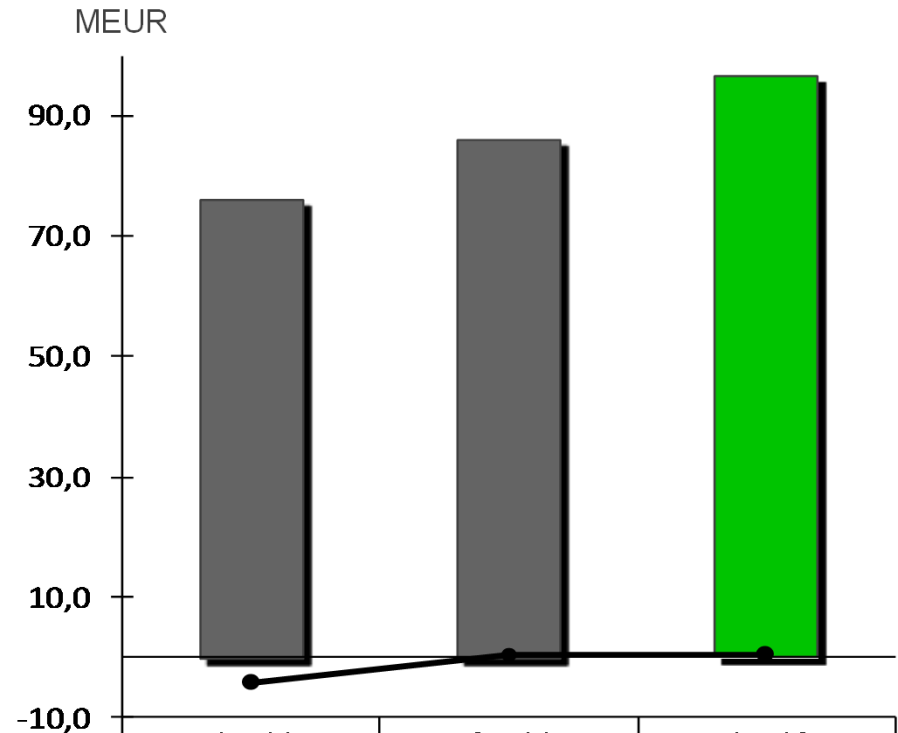
2Q Net Sales Increased clearly Y-on-Y and Operating Result was slightly negative

- Net sales increased by 21.1% year-on-year to MEUR 48.0 (MEUR 39.7, 2Q 2011)
- Operating loss was MEUR -0.4 (operating loss of MEUR -0.5, 2Q 2011), including MEUR 0.9 (MEUR 0.0, 2Q 2011) non-recurring costs related to collecting the receivables from TerreStar Companies.
- Operating profit without non-recurring costs was MEUR 0.6 (operating loss of MEUR -0.5, 2Q 2011)



1H Net Sales Increased Y-on-Y and Operating Result Improved Clearly

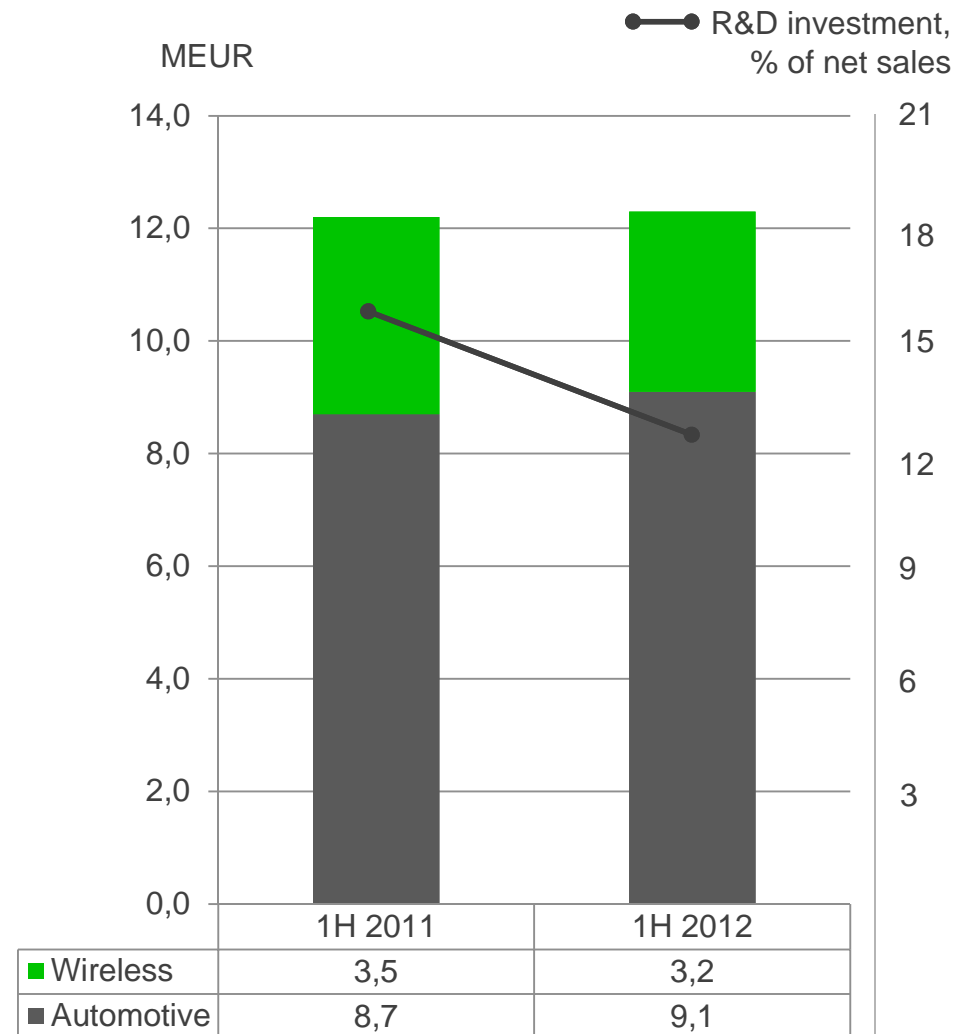
- Net sales increased by 26.9% year-on-year to MEUR 96.6 (MEUR 76.1, 1H 2011)
- Operating profit was MEUR 0.5 (operating loss of MEUR -4.4, 1H 2011), including MEUR 1.2 (MEUR 0.0, 1H 2011) non-recurring costs related to collecting the receivables from TerreStar Companies.
- Operating profit without non-recurring costs was MEUR 1.7 (operating loss of MEUR -4.4, 1H 2011).



	1H 11	2H 11	1H 12
Net sales	76,1	86,1	96,6
Operating profit (loss) ●—●	-4,4	0,4	0,5
OP without non-recurring costs	-4,4	1,3	1,7

Strong R&D Investments Continued

- R&D investments were MEUR 12.3 (MEUR 12.3, in 1H 2011) equaling 12.7 % of the net sales (16.1 %, in 1H 2011).
 - R&D investments in Automotive Business Segment were MEUR 9.1 (in automotive software products and tools).
 - R&D investments in Wireless Business Segment were MEUR 3.2 (mainly in radio channel emulator products and products and platforms for defence and public safety markets).
- MEUR 2.8 was capitalized (MEUR 3.2, in 1H 2011). The amount of capitalized R&D expenses was MEUR 13.9 at the end of June 2012. Significant proportion of capitalized R&D expenses are related to Automotive Business Segment's customer agreements with expected future license fees based on actual car delivery volumes.



Operative Cash Flow in 1H 2012 was Close to Zero

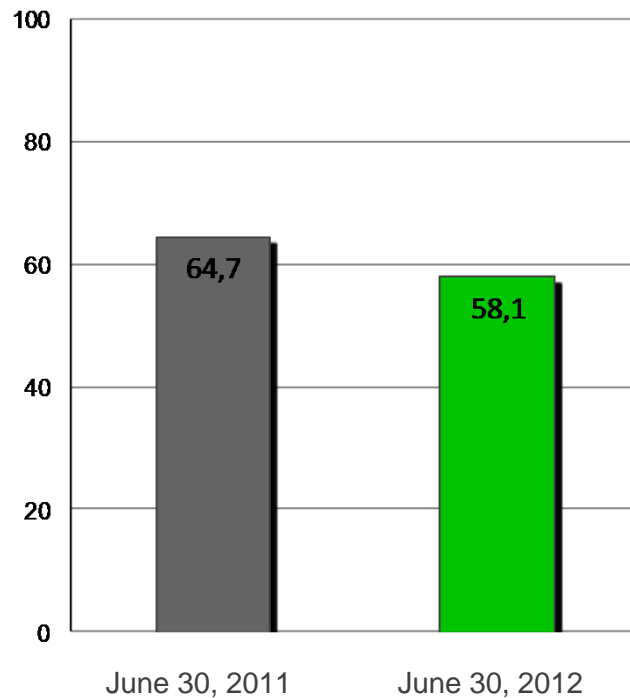
MEUR	1H 2011	1H 2012	Jan. - Dec. 2011
- net profit +/- adjustment of accrual basis items	-2.3	+5.1	+2.1
+/- change in net working capital	+4.4	-4.4	+0.6
- interests, taxes, and dividends	+2.7	-0.8	+2.6
NET CASH FROM OPERATING ACTIVITIES	+4.8	-0.1	+5.3
- net cash from investing activities	-5.1	-4.6	-11.1
- net cash from financing activities	-2.4	+3.4	-4.7
NET CHANGE IN CASH AND CASH EQUIVALENTS	-2.7	-1.3	-10.6

Cash flow from operating activities amounted to EUR -0.1 million (EUR +4.8 million in 1H 2011). Increase in net working capital was mainly caused by longer than before payment milestones in customer projects.



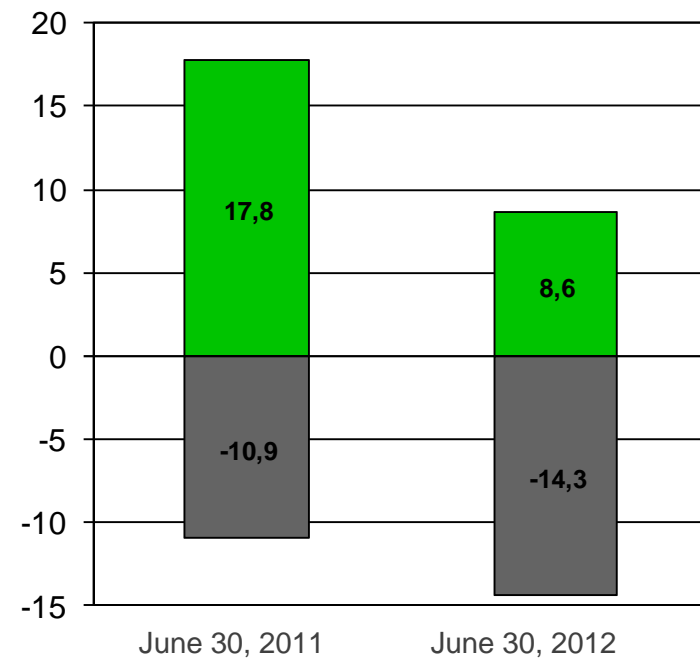
Balance Sheet Remained Strong

Equity ratio, %



- Equity ratio remained at high level

Cash and liquid assets & interest bearing debt, MEUR



- Net debt of MEUR +5.7
- MEUR 4.4 of the MEUR 20 credit facilities in use

■ Cash and liquid assets ■ Interest bearing debt



Conditional Settlement Agreement Regarding EB Receivables from TerreStar Corporation

- Elektrobit Inc., a subsidiary of EB, and TerreStar Corporation and certain of its preferred shareholders, entered on August 2, 2012 into a conditional agreement of settlement of the various disputes between them in TerreStar Corporation Chapter 11 reorganization cases.
- According to the Settlement, if conditions to its effectiveness are fulfilled, the Settlement Payment in the TerreStar Corporation Chapter 11 cases alone, and without any further distribution from the TerreStar Networks Chapter 11 cases, would result a positive effect of approximately USD 1.6 million (EUR 1.3 million as per exchange rate of August 7, 2012) on EB's result and a positive effect on EB's cash flow of approximately USD 13 million (EUR 10.4 million as per exchange rate of August 7, 2012) after estimated tax effects. At this time there is no assurance that the motions for the above mentioned settlement and new financing will be approved by the Court and that the agreed funding is received by TerreStar Corporation. In the event that these contingencies are not fulfilled, nothing contained in the settlement motion shall be deemed to be a waiver of any claims or an admission of liability by any party thereto and, in such event, all rights and remedies of the parties shall be preserved.
- The Settlement does not include the TerreStar Networks Chapter 11 cases, which remain pending, and does not include any distribution therefrom that may be available for EB.
- Further information on TerreStar Corporation's and TerreStar Network's reorganization cases are presented in EB's interim reports and stock exchange releases, which can be found at www.elektrobit.com



Major Events during 2Q 2012

Automotive Business Segment



- Solid overall market demand continued for EB's services and own automotive grade software products adapted and integrated to the customer specific requirements.
- Net sales continued to grow during the second quarter in the Infotainment, Driver Assistance and ECU (Electronic Control Unit) software markets.
- Operating profit improved slightly from 2Q 2011.
- E.solutions GmbH, the joint venture between EB and Audi, made progress according to its targets in developing the new high-end infotainment software, and Audi announced to use it in the new A3 model. The software of this system includes EB's navigation software and speech dialogue technology.
- EB announced new release of its Human Machine Interface (HMI) development tool EB GUIDE 5.3 with performance improvements for fully graphical instrument clusters and support for multi-touch displays.

New Audi A3

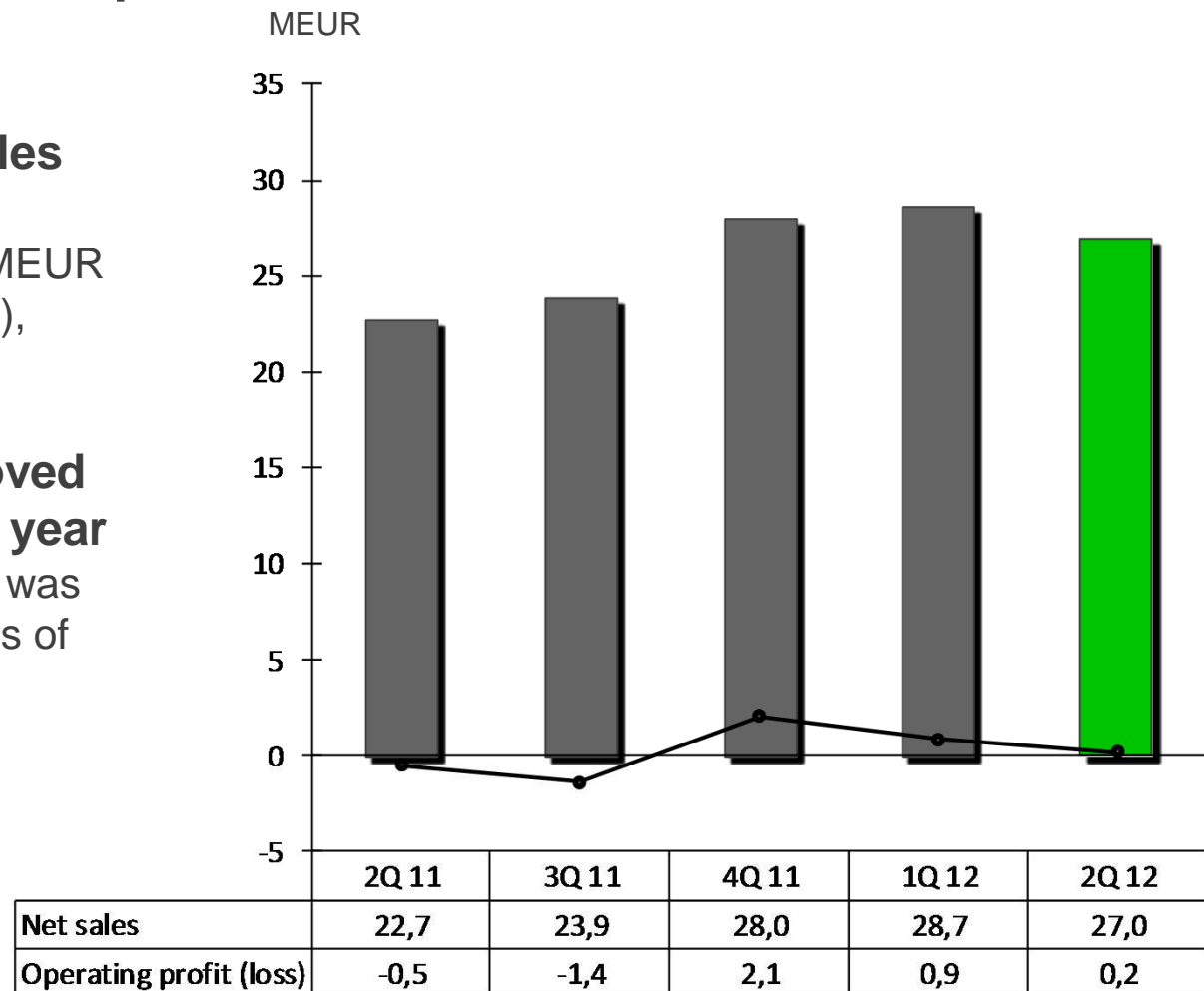
Automotive Business Segment in 2Q and Quarterly Development

Solid growth of net sales continued

- 2Q 2012 net sales was MEUR 27.0 (MEUR 22.7, 2Q 11), increase of 18.9 %

Operating profit improved slightly from previous year

- 2Q 2012 operating profit was MEUR 0.2 (operating loss of MEUR -0.5 in 2Q 11)



Automotive Market Outlook

Carmakers continue to invest in automotive software for new car models and the market for automotive software products and services is estimated to continue growing.



- Move to the greater electronic content in cars has been underway for several years in both low-end and high-end vehicles. The share of electronic components in cars is forecasted to grow from 23 % in 2010 to 33% in 2020 (Roland Berger).
- Software complexity is growing and richness of features is increasing as consumers expect the same kind of user experience as in internet and mobile devices.
- Software and hardware are gradually being separated and the use of standard software solutions is increasing.
- Estimated annual automotive software market growth rate until 2018 is expected to exceed the growth rate of passenger car production volume that is estimated to be 5.6 % CAGR (LMC Automotive's Q4 2011 Forecast).
- *Cost pressures of the industry are expected to accelerate the demand of productized, efficient software solutions EB is offering.*
- *The dependency of EB's net sales on the car production volumes is expected to increase in the coming years.*

Major Events during 2Q 2012

Wireless Business Segment



EB Prosim F32

- Net sales grew by 22.8 percent y-on-y. Net sales grew mainly in defence and public safety, mobile infrastructure R&D services and test tools markets.
- Operating result decreased from 2Q 2011 due to the non-recurring costs related to collecting the receivables from TerreStar Companies.
- EB continued its R&D investments in the radio channel test tools and products and product platforms for the defence and public safety markets.
- EB announced updates to its Tough-VoIP products with new versions of the Field and Desktop phone. EB also announced the EB Prosim F32, a new radio channel emulator product with the highest emulation capacity in the market.
- EB concluded personnel negotiations and closed its site in Espoo. The negotiations concerned 25 employees, of which 14 was transferred to other EB sites, 6 persons were dismissed and the rest found new opportunities outside of EB.



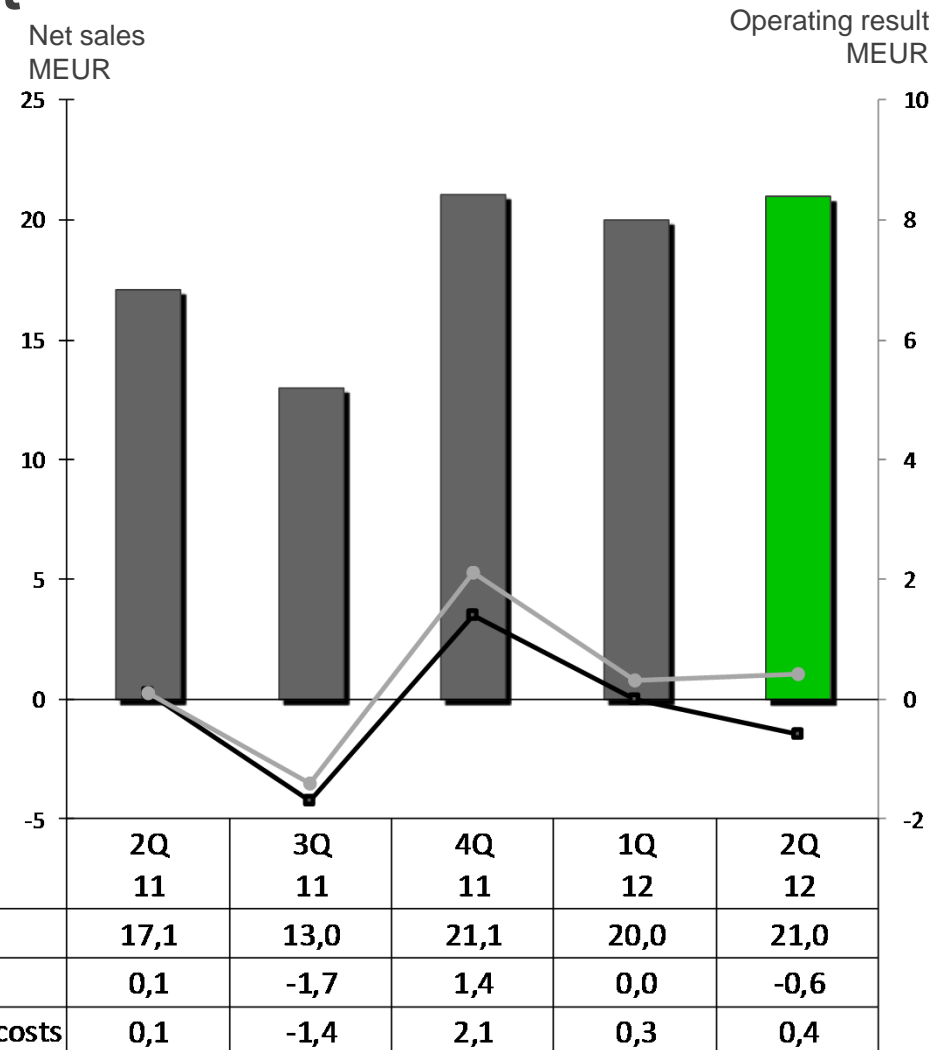
Wireless Business Segment in 2Q and Quarterly Development

Net sales grew clearly year-on-year in 2Q 2012

- 2Q 2012 net sales was MEUR 21.0 (MEUR 17.1, 2Q 2011), increase of 22.8%

Operating result decreased year-on-year in 2Q 2012 due to the non-recurring costs related to collecting the receivables from TerreStar Companies

- 2Q 2012 operating loss was MEUR -0.6 (operating profit of MEUR 0.1 in 2Q 2011), including MEUR 0.9 (MEUR 0.0, 2Q 2011) non-recurring costs related to collecting the receivables from TerreStar Companies.
- 2Q 2012 operating profit without non-recurring costs was MEUR 0.4 (MEUR 0.1, 2Q 2011)



Wireless Market Outlook

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



EB Specialized Device Platform

Mobile telecommunications market

- Increasing use of **LTE radio technology** creates needs to develop new mobile infrastructure products.
- Demand for smart phone related R&D services to OEMs remains low. Due to the changes in the smart phone manufacturers' ecosystems, the demand is shifting towards device platform development for chipset manufacturers.
- Companies outside the traditional wireless markets have growing interest towards connectivity solutions creating value for their own products.
- In the Mobile satellite communication market, the demand for terminals for new data and mobile communications services is expected to grow slowly during next years.
 - *continuing opportunities for EB's services based on broad technology and integration capabilities.*

Defence and public safety markets

- The defence and public safety markets for **communications, jamming and intelligence solutions** is estimated to be increasingly **based on commercial technologies**, such as LTE and smart phone software applications, in the future.
 - *EB's competence and long experience of software radio based solutions is expected to bring new business opportunities.*

Radio channel testing tools market

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

Outlook for 2012

Compared to previous year, EB estimates that the demand for its products and services is expected to grow year-on-year during 2012 in both Automotive and Wireless Business Segments.



- For the year 2012, EB expects the net sales and operating result to grow clearly from the previous year (net sales of MEUR 162.2, operating loss of MEUR -4.0 in 2011).
- For the second half of 2012, EB expects that the net sales will grow clearly (MEUR 86.1 in 2H 2011), and operating result will be clearly positive (MEUR 0.4 in 2H 2011).
- Due to the seasonal nature of the EB's business and due to the holiday period during the third quarter, the net sales and operating result in the third quarter are expected to be lower than in the fourth quarter of 2012.
- The profit outlook for 2012 is based on the assumption that there will be no further bookings of impairments of EB's accounts receivable or non-recurring income from TerreStar Networks Inc. and TerreStar Corporation.

Financial Reports

- Interim Report 3Q 2012 on November 6, 2012
- Announcing of the reporting schedule 2013 on December 2012





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