



EB, Elektrobit Corporation Financial Statements 2010

CEO Jukka Harju
February 17, 2011

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



- Financial Performance in 4Q2010 and in 2010
- Business Segments in 4Q 2010
- Updated Strategic Guidelines
- Outlook for 1H 2011
- Q&A

Major Events during 4Q 2010

- Net sales increased from last year,
significant operating loss



- EB's net sales increased from 4Q 2009 due to the strong growth in the Automotive Business Segment
- Significant operating loss due to non-recurring restructuring costs and lower than expected sales volumes in the Wireless Business Segment
- Balance sheet remained strong
- Growth of R&D investments continued

EB's receivables from TerreStar

- On Oct 19, 2010, TerreStar Networks Inc., a customer of EB's subsidiary Elektrobit Inc., filed voluntary petitions for reorganization under Chapter 11* in order to strengthen their financial position.
- EB's receivables from TerreStar Networks on February 16, 2011, were approximately USD 25.8 million (EUR 19.1 million**), all outstanding
- Impairment of accounts receivables of EUR 8.3 million was made by EB in 3Q 2010.
- EB initiated legal proceedings against its customer TerreStar Corporation to collect receivables in the amount of approximately USD 25.8 million
 - the legal proceedings are partly based on a guarantee issued by TerreStar Corporation for EB's accounts receivables from TerreStar Networks and partly based on TerreStar Corporation's direct contractual obligations towards EB.
- EB aims to collect the amounts owed to it in full either through the re-organization process of TerreStar Networks or through legal proceedings against TerreStar Corporation, and/or for example through selling of the accounts receivables. The form or timing of collecting EB's receivables cannot be predicted with any degree of certainty at this time.
- Should the business relationship completely terminate in short-term, and the accounts receivables could not be collected, this would additionally lower EB's operating profit non-recurringly by approximately EUR 11 million**, at maximum
- More information in the stock exchange releases of Oct 20, Oct 25, Nov 20 and Dec 30, 2010



EB's Net sales increased in 4Q2010

Challenges in Wireless Business

Net sales increased slightly Y-o-Y

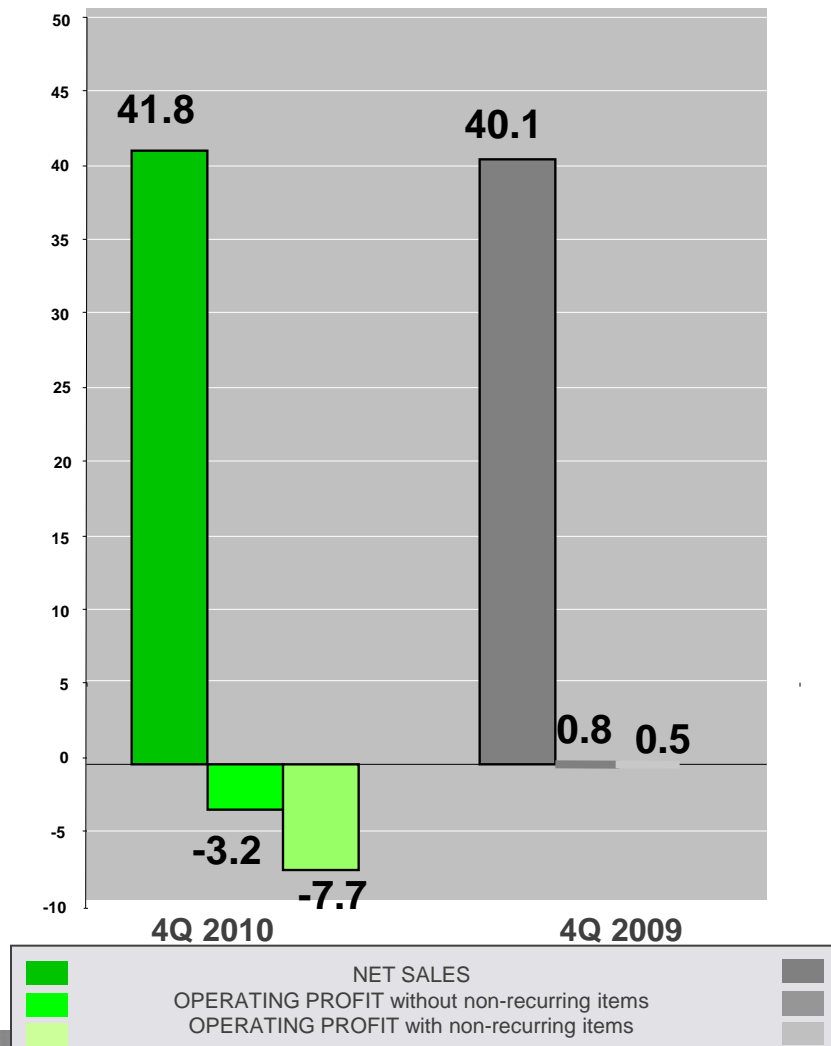
- Net sales amounted to 41.8 MEUR (40.1 MEUR, 4Q09) representing a 4.5% increase year-on-year

Significant operating loss due to challenges in the Wireless Business segment

- Operating loss was -7.7 MEUR (0.5 MEUR, 4Q09). Non-recurring costs totaled to 4.5 MEUR; operating loss excluding non-recurring items was -3.2 MEUR (0.8 MEUR, 4Q09)

Balance sheet remained strong

- Cash and other liquid assets totaled to 20.5 MEUR (59.1 MEUR, 4Q09)
- Equity ratio remained at a high level of 62.6 % (71.5% 4Q09)



EB's financial performance in 2010

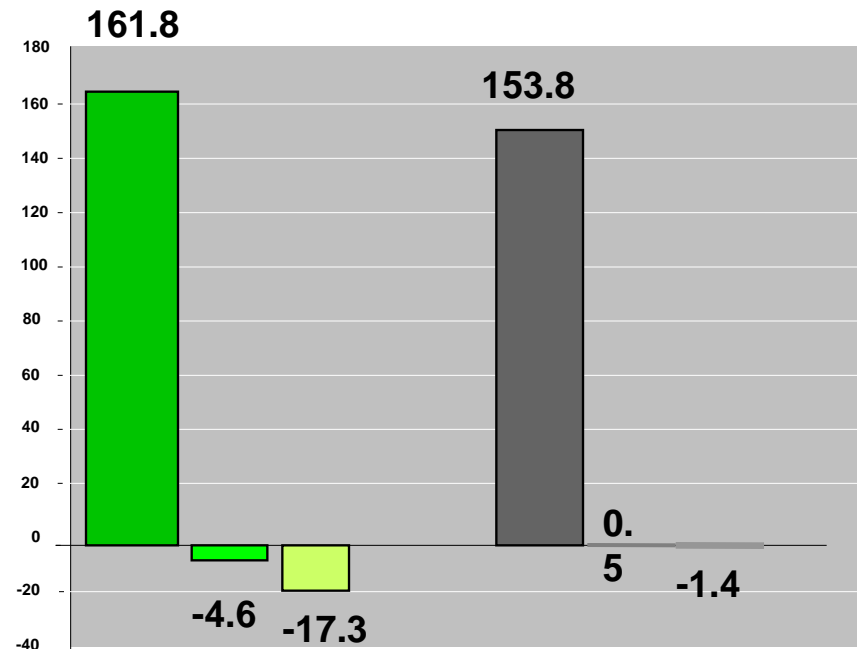
Net sales grew from 2009, operating loss significant

Net sales grew slightly compared to the previous year

- Net sales amounted to 161.8 MEUR (153.8 MEUR, 2009) representing a 5.2 % increase year-on-year.

Operating loss was significant due to non-recurring costs and impairment of receivables in Wireless Business segment

- Operating loss was -17.3 MEUR (-1.4 MEUR, 2009)
- Non-recurring costs, including impairment of receivables from TerreStar Networks Inc., amounted to 12.7 MEUR. Operating loss excluding non-recurring costs was -4.6 MEUR (0.5 MEUR, 2009).
- EBITDA was -8.8 MEUR (8.3 MEUR, 2009)



1-12 2010

1-12 2009



NET SALES
OPERATING PROFIT without non-recurring items
OPERATING PROFIT with non-recurring items



Operative cash flow for 2010 was positive

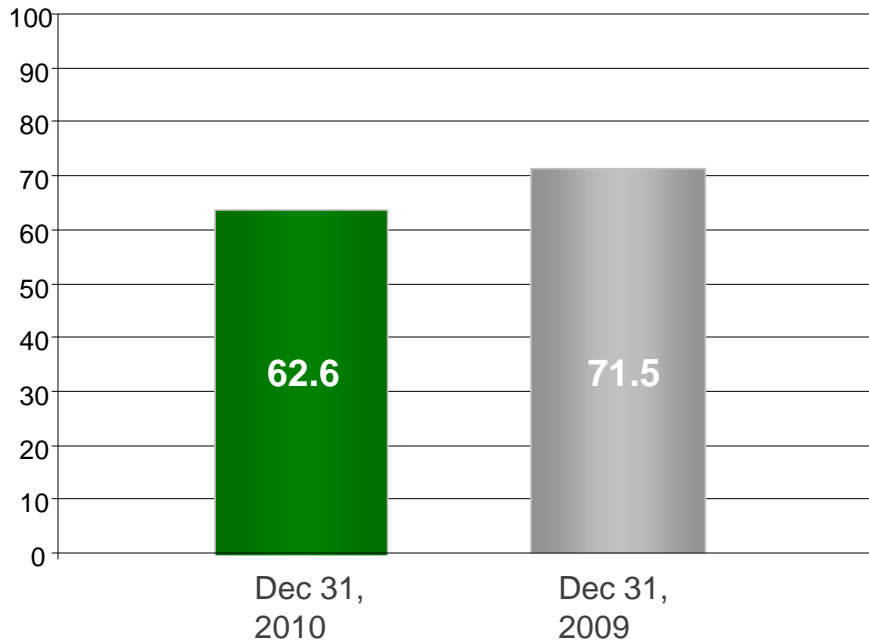
- Improved slightly from 2009

MEUR	4Q 2010	4Q 2009	Jan. - Dec. 2010	Jan. - Dec. 2009
- net profit +/- adjustment of accrual basis items	-4.9	+1.9	+1.8	+5.6
- change in net working capital	-0.3	-2.2	+3.5	-3.8
- interests, taxes, and dividends	+0.3	-0.2	-3.8	-1.4
NET CASH FROM OPERATING ACTIVITIES	-4.9	-0.5	+1.5	+0.4
- net cash from investing activities	-2.9	-0.7	-7.9	-3.4
- net cash from financing activities	-1.5	-1.9	-32.1	-6.5
NET CHANGE IN CASH AND CASH EQUIVALENTS	-9.3	-3.1	-38.5	-9.5

- 2010 Cash flow from Business Operations amounted to EUR 1.5 million (EUR 0.4 million in 2009).
- Cash and other liquid assets totaled to EUR 20.5 million (EUR 59.1 million in 2009)
- Equity ratio remained at a high level of 62.6% (71.5% in 2009)

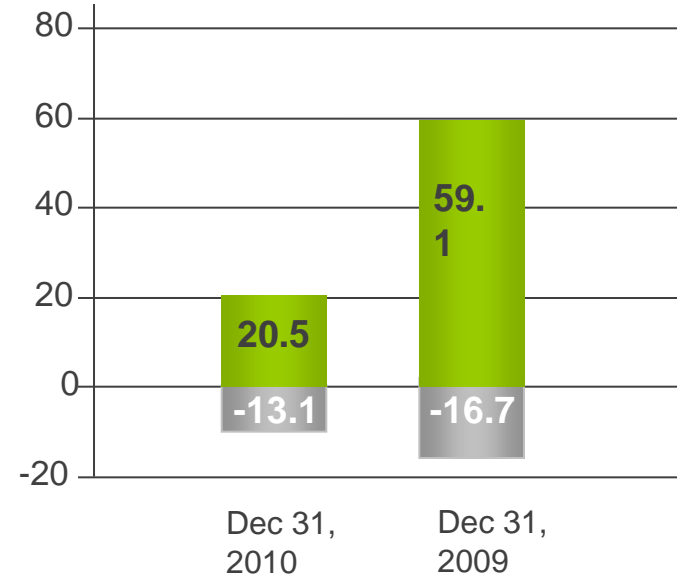
Balance Sheet Remained Strong

Equity ratio, %



- Equity ratio remained at a high level of 62.6 % (71.5% 4Q09) despite the equity refund and impairment of accounts receivables

Cash and liquid assets & interest bearing debt, MEUR



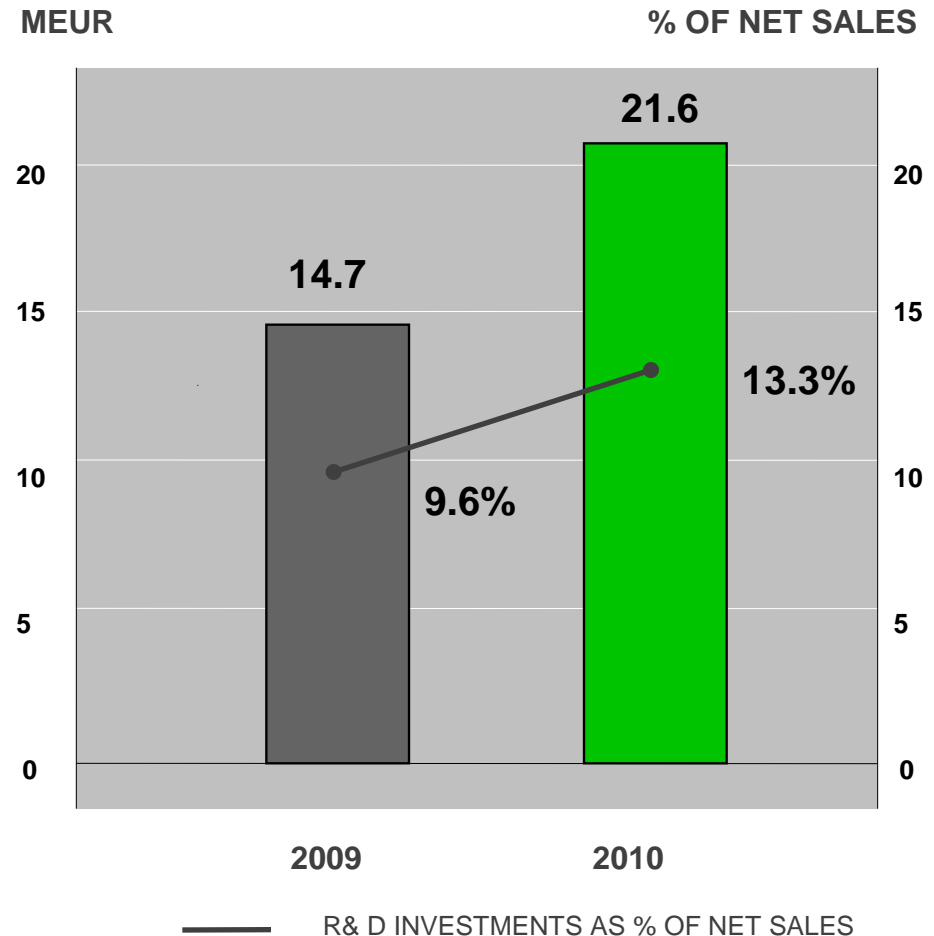
- Cash and liquid assets
- Interest bearing debt

- Net debt free balance sheet
- Equity refund of MEUR 25.9 on Sept 2, 2010



R&D investments grew significantly to 13.3% of net sales

- During 4Q 2010 and full year 2010 EB continued investing in Automotive software products and tools, radio channel emulation products and Wireless Solutions product platforms
- The R&D investments in 4Q 2010 were MEUR 6.1 (MEUR 4.2 in 4Q 2009)
- The R&D investments in 2010 were MEUR 21.6 (MEUR 14.7 in 2009), representing 13.3% of net sales (9.6% in 2009). MEUR 5.6 was capitalized.



Strong growth in Automotive Business Segment

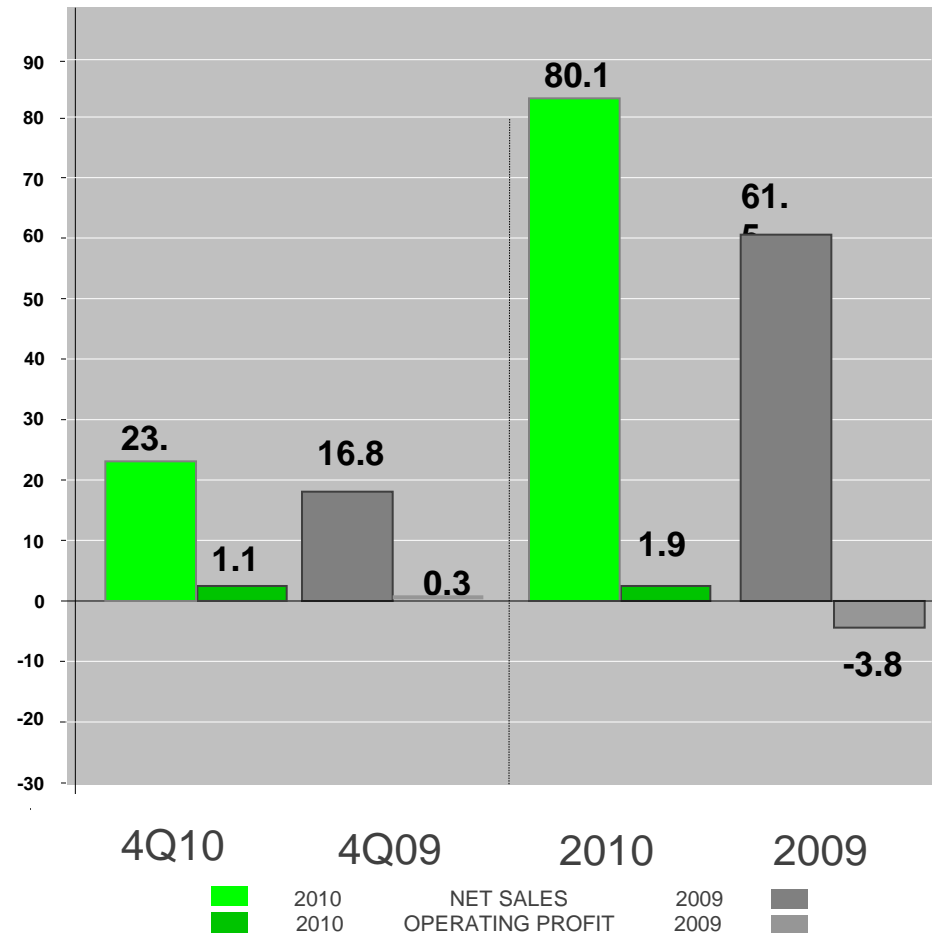
Improved Operating Result in 4Q 2010 and 2010

Market recovered from downturn in 2009, strong increase in net sales

- 4Q10 net sales 23.1 MEUR (16.8 MEUR, 4Q09), increase of 36.8%
- 2010 net sales 80.1 MEUR (61.5 MEUR, 2009), increase of 30.2%

Profitability improved due to increased sales and solid market demand for EB's software products and services

- 4Q10 operating profit was 1.1 MEUR (0.3 MEUR in 4Q09)
- 2010 operating profit was 1.9 MEUR (-3.8 MEUR, 2009)



Major Events during 4Q 2010

- Automotive Business Segment



- Good progress in Infotainment-projects for several car manufacturers and their electronic component suppliers targeting to market releases in 2011 and 2012
- Development of Infotainment Software Suite for Volkswagen Group proceeded as planned by e.solutions (EB & Audi JV)
- In ECU (Electronic Control Unit) market EB won several new customers for its AUTOSAR-standard based solutions
- EB continued efforts to expand its business to Driver Assistance applications

Automotive Market Outlook

The share of electronics and software in cars has grown significantly during the past years and the trend is expected to continue.



- The estimated **annual automotive software market long-term growth rate** is some 15% (Frost & Sullivan).
 - The expected underlying world **automotive market** growth rate is about 6% yearly during 2010-2015 (CSM).
 - Gradual **separation of software and hardware**
 - Increasing use of **standard software solutions**
- *Cost pressures of the industry are expected to accelerate the need of productized, efficient software solutions EB is offering.*
- Transition towards **software product business models**
- *The dependency of EB's net sales on the car production volumes is expected to increase in the coming years.*

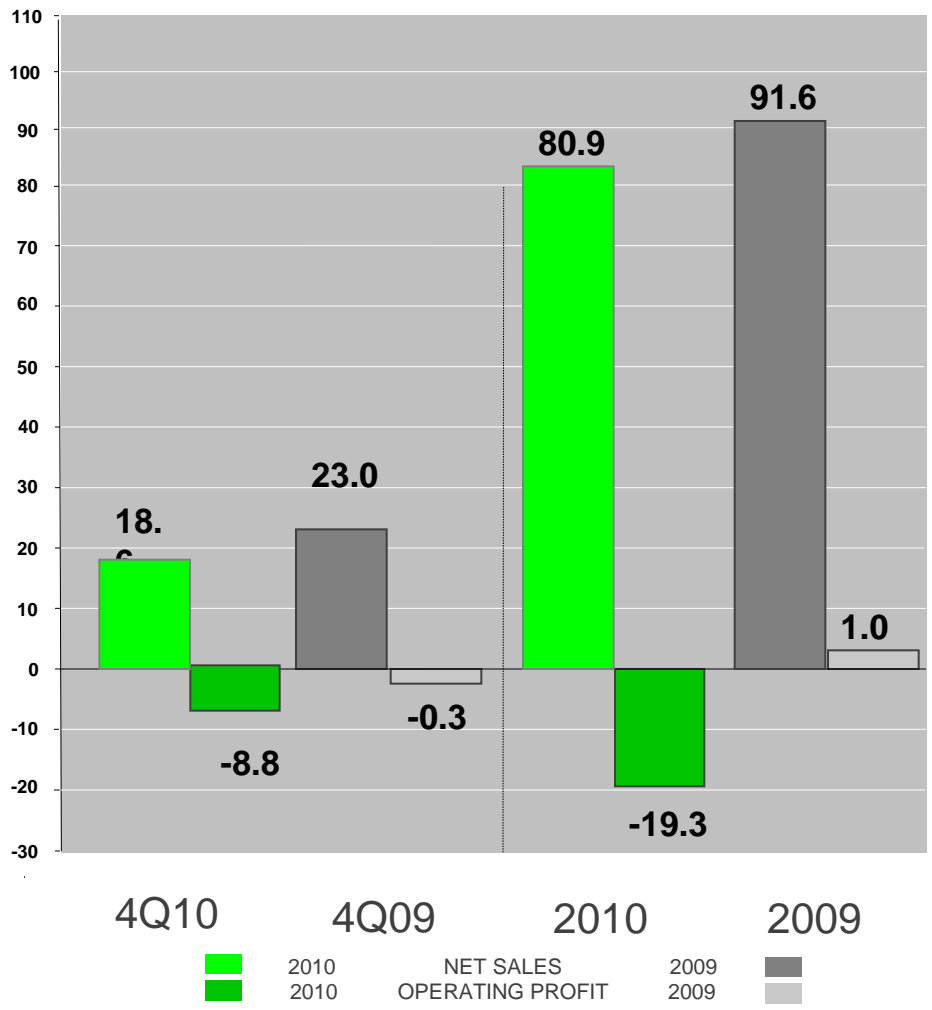
Decreased sales and significant operating loss and non-recurring costs in Wireless Business Segment

Decrease in Net Sales

- 4Q10 18.6 MEUR (23.0 MEUR, 4Q09), decrease of -19.2%
- During 2010 80.9 MEUR (91.6 MEUR, 2009), decrease of -11.7%

Operating loss was significant

- 4Q 2010 operating loss was -8.8 MEUR (-0.3 MEUR in 4Q 2009). Non-recurring costs in 4Q 2010 were 4.0 MEUR. Operating loss excluding non-recurring costs was -4.8 MEUR (0.1 MEUR in 2009).
- Full year 2010 operating loss was -19.3 MEUR (1.0 MEUR 2009). Non-recurring costs, including impairment of receivables from TerreStar Networks Inc., amounted to 12.3 MEUR. Operating loss excluding non-recurring costs was -7.0 MEUR (2.6 MEUR, in 2009).



Major Events during 4Q 2010

- Wireless Solutions



- Elektrobit Inc.'s customer TerreStar Networks filing for reorganization in October resulted in lower than planned sales volume and reduction of employees and other restructuring measures
- EB initiated legal proceedings against TerreStar Corporation
- Business with Defence & Security customers developed well
- The strengthening of EB's Open Source Software competencies continued

Major Events during 4Q 2010

- Wireless Communications Tools



- Sales of Radio Channel Emulators and related services grew from 4Q 2009
- EB invested further in R&D and introduced a more powerful EB PropSim F8 Radio channel emulator
- EB announced new more affordable baseline hardware configuration of EB PropSim F8

Wireless Market Outlook

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



Smartphone and mobile infrastructure markets

- Growth of **smartphones** and changes in **software architectures and platforms**
- Increasing use of **LTE radio technology** creates needs to develop new mobile infrastructure products.
- OEMs are expected to **increase their R&D flexibility**, but the wireless communication **R&D services market is still challenging**.
- *opportunities for companies such as EB with strong technology and integration capabilities.*

Defence, security and mobile satellite communications markets

- The mobile satellite communication service industry is introducing **new data and mobile communication services**. The demand for products and services for **the satellite-terrestrial services market is expected to develop slowly**.
- The market for **communications, interference and intelligence solutions** targeted for public authorities is estimated to **remain stable** and to be increasingly **based on commercial technologies** in the future.
- *EB's competence on commercial technologies and mastering the radio channel and software radio solutions create opportunities for EB.*

Radio channel testing tools market

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

EB's Strategic Guidelines

Focus on two business segments: Automotive and Wireless

- **Main objectives:**
 - to be a *leading provider of solutions, products and services* in its selected business areas, and
 - in short-term a positive operating profit and profitability development
- Continue to make **focused R&D investments** in the Automotive and Wireless Business Segments
- Further develop **partnerships** and identify **M&A opportunities**
- **Automotive Business Segment:**
 - Focus on automotive software
 - Increase the use software product business model
 - Aim at growing the net sales at least at the pace of the automotive software market growth
- **Wireless Business Segment**
 - Focus on wireless device, network infrastructure and test tool applications
 - Develop the offering and competitiveness based on strong radio technology, embedded software, electronics and product integration capabilities
 - Aim at gradually increasing the net sales during the next few years



Outlook for the First Half of 2011

During the first half of 2011 EB's sales in the Automotive Business Segment is expected to increase. Sales in EB's Wireless Business Segment is expected to remain at the same level than in the second half of 2010.



- The continuing challenges of TerreStar Networks in obtaining funding have resulted in payment delays and increased the risk of credit losses. The risk for credit losses may still increase during the 1H 2011.
- EB expects that net sales in the first half of 2011 will be lower than in the first half of 2010 (MEUR 86.2). EB expects operating profit for the first half of 2011 to be lower than during the first half of 2010 (MEUR 1.8).
- The profit estimate is based on the assumption that no further impairments of the receivables from TerreStar Inc. have to be made during 1H2011.

Financial Reports and other important Dates for 2011

March 4	Publishing of the Annual Report 2010
March 31	Annual General Shareholders' Meeting
April 29	Interim Report 1Q 2011
August 5	Interim Report 2Q 2011
November 1	Interim Report 3Q 2011





Investor Relations:

Jukka Harju, CEO

Tel. +358 40 344 5466

Investor.relations@elektrobit.com

Elektrobit Corporation

Tutkijantie 8

FIN-90570 OULU, FINLAND

Tel. +358 40 344 2000

www.elektrobit.com



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