



EB, Elektrobit Corporation CEO's Review

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Annual General Meeting of Shareholders

March 31, 2011

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Summary of Financial Performance 2010

Net sales increased from last year, operating loss was significant



- During the first half of 2010 the financial performance improved as planned
- During the second half of the year the operating profit was strongly negative due to the challenges in the satellite terminal business in the Wireless Business Segment.
- Operating loss includes non-recurring costs and impairments of EUR 12.7 million
- The Automotive Business Segment's net sales grew by 30.2% and operating result was positive
- The Wireless Business Segment's net sales declined by 11.7% and operating loss was significant

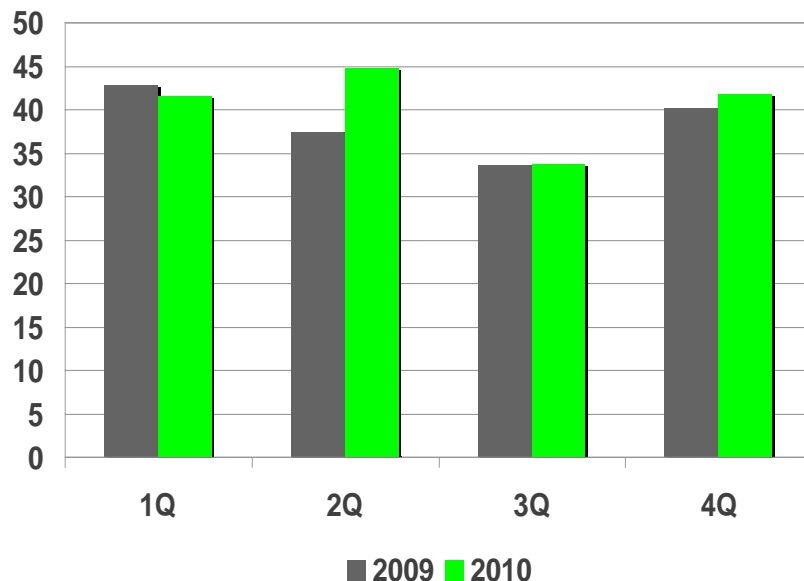
Key Figures

MEUR	2009	2010
Net Sales	153.8	161.8
Operating profit (loss)	-1.4	-17.3
Operating loss excl. non-recurring items	0.5	-4.6
Result before tax	-2.0	-18.6
Income taxes	-1.3	2.9
Result for the period from continuing operations	-2.0	-15.7
Total comprehensive income for the period	-2.4	-14.9
Earnings per share	-0.03	-0.12
Equity ratio, %	71.5	62.6
Average personnel	1,589	1,561

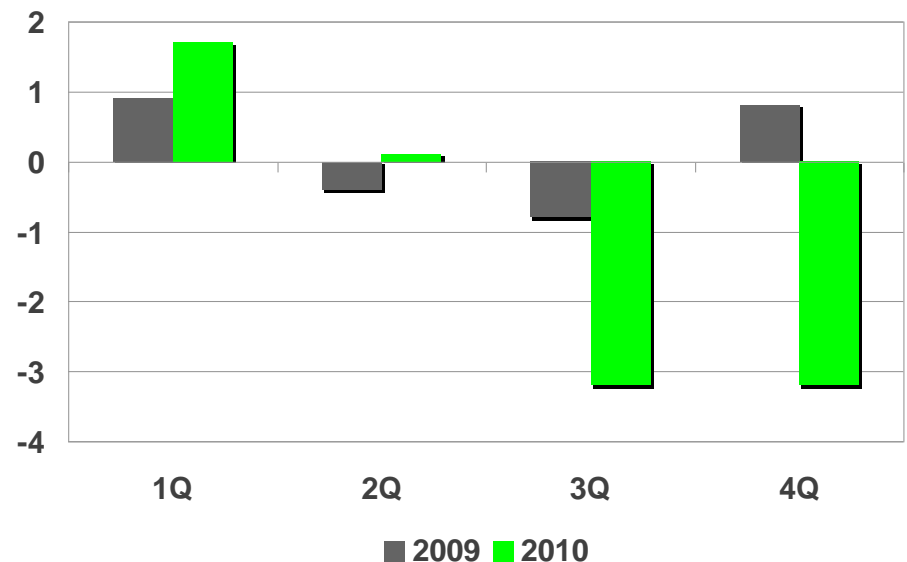
Development of net sales and operating result

Quarterly figures

**Net sales development
(MEUR)**



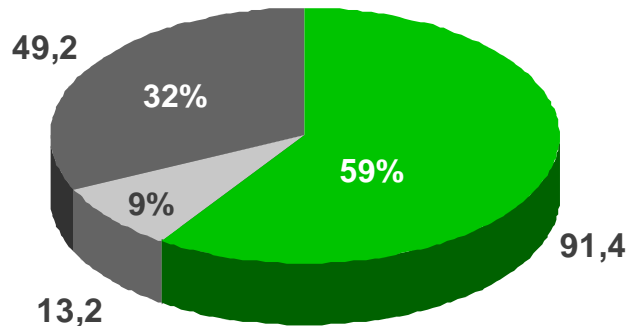
**Operating result development (MEUR)
(excluding non-recurring items)**



Net sales by market areas

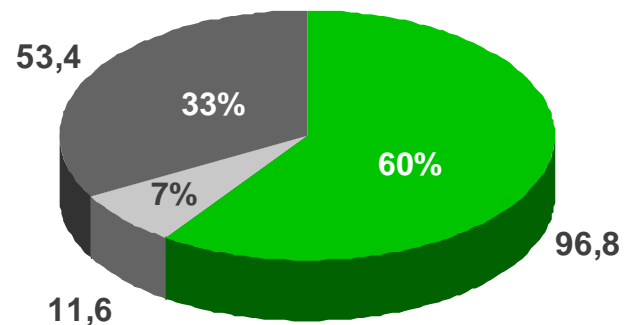
Only small changes from the previous year

2009



■ Europe ■ Asia ■ Americas

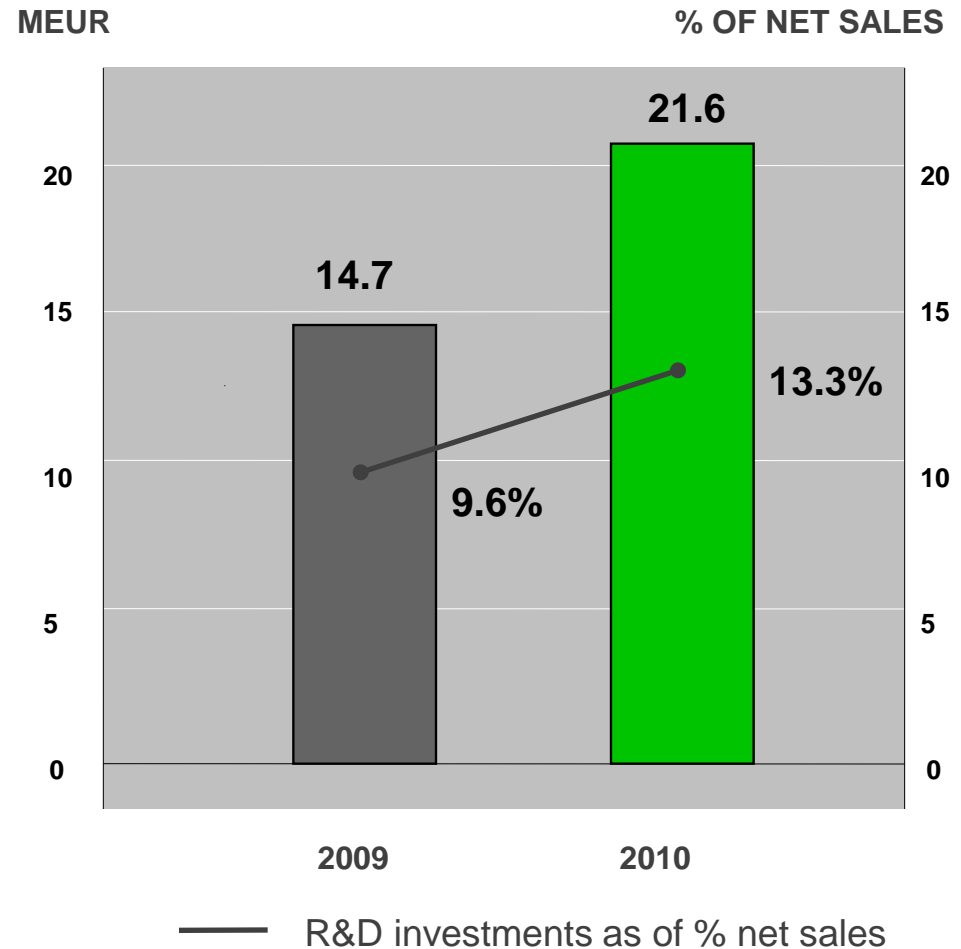
2010



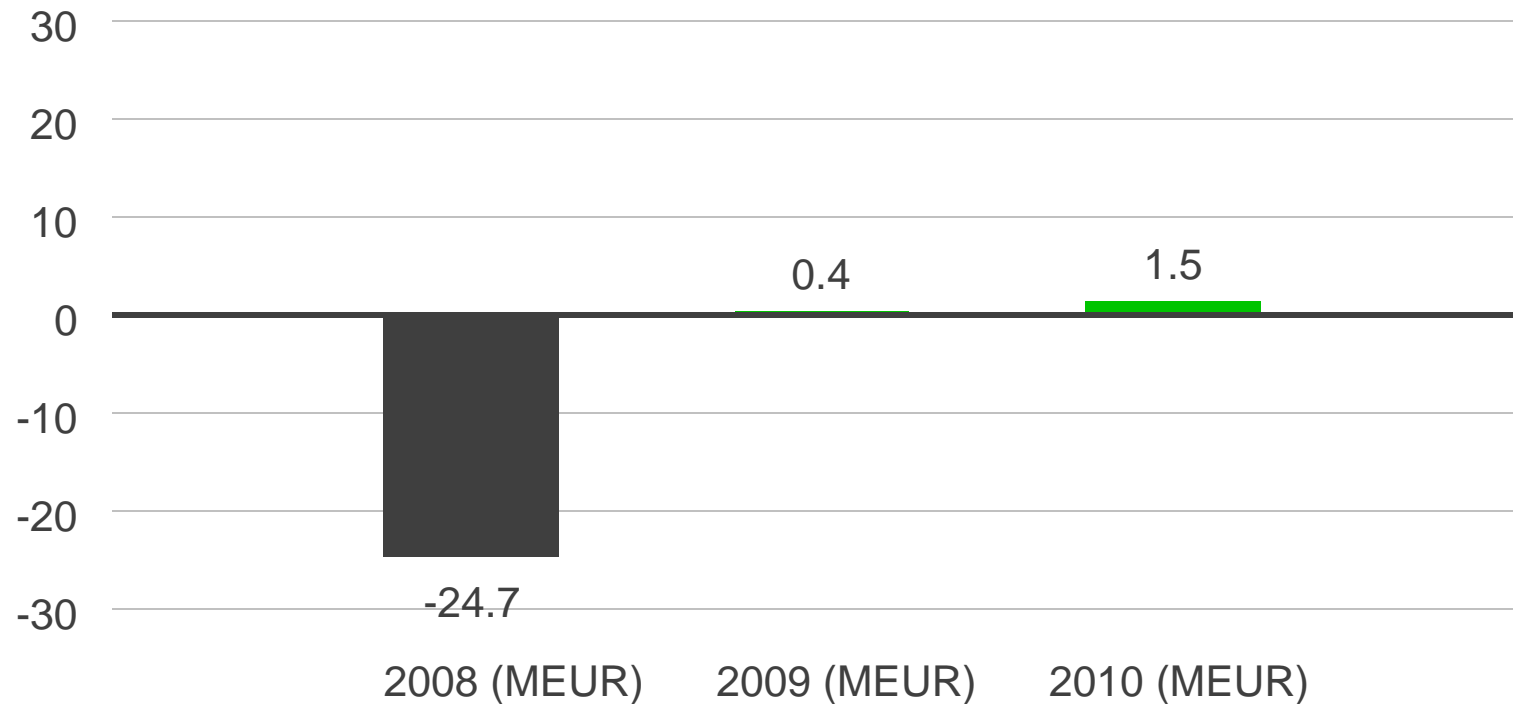
■ Europe ■ Asia ■ Americas

The total R&D investments grew from the previous year equaling 13.3% of net sales

- EB continued focused R&D investments in car navigation software systems and design tools, radio channel emulator products and wireless solutions product platforms
- R&D investments were MEUR 21.6 (MEUR 14.7 in 2009), equaling 13.3% of net sales. MEUR 5.6 was capitalized.

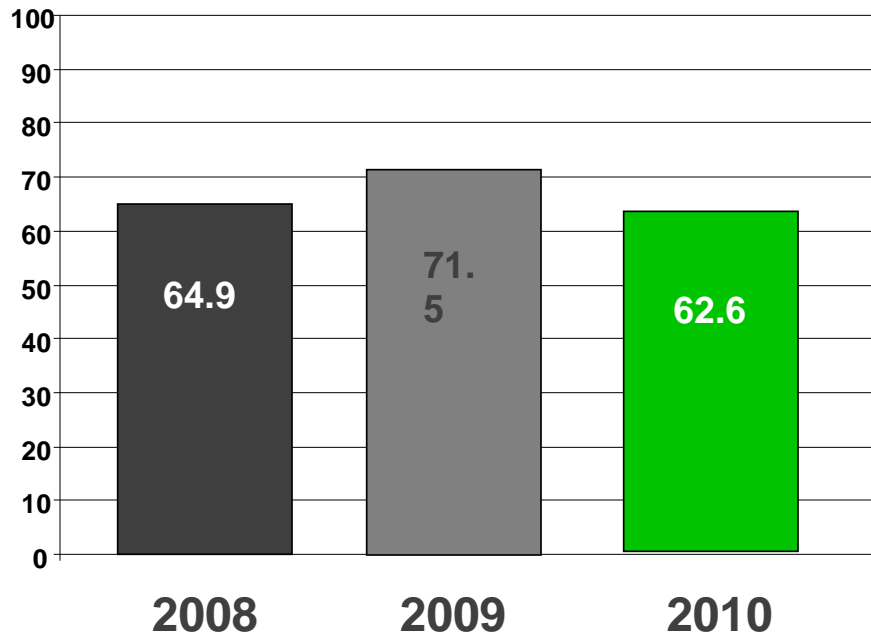


Cash generated from operations was positive

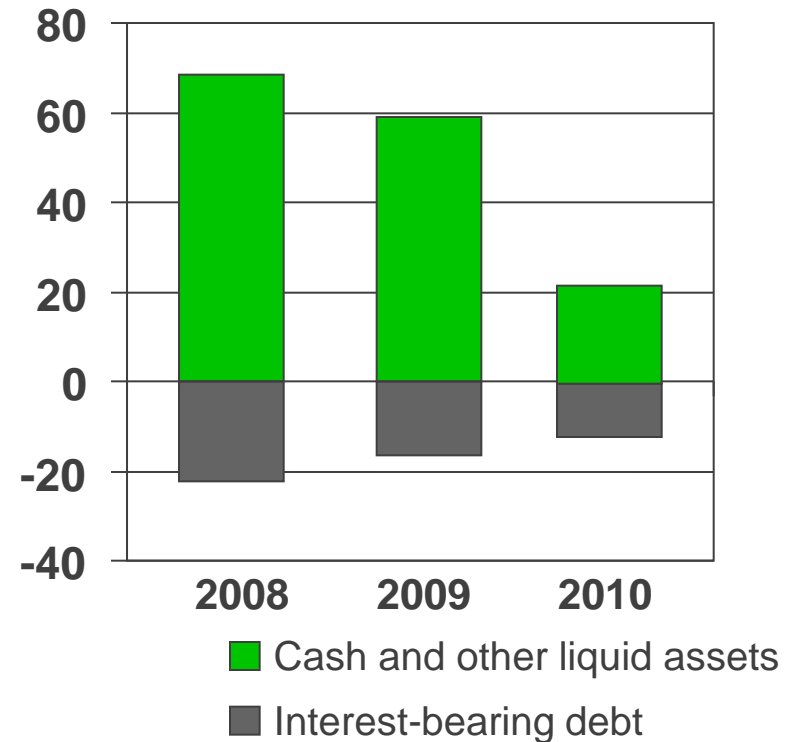


The Balance Sheet remained strong

Equity ratio, %

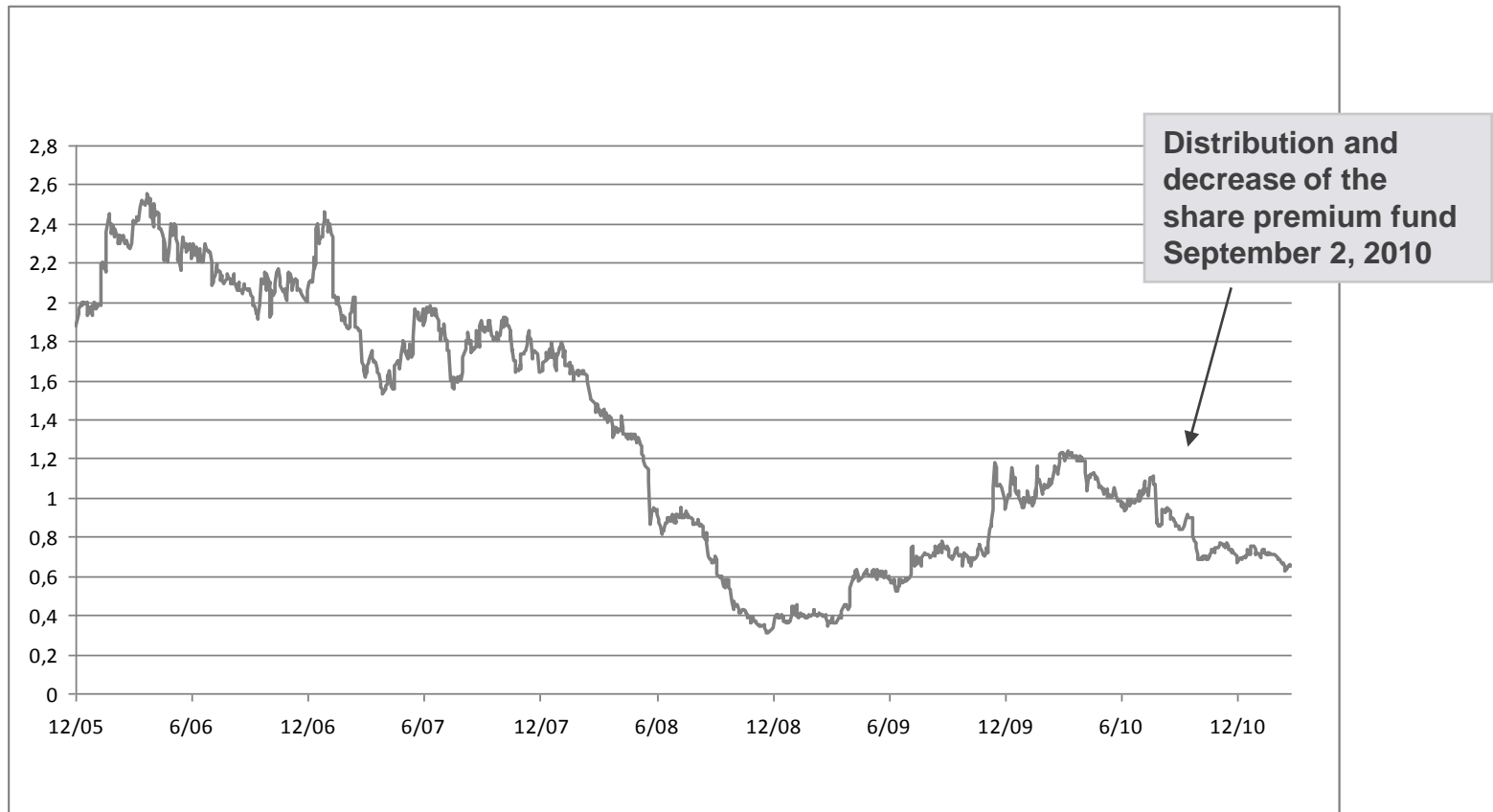


Cash and other liquid assets and interest-bearing debt (MEUR)



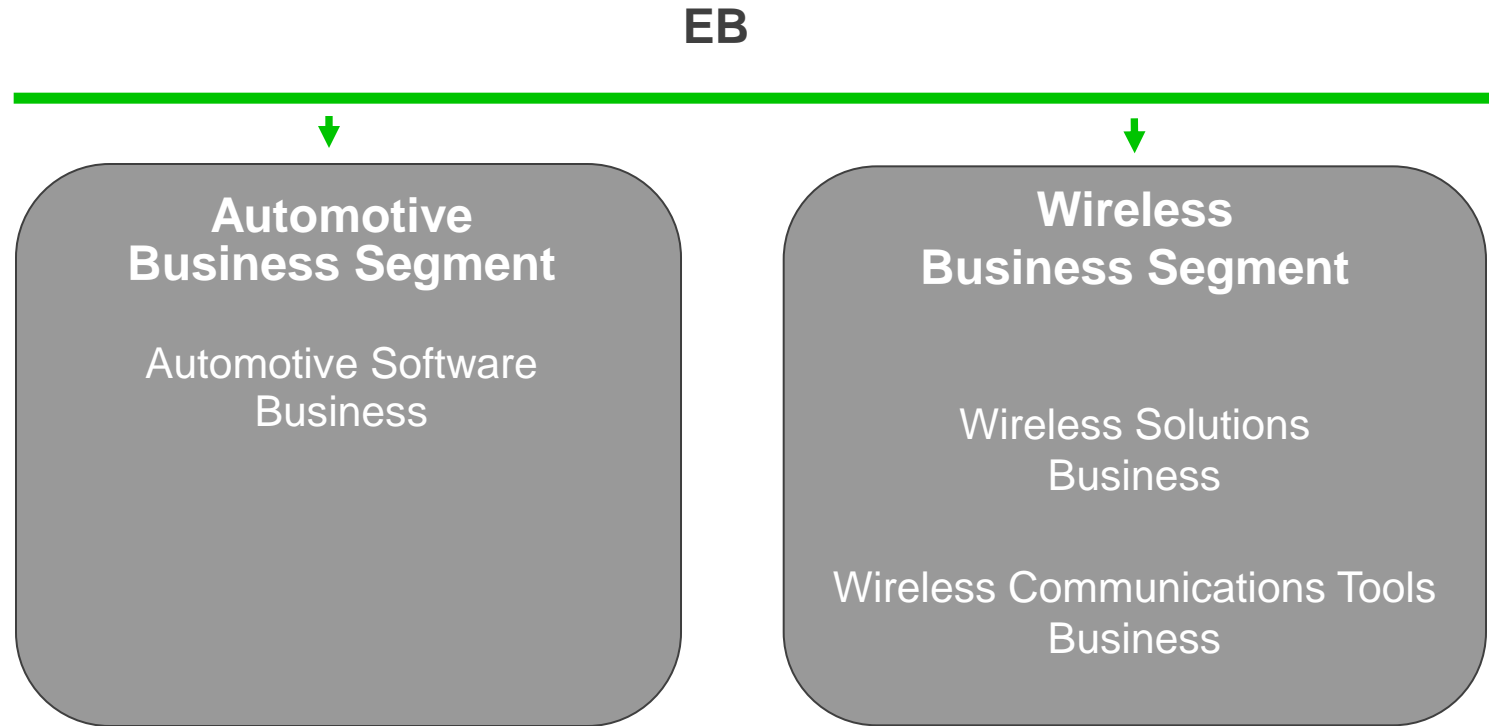
The share price of Elektrobitt Corporation

Nasdaq OMX Helsinki 12/2005 – 03/2011



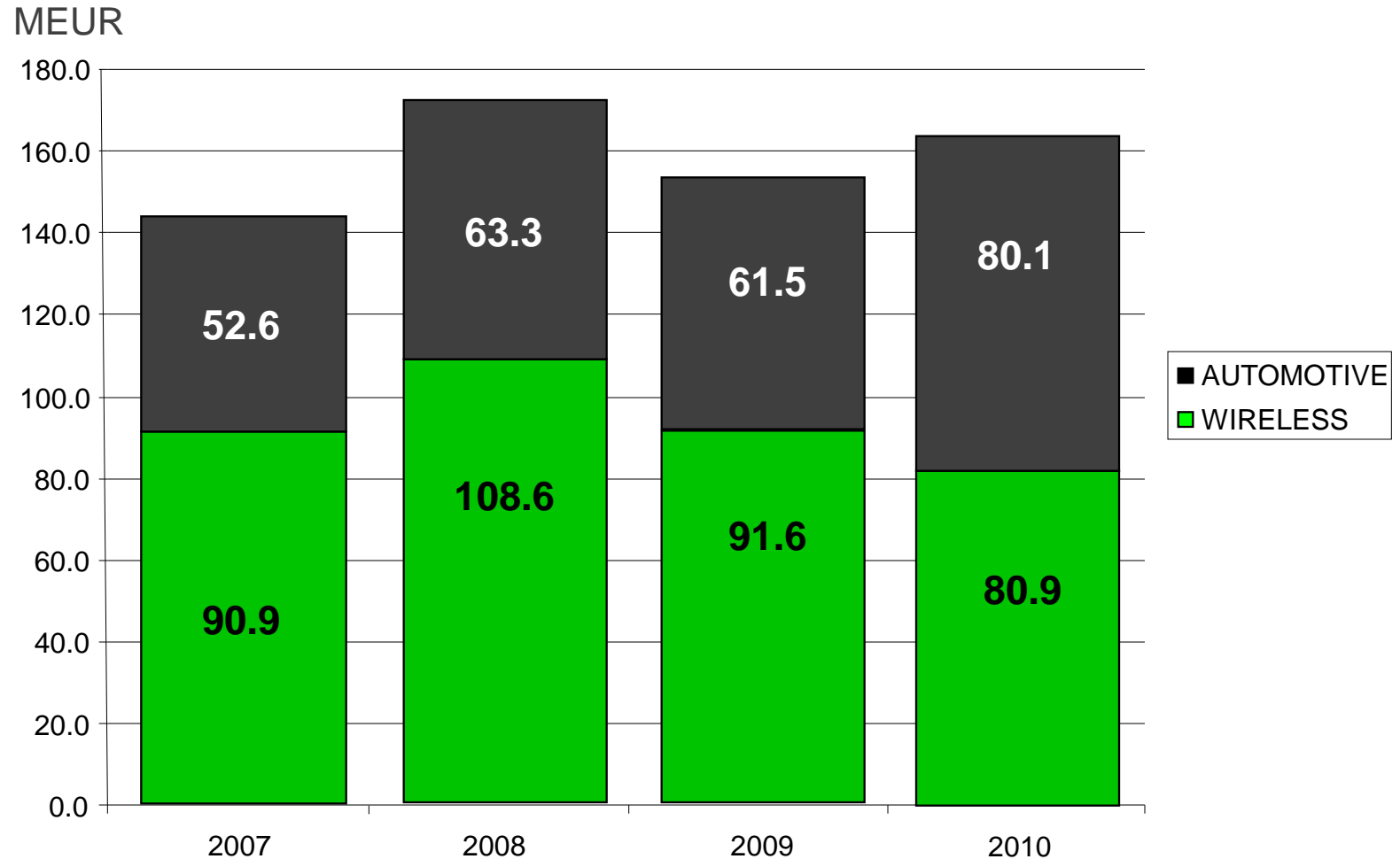
- EUR 0.20 per share from the parent company's share premium fund was distributed to shareholders.
- 18.2 million shares were traded with a value of EUR 16.8 million in 2010. This is 14.1% of the share capital.

EB reporting is based on two Business Segments: Automotive and Wireless

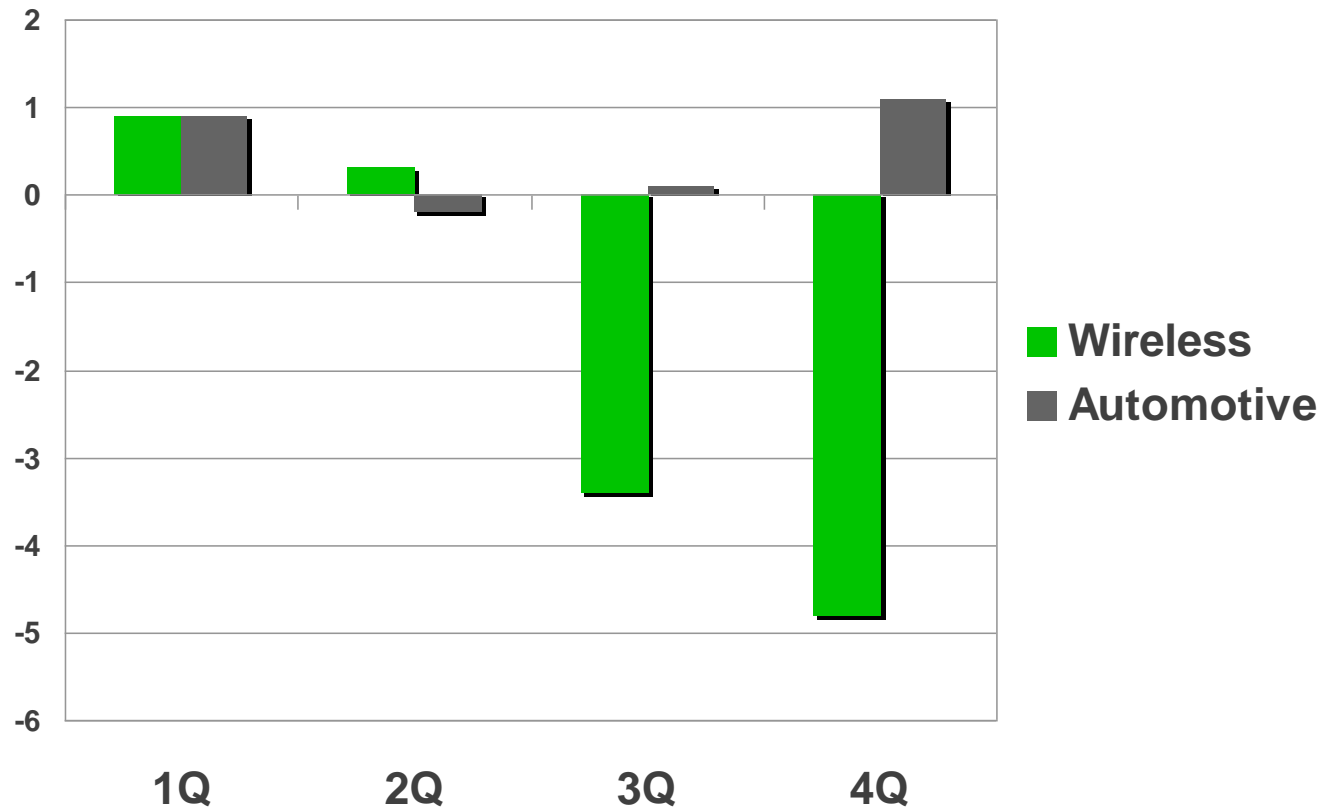


Distribution of net sales by Business Segments

The relative share of Automotive has increased

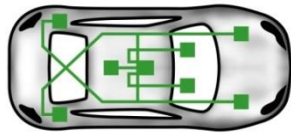


Operating profit development by Business Segments (excl. non-recurring items) in 2010



Automotive: products and services

ECU*- Software products



- EB tresos

Product portfolio of software components used in automotive electronic control units (ECU) and tools for their configuration and testing

Infotainment Software products



- EB GUIDE

HMI (Human Machine Interface) design tools and runtime frameworks

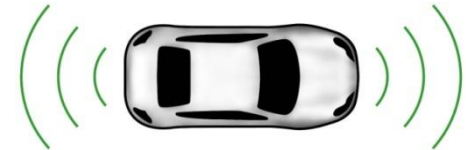
- EB street director

Navigation software and tools

- Infotainment Software Suite

e.solutions GmbH (EB and Audi JV) software solution

Driver Assistance applications



- EB Assist ADF

Development environment for software development process of driver assistance systems

**Software development and system integration services,
customized solutions, consultancy**

Development of Automotive Business Segment in 2010



- Net sales increased by 30.2%, and the result improved clearly from last year
- Good progress in Infotainment projects for several car manufacturers and their electronic component suppliers
- Development of Infotainment Software Suite for Volkswagen Group proceeded as planned by e.solutions (EB & Audi JV)
- In ECU (Electronic Control Unit) market EB got several new customers for its AUTOSAR-standard based solutions
- EB continued efforts to expand its business to Driver Assistance applications
- Use of software product business model grew

Wireless: products and services

Applications

- Smartphones
- Wireless communications network infrastructure solutions
- Communications solutions for Defence and Security industry and authorities
- Satellite communications devices



EB Propsim –test tools

Radio Channel Emulator to measure, model and emulate radio channel environments



Development services and product solutions
of wireless technology products

Development of Wireless Business Segment in 2010



- Net sales decreased by 11.7% from the previous year and the operating loss was significant due to weaker second half of the year
- EB-designed TerreStar Genus smartphone became available in the US market, but the filing for reorganization of TerreStar Networks Inc. led to a significant booking of an impairment of accounts receivables and to a decreased business level at the end of the year
- To adapt to the decreased demand level, some employees were dismissed and temporarily dismissed and other measures were taken
- Business in Defence & Security products developed well
- Sales of Radio Channel Emulators and related services grew

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 Strategic Guidelines

EB focus on two Business Segments: Automotive and Wireless

- **Main objectives:**
 - *To be a leading provider of solutions, products and services in its selected businesses, and*
 - The most important short-term objective is a positive operating profit and profitability development
- EB will continue its focused R&D investments in the Automotive and Wireless Business Segments
- EB will further develop its partnerships and identify M&A opportunities
- **Automotive Business Segment:**
 - Focus in software for cars
 - Aim towards more software product driven business model
 - The objective is to increase the net sales at least at the same pace with the automotive software market growth
- **Wireless Business Segment:**
 - Offers customized device and network infrastructure solutions, technology platforms, and test tools for radio channel environments
 - Offering and competitiveness based on strong and broad expertise in radio technology, embedded software solutions, electronics and product integration
 - The objective is to gradually increase the net sales during the next few years



Outlook for the first half of 2011

(Stock Exchange Release March 29, 2011)



The objective for 2011 is to achieve a positive operating profit and profitability development

EB expects:

- Net sales for the first half of 2011 will be lower than in the first half of 2010 (86.2 MEUR)
- Operating profit will be clearly negative in the first half of 2011 (1.8 MEUR in the first half of 2010)



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