



EB, Elektrobitt 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
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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

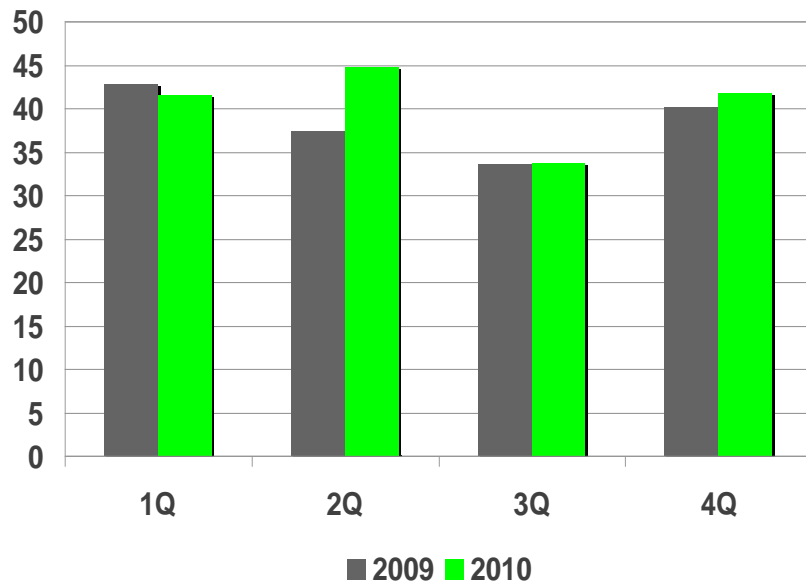
MEUR	2009	2010
Net Sales	153.8	161.8
Operating profit (loss)	-1.4	-17.3
Operating loss excl. non-recurring items	0.5	-4.6
Result before tax	-2.0	-18.6
Income taxes	-1.3	2.9
Result for the period from continuing operations	-2.0	-15.7
Total comprehensive income for the period	-2.4	-14.9
Earnings per share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



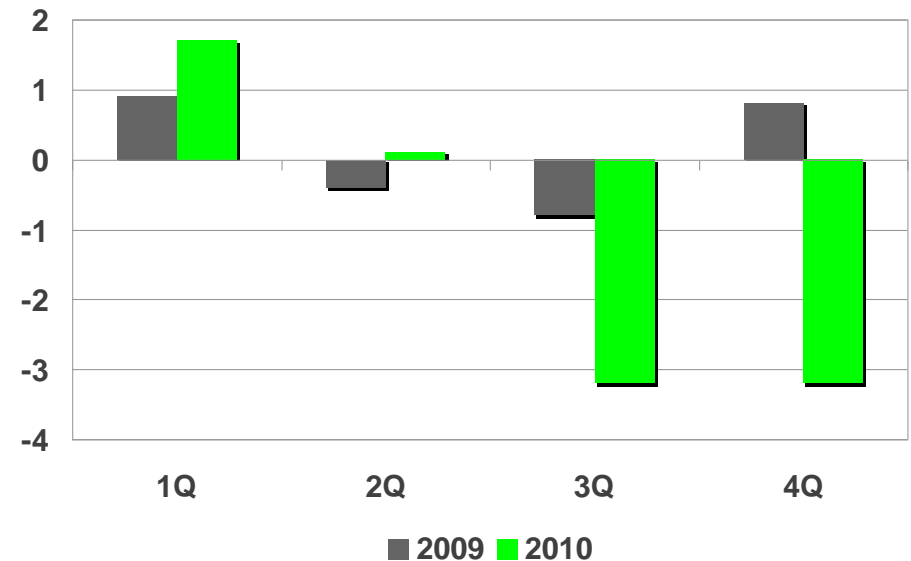
Development of net sales and operating result

Quarterly figures

Net sales development (MEUR)



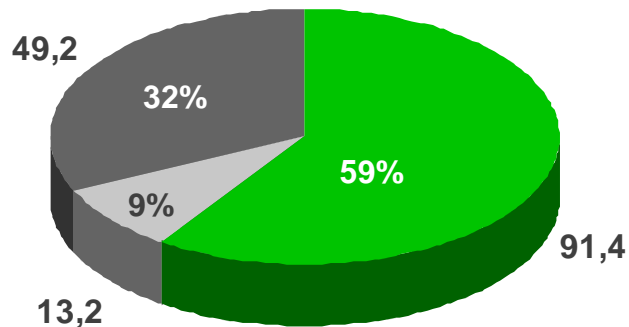
Operating result development (MEUR) (excluding non-recurring items)



Net sales by market areas

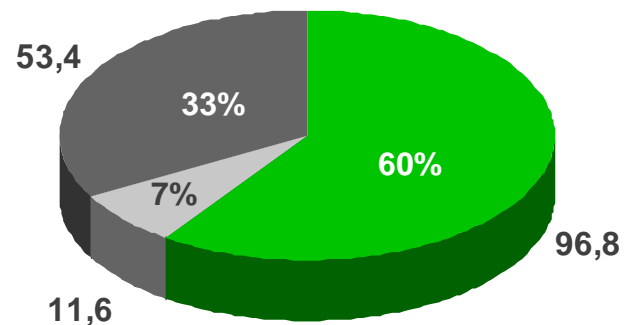
Only small changes from the previous year

2009



■ Europe ■ Asia ■ Americas

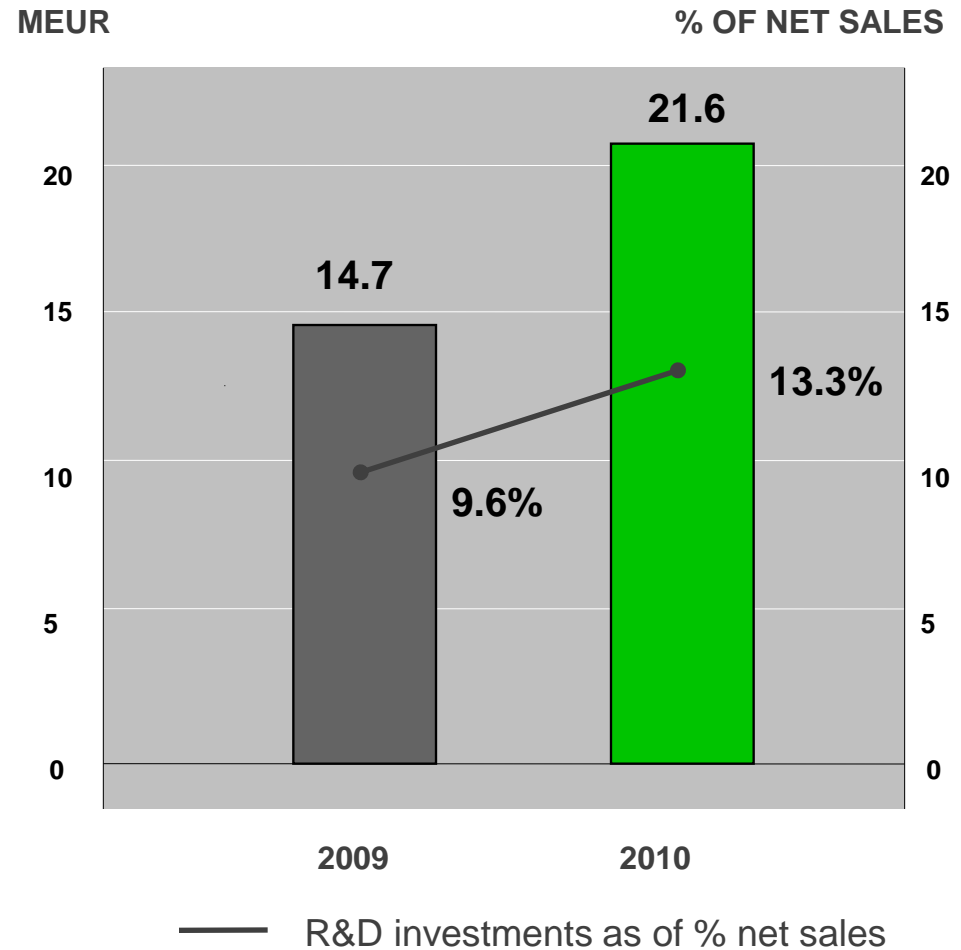
2010



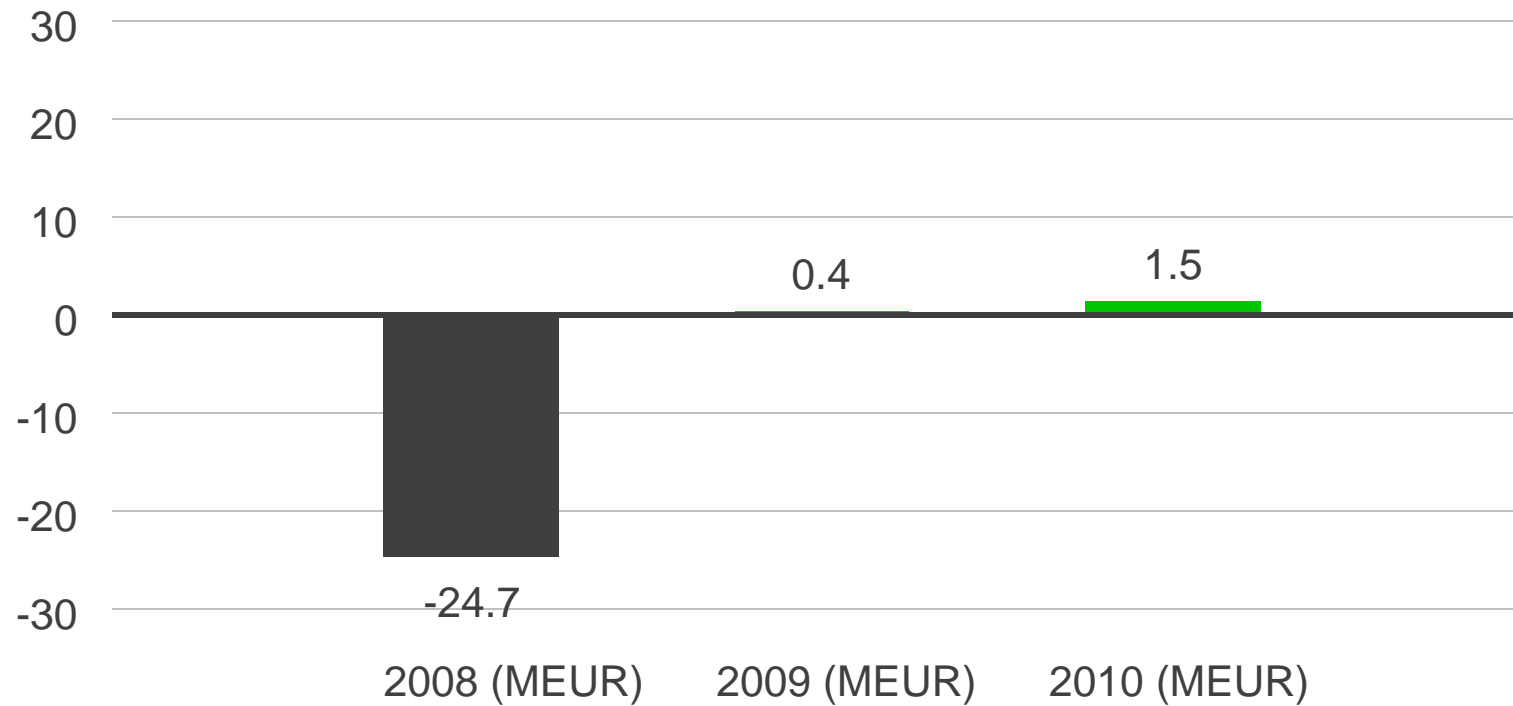
■ Europe ■ Asia ■ Americas

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.

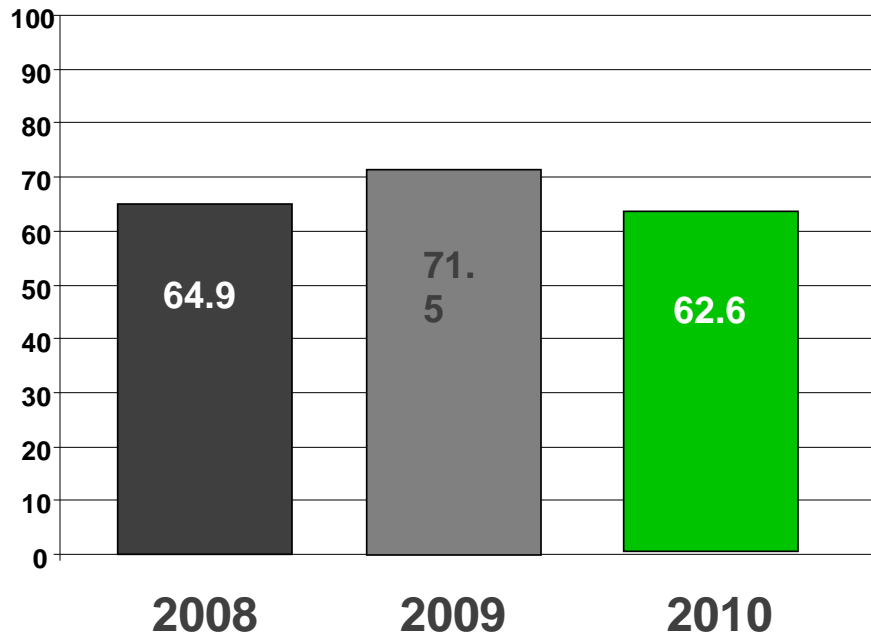


Cash generated from operations was positive

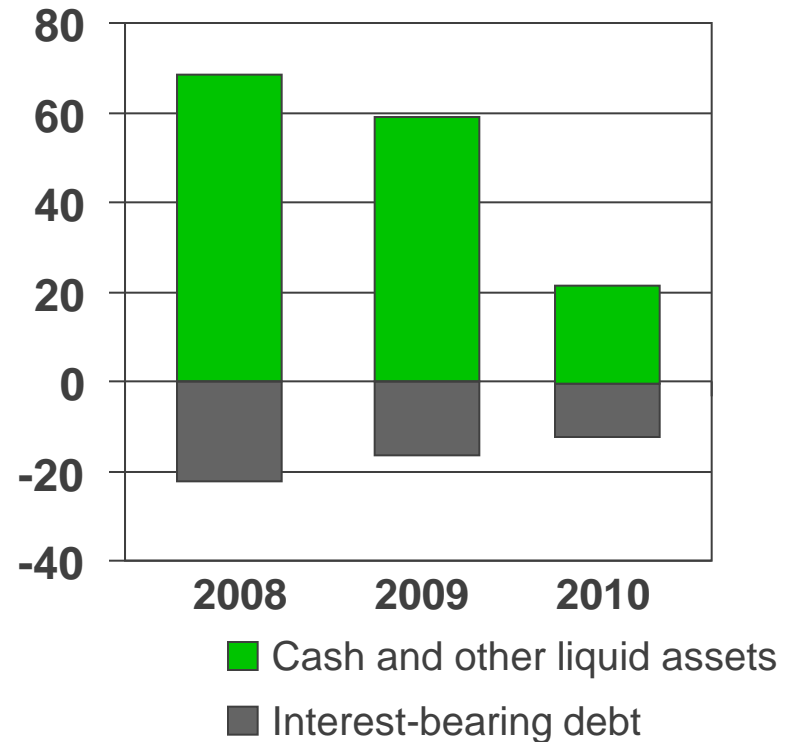


The Balance Sheet remained strong

Equity ratio, %

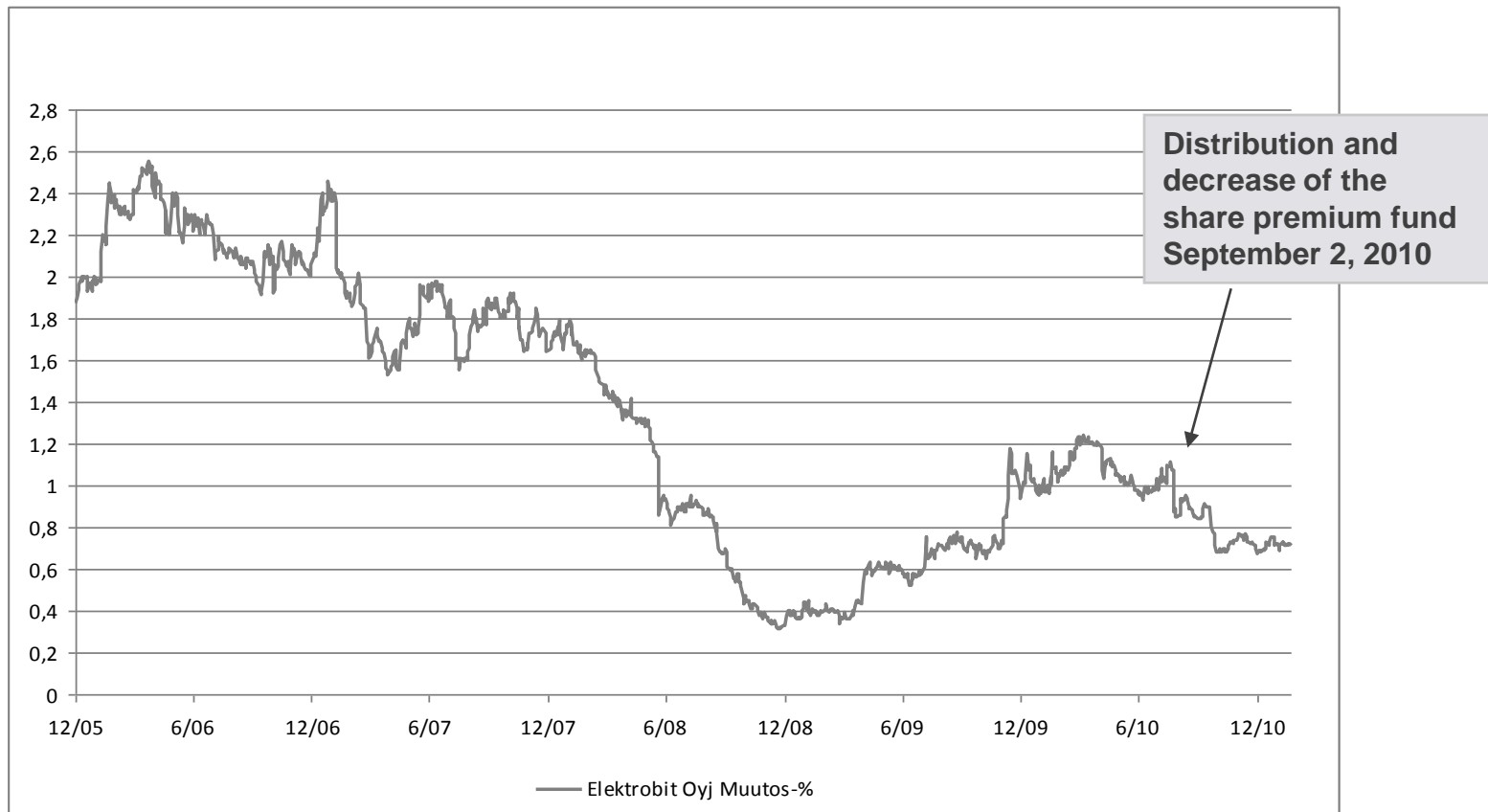


Cash and other liquid assets and interest-bearing debt (MEUR)



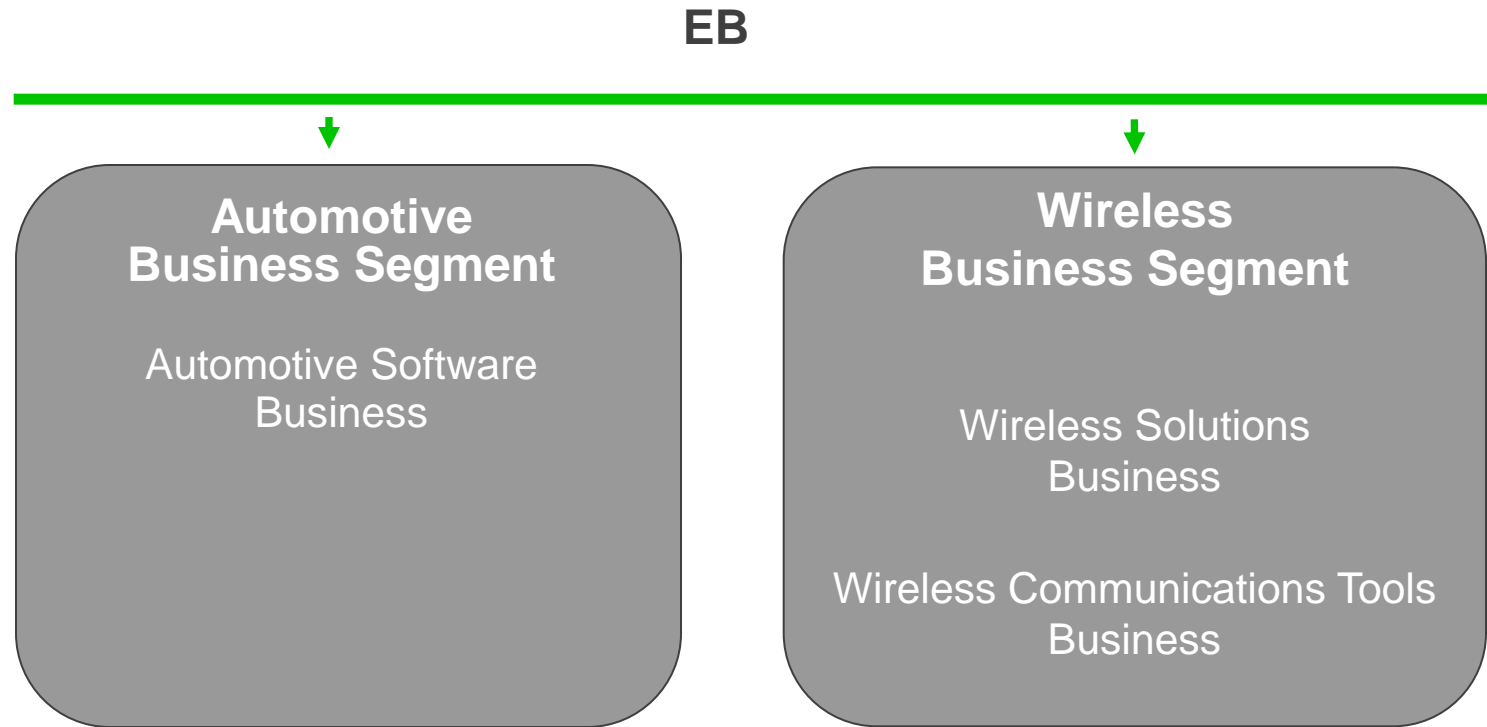
The share price of Elektrobitt Corporation

Nasdaq OMX Helsinki 12/2005 – 03/2011



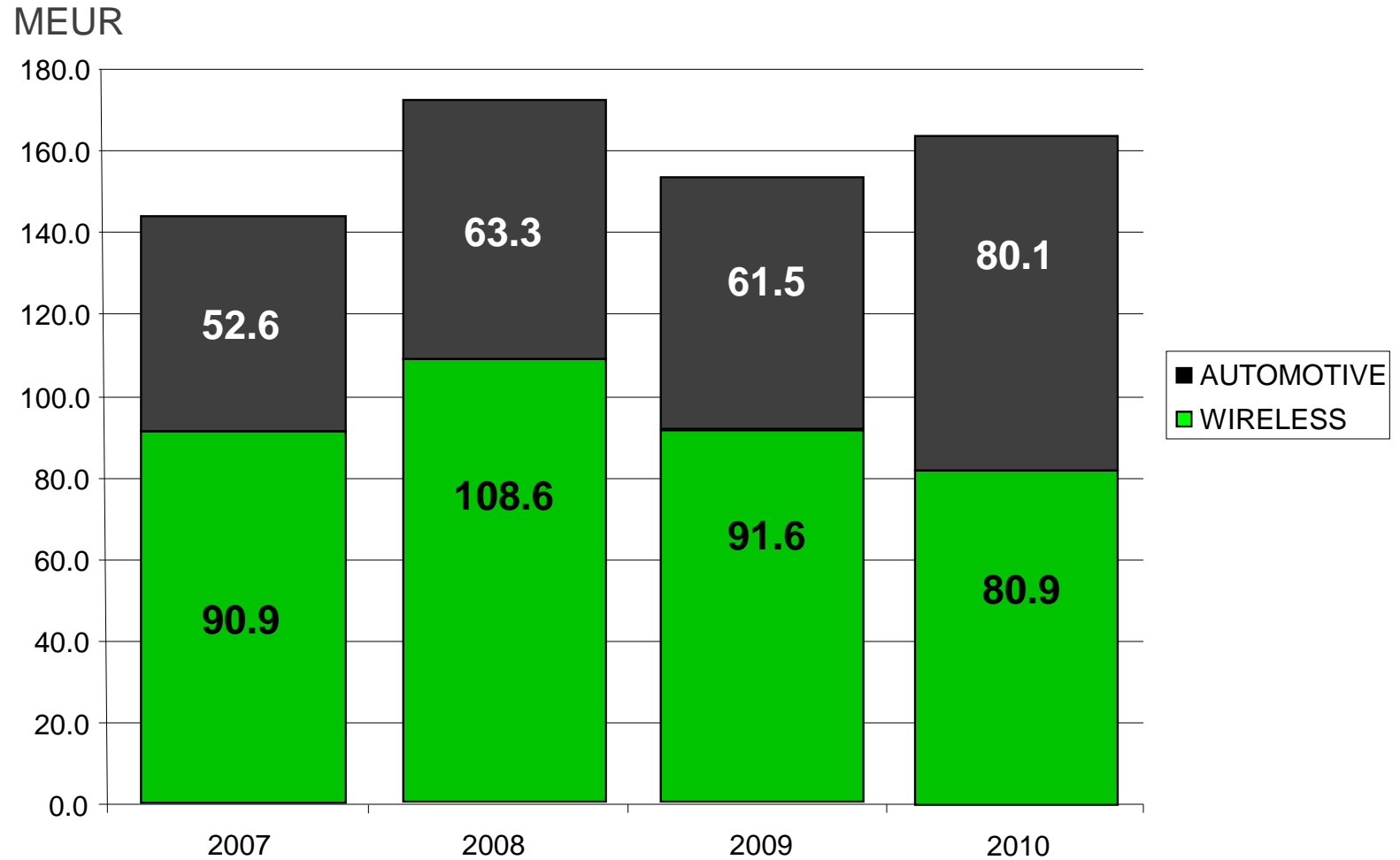
- EUR 0.20 per share from the parent company's share premium fund was distributed to shareholders.
- 18.2 million shares were traded with a value of EUR 16.8 million in 2010. This is 14.1% of the share capital.

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

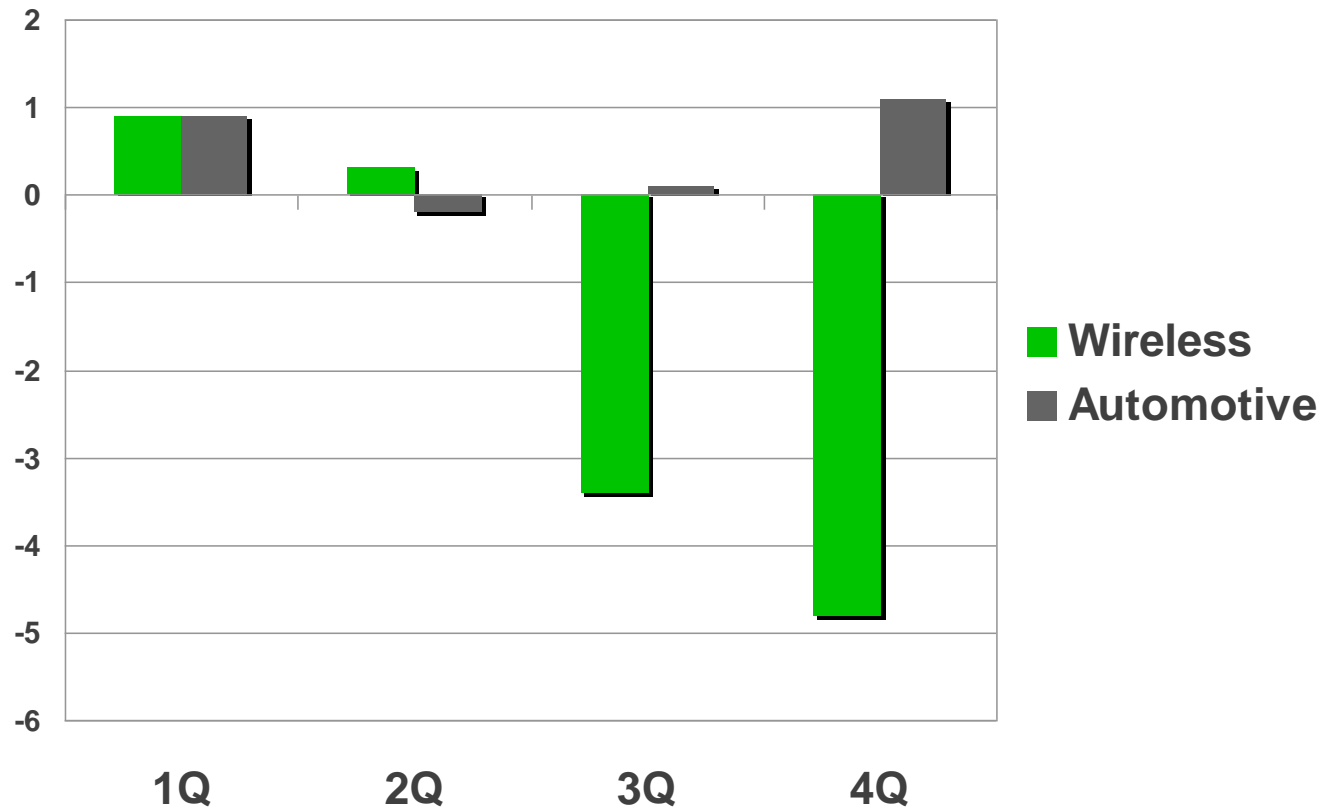


Distribution of net sales by Business Segments

The relative share of Automotive has increased

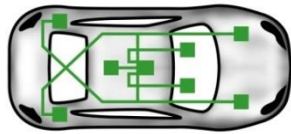


Operating profit development by Business Segments (excl. non-recurring items) in 2010



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

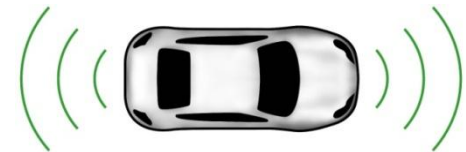
- EB street director

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 Prosim –test tools

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



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



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 lower for the first half of 2011 than in the first half of 2010 (1.8 MEUR)



Discover the Experience