



Elcoteq SE

Interim Report
January – March 2010

May 19, 2010

The First Quarter in Brief

After a very challenging year, Q1/2010 showed clear improvement in many ways:

- Operating result improving
- Balance sheet strengthens
 - Gross debt reduced by 105 MEUR and equity increased by 85 MEUR from Q4/09
- Several new, prominent customers
- Execution of new redefined strategy proceeds according to plans

Net Sales and Result, January - March

(IFRS)	Q1/2010	Q1/2009
Net sales, MEUR	220.5	470.0
Operating income excluding restructuring expenses, MEUR	-10.6	-24.7
Operating income, MEUR	-12.9	-38.3
Income before taxes, MEUR	63.0	-49.9
Net income, MEUR	40.3	-45.6
EPS, EUR	1.22	-1.40
Gearing	1.0	3.2
Solvency, %	19.4	12.1
ROCE (trailing 12 months), %	11.4	-11.3
Cash flow after investments, MEUR	-23.3	-50.7

Key Figures, January - March

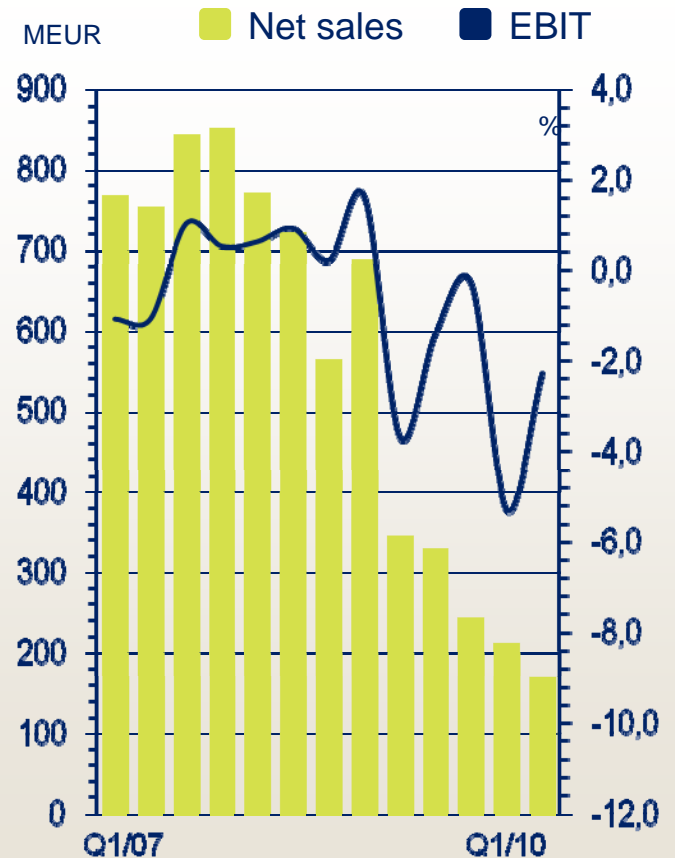
(IFRS)	Q1/2010	Q1/2009
Capital employed, MEUR	274.4	474.8
Interest-bearing net debt, MEUR	103.7	286.4
Gross capital expenditures, MEUR	3.0	2.0
Personnel at the end of the period	10,545	14,569

Strategic Business Units Q1/2010

- **Consumer Electronics**
 - Net sales declined to 170 MEUR (344.6) and operating loss was -3.8 MEUR (-20.1), excluding restructuring costs -2.6 MEUR (-12.9)
 - Strong progress in reducing operating costs and expanding service content, especially in increasing the after sales services business
 - Significant new customer wins such as: Cinterion, Philips Lighting and Sharp
- **System Solutions**
 - Net sales decreased to 50.6 MEUR (125.3) and operating income was 2.1 MEUR (loss -10.3), excluding restructuring costs 3.0 MEUR (loss -4.5)
 - Success in attracting new customers, e.g. Inmarsat, and solid progress in eliminating excess capacity

Consumer Electronics (CoE)

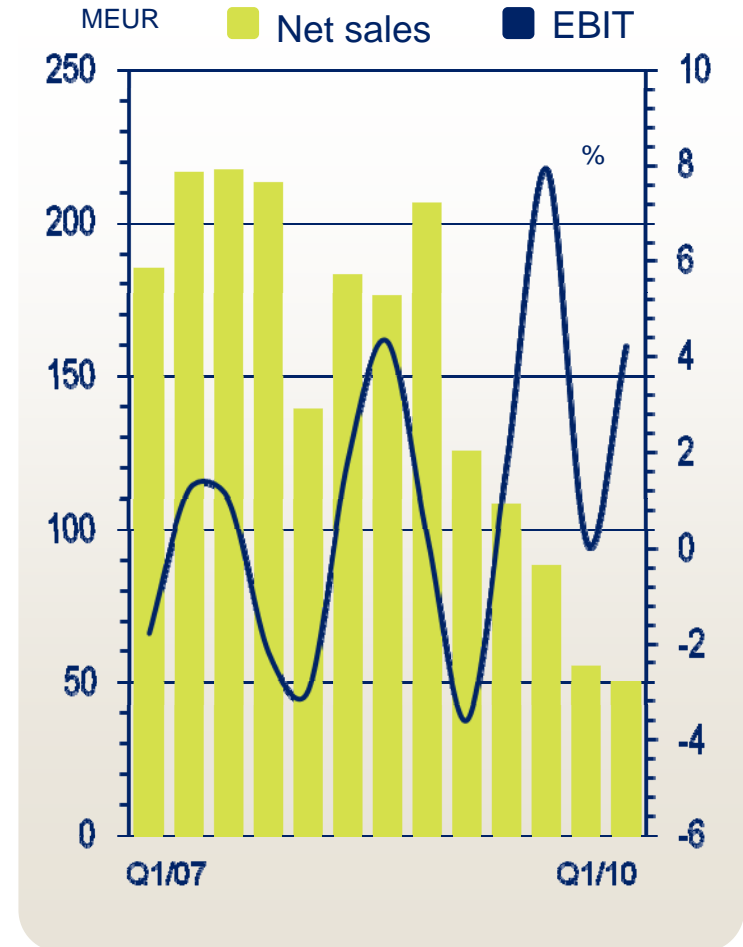
- 77% of net sales
- Products such as mobile and wireless phones and their accessories, set-top boxes, LED lamps and luminaires, flat panel TVs and other consumer products



Excluding restructuring costs

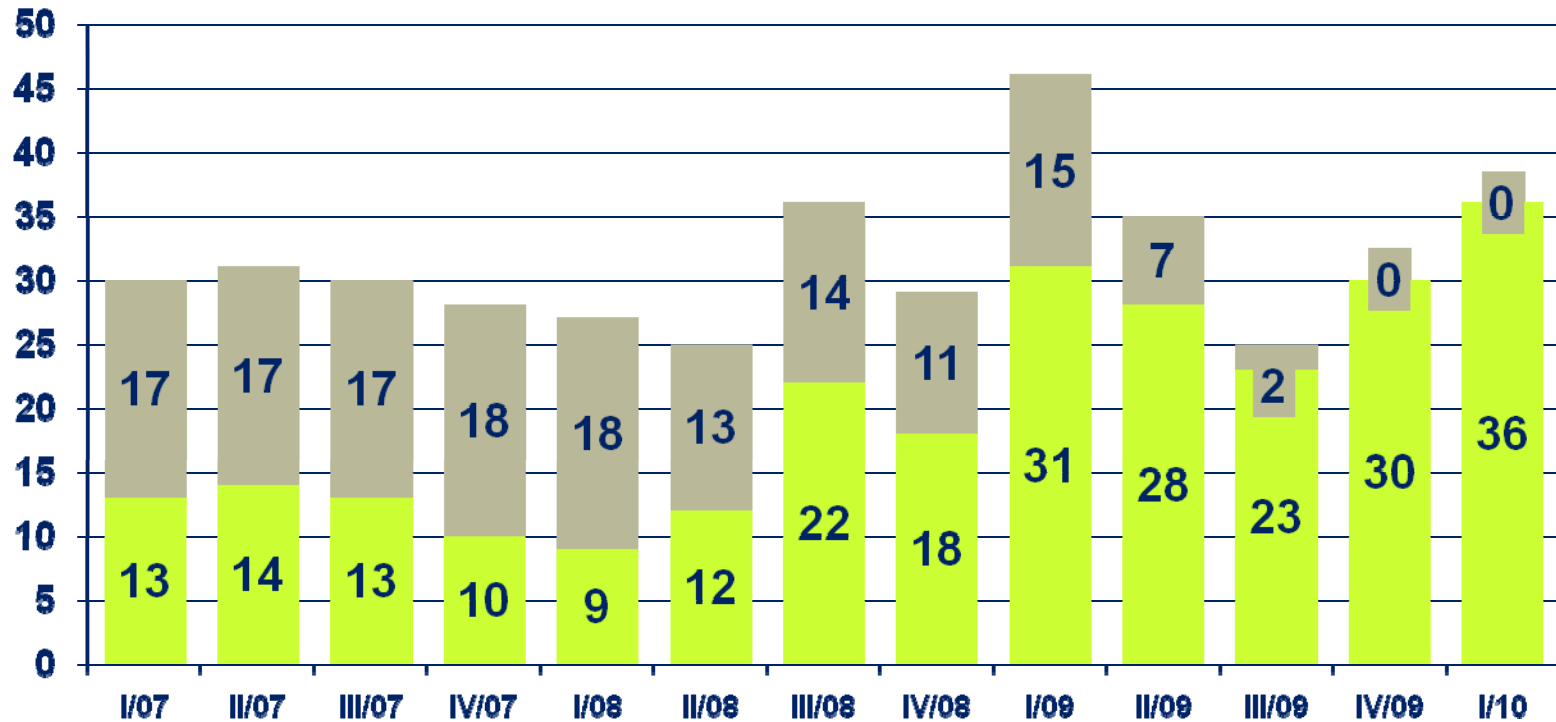
System Solutions (SyS)

- 23% of net sales
- wireless and wireline infrastructure systems and modules, enterprise network products and various other industrial segment products



Excluding restructuring costs

Average Working Capital Days



■ Sold receivables

Significant New Customers

- **Nokia**
Agreement on multi-year cooperation on globally provided After Market Services
- **Inmarsat**
 - Global agreement on Life Cycle Services signed in February
 - Elcoteq will start manufacturing IsatPhone Pro, Inmarsat's first global handheld satellite phone in Tallinn, during Q2/2010



Significant New Customers

- **Philips Lighting**
Global cooperation agreement on global manufacturing services and related sourcing and supply chain management as well as product development services
- **Sharp**
Elcoteq will provide industrialization, manufacturing, distribution and after market services to the company related to KIN smartphone

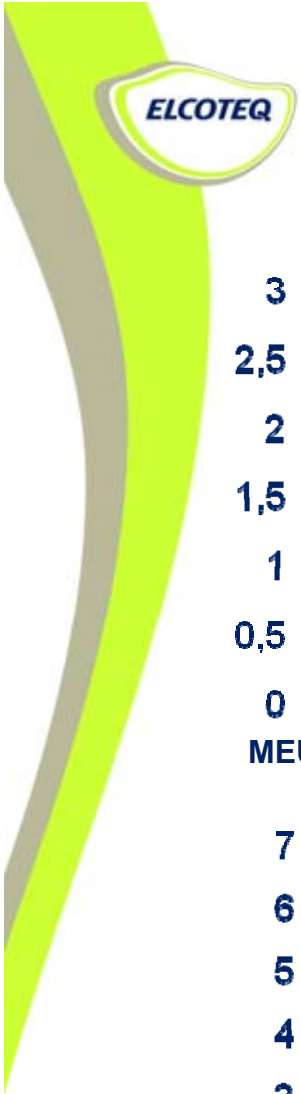


Strengthening the Balance Sheet

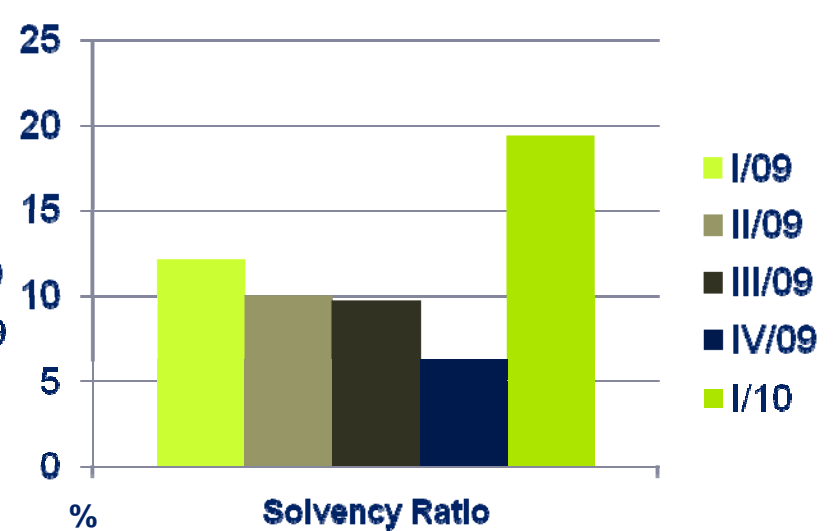
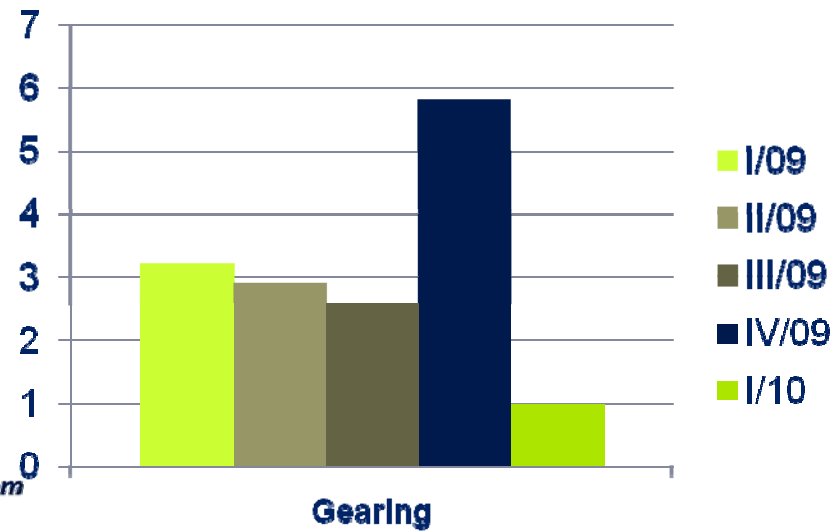
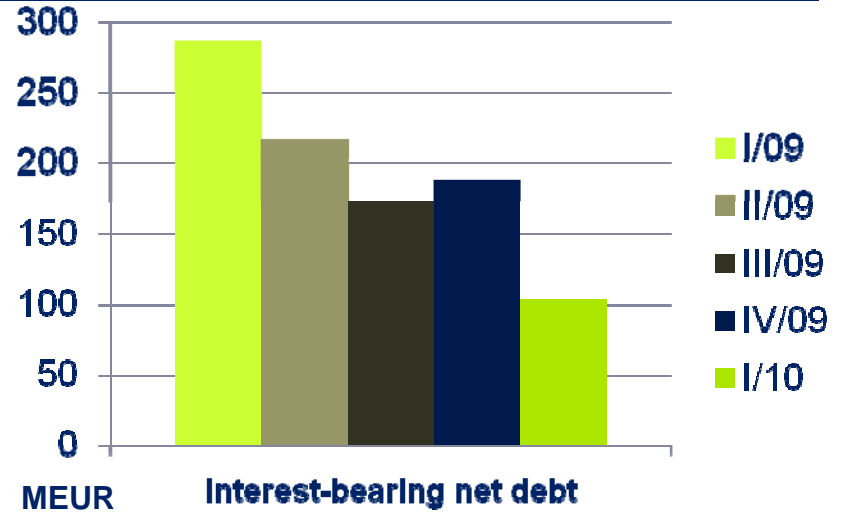
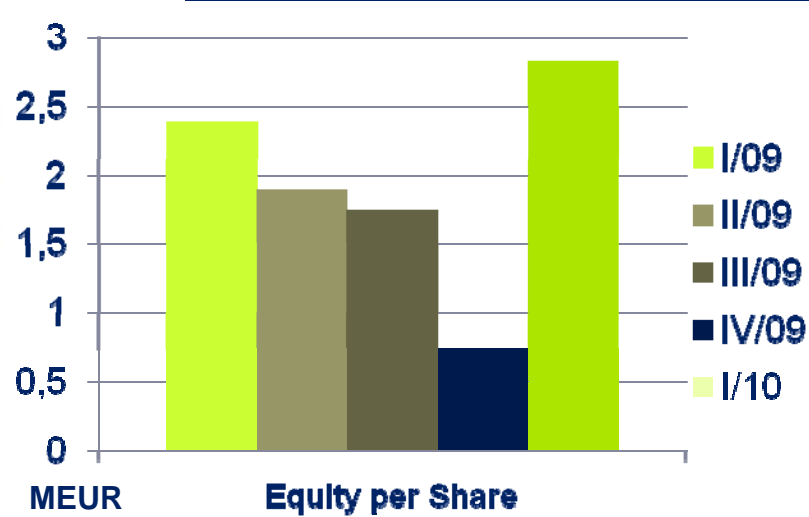
- Elcoteq issued 29 MEUR hybrid securities in private placement in January 2010 and used the proceeds to repay debentures with the nominal value of 105 MEUR
- Agreement for a committed revolving credit facility of 100 MEUR maturing on June 30, 2011
- The exchange offer for debenture holders completed on May 11, 2010 resulting in a further 21.5 MEUR reduction in gross debt and a respective increase in equity in May 2010

Exchange Offer to Debenture Holders during April 22 – May 7, 2010

- Exchange offer to the holders of outstanding debentures of the nominal amount of approx. 35 MEUR
- The exchange offer was completed on May 11, 2010
 - Holders of debentures of EUR 21.5 million accepted the exchange offer, which corresponds to an acceptance ratio of 62.2%
- As the result of the exchange offer
 - a Hybrid Bond of 21,507,000 euros was issued
 - In total 4,350,138 warrants were granted



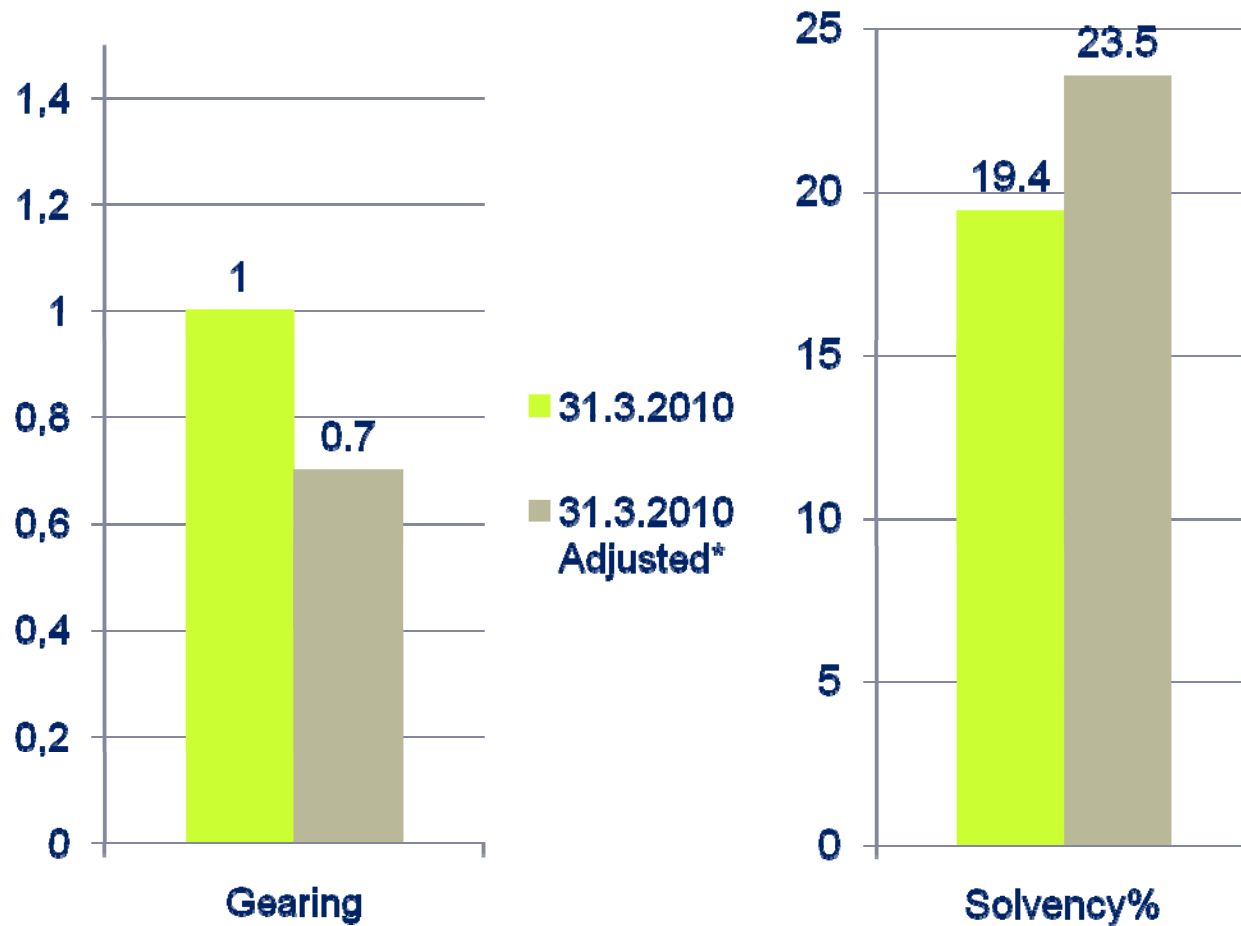
Significant Improvement in Balance Sheet



www.elcoteq.com



Improvement in Equity and Net Debt



*) if the exchange offer had taken place in March 2010



Annual General Meeting on April 28, 2010

- The Annual General Meeting re-elected following persons to the Board of Directors
 - President Martti Ahtisaari
 - Mr. Eero Kasanen, Executive Dean, Aalto University School of Economics
 - Mr. François Pauly, General Manager of Sal. Oppenheim jr. & Cie S.C.A;
 - Mr. Jorma Vanhanen, founder-shareholder of Elcoteq
- Following persons were elected as new members
 - Mr. Pauli Aalto-Setälä, Managing Director of Aller Media Oy
 - Dr. Sándor Csányi, Chairman and CEO of OTP Bank
- The AMG approved the Board's proposal that no dividend will be distributed for the year 2009



St. Petersburg Factory Divestment

- In May 2010, Elcoteq signed an agreement with Optogan CJSC to divest Elcoteq's factory in St. Petersburg, Russia
- The deal includes factory premises and the personnel of about 40 employees but excludes any customer agreements
- The transaction reduces Elcoteq's total costs by approx. 2 MEUR on annual basis and has a considerable positive impact on the second quarter cash flow
- Closing of the deal expected to take place by May 31, 2010

Key priorities for 2010

- Company continues to focus on generating positive cash flow from operations through further cost cuts and serving new customer contracts with an optimized cost structure
- Company also seeks to reduce tied-up capital
- Board's and Management's key targets include further strengthening the balance sheet through equity-related transactions and long-term financing arrangements

Prospects

- Q2/2010 net sales are expected to increase from Q1/2010
- Operating income is expected to improve from Q1 but to remain somewhat negative
- Company expects the operating profit to turn positive for the H2/2010
- Due to the restructuring of subordinated debt, the net income for 2010 will be clearly positive



Your Product Life Cycle Partner



Additional Slides

Harmonization of Share Series

- Harmonization of share series; conversion of K shares to A shares at a ratio of 10 to 1
 - Only one share series (A) in the future
 - Change in the voting structure; K shareholders (Mr. Piippo, Mr. Sjöman and Mr. Vanhanen) will reduce their voting power from 84.81% to 41.38%
 - No changes in the ownership structure
- Changes in board structure;
 - Mr. Piippo (former Chairman), Mr. Toivola (former Vice Chairman) and Mr. Sjöman have left the Board

Key Decisions of the Extraordinary General Meeting

1. Proposals to decrease the share capital of the Company from its current amount of EUR 8,944,874 and to decrease the current par value of A-shares (EUR 0.40) and of K-shares (EUR 0.04) were rejected;
2. Increase the authorised share capital of the Company from its current amount (EUR 20,000,000) up to EUR 40,000,000 instead of the proposed EUR 200,000,000;
3. Authorise the board to issue new shares and convertible debts instruments within the authorised share capital of the Company
 - without reserving the existing shareholders a preferential subscription right up to an amount of EUR 12,000,000, i.e. in maximum 30,000,000 new A-shares;
 - with respecting the existing shareholders preferential subscription right up to EUR 19,055,126, i.e. in maximum approximately 47,000,000 new A-shares

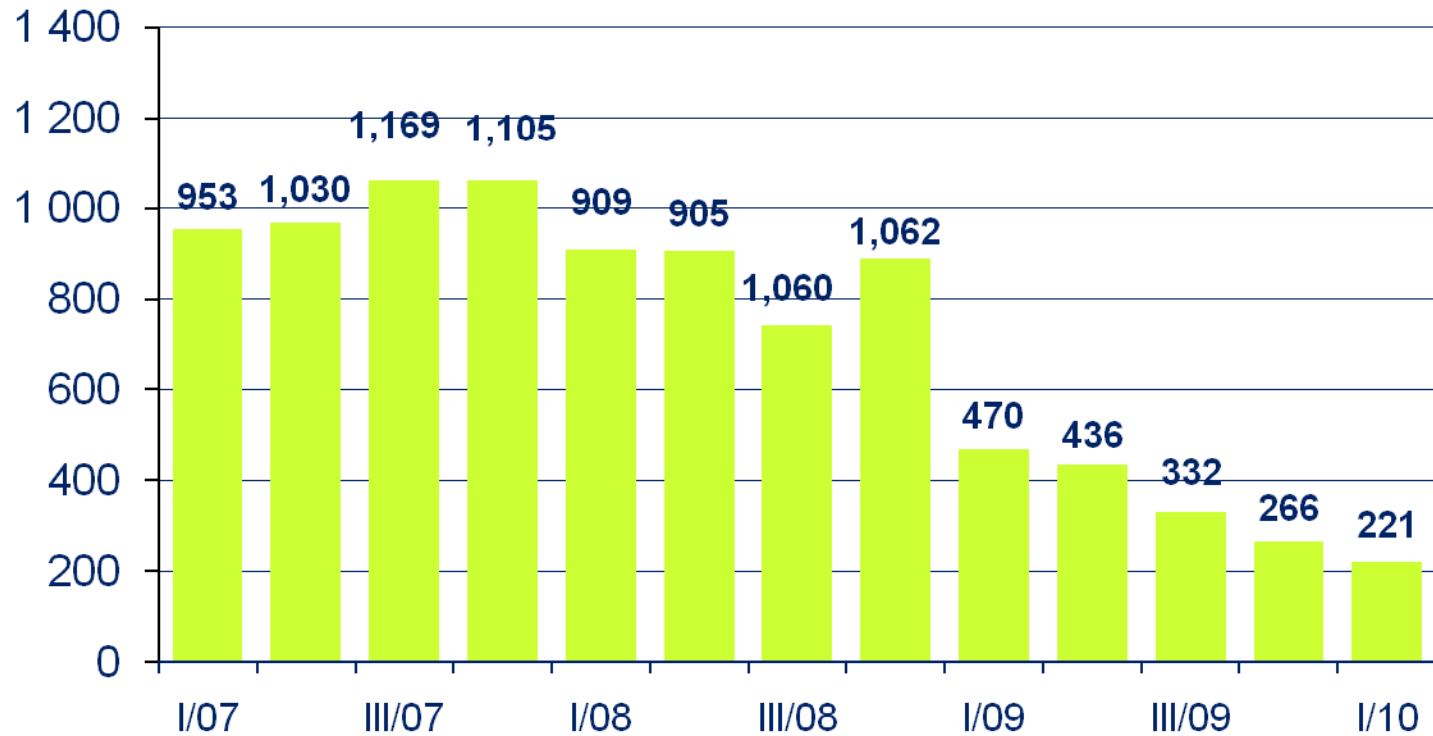
Key Decisions of the Extraordinary General Meeting

4. Delete from the Company's articles of association the right of a shareholder to request a redemption of shares in case of a change or changes in the ownership of the Company resulting in a shareholder holding more than thirty-three and one third (33 1/3) percent or, as the case may be, fifty (50) percent of the shares in the Company
5. Change the date of the Annual General Meeting of the shareholders from 23 March to 28 April each year



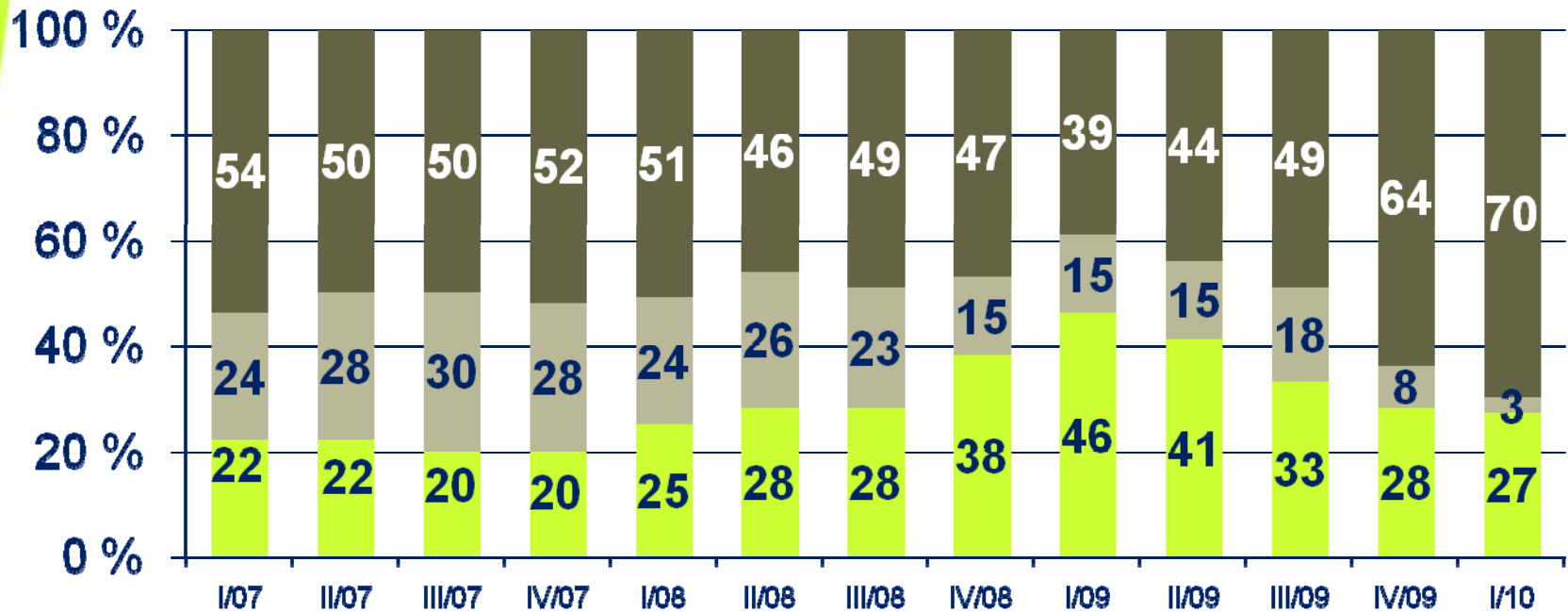
Net Sales by Quarter

MEUR



www.elcoteq.com

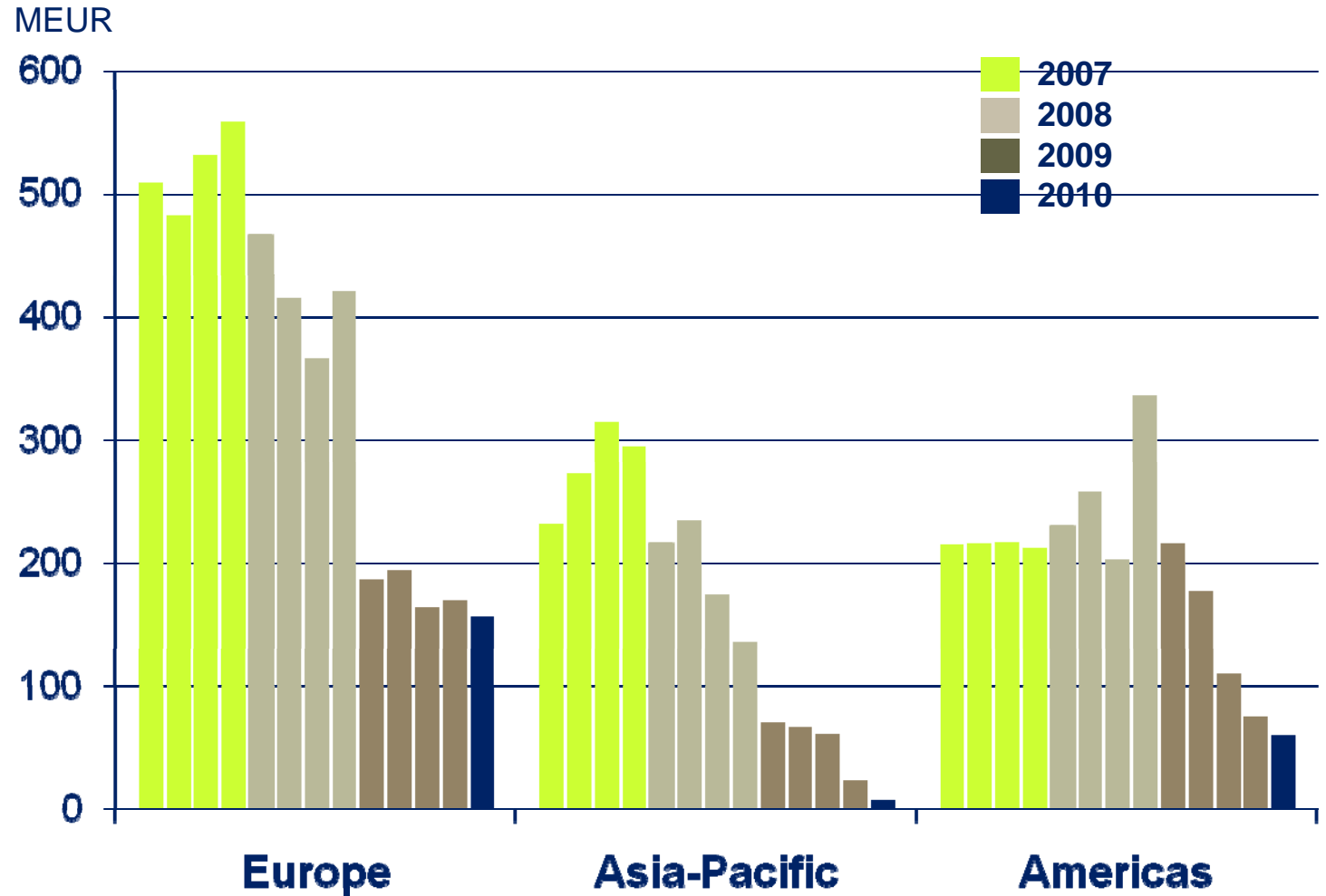
Net Sales by Geographical Area, %



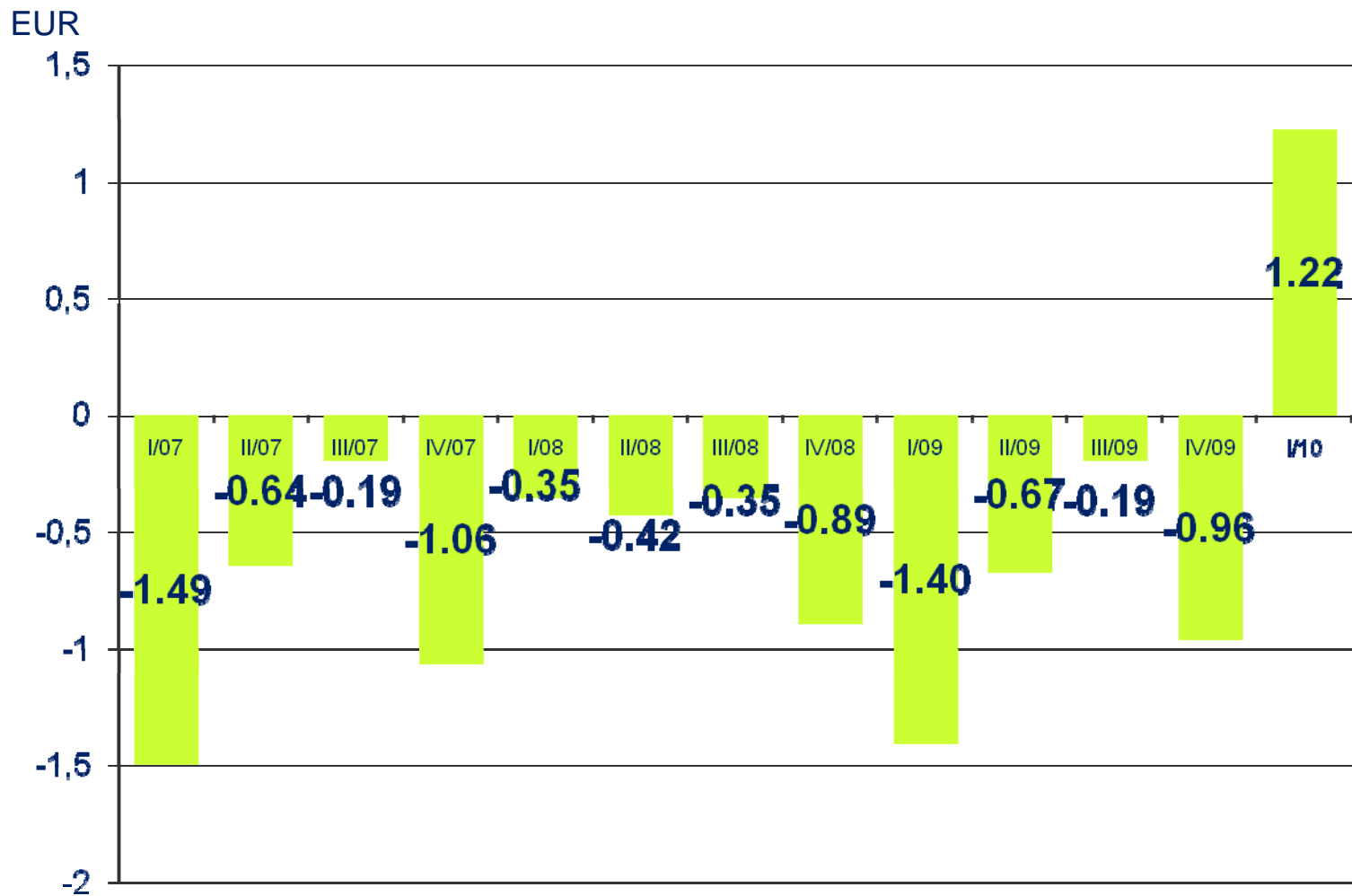
■ Americas
 ■ Asia-Pacific
 ■ Europe



Quarterly Net Sales by Geographical Area in 2007 - 2009

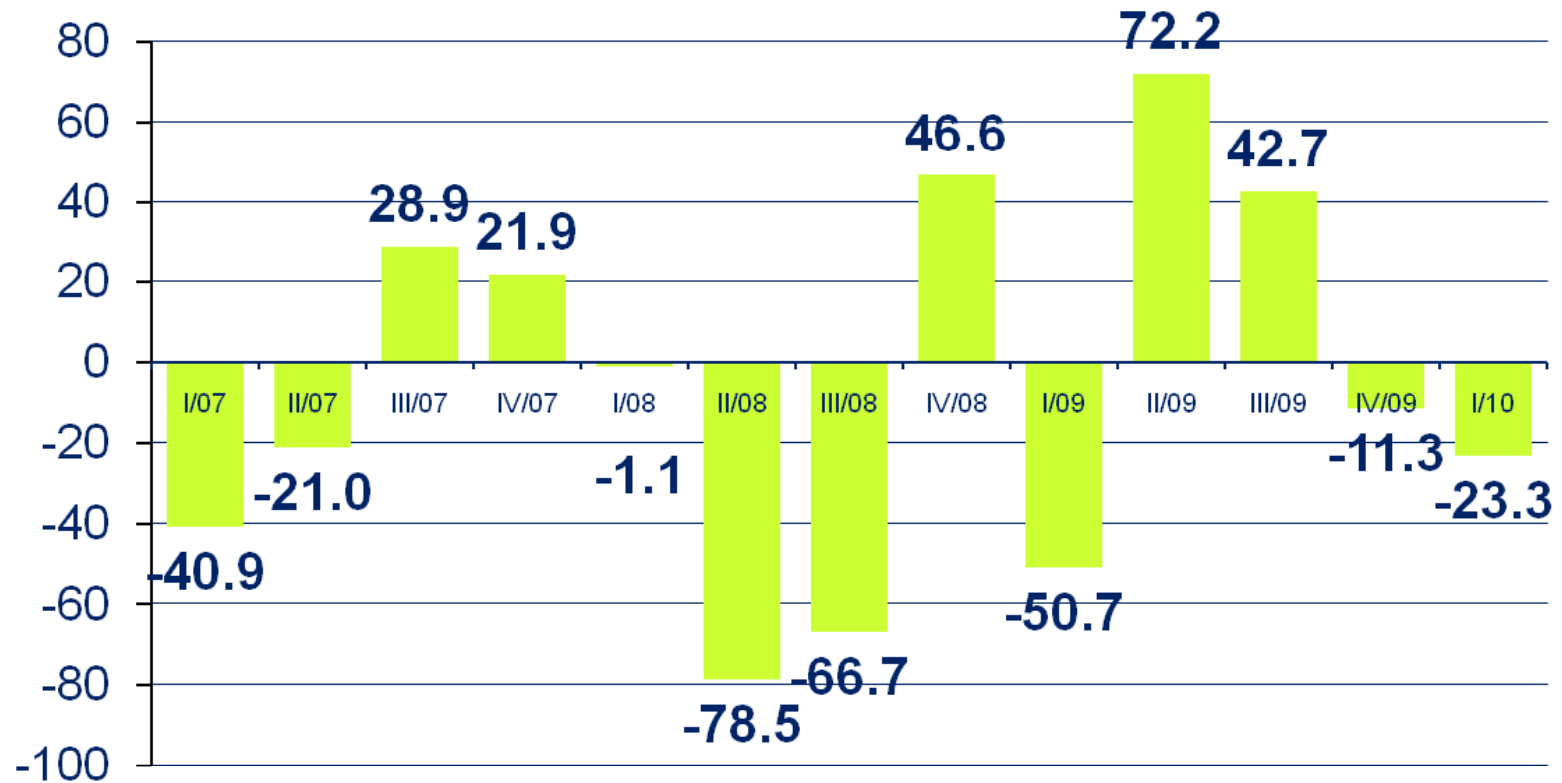


Earnings per Share



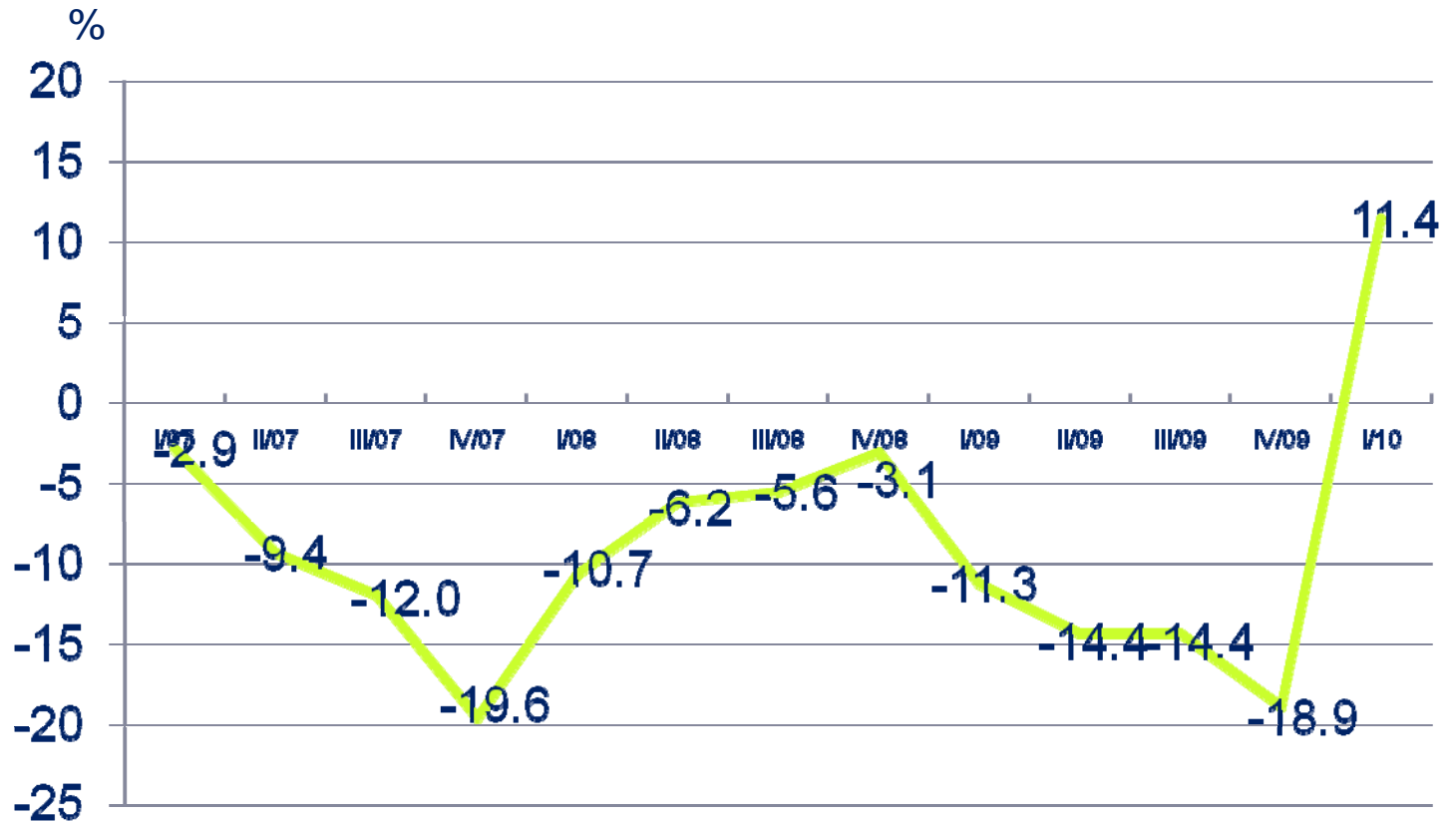
Cash Flow

MEUR



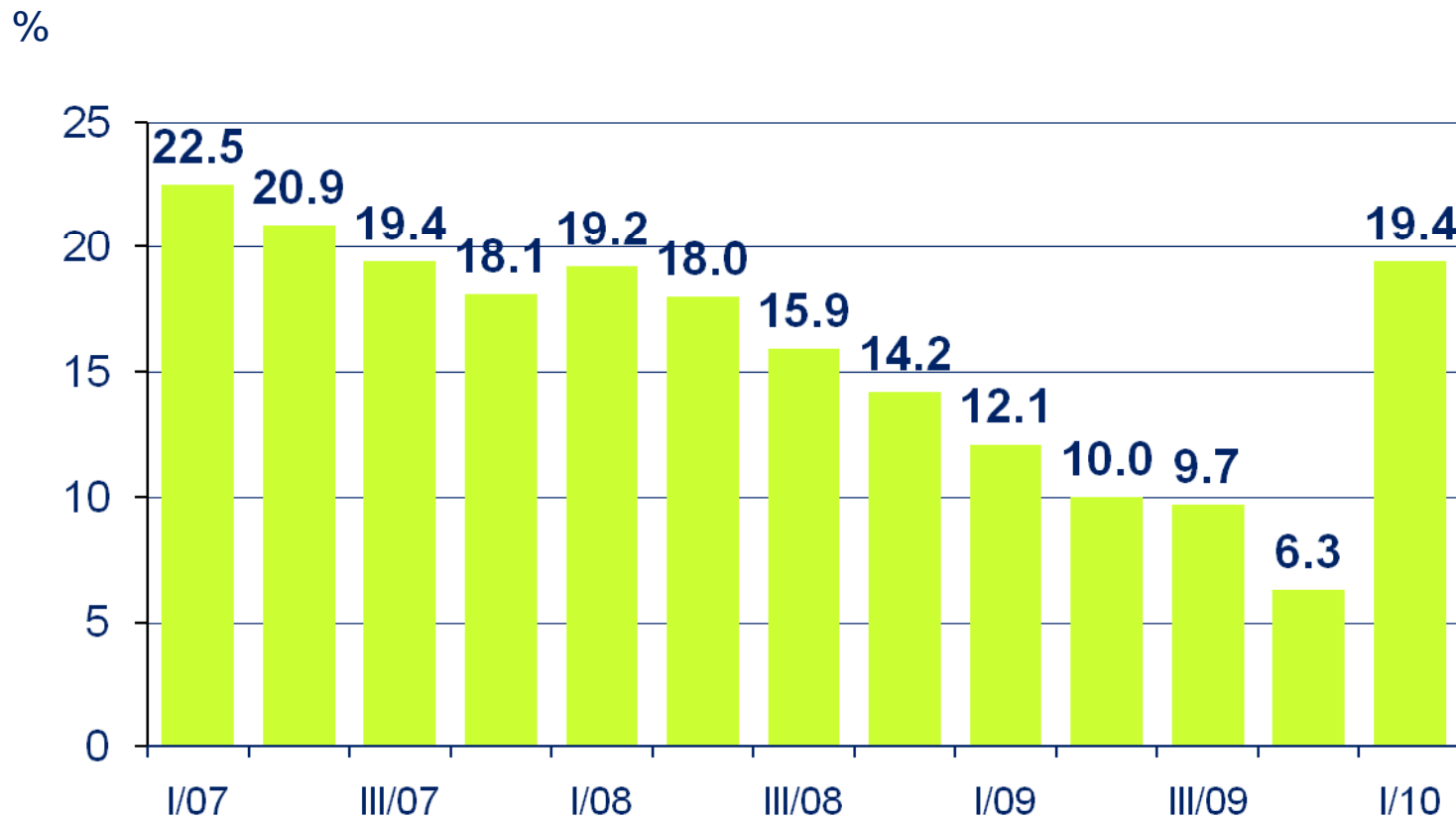


Return on Capital Employed, ROCE (Trailing 12 Months)



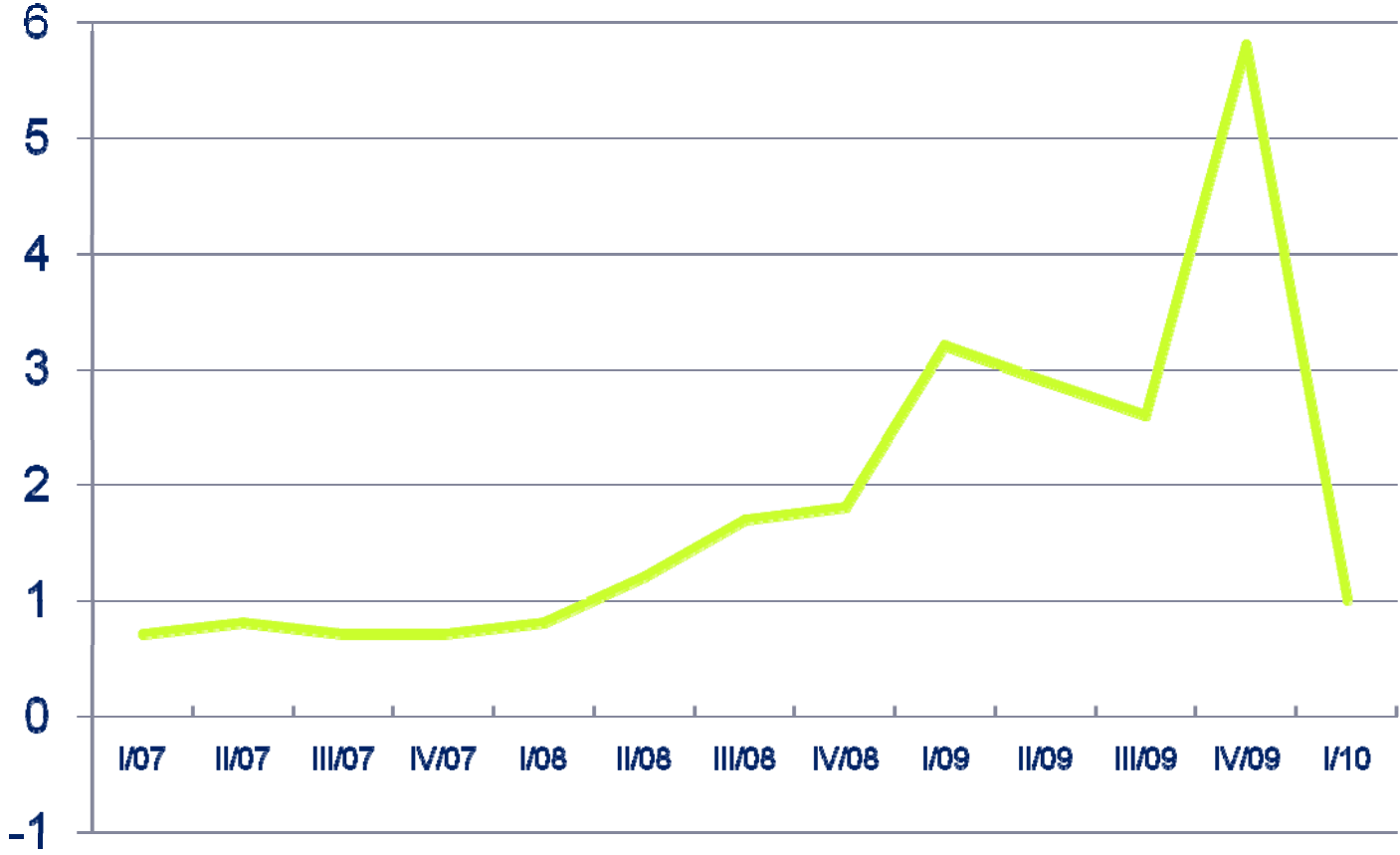


Solvency Ratio





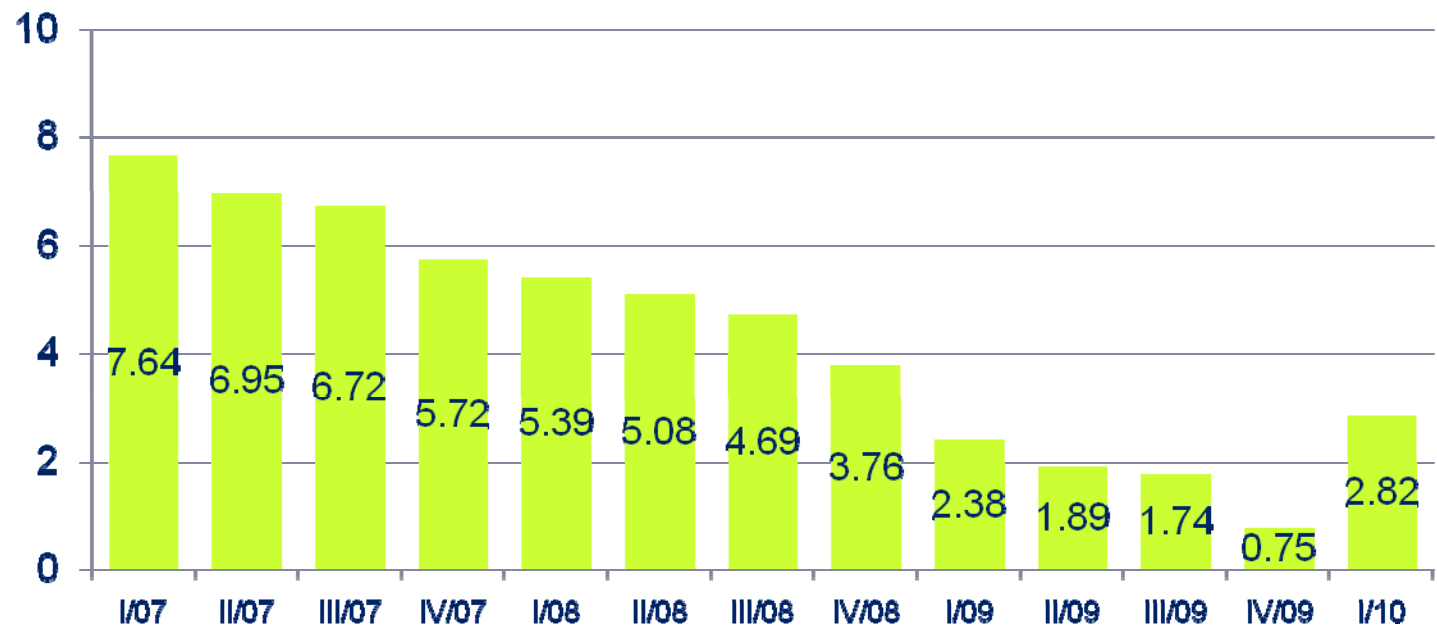
Gearing





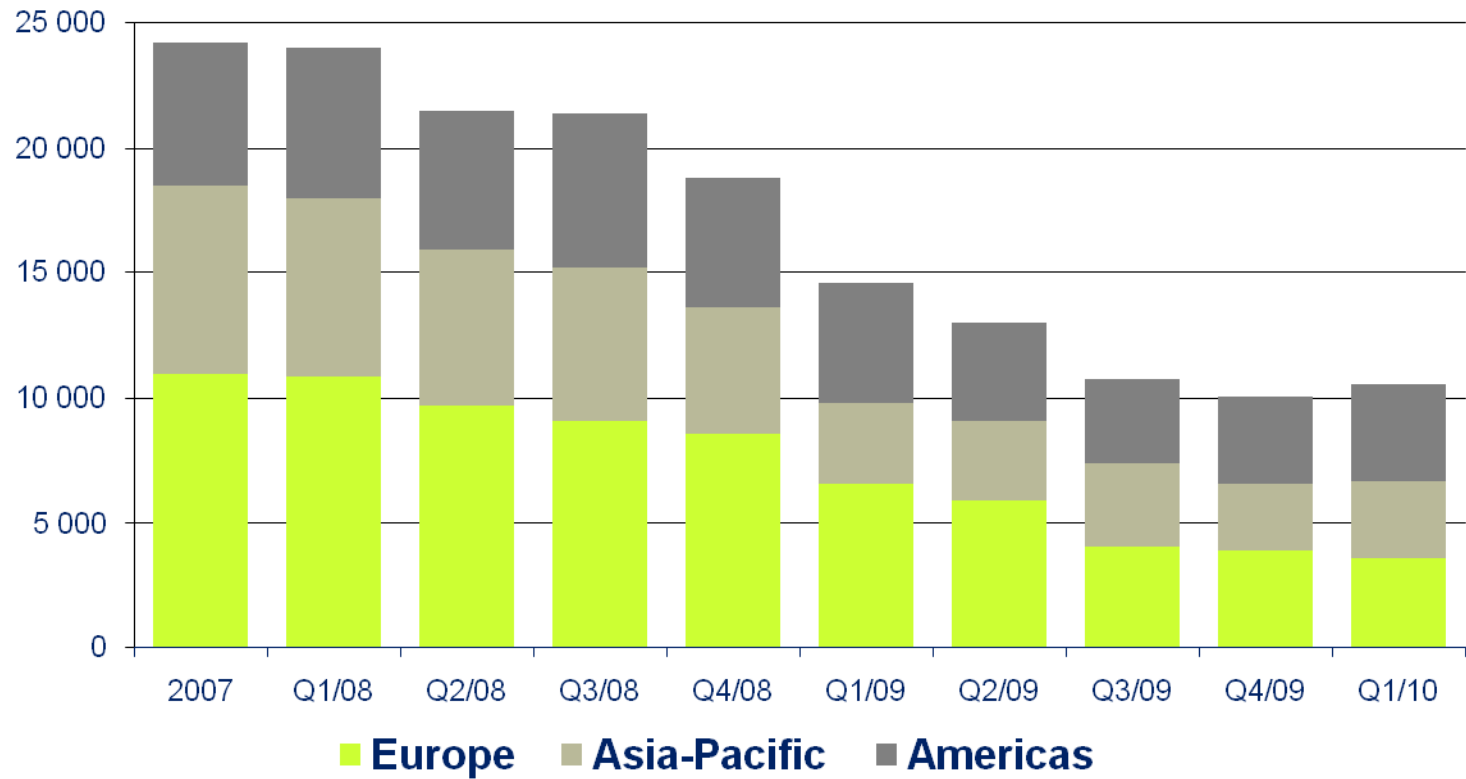
Equity per Share

EUR





Personnel by Geographical Area





Your Product Life Cycle Partner