

The Elcoteq logo is a stylized, rounded shape with a yellow border and a white interior, containing the word "ELCOTEQ" in blue capital letters. It is positioned at the top of a vertical decorative element on the left side of the slide.

**ELCOTEQ**

***Elcoteq SE***  
***Interim Report***  
***January – June 2009***

***July 22, 2009***



# Equity Project

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- Elcoteq has signed a conditional LOI with Chinese company Shenzhen Kaifa Technologies Co., Ltd ("Kaifa")
  - part of China Electronics Corporation (CEC) group
  - CEC Elcoteq's joint venture partner since 2002
- Kaifa to invest 50 MEUR in equity
  - the actual number of shares to be issued to Kaifa will be determined after the negotiations with the creditors have been completed
  - aims at Kaifa becoming the single biggest shareholder with a minimum of 30% ownership of Elcoteq
- Kaifa's investment depending on Elcoteq's creditors agreeing on restructuring of current debt and shareholders' approvals
- Definitive agreement planned to be signed during the third quarter of 2009

## ***Basic Facts about Kaifa***

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- Established in Shenzhen, China, in 1985
- Listed on Shenzhen Stock Exchange in 1994
- Annual sales in 2008 apprx. 1,44 billion euros
- Market cap 1,14 billion euros
- Number of employees 7,400
- Part of China Electronics Corporation; group of more than 200 technology companies
- Business: developing, manufacturing and selling computer and electronic communication products
- Major products: magnetic head of computer disc drivers, hard disk plates, computer hardware and software systems and equipment, communications equipment, electrical apparatus and spare parts, household computers and video games
- Key customers: Seagate, IBM, Samsung, STX Sumitronics, Amoi, Epson, ZTE and ResMed
- Expanding as ODM/EMS provider



## ***Transaction Rationale***

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- Capital investment will strengthen Elcoteq's financial situation
  - platform for future growth
  - capability to manage existing and potential new customer projects
- Vertical integration capability and strong China connection and set-up with CEC group of companies
- Strong set-up for ODM service offering for Elcoteq's customers
- Partnership will help to negotiate with creditors on debt restructuring
- Kaifa will get global manufacturing platform and sales channel

## ***The Second Quarter in Brief***

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- Net sales MEUR 436.0 (904.8)
- Operating income improved significantly to MEUR -11.5 and -11.0 excluding restructuring expenses
- Cash flow after investing activities turned clearly positive, MEUR 72.2 (-78.5)
  - significant reduction in inventories, cost structure successfully adjusted
- Net debt decreased by 25% from Q1
- Equity Project and Loan agreement
  - new loan agreement not concluded since new re-financing solution will be developed as the equity project progresses
- Restructuring plan progressing as planned
- Selling of Tallinn facility to Ericsson

## Net Sales and Result, April - June

(IFRS)	Q2/2009	Q2/2008
Net sales, MEUR	436.0	904.8
Operating income excluding restructuring expenses, MEUR	-11.0	-
Operating income, MEUR	-11.5	0.6
Income before taxes, MEUR	-23.4	-5.5
Net income, MEUR	-21.8	-13.7
EPS, EUR	-0.67	-0.42
Gearing	2.9	1.2
ROCE (trailing 12 months), %	-14.4	-6.2
Cash flow after investments, MEUR	72.2	-78.5

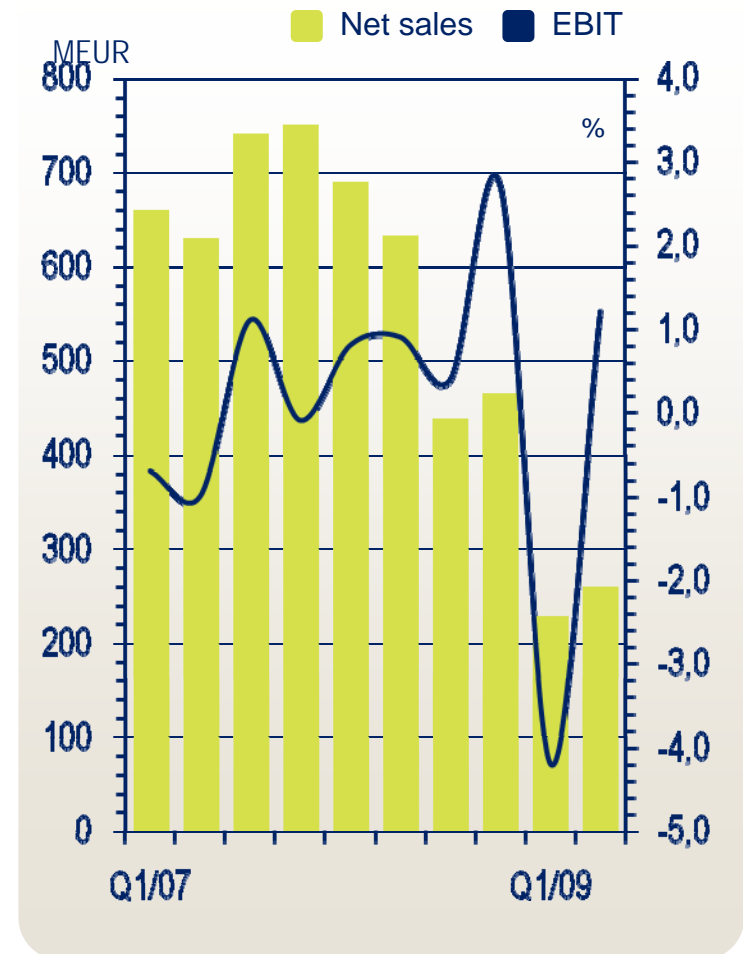
## Key Figures, April - June

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(IFRS)	Q2/2009	Q2/2008
Capital employed, MEUR	444.4	448.6
Interest-bearing net debt, MEUR	215.9	220.2
Gross capital expenditures, MEUR	1.5	16.6
Personnel at the end of the period	12,996	21,522

# Personal Communications

- 59% of net sales
- Mobile phones, their parts and accessories, wireless modules and wireless phones



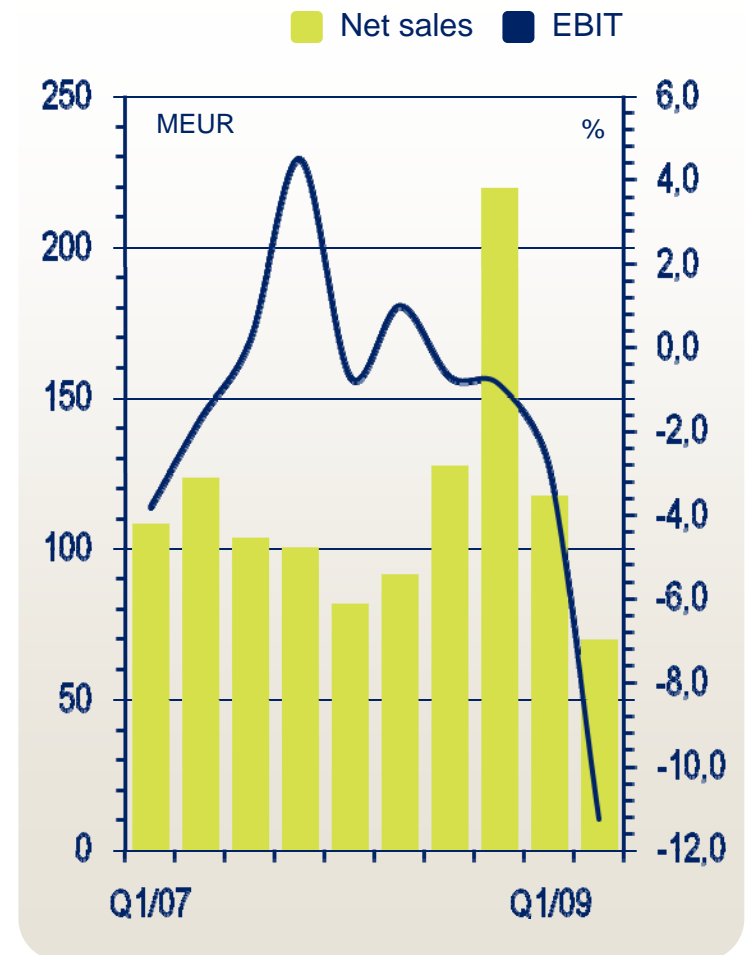
EBIT excluding restructuring expenses

# Home Communications

- 16% of net sales
- Set Top Boxes, Flat Panel TVs and other home connectivity products



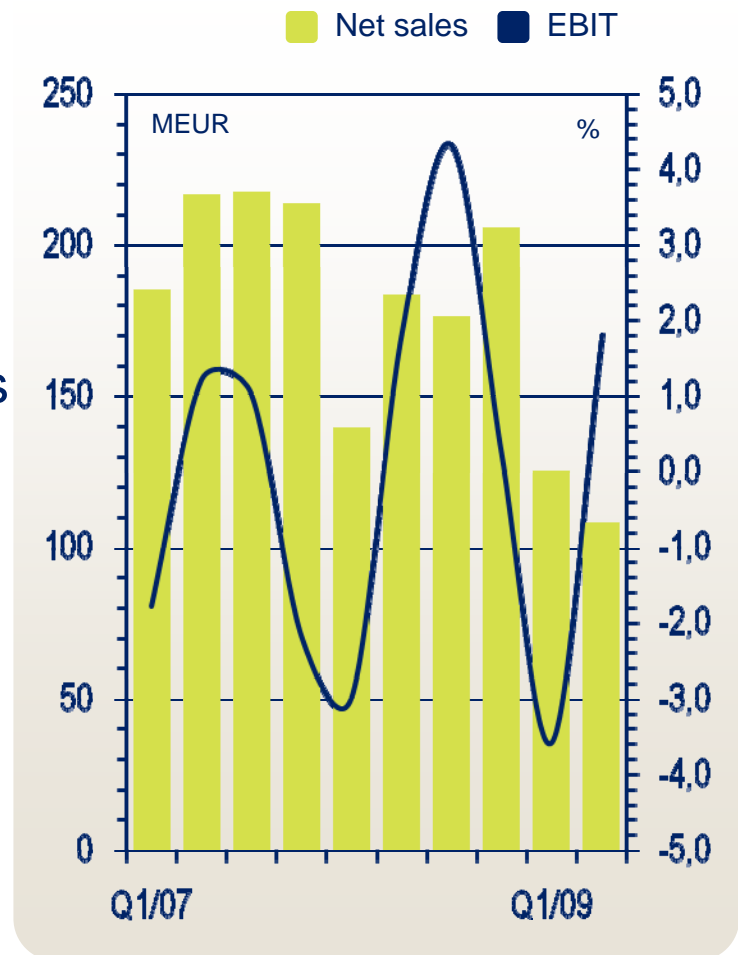
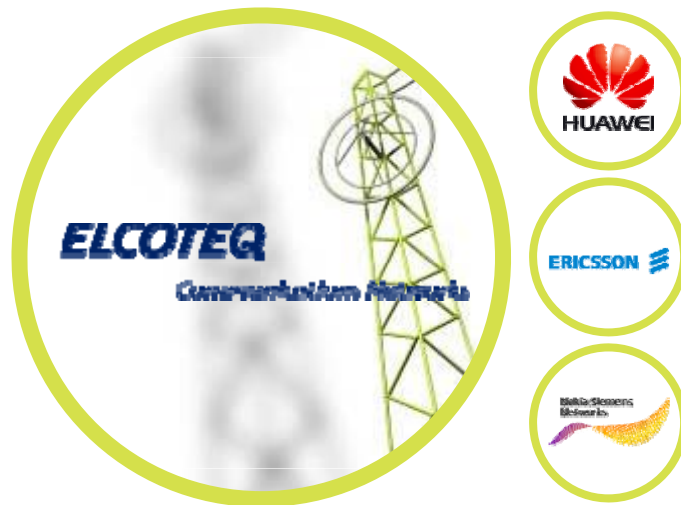
[www.elcoteq.com](http://www.elcoteq.com)



EBIT excluding restructuring expenses

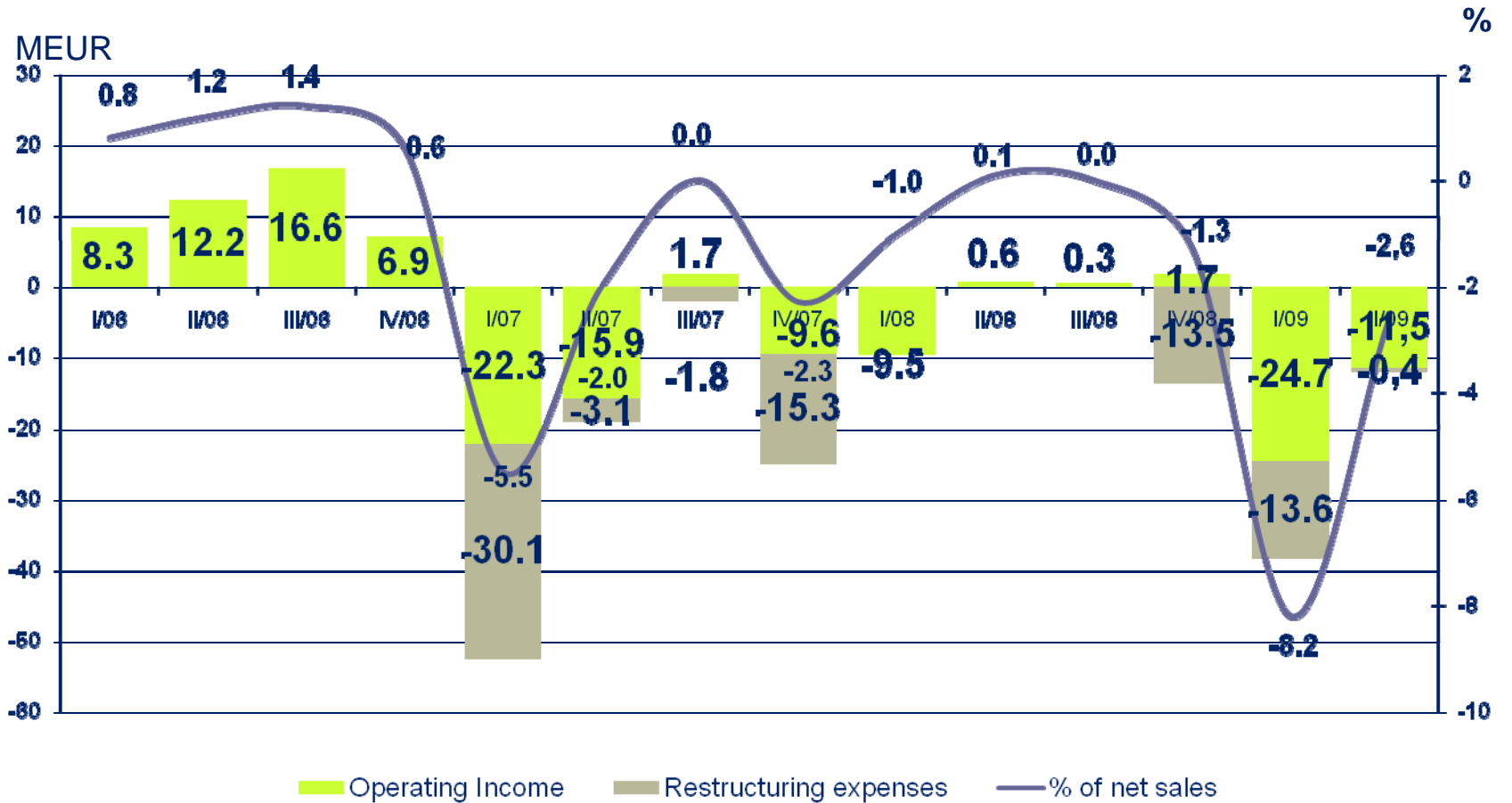
# Communications Networks

- 25% of net sales
- Wireless, wireline and enterprise system products and plug-in units, such as base station products, transmission systems and broadband network products



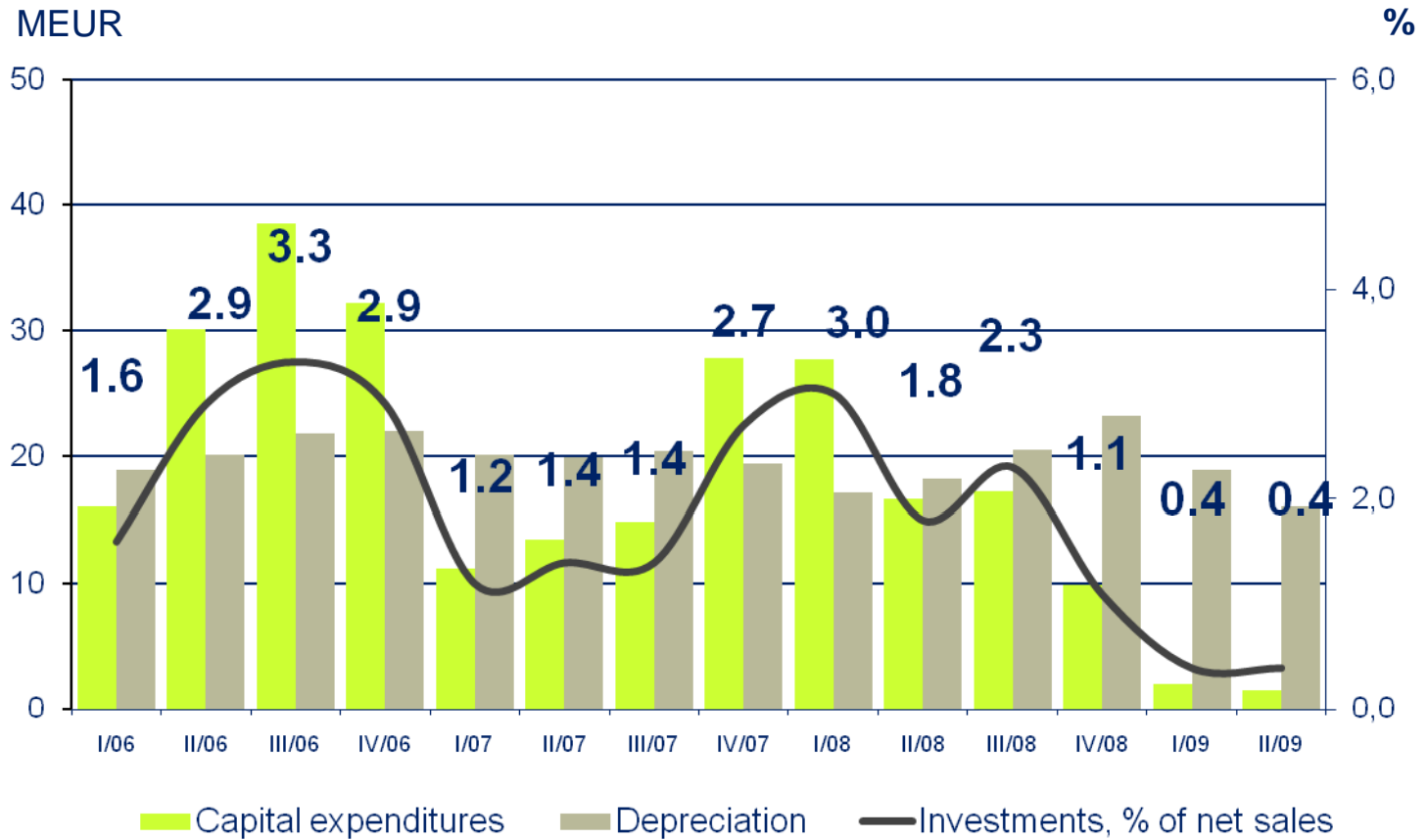
EBIT excluding restructuring expenses

# Operating Income

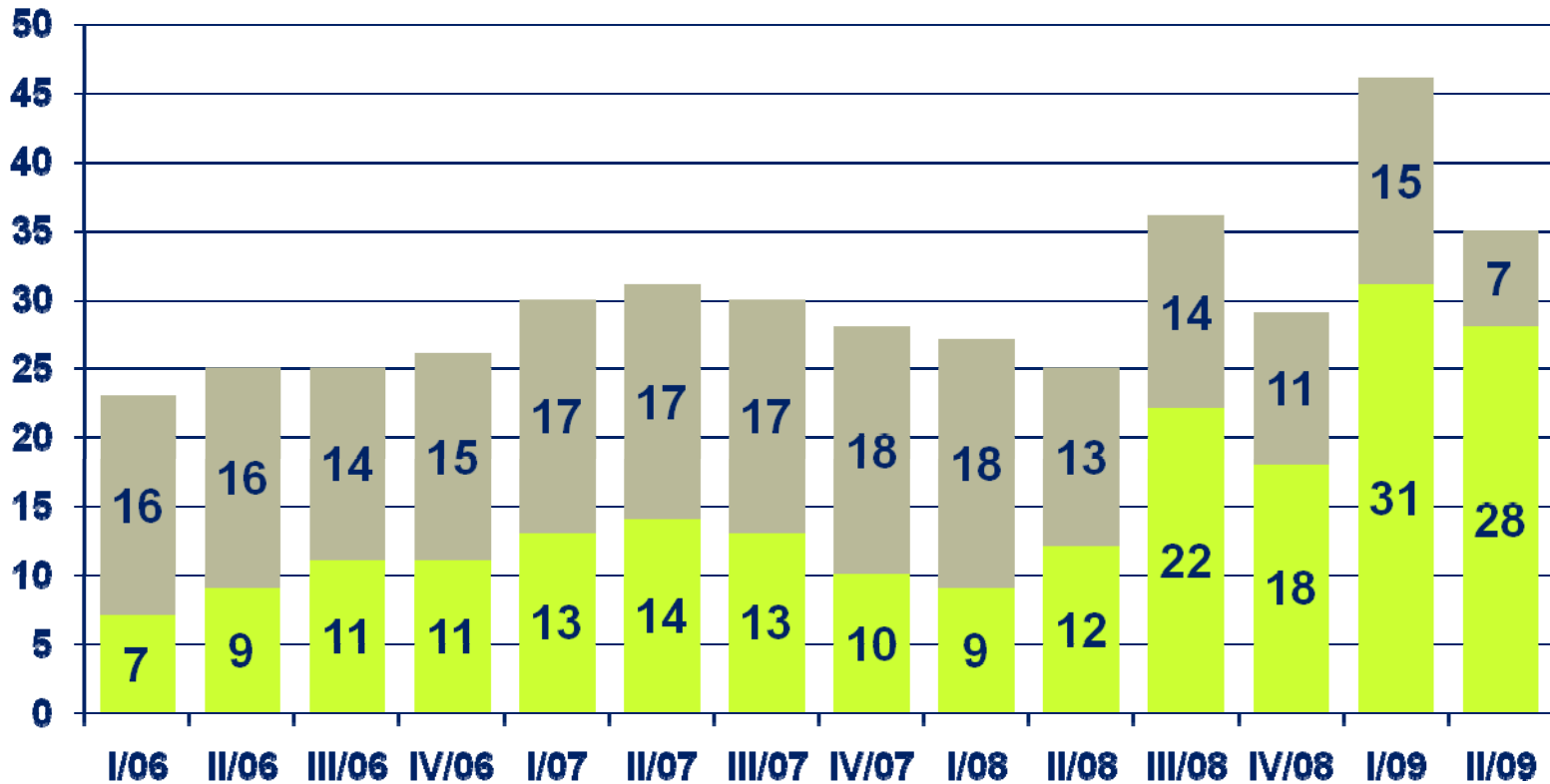




# Capital Expenditures and Depreciation



# Average Working Capital Days



■ Sold receivables

## ***Key priorities for 2H2009***

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1. Complete equity increase
2. Win new business with existing and new customers
3. Improve profitability and maintain positive cash flow
4. Conclude debt restructuring

## ***Prospects***

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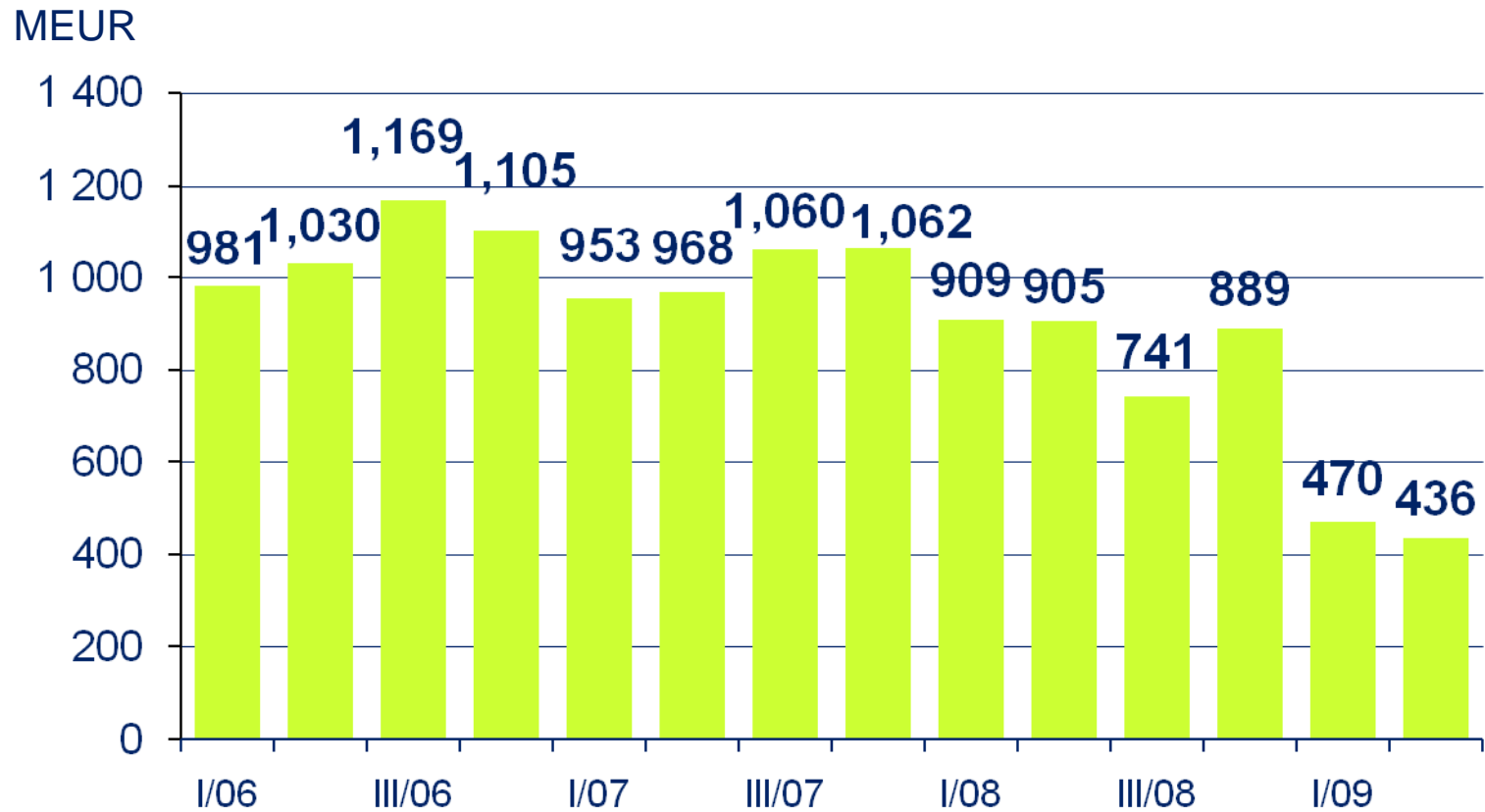
- Forecasting is still extremely difficult under current market conditions
- Third quarter net sales will slightly decrease from Q2 level (Tallinn transaction)
- Operating income is expected to improve from the level of Q2
- Cash flow is expected to remain positive

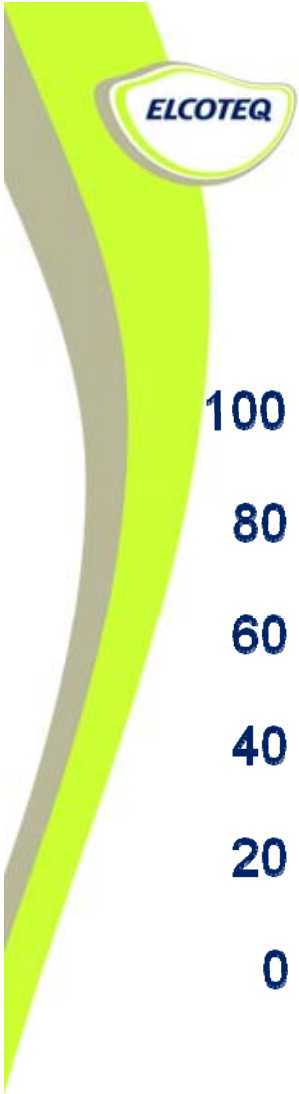
***World's leading integrated EMS  
provider to communications  
technology customers***



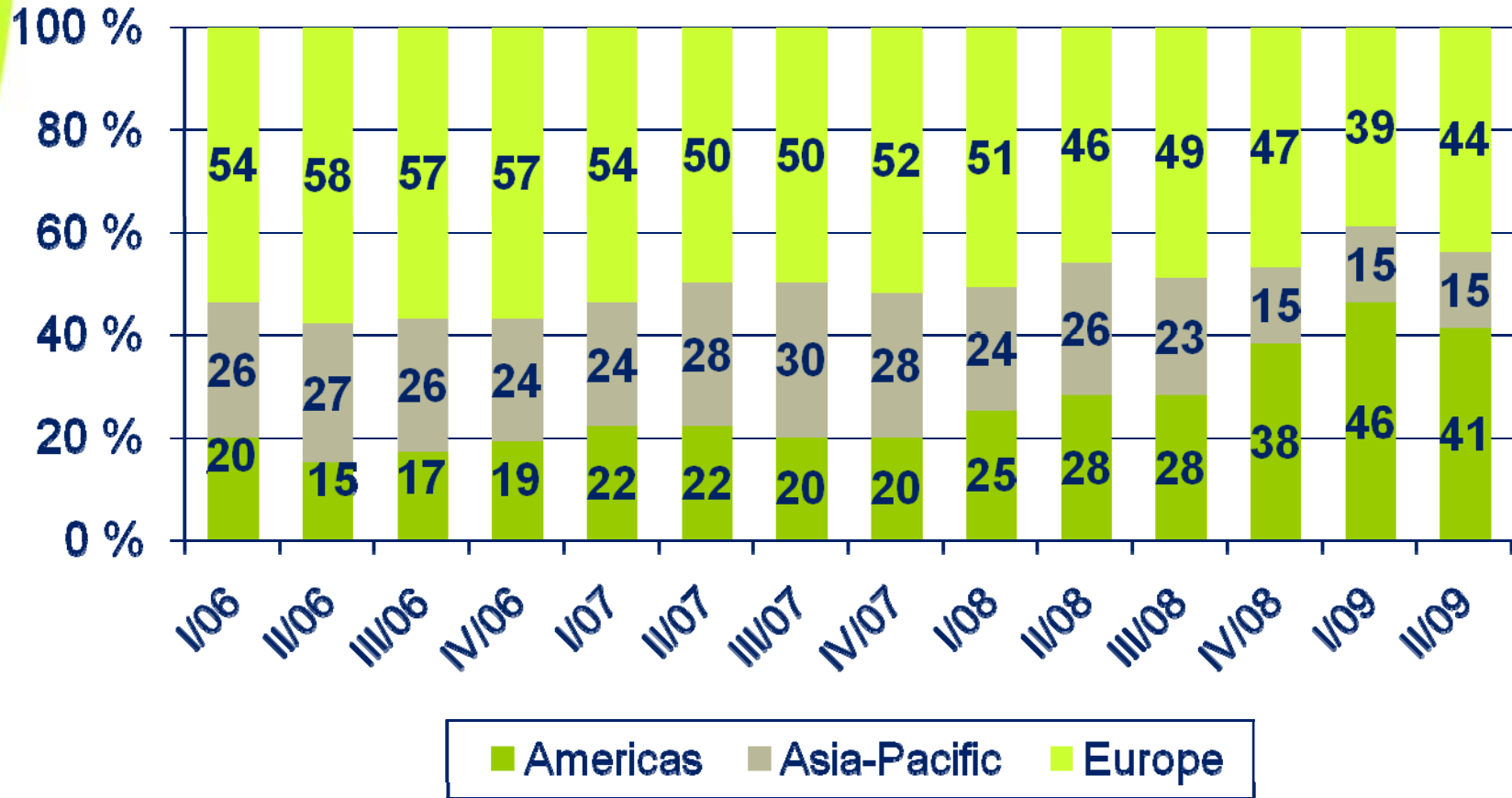
# ***Additional Slides***

# Net Sales by Quarter



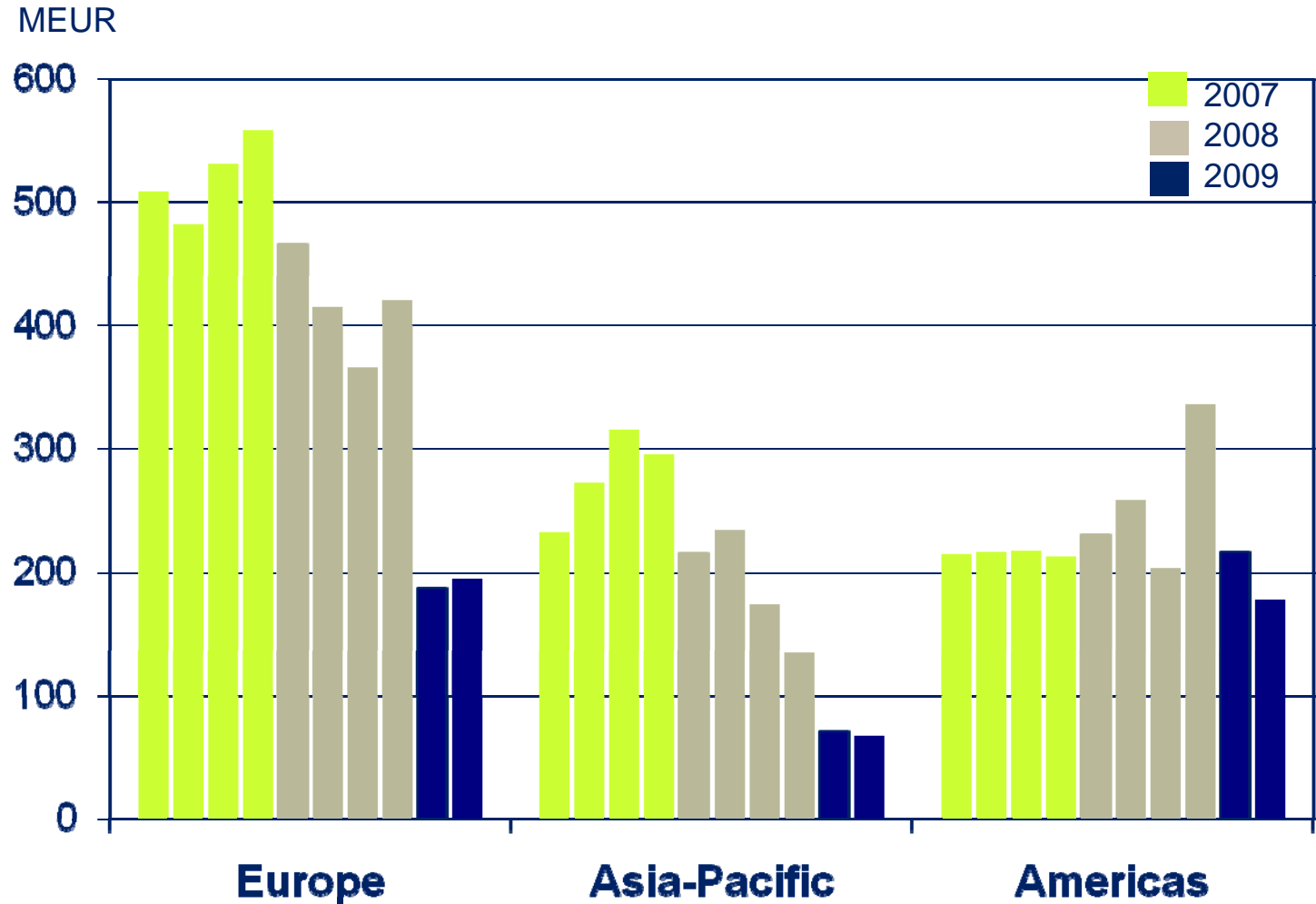


# Net Sales by Geographical Area, %





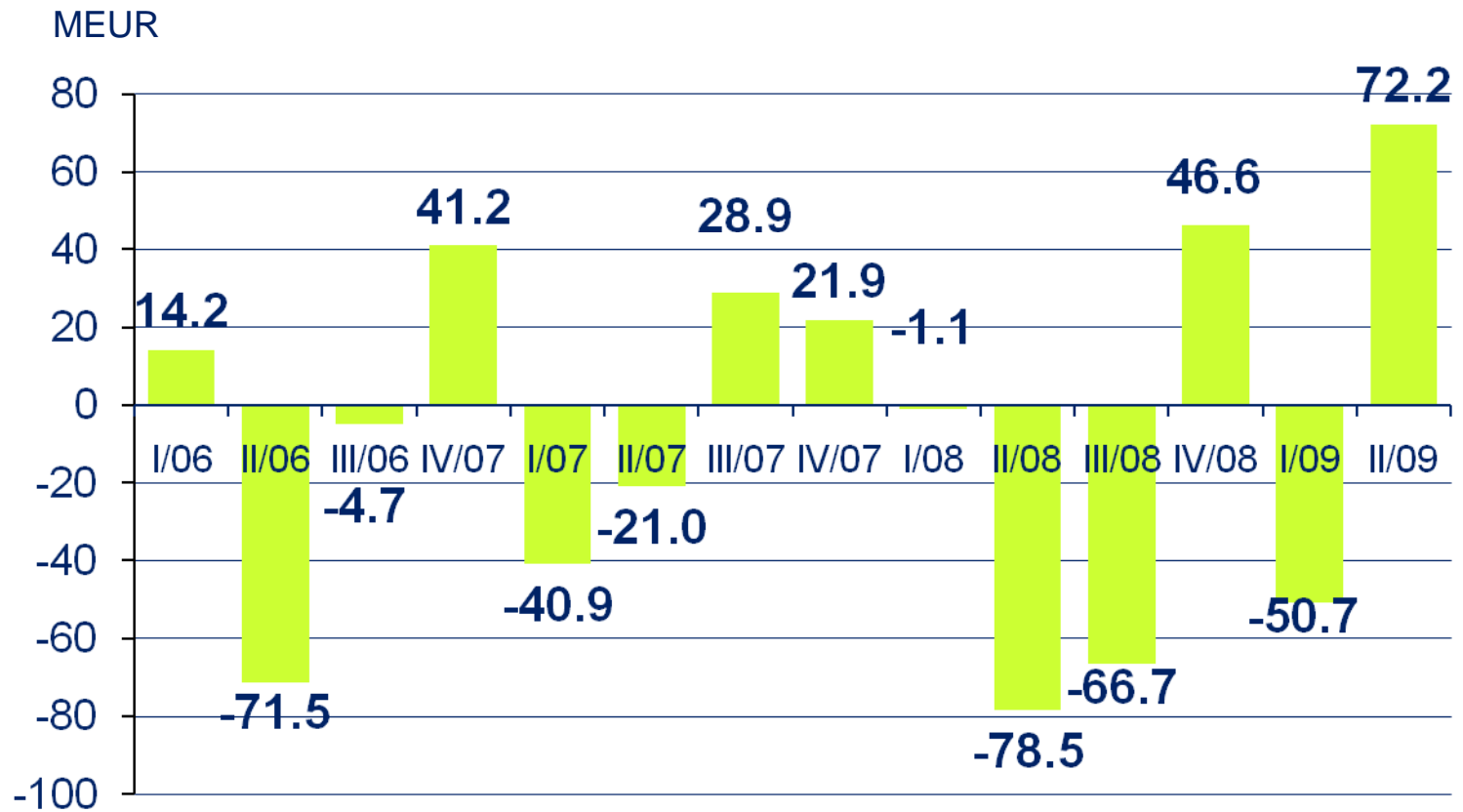
# Quarterly Net Sales by Geographical Area in 2007 - 2009

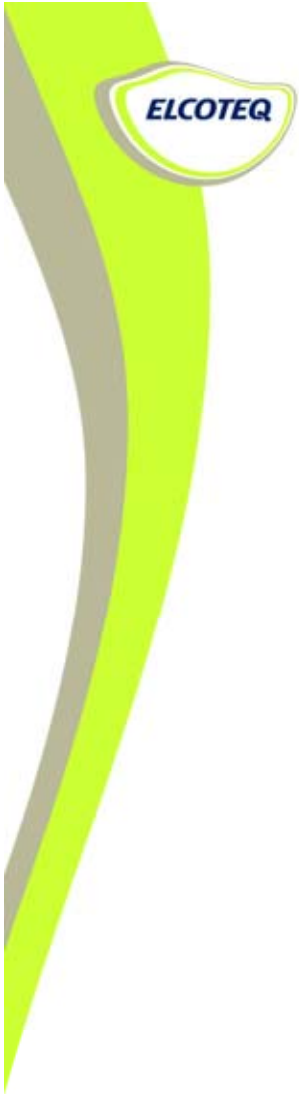


# Earnings per Share



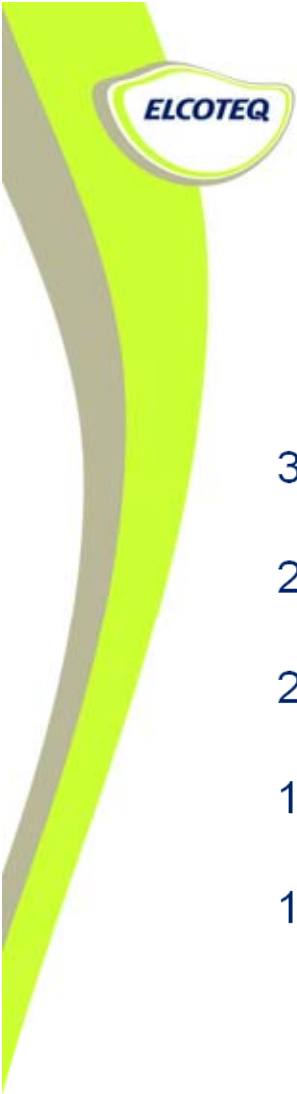
# Cash Flow



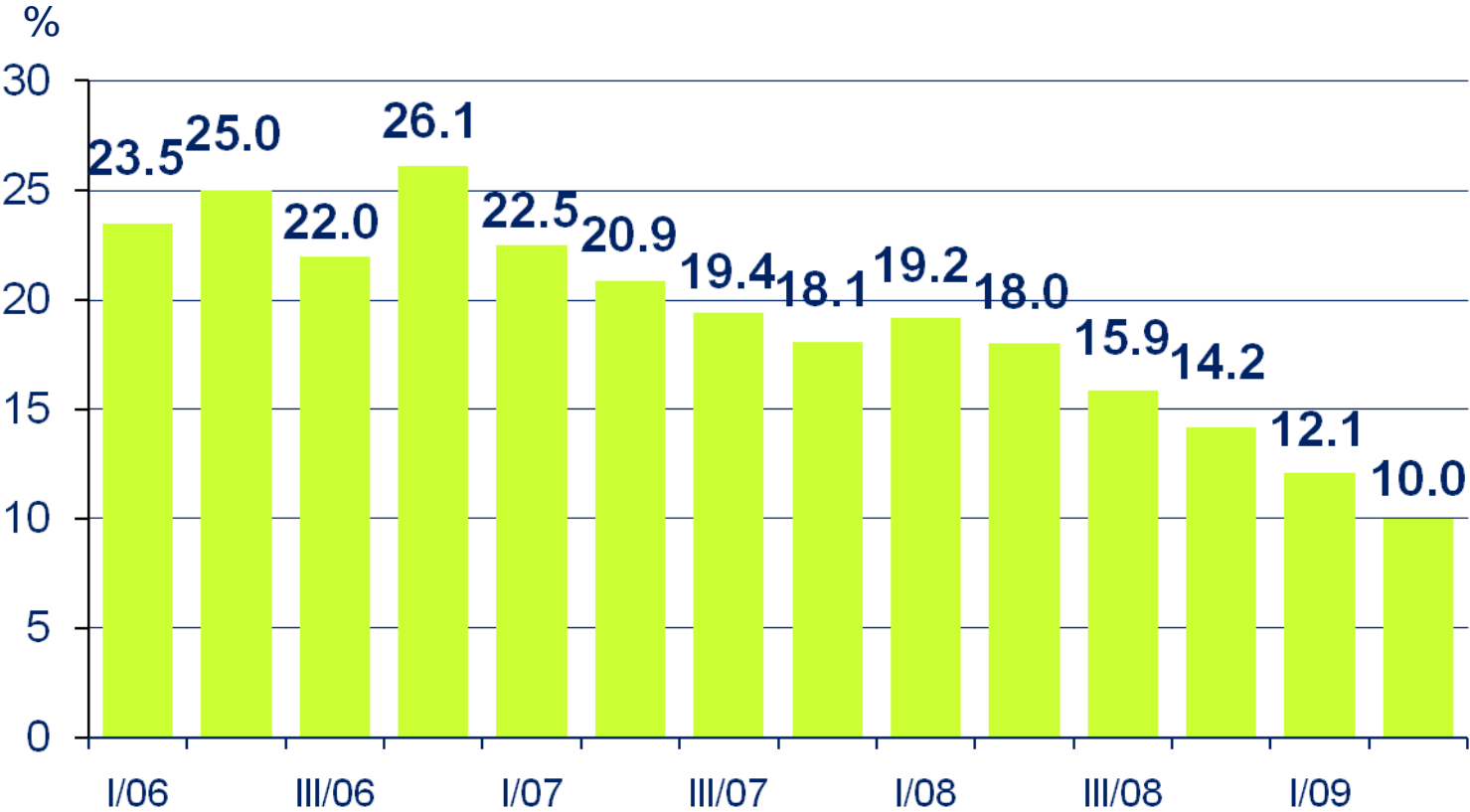


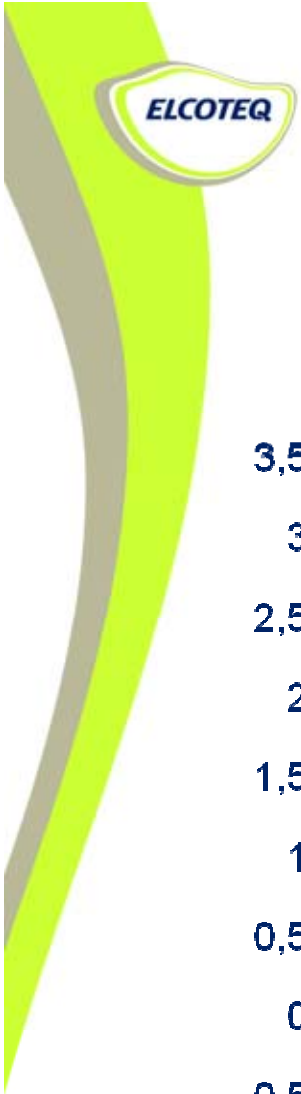
# Return on Capital Employed, ROCE (Trailing 12 Months)



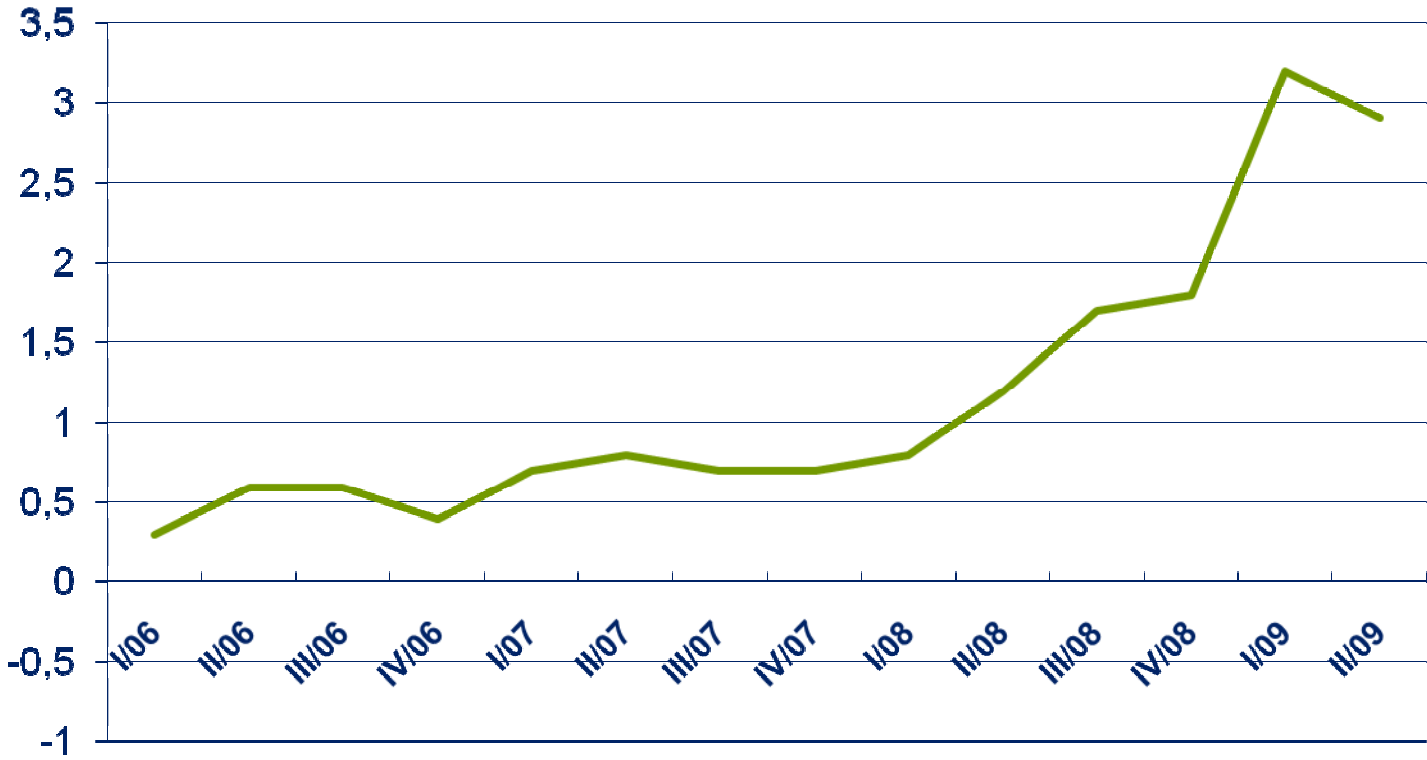


# Solvency Ratio

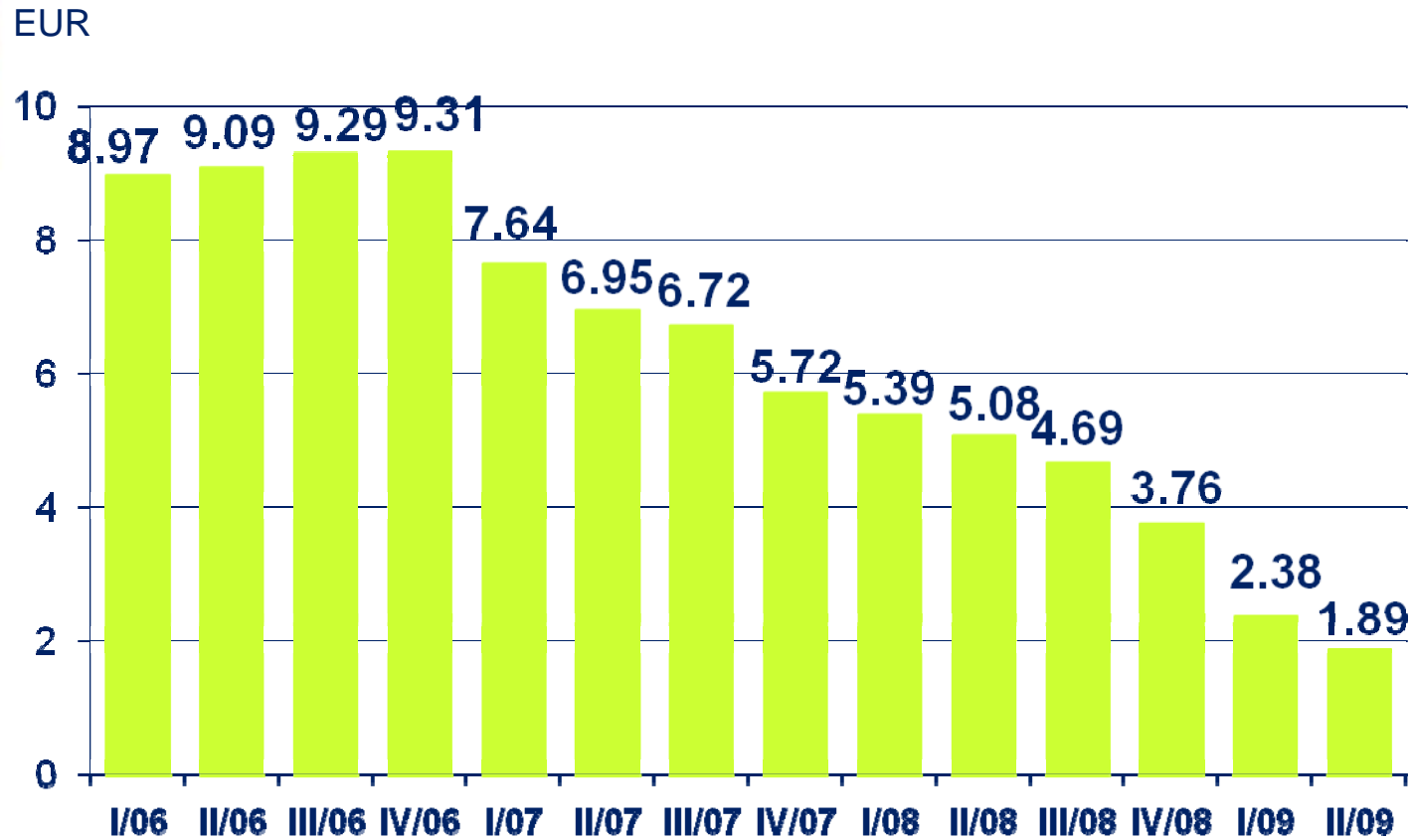




# Gearing

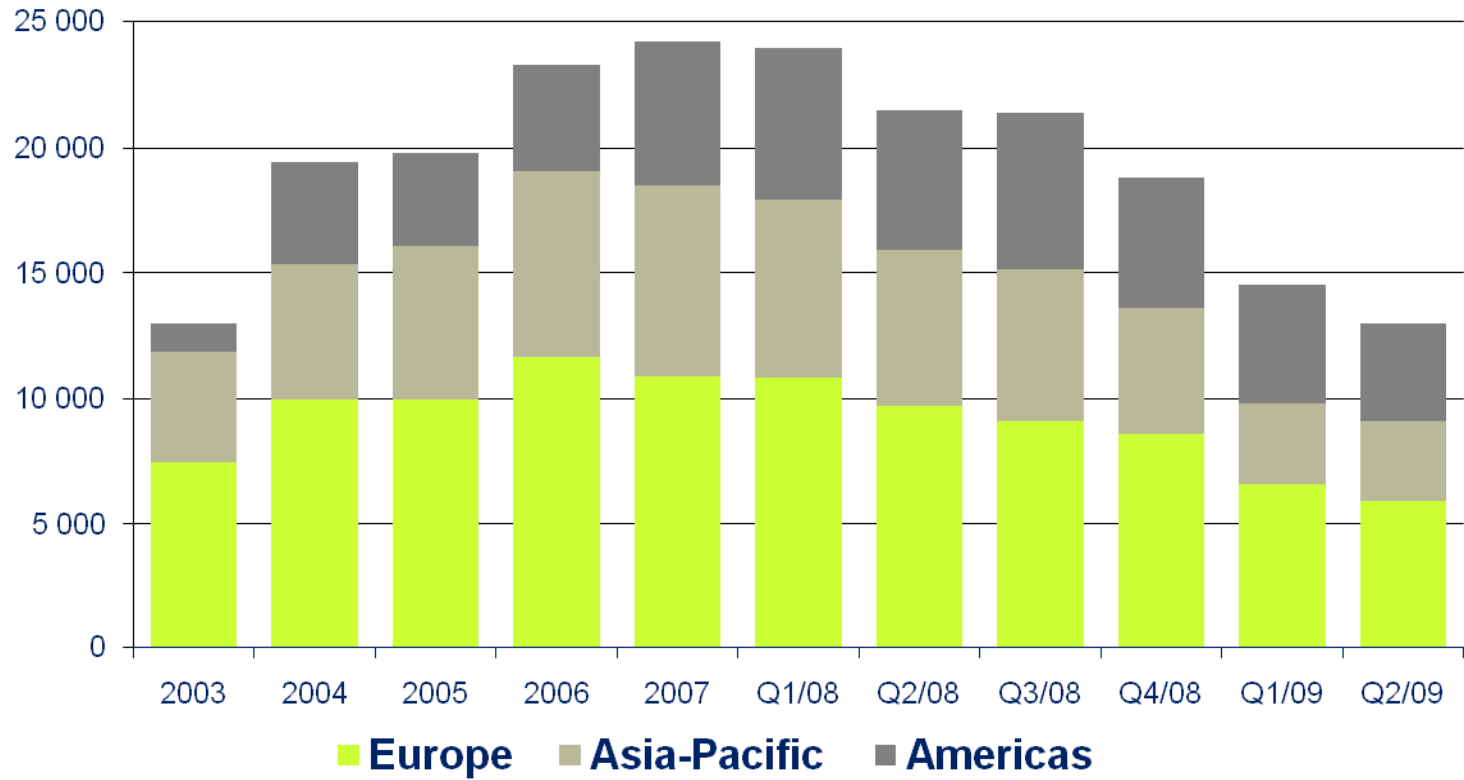


# Equity per Share





# Personnel by Geographical Area





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provider to communications  
technology customers***