

Elcoteq SE
Société européenne
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Report by the board of directors of Elcoteq SE to the Extraordinary General Meeting of the Shareholders of Elcoteq SE pursuant to article 32-3 (5) of the Luxembourg law of August 10, 1915 governing commercial companies, as amended

December, 21, 2009,

Dear Sirs,

1. Elcoteq SE (the “**Company**”) is contemplating a balance sheet restructuring through the conversion of its debenture loans into equity, as well as through the raising of new capital by way of a share offer which could be either based on shareholders' pre emptive right or be a directed issue (the “**Offerings**”).
2. The detailed terms and conditions of the Offerings would be determined by the board of directors of the Company (the “**Board of Directors**”).
3. For the purpose of the Offerings, the Board of Directors is contemplating to convene an extraordinary general meeting of the shareholders of the Company, to be held on or about January 22nd, 2010 (the “**Extraordinary General Meeting**”).
4. At the Extraordinary General Meeting, it will be proposed to the shareholders to amend the current provisions relating to the share capital of the Company, and to increase the authorised share capital, so that the Board of Directors will be granted the authorisation to increase the issued share capital of the Company within the limits of the new authorised capital, also without reserving a preferential right to the existing shareholders. The Board of Directors requests to be granted with the authorisation to issue new shares of the Company, within the limit of the authorised capital mechanism, with or without reserving to current Company's shareholders a preferential right to subscribe to such shares.
5. Such authorisation granted by the Extraordinary General Meeting to the Board of Directors to suppress or limit the preferential subscription right of existing shareholders, requires a report from the Board of Directors detailing the justifications for such powers, pursuant to article 32-3 (5) of the Luxembourg law of August 10, 1915 governing commercial companies, as amended.

6. The Board of Directors proposes to increase of the authorised share capital of the Company from its current amount of twenty million euros (EUR 20,000,000) up to an amount of two hundred million euros (EUR 200,000,000).
7. In addition, the Extraordinary General Meeting would decide on amending the Company's articles of association by (i) decreasing the par value of the A shares from their current value of forty cents (EUR 0.40) each down to a new value of four cent (EUR 0.04) each, and (ii) removing the clause granting the right to demand redemption in case of changes in ownership.
8. Further to the decrease of the par value of the A shares, the Extraordinary General Meeting would also decide on amending correlatively the Company's articles of association by decreasing the K shares' par value, from their current value of four cents (EUR 0.04) each down to a new value of one cent (EUR 0.01) each.
9. For the purpose of the Offerings, the Board of Directors is of the opinion that the existence of a preferential subscription right for the benefit of the existing shareholders will seriously reduce the flexibility of the Company to carry out capital increase(s) in the Company in the most efficient and timely manner and, in addition, would risk delaying any increases of the issued share capital and issues of new shares at a moment or during a transaction where timing may be of the essence. Thus, it would be beneficial for the Company to be able to issue new shares without reserving a preferential subscription right in the cases outlined above.

On behalf of the Board of Directors,



by: Mr. Antti Piippo