

***Elcoteq SE***

***Interim Report***  
***January - September***

***October 24, 2007***



## Q3 Highlights

---

- Net sales up some 10 % on the second quarter to 1,059.7 million euros (1,169.1 in July - September 2006)
- Operating income -0.1 million euros (16.6), and excluding restructuring costs 1.7 million euros positive
- Action plan
  - The action plan and measures to raise operational efficiency proceeded as planned. Especially the operating income of Terminal Products improved.
  - Production ended at the Lohja plant in June, and the plant was sold to Sponda Kiinteistörahasto
  - Production ended at the Juárez plant in Mexico
- Balancing the customer portfolio continued
  - The largest customers: Ericsson, Nokia Mobile Phones, Nokia Siemens Networks, Philips, RIM, Sony Ericsson and Thomson



# ***Decision on New Actions***

---

- New action plan that has three focuses:
  - Adoption of a customer-centric organization model
  - Turning around loss-making operations into profit or downsizing them and
  - Additional operational savings
- One-time costs that the company will seek to recognize in the last quarter of 2007
- Elcoteq will publish information on the specifics of the program during the final quarter

# Net Sales and Result, July - September

(IFRS)	Q3/2007	Q3/2006	2006
Net sales, MEUR	1,059.7	1,169.1	4,284.3
Operating income excluding restructuring costs, MEUR	1.7	16.6	43.9
Operating income, MEUR	-0.1	16.6	43.9
Income before taxes, MEUR	-7.5	10.1	19.2
Net income, MEUR	-6.3	5.9	12.1
EPS, EUR	-0.19	0.19	0.38
Gearing	0.7	0.6	0.4
ROCE (trailing 12 months), %	-12.0	12.1	9.1
Cash flow after investments, MEUR	28.9	-4.7	-20.8



## Key Figures, July - September

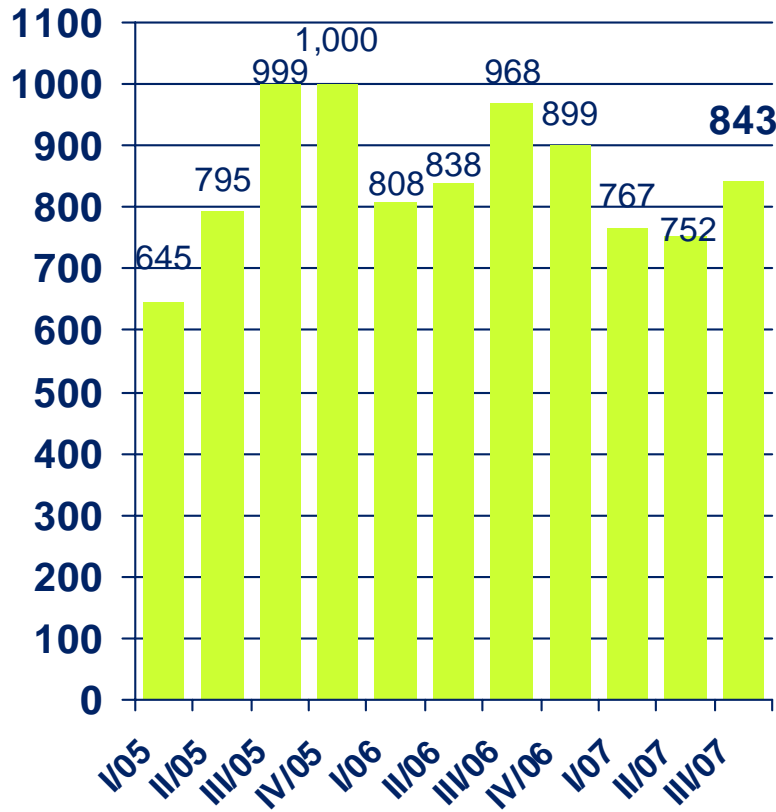
(IFRS)	Q3/2007	Q3/2006	2006
Capital employed, MEUR	460	573	514
Interest-bearing net debt, MEUR	164.0	169.9	128.0
Gross capital expenditures, MEUR	14.8	38.5	116.9
Personnel at the end of the period	24,986	24,814	23,298



# Net Sales by Business Area

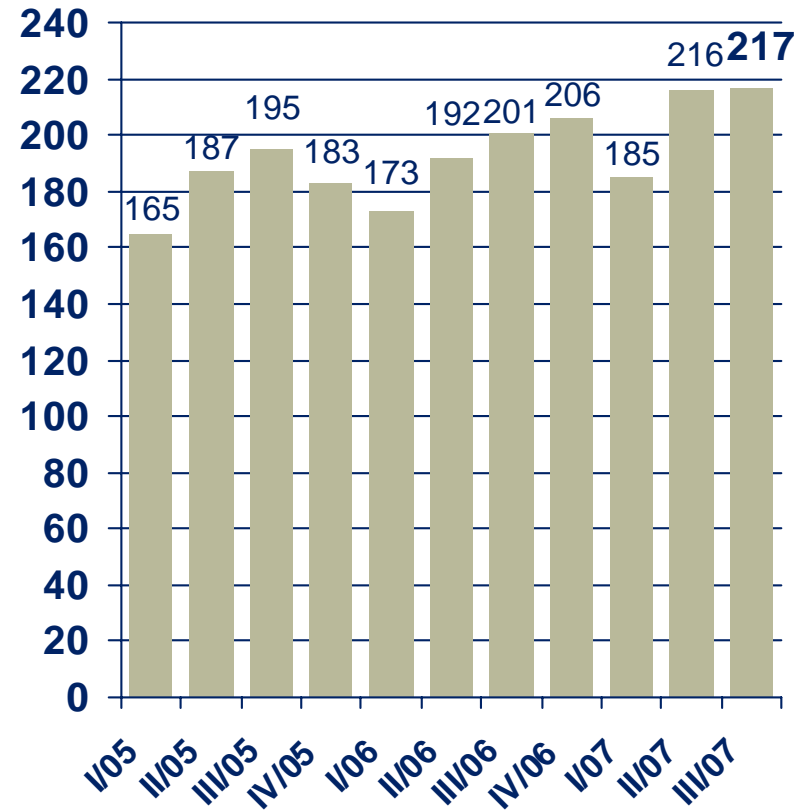
## Terminal Products

MEUR



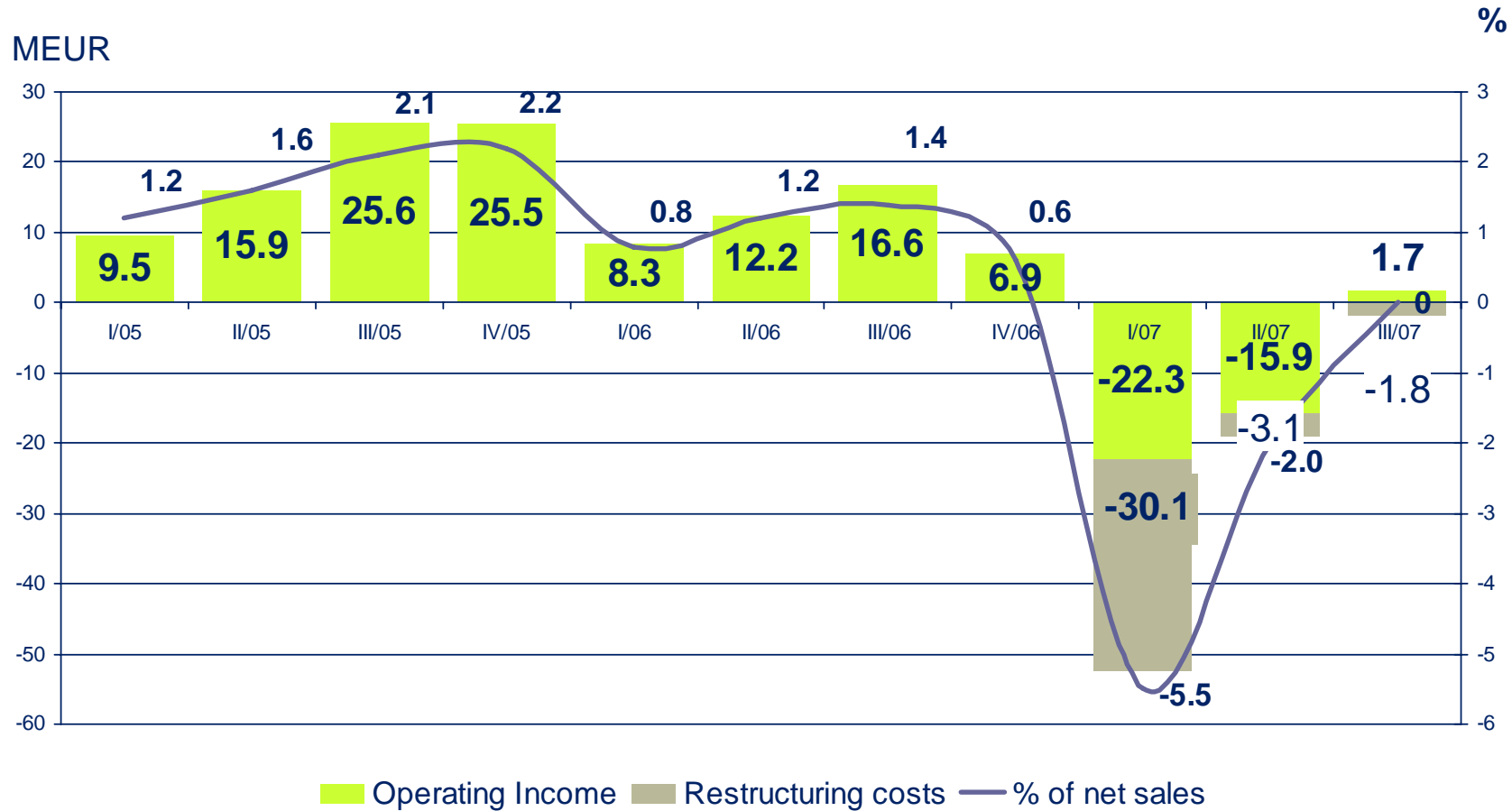
## Communications Networks

MEUR



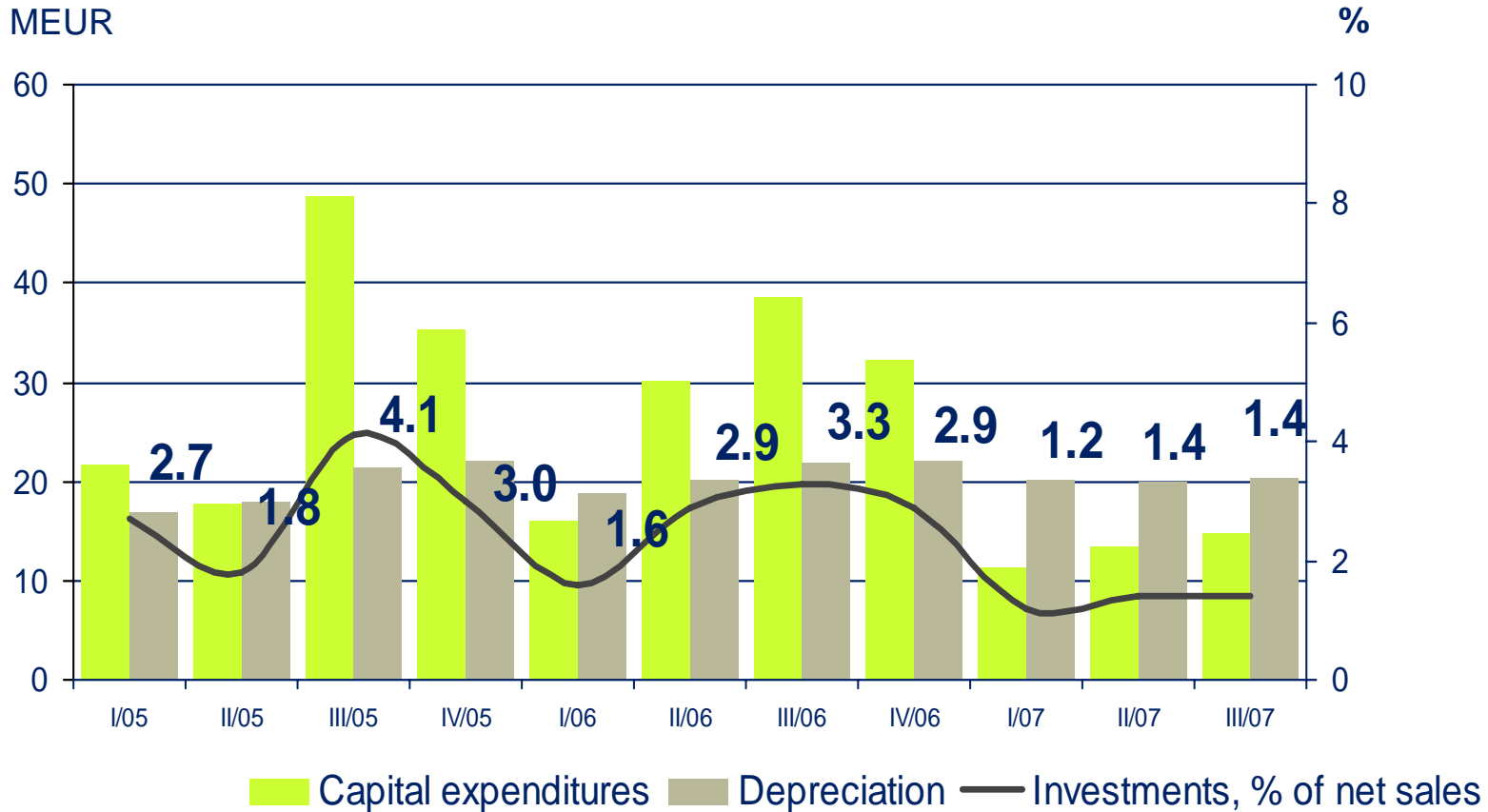


# Operating Income



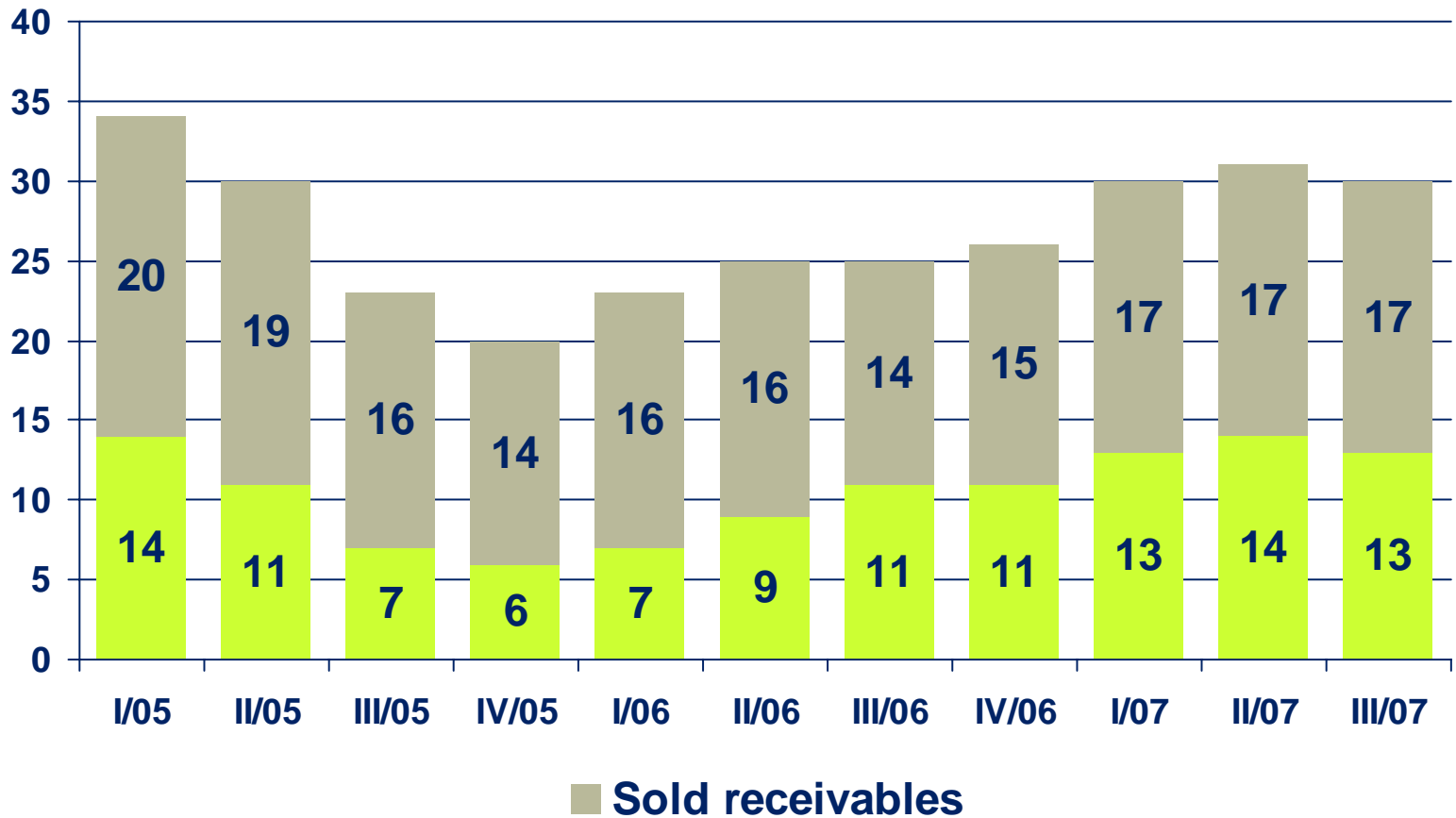


# Capital Expenditures and Depreciation





# Average Working Capital Days





# Prospects

---

- Full-year 2007
  - Net sales forecast to fall slightly below the previous year
  - Operating income excluding restructuring costs forecast to be negative
  
- Effect of the new action plan
  - One-time costs that the company will seek to recognize in the last quarter of 2007
  - Elcoteq will publish information on the specifics of the program during the final quarter
  - The company believes that the cost-savings and higher operational efficiency achieved from the new action plan will enable it to reach operating income level of about two percent in 2008



# IEMS Strategy

---

- The main idea of the IEMS strategy (Integrated Electronics Manufacturing Services):
  - Upgrading Elcoteq's service offering
  - Further developing the company's electronics manufacturing and product development services by introducing mechanics into the mix
- The IEMS strategy is based on customers' needs:
  - Especially mobile phone manufacturers need partners able to offer and independently manage a wider range of services
  - Reasons: more complex product structures and shorter product lifecycles
  - Main goals: to manage complexity and to increase efficiency and speed in the supply chains



# ***Progress with the IEMS Strategy***

---

- Negotiations and schedule:
  - Negotiations on partnerships and M&A arrangements ongoing with other companies parties in order to implement the IEMS strategy
  - Aim to implement the IEMS strategy measures by the end of 2008



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



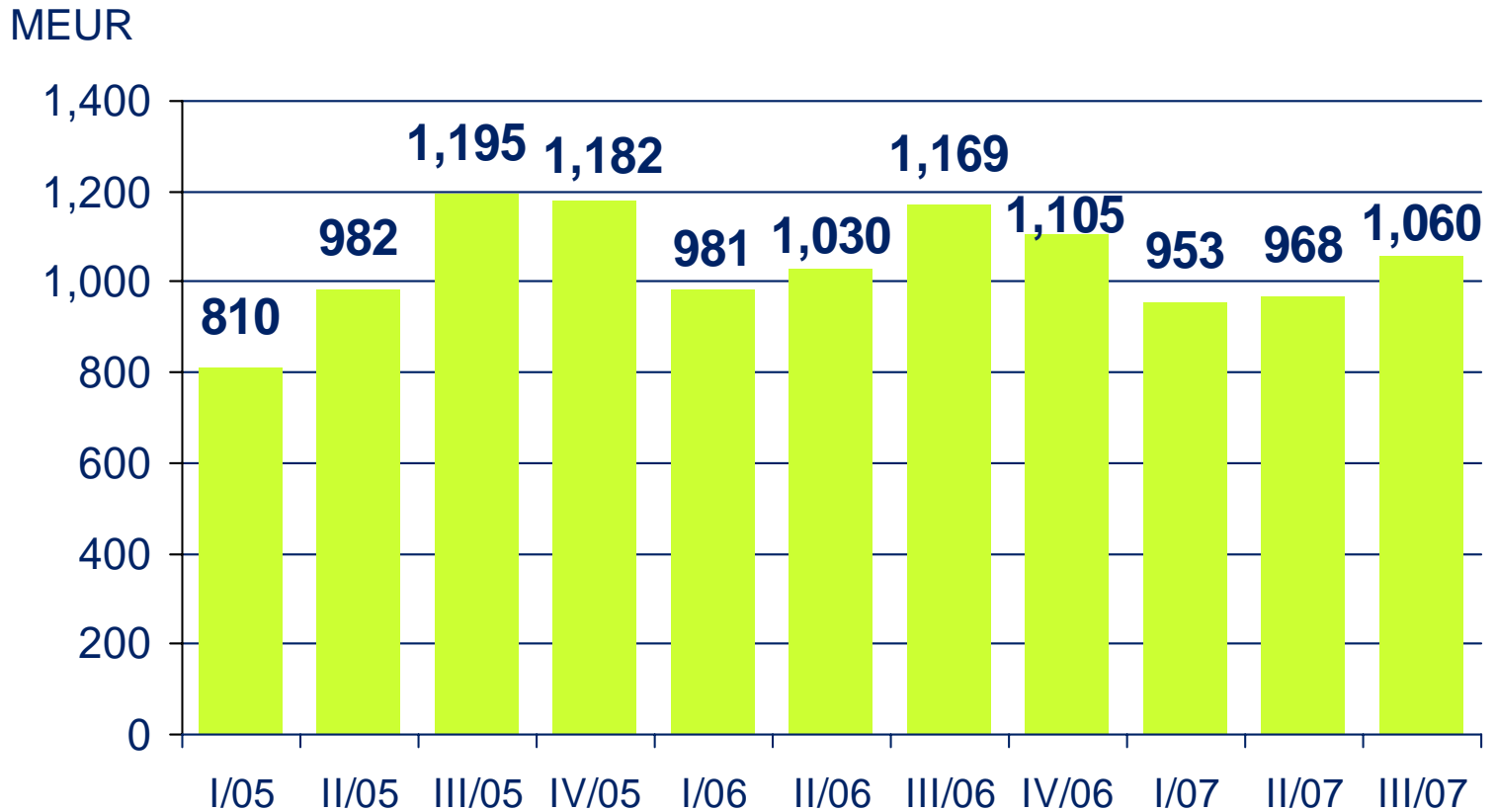
# ***Additional Slides***

# Net Sales and Result January - September

(IFRS)	Q1 - Q3/ 2007	Q1 - Q3/ 2006	2006
Net sales, MEUR	<b>2,980.5</b>	3,179.7	4,284.3
Operating income excluding restructuring costs, MEUR	<b>-36.5</b>	37.0	43.9
Operating income, MEUR	<b>-71.5</b>	37.0	43.9
Income before taxes, MEUR	<b>-91.6</b>	20.0	19.2
Net income, MEUR	<b>-73.8</b>	12.5	12.1
EPS, EUR	<b>-2.30</b>	0.40	0.38
Gearing	<b>0.7</b>	0.6	0.4
ROCE (trailing 12 months), %	<b>-12.0</b>	12.1	9.1
Cash flow after investments, MEUR	<b>-33.0</b>	-62.0	-20.8

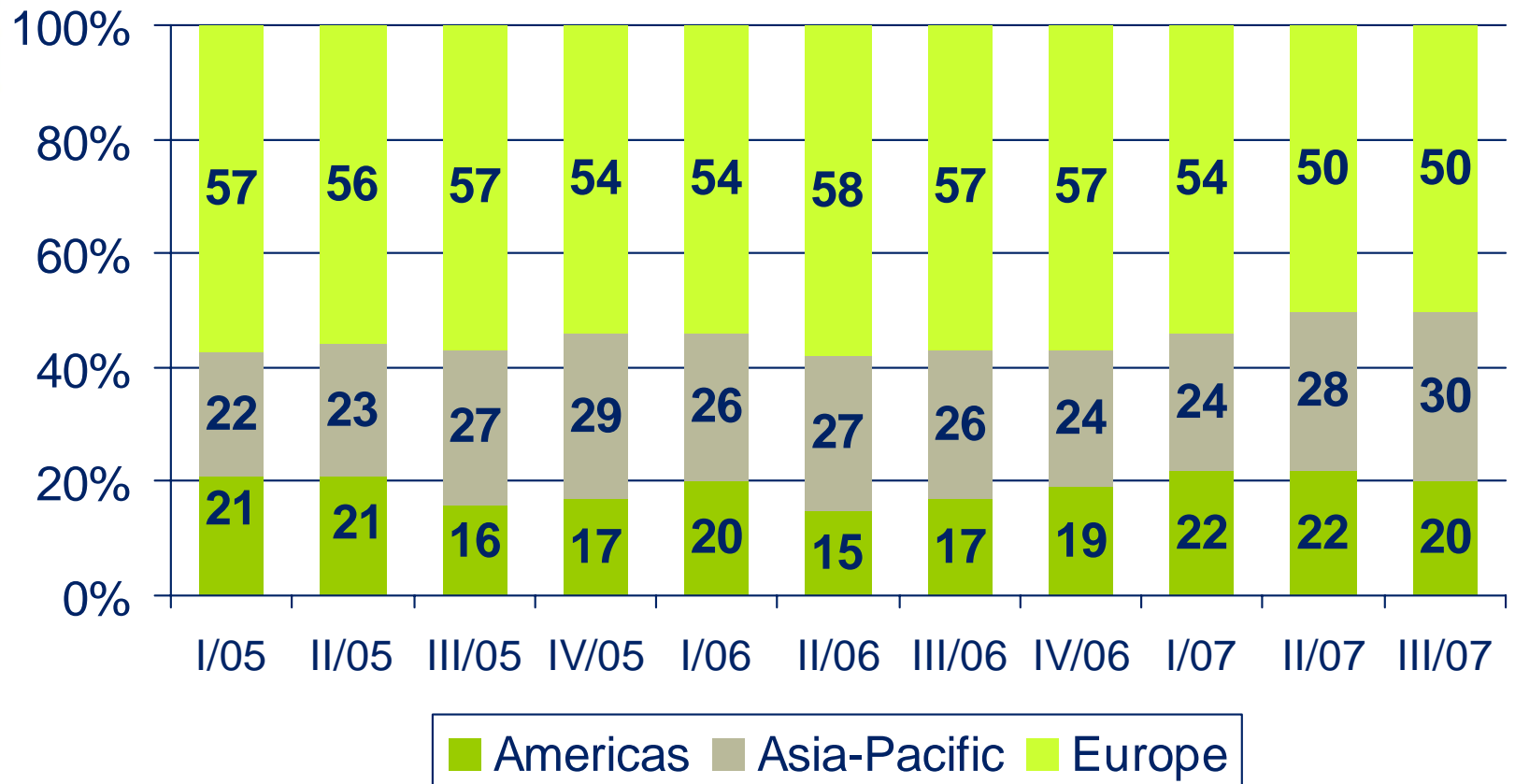


# Net Sales by Quarter



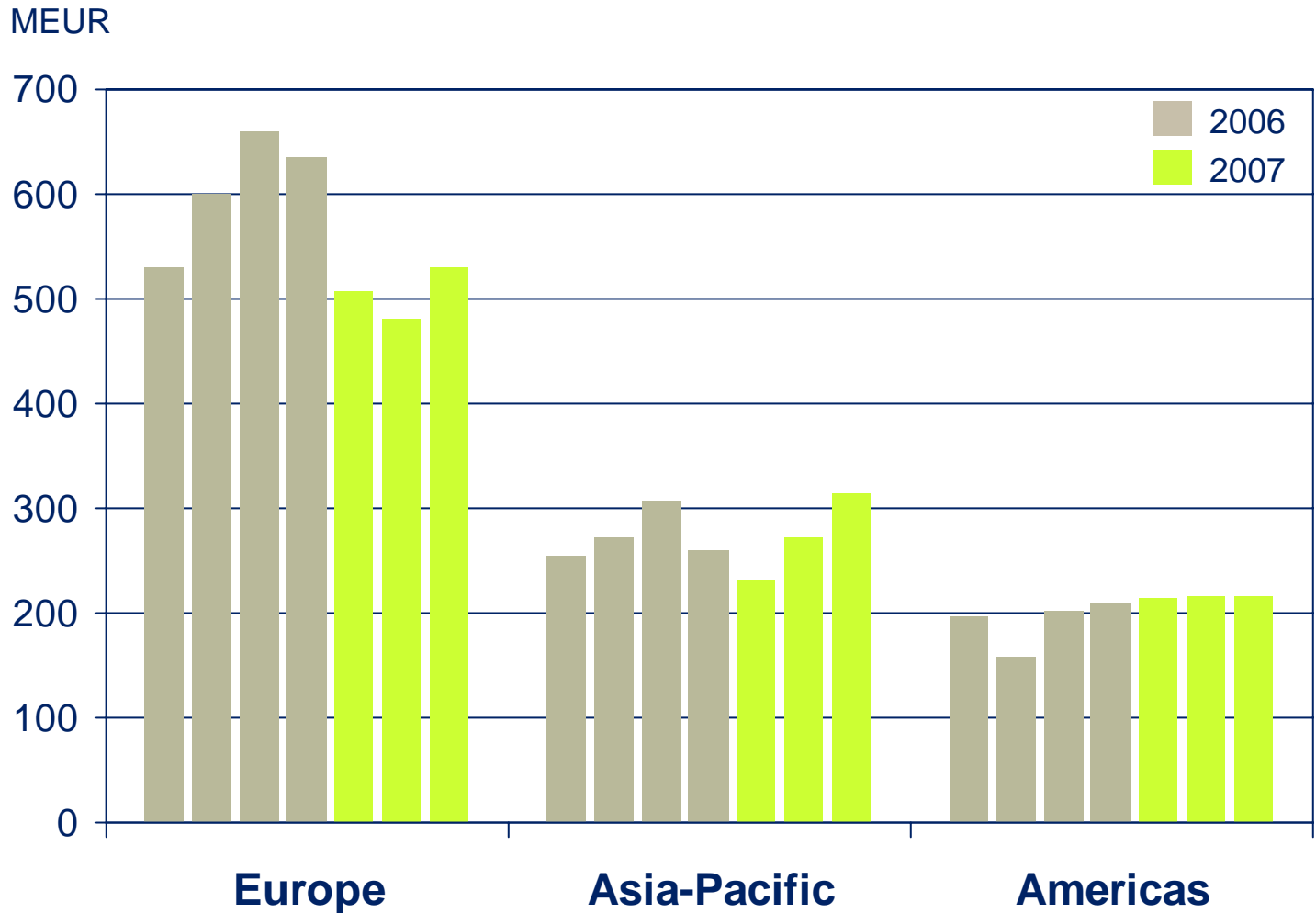


# Net Sales by Geographical Area, %



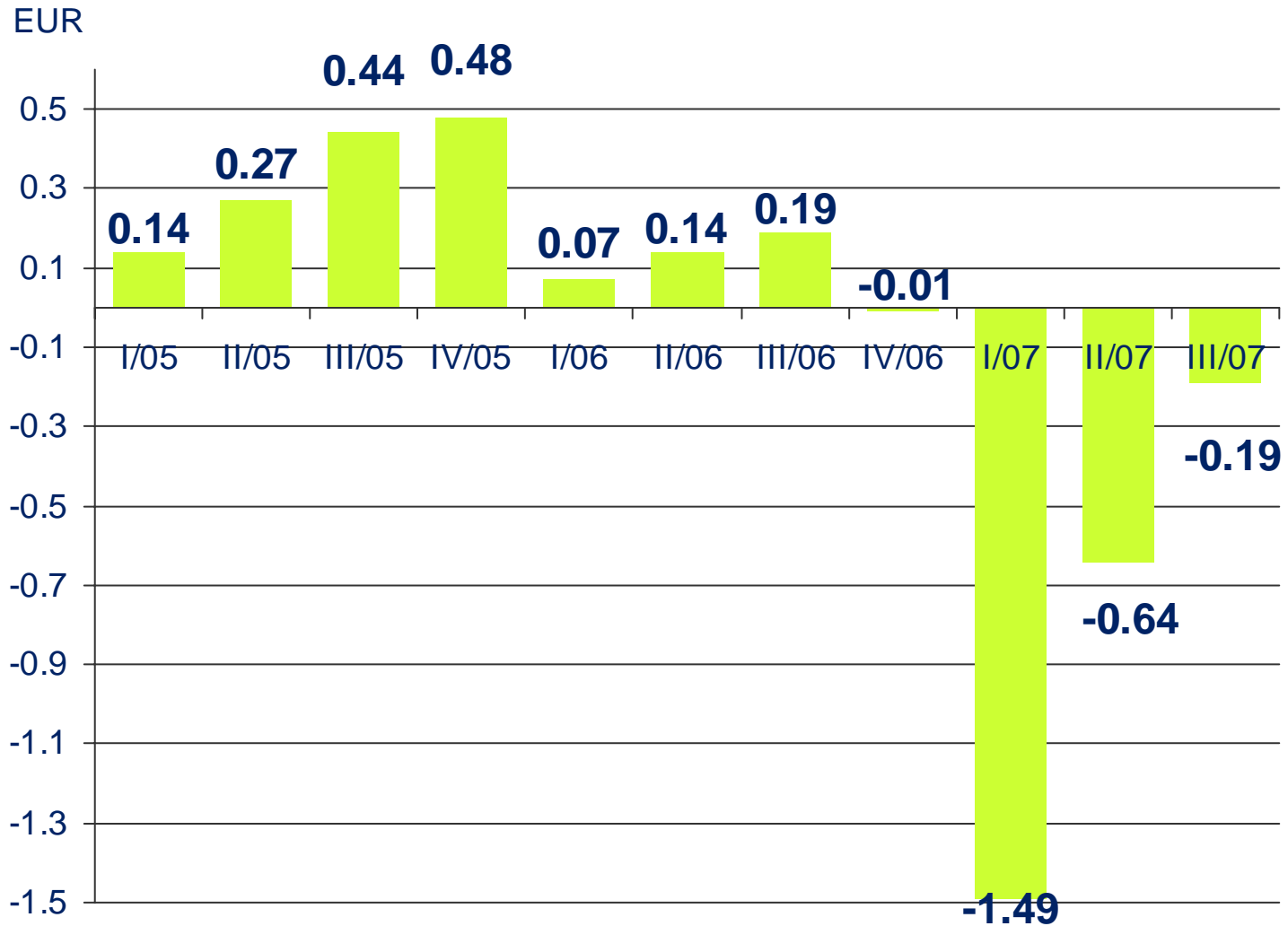


# Quarterly Net Sales by Geographical Area in 2006 - 2007



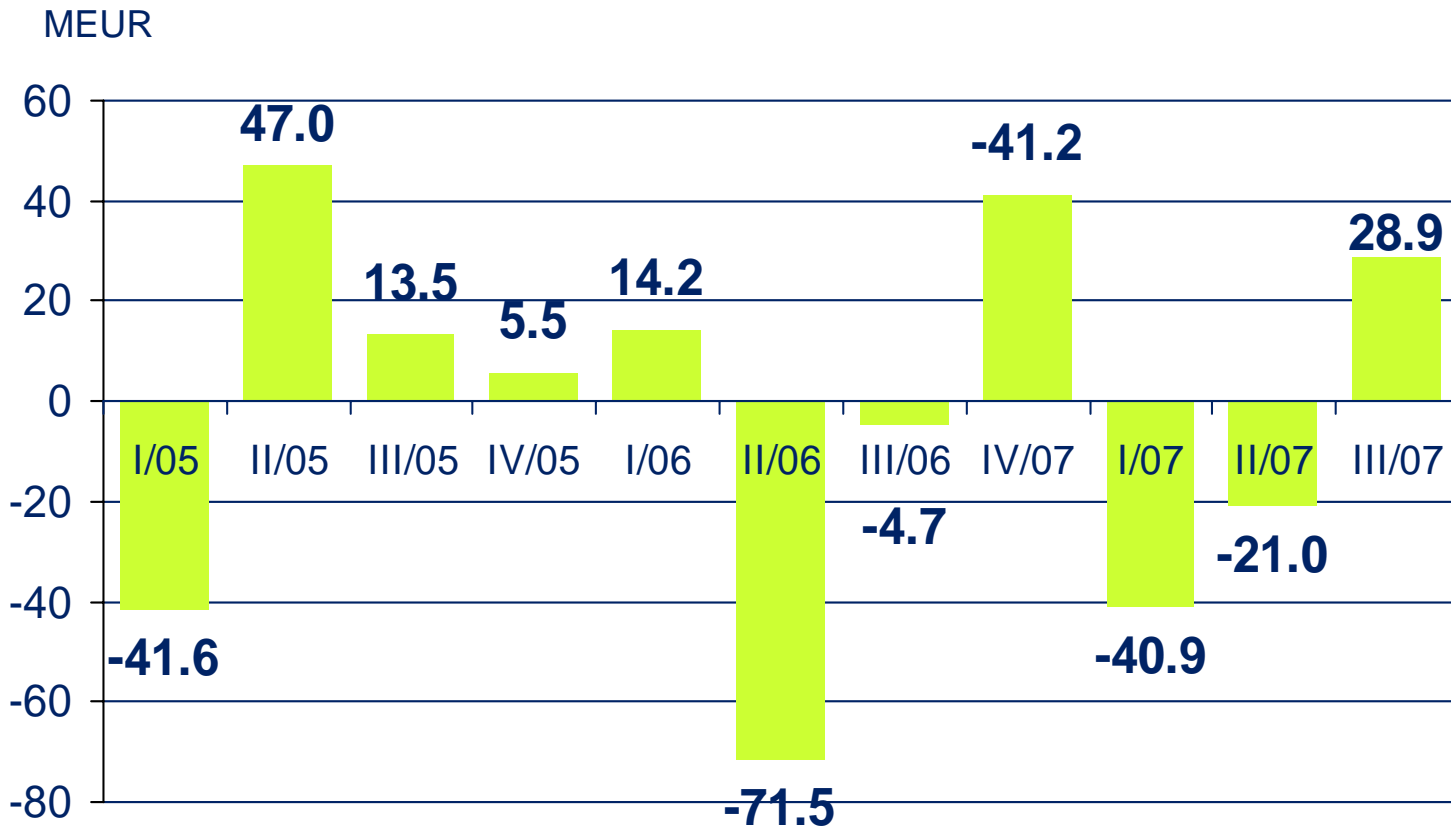


# Earnings per Share



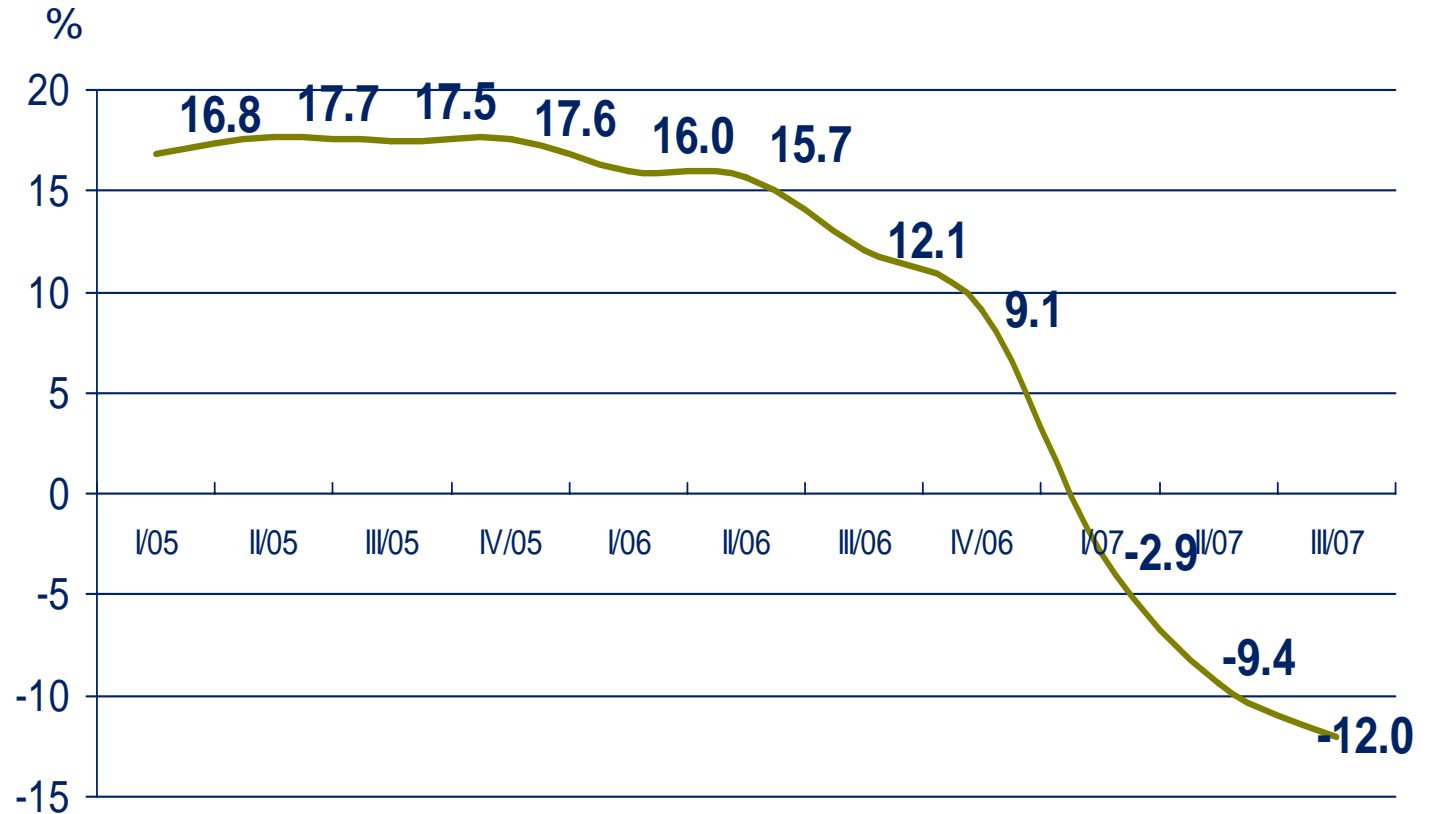


# Cash Flow



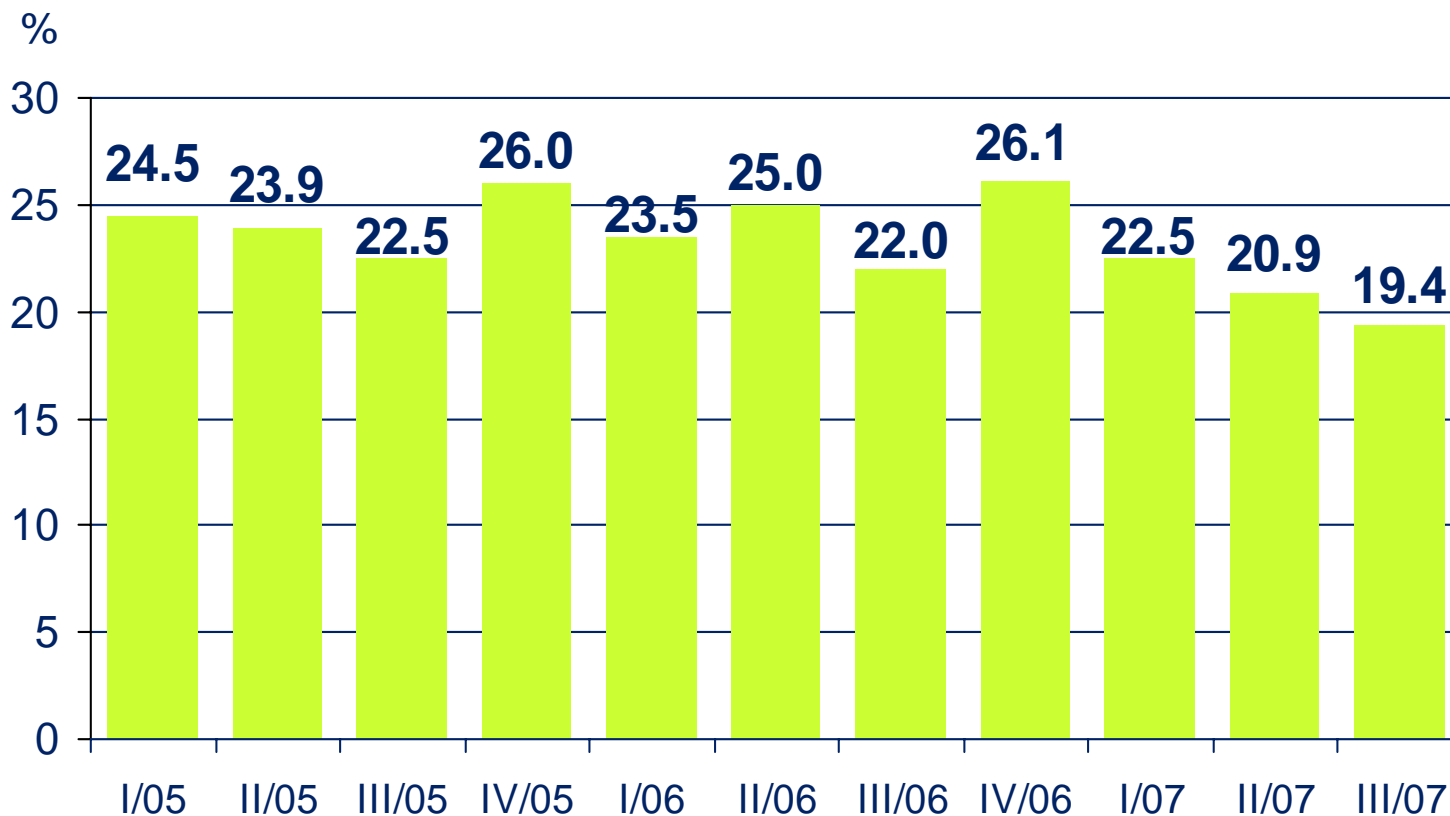


# Return on Capital Employed, ROCE (Trailing 12 Months)



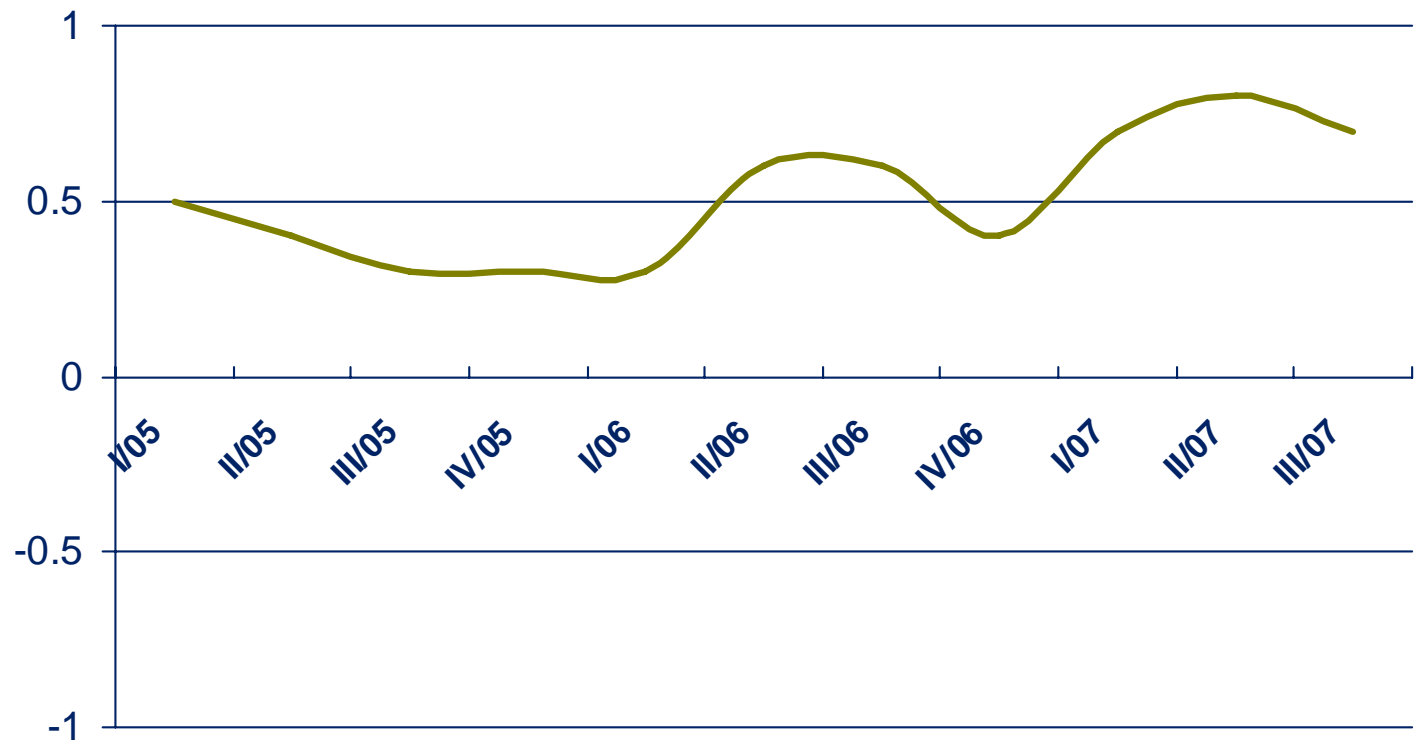


# Solvency Ratio



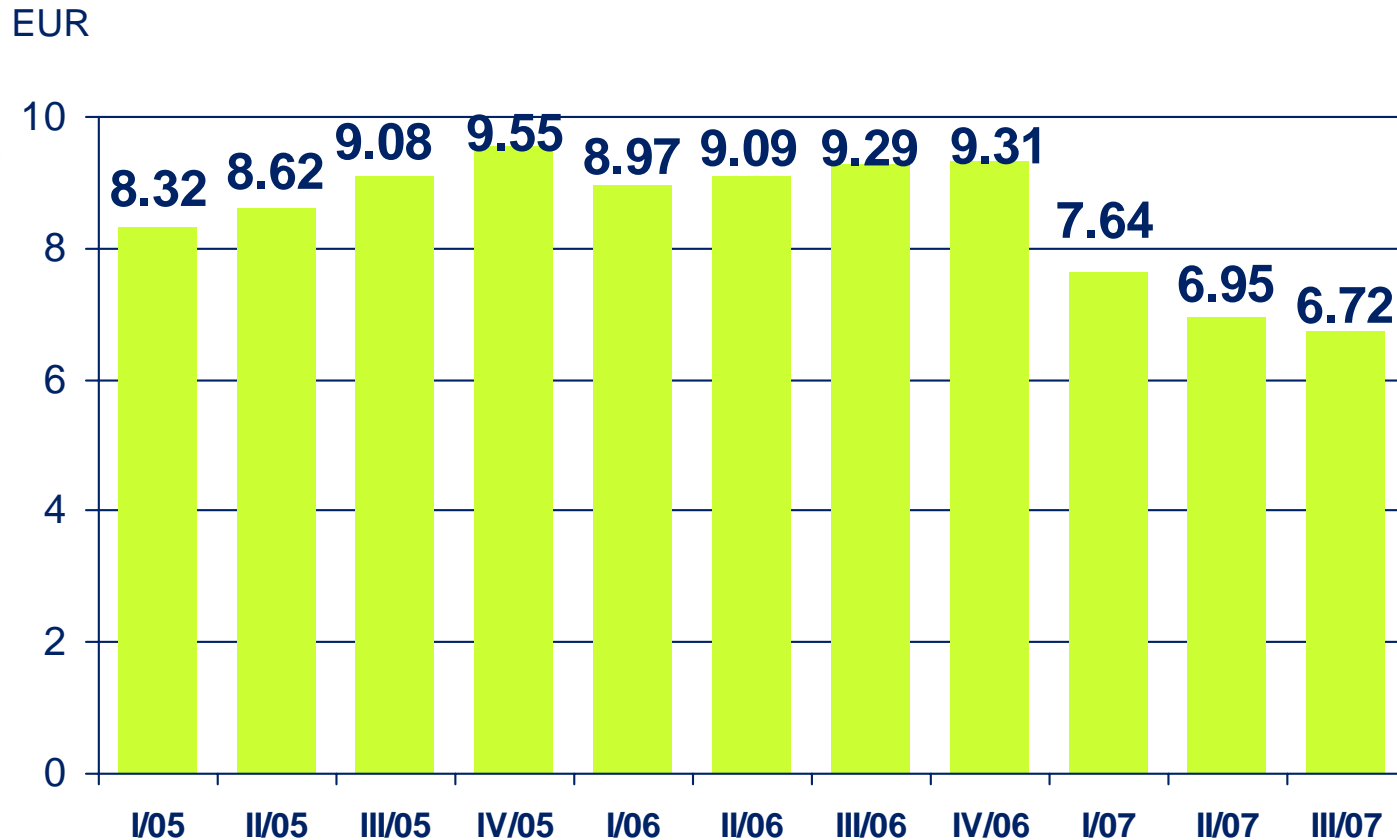


# Gearing



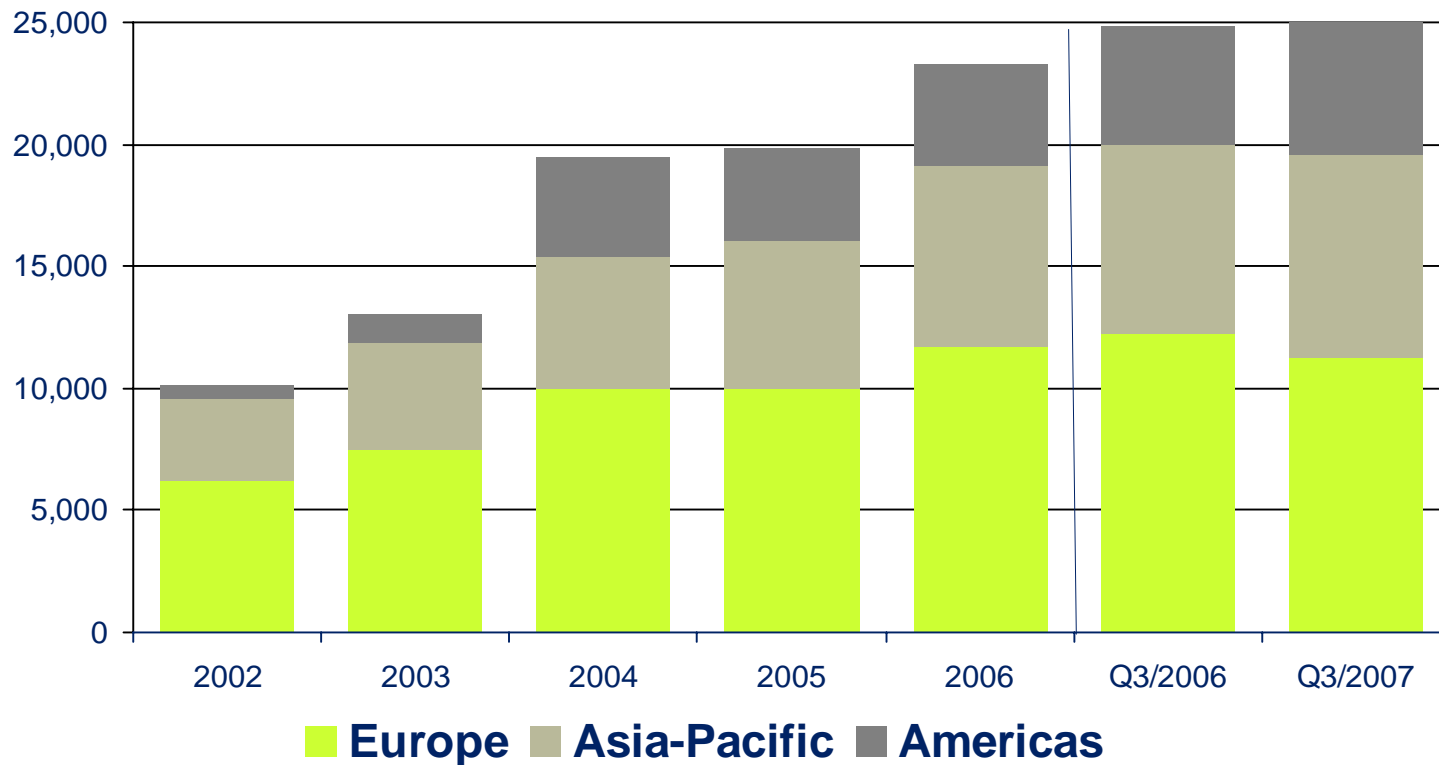


# Equity per Share





# Personnel by Geographical Area





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