



MANAGEMENT RESPONSIBILITY STATEMENT
In conformity with Article 3 (2) c of the “Transparency Law”
dated 11 January 2008

I, Jouni Hartikainen, President and Chief Executive Officer of Elcoteq SE, confirm, to the best of my knowledge, that the consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of Elcoteq SE and the undertakings included in the consolidation taken as a whole and that the consolidated management report includes a fair review of the development and performance of the business and the position of Elcoteq SE and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 30 March 2010

A handwritten signature in black ink, appearing to read "Jouni Hartikainen".

Jouni Hartikainen
President and CEO of Elcoteq SE

**ELCOTEQ SE
ANNUAL ACCOUNTS**

December 31, 2009

ELCOTEQ SE
Balance sheet
as at December 31, 2009
(expressed in thousands of euros)

	Notes	Dec.31, 2009	Dec. 31, 2008
ASSETS			
Fixed assets			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights and assets	10	179	347
Goodwill	10	1 144	1 525
Tangible assets			
Land and buildings	11	--	1 416
Other fixtures and fittings, tools and equipment	11	574	430
Tangible assets in course of construction	11	1	171
Financial assets			
Shares in affiliated undertakings	12	137 514	205 735
Loans to affiliated undertakings	12	22 421	12 030
Securities held as fixed assets	12	98	98
Fixed assets total		<u>161 931</u>	<u>221 752</u>
Current assets			
Debtors			
Amounts owed by affiliated undertakings			
Becoming due and payable within one year		242 147	320 978
Becoming due and payable after more than one year		43 079	49 373
Other debtors			
Becoming due and payable within one year	13	3 731	1 603
Transferable securities			
Own shares		68	68
Cash at bank and in hand		8 145	5 241
Current assets total		<u>297 170</u>	<u>377 263</u>
Prepayments	14	<u>3 068</u>	<u>1 090</u>
Assets total		<u><u>462 169</u></u>	<u><u>600 105</u></u>

The accompanying notes form an integral part of the annual accounts.

ELCOTEQ SE
Balance sheet
as at December 31, 2009
(expressed in thousands of euros)

LIABILITIES	Notes	Dec. 31, 2009	Dec. 31, 2008
Capital and reserves			
Subscribed capital	15	13 176	13 041
Share premium account	15	225 011	225 011
Legal reserve	15	772	--
Reserve for own shares	15	68	--
Profit or loss brought forward	15	24 800	10 329
Profit or loss for the financial year	15	-78 590	15 446
Capital and reserves total		<u>185 237</u>	<u>263 827</u>
Subordinated debts	17	139 794	139 517
Provisions for liabilities and charges			
Other provisions	16	264	4 285
Creditors			
Non-convertible bonds			
Becoming due and payable after more than one year	17	19 986	19 980
Amounts owed to credit institutions			
Becoming due and payable within one year	18	101 505	160 000
Amounts owed to affiliated undertakings			
Becoming due and payable within one year	18	13 462	9 769
Tax and social security debts			
Tax debts	18	36	60
Social security debts	18	4	7
Other creditors			
Becoming due and payable within one year	18	<u>1 881</u>	<u>2 660</u>
Creditors total		<u>136 874</u>	<u>192 476</u>
Liabilities total		<u><u>462 169</u></u>	<u><u>600 105</u></u>

The accompanying notes form an integral part of the annual accounts.

ELCOTEQ SE
Profit and loss account
for the year ended December 31, 2009
(expressed in thousands of euros)

	Notes	2009	2008
CHARGES			
Consumption of goods for resale, raw materials and consumables	3	--	18
Other external charges	6	15 021	21 877
Staff costs			
Wages and salaries	4	2 108	2 266
Other personnel expenses	4	690	754
Value adjustments in respect of tangible and intangible assets	5	798	1 007
Other operating charges		32 391	36 624
Value adjustments in respect of financial assets	5	70 499	--
Interest payable and similar charges			
Concerning affiliated undertakings		71	199
Other interests payable and charges	7	28 799	25 622
Tax on profit or loss	9	--	1
Profit for the financial year		<u> --</u>	<u>15 446</u>
Total		<u><u>150 377</u></u>	<u><u>103 814</u></u>
INCOME			
Net turnover	1	--	30
Other operating income	2	35 169	59 155
Other interest receivable and similar income			
Derived from affiliated undertakings		29 857	39 082
Other interests receivable and similar income	7	5 686	4 147
Extraordinary income	8	1 075	1 400
Loss for the financial year		<u>78 590</u>	<u> --</u>
Total		<u><u>150 377</u></u>	<u><u>103 814</u></u>

The accompanying notes form an integral part of the annual accounts.

ELCOTEQ SE

Notes to the annual accounts
for the year ended December 31, 2009

General

Elcoteq SE (the "Company") is a European Company that, as from January 1, 2008, is domiciled in the city of Luxembourg in the Grand Duchy of Luxembourg. The Company was domiciled in Lohja, Finland, until December 31, 2007.

The Company's purpose is to engage in business in the electronics industry and to carry on associated commercial and service activities, either directly or through its subsidiaries and joint venture companies.

The Company may further hold shares and interests, in any form whatsoever, in industrial, commercial and service enterprises and any other form of investment; it may acquire by purchase, subscription or in any other manner, as well as transfer by sale, exchange or otherwise, securities of any kind; and it may administer, control and develop its portfolio.

The Company may further provide administrative and financial services to other group and joint venture companies and guarantee, grant loans or otherwise assist the companies in which it holds a direct or indirect participation or which form part of the same group of companies as the Company.

The Company may raise funds by using any financing instruments available including, but not limited to, the private or public issue of loans, notes, bonds, debentures or other senior or junior instruments and/or equity-linked certificates and convertibles denominated in any currency. The Company may also execute sale-and-leaseback, leasing and asset securitization arrangements and it may pledge part or all of its assets as security for any money so raised as well as execute any other financing or security arrangements. The Company may execute any agreements, undertakings and commitments in order to execute or terminate any financing arrangements.

The Company may, for its own account as well as for the account of third parties, carry out all operations which may be useful or necessary to the accomplishment of its purposes or which are related directly or indirectly to its purpose.

The Company has a Finnish branch in Espoo, Finland.

The registered office of the Company is established at Luxembourg, 19, Rue Eugène Ruppert, L-2453 Luxembourg and it is registered with the Luxembourg Register of Commerce under number B134.554. The financial year of the Company ends each year on December 31.

The annual accounts of the Company are prepared in accordance with the generally accepted accounting principles and regulations in force in the Grand Duchy of Luxembourg.

Certain comparative figures have been modified to conform with current year's presentation.

The annual accounts are available at the registered office.

In conformity with Luxembourg Law of August 10, 1915, as amended, on commercial companies, the Company established consolidated financial statements for the year ending December 31, 2009.

ELCOTEQ SE

Notes to the annual accounts
for the year ended December 31, 2009
(continued)

Significant accounting policies

Basis of presentation

The Company maintains its books of accounts in conformity with Luxembourg company law and generally accepted accounting principles in the Grand Duchy of Luxembourg.

Basis of conversion for items originally expressed in foreign currency

The Company maintains its accounting records in euro ("EUR") and its annual accounts are expressed in this currency. Assets and liabilities denominated in other currencies are translated into euro at the rates prevailing at the balance sheet date with the exception of financial assets which are stated at historic cost. Realized foreign currency gains and losses and unrealized exchange loss are recognized in the profit and loss account. Unrealized exchange gains are not recognized. Income and charges denominated in foreign currency are recorded at the rates prevailing on the dates of transactions.

Intangible and tangible assets

Intangible assets are recorded at cost and amortised on a straight-line basis over their useful lives estimated as follows:

Goodwill amortisation from 5 to 10 years

Patents and licenses over 3 years

Tangible assets are recorded at cost and depreciated on a straight-line basis over their useful lives estimated as follows:

Buildings over 25 years

Machinery and equipment from 3 to 5 years

Financial assets

Financial assets are valued at purchase price. Value adjustments are made in respect of financial fixed assets to recognise a permanent reduction in the value of the investments, such reduction being determined and made for each investment individually.

Debtors

Current receivables are recorded at their nominal value. Current receivables are written down to their recoverable amounts. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

ELCOTEQ SE

Notes to the annual accounts
for the year ended December 31, 2009
(continued)

Own shares

Own shares are recorded at acquisition cost and are classified as current assets since the aim of these shares is to use them as a compensation for the Board of Directors fees.

Liabilities

The Company short-term financial liabilities are recognized at their nominal value.

The Company long-term financial liabilities are recognized at the settlement amount received.

Provisions for liabilities and charges

Provisions for liabilities and charges are intended to cover losses or debts the nature of which is not clearly defined and which, at the date of the balance sheet are either likely to be incurred but uncertain as to their amount or as to the date on which they will arise.

Derivatives

The foreign exchange derivative contracts have been valued using the market prices and the exchange reference rates of the European Central Bank on the balance sheet date. The figures include also the closed positions. The nominal amounts of derivative contracts are not recorded. At the end of each accounting period the derivative contracts are valued and unrealized losses have been recognized. Unrealized gains are not recognized.

Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009
(continued)

1. BREAKDOWN OF NET TURNOVER

Breakdown of net turnover by market:

EUR 1,000	2009	2008
Finland	-	30
Rest of Europe	-	-
Americas	-	-
Asia-Pacific	-	-
Total	-	30

2. OTHER OPERATING INCOME

The bulk of other operating income of 35,169 thousand euros (2008, 59,155) was made up of service charges to subsidiaries and leasing charges.

3. CONSUMPTION OF GOODS FOR RESALE, RAW MATERIALS AND CONSUMABLES

EUR 1,000	2009	2008
Materials and supplies		
Purchases during the year	-	18
Change in raw materials	-	-
Total	-	18

4. STAFF COST

Company had an average of 8 (2008, 18) employees during the year.

EUR 1,000	2009	2008
Wages, salaries and fringe benefits		
Wages, salaries and fringe benefits	2 175	2 338
Fringe benefits	-67	-72
Total	2 108	2 266
Other personnel expenses		
Pension expenses	178	238
Other indirect personnel expenses	512	516
Total	690	754
Staff costs in the Profit and Loss account	2 798	3 020

5. DEPRECIATION AND AMORTIZATION

Value adjustments in respect of tangible and intangible assets are as follows:

EUR 1,000	2009	2008
Intangible rights	28	29
Goodwill	381	382
Licenses	140	197
Buildings	11	149
Machinery and equipment	238	250
Scheduled depreciation and amortization total	798	1 007

Value adjustments in respect of financial assets are as follows:

Shares in affiliated undertakings	70 499	-
Total	70 499	-

Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009
(continued)

6. OTHER EXTERNAL CHARGES

Other external charges of the Company consist of the following items:

EUR 1,000	2009	2008
Rental expenses	9 116	18 627
Transportation	14	20
Office expenses	492	759
Travel, marketing and representation expenses	328	507
Other external services	5 071	1 964
Total	15 021	21 877

7. FINANCIAL INCOME AND EXPENSES

Other interest and financial income		
Foreign exchange gains	5 356	2 567
Other interest and financial income	330	1 580
Total	5 686	4 147

Other interest payable and charges		
Interest expenses	-13 925	-19 174
Foreign exchange losses	-12 421	-5 172
Other financial expenses	-2 453	-1 276
Total	-28 799	-25 622

8. EXTRAORDINARY INCOME

EUR 1,000	2009	2008
Extraordinary income		
Group contributions gained	1 075	1400
Extraordinary income, total	1 075	1400

9. INCOME TAXES

EUR 1,000	2009	2008
Income taxes for prior years	-	1
Total	-	1

10. INTANGIBLE ASSETS

EUR 1,000	2009	2008
Intangible Assets		

Intangible rights		
Cost basis, Jan. 1	3 732	3 732
Disposals, Jan. 1-Dec. 31	-	-
Cost basis, Dec. 31	3 732	3 732
Accum. scheduled amortization, Jan. 1	-3 568	-3 539
Accum. scheduled amortization on disposals	-	-
Scheduled amortization Jan. 1-Dec. 31	-28	-29
Net book value, Dec. 31	136	164

EUR 1,000	2009	2008
Licenses		

Cost basis, Jan. 1	18 042	18 041
Additions, Jan. 1-Dec. 31	-	16
Disposals, Jan. 1-Dec. 31	-	-15
Cost basis, Dec. 31	18 042	18 042
Accum. scheduled amortization, Jan. 1	-17 859	-17 678
Accum. scheduled amortization on disposals	-	15
Scheduled amortization Jan. 1-Dec. 31	-140	-197
Net book value, Dec. 31	43	183

Intangible rights and other long-term expenditures, total	179	347
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Goodwill		
Cost basis, Jan. 1	4 814	4 814
Accum. scheduled amortization, Jan. 1	-3289	-2907
Scheduled amortization Jan. 1-Dec. 31	-381	-382
Net book value, Dec. 31	1 144	1 525

Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009
(continued)

11. TANGIBLE ASSETS	2009	2008
EUR 1,000		
Land		
Cost basis, Jan. 1	168	198
Disposals, Jan. 1-Dec. 31	-168	-30
Net book value, Dec. 31	0	168
Buildings		
Acquisition cost, Jan. 1	3 176	3 299
Disposals, Jan. 1-Dec. 31	-3 176	-123
Acquisition cost, Dec. 31	0	3 176
Accum. scheduled amortization, Jan. 1	-1 928	-1 832
Accum. scheduled amortization on disposals	1 939	53
Scheduled amortization Jan. 1-Dec. 31	-11	-149
Net book value, Dec. 31	0	1 248
Land and buildings, total	0	1 416
Other fixtures and fittings, tools and equipment		
Cost basis, Jan. 1	12 264	12 824
Additions, Jan. 1-Dec. 31	383	-
Disposals, Jan. 1-Dec. 31	-	-560
Cost basis, Dec. 31	12 647	12 264
Accum. scheduled amortization, Jan. 1	-11 835	-11 779
Accum. scheduled amortization on disposals	-	194
Scheduled amortization Jan. 1-Dec. 31	-238	-249
Net book value, Dec. 31	574	430
Tangible assets in course of construction		
Cost basis, Jan. 1	171	170
Additions, Jan. 1-Dec. 31	-	1
Disposals, Jan. 1-Dec. 31	-170	-
Cost basis, Dec. 31	1	171
12. FINANCIAL ASSETS		
EUR 1,000	2009	2008
Shares in affiliated undertakings		
Shares, Jan. 1	233 100	180 953
Additions, Jan. 1-Dec. 31	2 278	52 147
Acquisition cost, Dec. 31	235 378	233 100
Accumulated writedowns, Jan. 1	-27 365	-27 365
Writedowns, Jan. 1-Dec. 31	-70 499	-
Net book value, Dec. 31	137 514	205 735
Loans to affiliated undertakings		
Receivables, Jan. 1	19 145	11 870
Additions, Jan. 1-Dec. 31	10 562	7 275
Reimbursement, Jan. 1-Dec. 31	-171	-
Cost basis, Dec. 31	29 536	19 145
Accumulated writedowns, Jan. 1	-7 115	-7 115
Net book value, Dec. 31	22 421	12 030
Securities held as fixed assets		
Shares, Jan. 1	11 047	11 047
Transfer to different group	-	-
Cost basis, Dec. 31	11 047	11 047
Accumulated writedowns, Jan. 1	-10 949	-10 949
Net book value, Dec. 31	98	98

Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009
(continued)

The principal holdings are the followings:

	Share Capital	Company ownership %	Company book value 1,000 EUR
Group companies			
Elcoteq Lohja Oy, Lohja, Finland	EUR 50,000	100	2 113
Elcoteq Finland Oy, Lohja, Finland	EUR 50,000	100	3 964
AS Elcoteq Tallinn, Tallinn, Estonia	EEK 20,500,000	100	1 776
Dongguan Elcoteq Electronics Co., Ltd., Dongguan, China	CNY 213,041,100	70	10 280
Elcoteq Asia Ltd, Hongkong, China	HKD 8,600,000	100	993
Elcoteq Holding Inc., Dallas, USA	USD 15,701,480	100	44 041
Elcoteq JSC, St. Petersburg, Russia	RUB 165,409,426.50	100	2 373
Espoo Holding GmbH, Munich, Germany	EUR 6,442,270.34	100	10
Elcoteq Hungary Ltd., Pécs, Hungary	EUR 4,100,000	100	7 823
Finn Utcai Ingatlan Kft, Pécs, Hungary	EUR 10,000	100	10
Szilva Utcai Ingatlan Kft, Pécs, Hungary	EUR 5,010,000	100	5010
Elcoteq Japan Co. Ltd, Tokyo, Japan	JPY 10,000,000	100	72
Elcoteq Sweden Ab, Stockholm, Sweden	SEK 200,000	100	22
Elcoteq Design Center Oy, Salo, Finland	EUR 3,008,000	100	3 008
Elcoteq da Amazonia Ltda, Manaus, Brazil	USD 3,200,000	100	2 278
Beijing Elcoteq Electronics Co. Ltd., Beijing, China	CNY 429 334 365	89,6	26 992
Elcoteq Electronics India Pvt. Ltd., Bangalore, India	INR 1,774,931,000	100	25 897
Elcoteq Network S.A, Luxembourg	EUR 531,000	100	531
Elcoteq Romania Srl, Arad, Romania	RON 4,145,443.20	100	10
Kilteistöosakeyhtiö Salon Joensuukatu 13, Salo, Finland	EUR 201,000	100	311
			137 514

Based on the Company's previous practice and in accordance with the article 67-1b of the Luxembourg law of December 19, 2002 on accounting, the Company has decided not to disclose any information concerning capital and reserves and the profit or loss for the latest financial year of the affiliated undertakings.

Value adjustments for book values of the shares in affiliated undertakings owned by Elcoteq SE have been made in those cases where it has been expected that the cash to be generated by the owned company is lower than the book value. Estimated cash flows are based on assumptions used in Group's management reporting and are discounted at weighted average cost of capital before taxes (WACC) which in 2009 was 16-17%.

Loan receivable from affiliated undertakings

Loans to affiliated undertakings are used for financing of subsidiaries and they are interest bearing. Most of the loans are short term and rolled over as needed but some of the loans are long term.

Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009
(continued)

13. OTHER DEBTORS

EUR 1,000	2009	2008
Current receivables		
Interest-bearing		
Guarantee deposit	-186	798
Pledged receivable	3000	-
Non-interest-bearing		
Accounts receivable	-111	358
Value-added taxes	1 028	447
Total	3 731	1 603

14. PREPAYMENTS

Prepaid expenses consist of the following items:

EUR 1,000	2009	2008
Prepaid rents	439	945
Other items	2 629	145
Total	3 068	1 090

15. CAPITAL AND RESERVES

EUR 1,000	2009	2008
Share capital		
Share capital, Jan.1	13 041	13 041
Capital increase against Profit brought forward		
336 266 shares issued on Oct.27, 2009	135	-
Share capital, Dec. 31	13 176	13 041
Share premium		
Share premium, Jan.1	225 011	225 011
Share premium	-	-
Share premium, Dec. 31	225 011	225 011
Legal reserve		
Legal reserve, Jan. 1	-	-
Allocation of prior year profit	772	-
Legal reserve, Dec. 31	772	-

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

Reserve for own shares

Reserve for own shares, Jan. 1	-	-
Allocation to reserve for own shares	68	-
Reserve for own shares, Dec. 31	68	-

In accordance with Luxembourg Company Law, a non-distributable reserve, equal to the total value of own shares, is maintained on the balance sheet and remained unavailable for as long as these shares are held.

Profit or loss brought forward

Profit or loss brought forward, Jan.1	10 329	10 329
Allocation of prior year profit	15 446	
Legal reserve	-772	
Allocation to reserve for own shares	-68	
Profit brought forward decrease against share capital		
336 266 shares issued on Oct. 27, 2009	-135	-
Profit or loss brought forward, Dec. 31	24 800	10 329

Profit or loss for the financial year	-78 590	15 446
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Capital and reserves, total	185 237	263 827
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Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009
(continued)

The Company's share capital consists of the following classes of shares

	Shares	2009 EUR 1,000
Series A (1 vote per share)	22 362 185	8 945
Series K (1 vote per share)	105 770 000	4 231
Total	128 132 185	13 176

The Company issued 336,266 new A shares in order to satisfy the share remuneration awarded to its key employees in November 2009 according to its 2007 Shares subscription plan. 1,401 of these shares remained in the possession of the Company.

At December 31, 2009, the company held a total of 9,501 of its own Series A shares, which have a total par value of 3,800 euros.

Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009
(continued)

16. OTHER PROVISIONS

Provisions at December 31, 2009 are due to unrealized foreign exchange rate losses from derivatives. Provisions at December 31, 2008 are due to staff cuts made in previous years and unrealized foreign exchange rate losses from derivatives.

17. LONG TERM LIABILITIES

EUR 1,000	2009	2008
Long-term liabilities		
Interest-bearing		
Subordinated debts	139 794	139 517
Non-convertible bonds	19 986	19 980
Total	19 986	19 980
Long-term liabilities, total	159 780	159 497

18. CURRENT LIABILITIES

EUR 1,000	2009	2008
Current liabilities to affiliated undertakings		
Liabilities to affiliated undertakings	13 462	9 769
Total	13 462	9 769
Current liabilities to credit institutions		
Loan from credit institution	101 505	160 000
Total	101 505	160 000
Tax and social security debts		
Payroll tax on wages and salaries	36	60
Social security dues	4	7
Total	40	67
Other creditors		
Vacation pay	113	193
Other indirect personnel expenses	16	53
Other items	1 752	2 414
Total	1 881	2 660
Current liabilities, total	116 888	172 496

Subordinated debts

In December 2004 Elcoteq SE issued 50 million euros and in May 2005 10 million euros in subordinated debts. These notes run until December 22, 2011. The notes carried a fixed coupon of 5.00% until December 22, 2009, after which the Company has the right to redeem the debts prematurely. After this, the interest rate will be the three-month Euribor with a 3.5% margin and the Company has the right to redeem the debts prematurely at six-month intervals. The loan is unsecured. The loan has been valued at amortized cost using the effective interest rate method.

In September 2005 Elcoteq SE issued 50 million euros in subordinated debts. These notes run until September 28, 2010 and carry a coupon of three-month Euribor with 2.4% margin. The loan is unsecured. The loan has been valued at amortized cost using the effective interest rate method.

In March 2006 Elcoteq SE issued 30 million euros in subordinated debts. These notes run until March 7, 2011 and carry a fixed coupon of 5.55%. The loan is unsecured. The loan has been valued at amortized cost using the effective interest rate method.

Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009
(continued)

Non-convertible bonds

In May 2005 Elcoteq SE issued 20 million euros in private placement notes. These notes run from May 25, 2005 to May 25, 2012 and carry a coupon of six-month Euribor with 0.83% margin. The notes are unsecured. The non convertible bond has been valued at amortized cost using the effective interest rate method.

Loans from pension plans

The Company drew TEL (Finnish employees' Pensions Act) pension plan loan in 1999 that is repayable in equal instalments. The loan ran until June 1, 2009 and had fixed interest rate of 3,85 %. The loan has been repaid in June 2009.

Revolving lines of credit

The company signed a 6-month revolving credit facility of 100.0 million euros with a bank syndicate in November 2009 with maturity in April 2010. The previous 5-year revolving credit facility of 230 million euros ended in November 2009. Reason for the short term facility is to get additional time for finalizing capital strengthening project. Loans under this new facility are secured and committed. On the balance sheet date 100.0 million euros was in use from the facility with a remaining maturity of under one month. The company signed a committed term sheet in March 2010 with the same bank syndicate for a 100.0 million euros credit facility, which matures at the end of June 2011.

Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009

19. LEASE CONTRACTS

The Company has leased equipment under operating leases. The lease payments are fixed for the duration of the leasing period.
No new operating lease contracts were made in 2009.

The future annual lease payments under operating leases for machinery are as follows:

EUR 1,000	Dec. 31, 2009	Dec. 31, 2008
2009	-	6 779
2010	1 244	1 308
2011	-	-
Total	1 244	8 087

Rental expenses on operating leases for machinery amounted to 18,5 million euros for the year ended December 31, 2008 and 9 million euros for the year ended December 31, 2009.

20. RELATED PARTY DISCLOSURES;

Fees paid for work for the Board of Directors:

EUR 1,000	2009	2008
Antti Piippo, Chairman of the Board	600	627
Juha Toivola, Deputy Chairman of the Board	180	180
Martti Ahtisaari, member of the Board	60	60
Heikki Horstia, member of the Board	60	60
Eero Kasanen, member of the Board	60	60
François Pauly, member of the Board	60	60
Henry Sjöman, member of the Board	60	60
Jorma Vanhanen, member of the Board	60	60
Fees to Board of Directors, total	1140	1167

21. COMMITMENTS

EUR 1,000	2009	2008
REVOLVING LINES OF CREDIT	100 000	-
PLEDGED RECEIVABLES	3 000	-
PLEDGED LOAN RECEIVABLES	81	764
ON BEHALF OF GROUP COMPANIES Guarantees	33 638	148 920
ON BEHALF OF OTHERS Guarantees	1 008	1 008
LEASING COMMITMENTS		
Operating leases, machinery and equipment (excl. VAT)	1 244	8 087
Operating leases, real estate (excl. VAT)	3	7
DERIVATIVES CONTRACTS		
Currency forward contracts, transaction risk		
Nominal value	10 825	43 279
Market value	-25	-277
Currency forward contracts, translation risk		
Nominal value	-	20 243
Market value	-	-819
Currency forward contracts, financial risk		
Nominal value	110 689	172 329
Market value	-239	-3 116

The Company has pledged part of its assets for syndicated credit facility and for arbitration.

Elcoteq SE
Notes to the annual accounts for the
year ended December 31, 2009

22. EVENTS AFTER THE END OF THE FINANCIAL PERIOD

In December 2009, Elcoteq decided to convene an Extraordinary General Meeting (EGM) of shareholders to decide on actions supporting the execution of balance sheet restructuring and the equity investment project. The first EGM took place on January 22, 2010, in Luxembourg. Since the quorum requirement (at least half of the series A shares and half of the series K shares need to be present or represented in the meeting) was not met at this first meeting, the company convened a second EGM that was held on February 23, 2010.

The EGM held on February 23, 2010, rejected the Board's 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 series A shares (EUR 0.40) and series K shares (EUR 0.04). The Board of Directors made its proposal to the EGM prior to the recent positive development in the company's equity. In light of the stronger balance sheet, the EGM deemed that the size of the proposed authorization to increase the share capital up to EUR 200,000,000 was too high and it is not necessary to decrease of the par value of shares.

The EGM decided to increase the authorized share capital of the company from its current amount of twenty million euros (EUR 20,000,000) up to forty million euros (EUR 40,000,000). The EGM authorized the Board of Directors to issue new shares and convertible debt instruments within the authorized share capital of the company without reserving preferential subscription rights for the existing shareholders, up to an amount of twelve million euros (EUR 12,000,000) of the authorized share capital, corresponding to a maximum 30,000,000 new series A shares. The EGM also authorized the Board of Directors to issue new shares and convertible debt instruments within the remainder of the authorized share capital of nineteen million fifty-five thousand one hundred twenty-six euros (EUR 19,055,126), respecting the existing shareholders' preferential subscription rights. A maximum of approximately 47,000,000 new series A shares can be issued under this authorization.

The EGM deleted from the company's Articles of Association the right of a shareholder to request a redemption of shares in case a change or changes in the ownership of the company result 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. Finally, the EGM changed the date of the Annual General Meeting of the shareholders from 23 March to 28 April each year. The company's Articles of Association were reworded in order to reflect these changes voted upon at the EGM of the shareholders of the company.

On January 27, 2010, Elcoteq issued EUR 29 million in hybrid securities in a private placement as a part of its previously announced balance sheet restructuring. The proceeds from the hybrid securities issue were used directly to repay Elcoteq's outstanding debenture bonds with a nominal amount of 105 million euros. As a result of this transaction, the company estimates that it will recognize a one-time gain of approximately EUR 75 million in the first quarter on 2010. The announced restructuring will significantly improve company's indebtedness and solidity. If this transaction had taken place on December 31, 2009, the company's solvency would have been 23.7%, gearing 0.7 and net debt 82.1 million euros.

On March 30, 2010, Elcoteq and the lenders of its EUR 100 million revolving credit facility agreed on extending the facility from April 30, 2010 until June 30, 2011. The parties have signed a committed term sheet for the extended facility and aim at finalizing the loan documentation during April 2010.

In addition, to enhance possibilities for further balance sheet strengthening, the three founder shareholders of the company, Mr. Antti Piippo, Mr. Henry Sjöman and Mr. Jorma Vanhanen, have informed the Board of Directors that they will exercise their right to convert all of their series K founders' shares to series A shares after which the company will have only one series of shares, A shares.

At the same time Mr. Antti Piippo and Mr. Henry Sjöman, the founder shareholders and board members of Elcoteq as well as Mr. Juha Toivola, an independent board member of Elcoteq have announced that they will not be available for re-election as Board Members. Mr. Jorma Vanhanen, the third founder shareholder, and all other independent board members (Mr. Martti Ahtisaari, Mr. Heikki Horstia, Mr. Eero Kasanen and Mr. François Pauly) have announced their availability for re-election to the Board. In addition, the Board will be strengthened by two independent board members to be proposed to the Annual General Meeting.

The Company continues to explore further ways to strengthen its balance sheet through equity and long-term financing arrangements. Furthermore, the Company will arrange a rights issue during 2010. The three founder shareholders have undertaken to support such balance sheet strengthening arrangements in shareholders' meetings.

REPORT BY THE BOARD OF DIRECTORS FOR THE STATUTORY ACCOUNTS JANUARY 1 - DECEMBER 31, 2009

Elcoteq SE's net sales in 2009 declined about 56.3% on the previous year and amounted to 1,503.2 million euros (3,443.2 million euros in 2008). Operating loss totaled -76.5 million euros (-20.4), mainly due to increased restructuring expenses of 37.0 million euros, excluding which the operating loss was -39.5 million euros (-6.9). The company has been able to offset to a great extent the effects of the sales decline with the strong cost savings actions carried out throughout the year. Cash flow after investing activities was clearly positive at 52.9 million euros (-99.7). Interest-bearing net debt decreased significantly and was 187.5 million euros (238.5). Net sales declined in the fourth quarter of 2009 by about 20% on the previous quarter and amounted to 265.5 million euros (331.7 million euros in the third quarter of 2009). Operating loss totaled -23.4 million euros (-11.8) and excluding restructuring expenses it amounted to -2.1 million euros (1.7 in the third quarter of 2009).

Financial Year 2009

- Net sales were 1,503.2 million euros (3,443.2)
- Operating loss was -76.5 million euros (-20.4), excluding restructuring expenses -39.5 million euros (-6.9)
- Loss before taxes was -117.1 million euros (-52.9)
- Earnings per share (EPS) were -3.22 euros (-2.02)
- Cash flow after investing activities was 52.9 million euros (-99.7)
- Rolling 12-month return on capital employed (ROCE) was -18.9% (-3.1%)
- Interest-bearing net debt amounted to 187.5 million euros (238.5), and gearing was 5.8 (1.8)
- The Board of Directors proposes that no dividend will be paid for 2009

October-December 2009

- Net sales were 265.5 million euros (889.1 million euros in the fourth quarter of 2008)
- Operating loss was -23.4 million euros (-11.8). Operating loss includes restructuring costs amounting to 21.3 million euros (13.5), excluding which the operating loss was -2.1 million euros (1.7)
- Loss before taxes was -36.4 million euros (-25.2)
- Earnings per share (EPS) were -0.96 euros (-0.89)
- Cash flow after investing activities was -11.3 million euros (46.6)

Major Events After the End of the Financial Year

- Hybrid bond of 29 million euros issued and proceeds from hybrid issue used to redeem debentures of 105 million euros in January 2010
- Term sheet signed for a 100 million euros committed revolving credit facility maturing in June 2011

Elcoteq SE's statutory financial statements for 2009 have been prepared using LUXGAAP recognition and measurement principles. The comparative figures given in the body text of this report are the figures for the corresponding period of the previous year, unless stated otherwise.

Elcoteq SE has a Finnish branch in Espoo which is included in the current report.

Elcoteq SE Balance Sheet for the Parent Company

Total balance sheet of Elcoteq SE amounts to EUR 462.2 millions (EUR 600.1 millions in 2008) and the loss of the year amounts to EUR - 78.6 millions (EUR 15.4 million in 2008).

Market Review

The estimated total assembly value of the global electronics market declined by roughly 15 % at the annual level, amounting to 840 billion US dollars in 2009. The combined value of electronic manufacturing services (EMS) and original design manufacturing (ODM), including all the electronics segments, was roughly 250 billion US dollars in 2009, according to data from Electronics Trend Publications (ETP), iSuppli, and InForum. EMS alone was valued at roughly 150 billion US dollars in 2009, with a market decline of approximately 15% from the previous year. The After Market Services (AMS) market declined roughly 13% in 2009 and was valued at 170 billion US dollars in 2009.

Financial Year 2009

Elcoteq's 2009 net sales declined on the previous year and amounted to 1,503.2 million euros (3,443.2). Operating loss was -76.5 million euros (-20.4), representing -5.1% (-0.6%) of net sales. Loss before taxes was -117.1 million euros (-52.9) and net loss was -105.0 million euros (-65.9). Earnings per share (EPS) amounted to -3.22 euros (-2.02). Earnings include 37.0 million euros (13.5) in restructuring expenses.

Net sales declined in both Consumer Electronics and System Solutions compared to the previous year. The decline in net sales was due to the combined effect of the overall decline in electronics equipment demand and the company's weak balance sheet. From time to time, the EMS business may involve temporary working capital fluctuations, which the electronics manufacturing service provider is expected to finance. This lacking financing capacity prevented the company from absorbing all the business opportunities available in the market.

Operating loss increased in 2009 from the previous year. Results were affected by non-recurring costs of 37.0 million euros (13.5) arising from the restructuring actions implemented to mitigate the effects of lower net sales. The cost savings from restructuring actions mainly became visible in the second half of 2009 and thus could not fully offset the significant net sales decline throughout 2009. On an annualized basis, fixed costs were 165 million euros or 48% lower in the last quarter of 2009 compared to the last quarter of 2008.

The company has continued to adjust its operations to lower volumes, but it has at the same time maintained its excellent operational performance and global platform to serve customers close to their end markets. Among the efficiency-boosting actions carried out in 2009 were the streamlining of the factory network, increasing capacity utilization, aligning the organization to support the adjusted strategy and decreasing operational costs. The company closed production sites in St. Petersburg (Russia), in Arad (Romania), in Richardson (the United States) and in Shenzhen (China).

The Group's net financial expenses amounted to 40.5 million euros (32.4). The increase was mainly due to a loan receivable write-off of 13.4 million euros.

Fourth-quarter Net Sales and Earnings

Fourth-quarter net sales in 2009 declined compared to the third quarter, as expected, and amounted to 265.5 million euros (889.1 million euros in the fourth quarter of 2008 and 331.7 million euros in the third quarter of 2009). Net sales were affected by the divestment of the majority of operations in Tallinn to Ericsson at the end of July 2009 and lower demand in Consumer Electronics, mainly in handsets. Deliveries in home communications products such as flat TVs and set-top boxes increased significantly from the third quarter of 2009.

Operating loss in the fourth quarter was -23.4 million euros (-11.8 million euros in the fourth quarter of 2008 and -3.3 in the third quarter of 2009). Operating income exclusive of restructuring expenses in the fourth quarter was slightly negative at -2.1 million euros (1.7). Restructuring expenses in the fourth quarter of 2009 were related mainly to unused asset write-offs. Loss before taxes was -36.4 million euros (-25.2 million euros in 2008).

Financing and Cash Flow

At the end of December 2009, Elcoteq had cash totaling 87.9 million euros (201.0 million euros in the third quarter of 2009 and 95.1 million euros at the end of 2008). In November 2009, the company used 100 million euros cash to repay part of its revolving credit facility, of which a total of 200 million euros were outstanding at the end of the third quarter of 2009.

At the end of 2009, the company had a syndicated, committed credit facility of 100 million euros that was fully utilized. The facility matures on April 30, 2010 and the company signed a committed term sheet with the same bank syndicate in March 2010 for a new facility maturing at the end of June 2011.

At the end of December, the Group's interest-bearing net debt amounted to 187.5 million euros (238.5). The solvency ratio was 6.3% (14.2%) and gearing was 5.8 (1.8). Elcoteq had no sold accounts receivable at the end of December 2009 (101.1 million euros at the end of 2008). Rolling 12-month return on capital employed (ROCE) was -18.9% (-3.1%).

Cash flow after investing activities in 2009 was 52.9 million euros (-99.7) while it was -11.3 million euros negative in the fourth quarter due to an increase in working capital.

Capital Expenditures

The Group's gross capital expenditures on fixed assets in 2009 amounted to 6.4 million euros (71.4), or 0.5% of net sales. Depreciation was 60.1 million euros (78.9), representing 4.0% of net sales. Investments were primarily earmarked for production machinery and test equipment. In 2009, investment activity was reduced to a minimum in order to increase the capacity utilization of existing assets. In the fourth quarter, investments amounted to 1.8 million euros (9.9). No new operating lease contracts were made in 2009 (and in 2008).

Personnel

At the end of December, the Group employed 10,101 (18,830) people: 139 (217) in Finland and 9,963 (18,613) elsewhere. The geographical distribution of the workforce was as follows: Europe 3,940 (8,607), Asia-Pacific 2,664 (5,027) and the Americas 3,497 (5,196). The average number of Elcoteq employees on the company's direct payroll in 2009 was 11,271 (17,401).

Wages, salaries and other personnel expenses in 2009 amounted to 126.3 million euros (193.0).

Corporate Responsibility

Elcoteq's corporate responsibility includes economic, social and environmental aspects. The company's environmental management system corresponds with the requirements of the ISO 14001:2004 standard. All Elcoteq units operate within a multisite certificate for quality and environmental management. In 2009, Elcoteq continued systematic group-level internal audits of environmental, social accountability as well as occupational health and safety standards. Further details on Elcoteq's corporate responsibility activities will be presented in the Corporate Responsibility Report, which will be published as a part of the Annual Report 2009 during the week commencing on April 5, 2010.

Research and Development

Elcoteq's research and development costs in 2009 totaled approximately 0.9 million euros (1.8), or 0.06% of net sales. The company's R&D activities cover, among other things, equipment and process development for production and production testing needs as well as development related to the platforms, software, electronics, mechanics and testing of mobile phones.

Strategic Business Units

Since the beginning of 2008, Elcoteq has had three Business Areas: Personal Communications, Home Communications and Communications Networks. They have been reported as separate segments. The Personal Communications and Home Communications Business Areas were combined during the third quarter of 2009, and the company now has only two Strategic Business Units (SBUs): Consumer Electronics and System Solutions. Both SBUs are responsible for managing and developing their existing customer relationships and applicable service offerings, while Group Operations and Sourcing is responsible for the supply chain and production.

Consumer Electronics covers products such as mobile and wireless phones, their parts and accessories, set-top boxes, flat panel TVs and other consumer products. System Solutions covers wireless and wireline infrastructure systems and modules, enterprise network products and various other industrial segment products.

By combining the Home Communications and Personal Communications segments under the Consumer Electronics SBU, the company can better utilize the synergies between these businesses. The company also aims to reduce costs further by streamlining and simplifying the organization by removing organizational layers and overlapping roles.

More emphasis is also put on new sales activities, which are now under a separate global function, New Sales and Business Development. The function focuses on identifying new business opportunities, acquiring new customers and exploring new service segments for the company.

In 2009, Elcoteq's largest customers (in alphabetical order) were EADS, Ericsson, Funai, Huawei, Humax, Nokia Devices, Nokia Siemens Networks, Philips, Research in Motion (RIM) and Sony Ericsson.

Consumer Electronics

Net sales of the Consumer Electronics SBU in 2009 were 1,127.3 million euros (2,739.5), contributing 75% of the Group's net sales. The segment's operating loss was -38.2 million euros (15.0), and -13.9 million euros excluding restructuring costs (23.1). Fourth-quarter net sales in 2009 amounted to 211.1 million euros (684.0). The segment's operating loss amounted to -11.2 million euros (2.7). Excluding restructuring costs the operating profit was 4.4 million euros (10.8)

In the Consumer Electronics SBU, 2009 was characterized by drastically lower orders from its high-volume mobile phone customers. The flat TV manufacturing business acquired in Juarez, Mexico in 2008 was transformed in early 2009 from a turnkey (TV panel owned by Elcoteq) to a consigned material (TV panel owned by the customer) business model, which also impacted on net sales. In the EMS market, the decline in customer demand and excess capacity also led to greater competition among EMS companies.

Lower customer volumes impacted the profitability of the segment. Significant cost reduction activities were implemented in 2009 but those could not yet fully offset the significant sales decline. Restructuring costs arising from capacity adjustments also had a negative effect on profitability.

However, at the same time Elcoteq made strong progress in growing its service content in the Consumer Electronics business, especially in increasing its after sales services business. The company was also successful in acquiring new customers in the Consumer Electronics business. These new customers include Emporia, a special-purpose mobile phone manufacturer, Cinterion, a wireless module manufacturer, TCL, a leading Chinese consumer electronics company, and Philips Lighting, a leading provider of solutions and applications for both professional and consumer markets.

System Solutions

Net sales of the System Solutions SBU in 2009 were 375.9 million euros (703.7), contributing 25% of the Group's net sales. The segment's operating loss was -2.0 million euros (1.6), and excluding restructuring costs its operating income was 9.9 million euros (7.0). Fourth-quarter net sales in 2009 amounted to 54.5 million euros (205.2). The segment's operating loss amounted to -0.1 million euros (-5.1). Excluding restructuring costs the operating profit was 5.6 million euros (0.3).

The decline in net sales was mainly due to the sale of the majority of operations in Tallinn to Ericsson in July 2009. Despite the decline in net sales, System Solutions was able to improve its efficiency and further reduce costs to offset the volume decline. However, its operating income was negative.

During 2009, growth in the outsourcing of communications equipment underperformed forecast. The top key players in traditional communications network technology infrastructure were in-sourcing their business, thereby decreasing the share of business accounted for by outsourcing. The overall market for System Solutions nevertheless showed slight growth.

System Solutions was also successful in alluring new customers. In Tallinn, the remaining manufacturing capacity has been in utilization and the SBU has managed to gain new customers for its specialized business operations. Elcoteq's plant in India also attracted new customers and expanded its operations pipeline. Furthermore, one of the SBU's major customers successfully relocated its manufacturing of communications network equipment to central Europe and proceeded to ramp up its business to a significantly higher level in accordance with the plan agreed with Elcoteq.

Geographical Areas

Elcoteq has three geographical areas: Europe, Asia-Pacific and the Americas. Elcoteq's net sales in 2009 were derived from these areas as follows: Europe 47% (48%), Asia-Pacific 14% (22%) and the Americas 38% (30%).

Decisions of the Annual General Meeting

Elcoteq SE's Annual General Meeting took place on March 23, 2009, in Luxembourg. The Meeting confirmed the consolidated and parent company's income statements and balance sheets for the financial year 2008 and discharged the members of the Board of Directors and the statutory auditor from liability for the financial year. The Meeting approved the Board's proposal that no dividend will be distributed for the financial year January 1 - December 31, 2008.

The Meeting re-elected the following persons to the Board of Directors: President Martti Ahtisaari; Mr. Eero Kasanen, Executive Dean of Aalto University School of Economics; Mr. Heikki Horstia, B.Sc.; Mr. François Pauly, General Manager of Sal. Oppenheim jr. & Cie S.C.A; Mr. Antti Piippo, principal shareholder of Elcoteq SE; Mr. Henry Sjöman, founder-shareholder of Elcoteq SE; Mr. Juha Toivola, M.Sc.; and Mr. Jorma Vanhanen, founder-shareholder of Elcoteq SE. President Ahtisaari, Mr. Horstia, Mr. Kasanen, Mr. Pauly and Mr. Toivola are independent Board members, and they represent more than half of the Board's members.

The Meeting approved the proposal of the Audit Committee of the Board of Directors to appoint the firm of authorized public accountants KPMG Audit S.à.r.l under the supervision of Mr. Philippe Meyer as the company's auditors for the financial year ending on December 31, 2009. The fees of the auditors will be paid as per the appropriate invoice.

Convening after the Annual General Meeting in Luxembourg, the Board of Directors elected Mr. Antti Piippo as its Chairman and Mr. Juha Toivola as the Deputy Chairman. Mr. Piippo was elected Chairman of the Nomination Committee and the Working Committee and Mr. Henry Sjöman, Mr. Juha Toivola and Mr. Jorma Vanhanen as members of these committees. Mr. Toivola was elected Chairman of the Compensation Committee and the Audit Committee and President Martti Ahtisaari, Mr. Heikki Horstia, Mr. Eero Kasanen and Mr. Pauly as members of these committees.

Balance Sheet Strengthening

In January, the company commenced a project to strengthen its balance sheet by means of an equity investment. In July, the company announced the signing of a conditional letter of intent for an equity increase with Shenzhen Kaifa Technology Limited, a Chinese industrial company, but after a mutual re-assessment the negotiations ended in September. In October, Elcoteq announced that it had signed a non-binding letter of intent with Videocon Industries Ltd, an Indian company. The negotiations with Videocon were terminated in March 2010.

Another integral part of this balance sheet strengthening is the restructuring of the company's interest-bearing debt. As a part of this project, Elcoteq announced in October its plan to collect irrevocable, voluntary selling commitments from the holders of its subordinated debenture bonds. In January 2010, the company proceeded to exercise these selling commitments by issuing hybrid securities valued at 29 million euros and using the proceeds directly to repay outstanding debenture bonds with a nominal amount of 105 million euros. After redeeming the debentures of 105 million euros at a price of 25% of the nominal value, reversing the relevant deferred tax assets and recognizing the 29 million euro hybrid securities as equity according to IFRS, the Company's equity increases approximately by 85 million euros.

In November, Elcoteq signed a new agreement to replace the revolving credit facility of 230 million euros signed five years ago. The new credit facility was agreed with the same bank syndicate and it is for 100 million euros. The loan will mature at the end of April 2010 and the company has signed in March 2010 a committed term sheet with the same lender group to extend the 100 million euro facility until the end of June 2011.

Restructuring Plan

Elcoteq has reduced its manufacturing capacity through the Restructuring Plan launched in January 2009 to adapt to the radical changes in the market situation. The restructuring actions have proceeded according to the plan. The plan consists of a number of measures such as closing several plants and reducing personnel globally. During the

year, Elcoteq closed down its plants in Arad (Romania), Richardson (USA) and St. Petersburg (Russia). The plant in Shenzhen (China) was consolidated into the plant in Beijing.

A further step in this process was taken on June 17, when Elcoteq and Ericsson concluded an agreement whereby Elcoteq sold the majority of the machinery, equipment and materials of its Tallinn manufacturing operations to Ericsson. Cost-saving measures have continued at other factories as well.

Shares and Shareholders

At the end of 2009, the company had altogether 128,132,185 shares divided into 22,362,185 Series A shares and 105,770,000 Series K founders' shares. All the series K Founders' shares are held by the company's three principal owners. A shares are included in the Book-entry system held by the Finnish Central Securities Depository in Helsinki, Finland.

Elcoteq had 10,213 registered shareholders on December 31, 2009. There were a total of 5,307,833 foreign and nominee registered shares, representing some 4.14% of the votes.

Incentive Schemes

The company has had a share subscription plan from 2007 that allows the company to issue shares to key personnel on the basis of the set operational targets. Based on the target achievement in 2008 the actual number of shares issued on November 12, 2009 for this share subscription plan was 336,266.

The company also has a fairly similar share subscription plan from 2009, where the potential reward is based on reaching the targets regarding consolidated income before taxes for the first and second half of 2009. Based on the achieved targets, the company would issue a maximum of 1,500,000 new series A shares, of which 50% would be issued during June 2010 and the remaining 50% during January 2011. Based on the actual results for 2009, the targets for the first and second half of 2009 have not been met and thus no shares will be issued.

In October 2009, the Board of Directors amended the 2009 Share Subscription Plan. The amendments concerned the issuance of shares in case of a public tender offer and, secondly, a situation where the company's registered share capital value would increase at least 50% during the second half of 2009. If such situations occur, a maximum of 750,000 shares will be issued. Neither of these cases occurred during the second half of 2009.

Changes in Elcoteq's Management

As of August 27, 2009, and as a result of the changes in the organization, the Elcoteq Management Team consists of the following persons:

Mr. Jouni Hartikainen, President and CEO

Mr. Sándor Hajnal, Senior Vice President, Human Resources

Mr. Vesa Keränen, Senior Vice President, Consumer Electronics

Mr. Markus Kivimäki, Senior Vice President, Legal Affairs (until March 31, 2010)

Mr. Tommi Pettersson, Senior Vice President, System Solutions

Mr. Mikko Puolakka, CFO

Mr. Tomi Saario, Senior Vice President, New Sales and Business Development

Mr. Roger Taylor, Senior Vice President, Group Operations and Sourcing

Events After the Financial Year

In December 2009, Elcoteq decided to convene an Extraordinary General Meeting (EGM) of shareholders to decide on actions supporting the execution of balance sheet restructuring and the equity investment project. The first EGM took place on January 22, 2010, in Luxembourg. Since the quorum requirement (at least half of the series A shares and half of the series K shares need to be present or represented in the meeting) was not met at this first meeting, the company convened a second EGM that was held on February 23, 2010.

The EGM held on February 23, 2010, rejected the Board's 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 series A shares (EUR 0.40) and

series K shares (EUR 0.04). The Board of Directors made its proposal to the EGM prior to the recent positive development in the company's equity. In light of the stronger balance sheet, the EGM deemed that the size of the proposed authorization to increase the share capital up to EUR 200,000,000 was too high and it is not necessary to decrease the par value of shares.

The EGM decided to increase the authorized share capital of the company from its current amount of twenty million euros (EUR 20,000,000) up to forty million euros (EUR 40,000,000). The EGM authorized the Board of Directors to issue new shares and convertible debt instruments within the authorized share capital of the company without reserving preferential subscription rights for the existing shareholders, up to an amount of twelve million euros (EUR 12,000,000) of the authorized share capital, corresponding to a maximum of 30,000,000 new series A shares. The EGM also authorized the Board of Directors to issue new shares and convertible debt instruments within the remainder of the authorized share capital of nineteen million fifty-five thousand one hundred and twenty-six euros (EUR 19,055,126), respecting the existing shareholders' preferential subscription rights. A maximum of approximately 47,000,000 new series A shares can be issued under this authorization.

The EGM deleted from the company's Articles of Association the right of a shareholder to request a redemption of shares in case a change or changes in the ownership of the company result 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. Finally, the EGM changed the date of the Annual General Meeting of the shareholders from 23 March to 28 April each year. The company's Articles of Association were reworded in order to reflect these changes voted upon at the EGM of the shareholders of the company.

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On January 27, 2010, Elcoteq and Nokia Corporation signed an agreement that qualifies Elcoteq as a partner to provide Nokia's customers with After Market Services for their Nokia devices. It is expected that Elcoteq will start these operations gradually during the second quarter of 2010. The companies also intend to explore other opportunities for cooperation.

On March 1, 2010, Elcoteq commenced statutory personnel negotiations regarding possible temporary lay-offs or the termination of employee contracts in the operations of Elcoteq SE Finnish Branch, Elcoteq Finland Oy and Elcoteq Design Center Oy on production or financial grounds. As a result of these negotiations the companies decided to make altogether seven persons redundant and temporarily lay off seven persons on March 16, 2010.

On March 4, 2010, Mr. Markus Kivimäki, member of the Elcoteq Management Team and Senior Vice President of Group Legal Affairs, announced that he will pursue his career outside Elcoteq. Mr. Jari Hakkarainen, Legal Counsel at Elcoteq will be heading the legal function as of April 1, 2010.

On March 15, 2010, Elcoteq announced that Philips Lighting has chosen Elcoteq as a global growth partner for its Solid-State Lighting (SSL) business. Under the agreement, Elcoteq will provide Philips Lighting with global manufacturing services and related sourcing and supply chain management as well as product development services. Elcoteq has already started the production of SSL products at its factory in Dongguan, China. Production will expand to other Elcoteq locations including Mexico and Hungary during 2010.

On March 30, 2010, Elcoteq and the lenders of its EUR 100 million revolving credit facility agreed on extending the facility from April 30, 2010 until June 30, 2011. The parties have signed a committed term sheet for the extended facility and aim at finalizing the loan documentation during April 2010.

On March 30, 2010, Elcoteq and Videocon Industries Limited (Videocon) decided after mutual re-assessment to terminate the negotiations started in September 2009 regarding a major equity investment which would have made Videocon a major single shareholder in Elcoteq.

In addition, to enhance possibilities for further balance sheet strengthening, the three founder shareholders of the company, Mr. Antti Piippo, Mr. Henry Sjöman and Mr. Jorma Vanhanen, have informed the Board of Directors that they will exercise their right to convert all of their series K founders' shares to series A shares after which the company will have only one series of shares, A shares.

At the same time Mr. Antti Piippo and Mr. Henry Sjöman, the founder shareholders and board members of Elcoteq as well as Mr. Juha Toivola, an independent board member of Elcoteq have announced that they will not be available for re-election as Board Members. Mr. Jorma Vanhanen, the third founder shareholder, and all other independent board members (Mr. Martti Ahtisaari, Mr. Heikki Horstia, Mr. Eero Kasanen and Mr. François Pauly) have announced their availability for re-election to the Board. In addition, the Board will be strengthened by two independent board members to be proposed to the Annual General Meeting.

The Company continues to explore further ways to strengthen its balance sheet through equity and long-term financing arrangements. Furthermore, the Company will arrange a rights issue during 2010. The three founder shareholders have undertaken to support such balance sheet strengthening arrangements in shareholders' meetings.

Short-Term Risks and Uncertainty Factors

The Company operates in a working capital intensive business environment where the access to and availability of sufficient financing represents a risk factor. The Board of Directors has assessed the Company's financing requirements against the business plan. The Company's ability to implement its business plan is highly dependent on the availability of financing and ability to stabilize the financing structure, including the strengthening of shareholders' equity and to increase financial flexibility.

The company's key short-term operative challenges are to increase sales, proactively manage fixed costs according to sales fluctuations, significantly improve profitability as well as avoid generating excess working capital to preserve cash reserves. The Company has significant part of its purchases and sales in other currencies than euro and the inability to fully or partly hedge the foreign currency exposure can result to deviations from business plan. Ability to offer the right service offering to customers is a key element in keeping existing customers and winning new customers. Under the changing market conditions the failure to identify and respond to the customer requirements may prevent the Company from achieving the strategic objectives and the above operative targets.

Prospects

The total assembly value of the global electronics market is expected to increase again in 2010 and reach the 1,000 billion US dollar milestone in 2011. According to industry research data providers, the EMS market is expected to grow approximately 6 percent and After Market Services (AMS) spending roughly 14 percent in 2010. The operator and OEM revenue streams are increasingly coming from various services where usage is highly dependent on well functioning devices. Therefore, the uninterrupted usage of the devices becomes more important, creating more demand for After Market Services.

Within the Consumer Electronics market, handset production amounted to approximately 1.1 billion units in 2009 and is expected to increase slightly in 2010. In spite of the global economy worries, the set-top box (STB) and flat TV markets (FTV) are expected to see further growth in the coming years, STB approximately 7 percent annually during the next five years and FTV even higher. System Solutions' electronics assembly market amounted to 150 billion US dollars in 2009 and is expected to increase only slightly in 2010 according to the industry research data providers.

First-quarter net sales are expected to be somewhat lower than the fourth quarter of 2009. Company expects that the operating income in the first half of 2010 remains negative. Based on the impact of implemented cost reduction actions, the stabilization of underlying business and the contribution of recently won new customer contracts the Company expects the operating profit to turn positive for the second half of 2010. Due to the restructuring of subordinated debt in January 2010, the net income for 2010 will be clearly positive.

The company's key operational focus area for 2010 is to generate positive cash from operations by further significantly improving factory utilization ratio through reduced cost base and gaining new customer contracts. It is

the focus of the Board and operative management to further strengthen the balance sheet through equity related transactions and long-term financing arrangements. Company seeks to further reduce tied-up capital through fixed asset divestments, working capital financing arrangements and operational improvements in inventory management.

Board's Dividend Proposal

The Board of Directors proposes to the Annual General Meeting to be held on April 28, 2010, that no dividend will be paid for the financial year 2009.

Annual General Meeting 2010

Elcoteq's Annual General Meeting will be held in Luxembourg on April 28, 2010. A separate Shareholder Information Meeting will be held before the Annual General Meeting in Helsinki, on April 20, 2010.

March 30, 2010
Board of Directors



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To the Shareholders of
Elcoteq SE
19, rue Eugène Ruppert
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REPORT OF THE REVISEUR D'ENTREPRISES

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated March 23, 2009, we have audited the annual accounts of Elcoteq SE, which comprise the balance sheet as at December 31, 2009 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Elcoteq SE as of December 31, 2009, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, March 31, 2010

KPMG Audit S.à r.l.
Réviseurs d'Entreprises



Philippe Meyer