

Elcoteq SE's Interim Report January - March 2010 (Unaudited)

Net sales 220.5 MEUR, operating result improving and balance sheet strengthens

- Net sales in January-March 2010 were 220.5 million euros (470.0 in January - March 2009)
- Operating loss -12.9 million euros (-38.3), excluding restructuring costs -10.6 million euros (-24.7)
- Income before taxes 63.0 million euros (-49.9)
- Earnings per share (EPS) 1.22 euros (-1.40)
- Cash flow after investing activities -23.3 million euros (-50.7)
- Rolling 12-month return on capital employed (ROCE) 11.4% (-11.3%)
- Interest-bearing net debt decreased by 83.8 million euros from December 31, 2009
- Gearing 1.0 (3.2)
- Solvency 19.4% (12.1%)
- An agreement was signed for a committed Revolving Credit facility of 100 million euros maturing on June 30, 2011

This interim report has been prepared in accordance with IFRS. Tables have been prepared in compliance with the IAS 34 requirements approved by the EU. The comparative figures given in the body text of this report are figures for the corresponding period in the previous year, unless stated otherwise.

Elcoteq's President and CEO Jouni Hartikainen:

"After a very challenging year 2009, the first quarter of 2010 showed clear improvement and progress in many ways. As expected, revenues decreased from the last quarter of 2009 and the operating result was still negative, but continued to improve. We started cooperation with several new, prominent customers, like Inmarsat (satellite phones), Philips Lighting (LED-based lamps and luminaires) and Sharp (mobile phones). We also signed an agreement with Nokia providing after market services globally.

The execution of our redefined strategy advanced as planned. Like we have stated, it is our target to provide a full scope of Life Cycle Services to customers, with special emphasis on growing After Market Services (AMS), and to balance our customer portfolio by decreasing the dependency on few large customers.

The balance sheet strengthening proceeded according to plan. Elcoteq reduced its gross interest-bearing debt by 105 million euros and increased equity by 85 million euros. We also launched the exchange offer to our remaining debenture holders in April. The exchange offer has now been completed, resulting in a further 21.5 million euros reduction in gross debt and a respective increase in equity in May 2010. Had this transaction taken place in March 2010, the company's gearing would have been 0.7 and solvency 23.5%."

Net Sales and Earnings

Elcoteq recorded net sales of 220.5 million euros between January and March (470.0 million euros in January-March 2009). Operating loss totaled -12.9 million euros (-38.3) and excluding restructuring costs it was -10.6 million euros (-24.7). Despite the lower sales, the operating result improved due to the cost savings gained from the restructuring actions put in place in the first half of 2009.

The Group's net financial income was 75.9 million euros (net financial expenses 11.5 million euros in January-March 2009). Income before taxes was 63.0 million euros (-49.9) and net income totaled 40.3 million euros (-45.6). Earnings per share (EPS) were 1.22 euros (-1.40). Financial income was mainly attributable to one-time gains of approximately 75 million euros related to the hybrid securities transaction executed in January 2010.

At the same time the company has incurred significant financial expenses associated with the exchange offer to the debenture holders and the fees related to the revolving credit facility of 100 million euros agreed in November 2009.

The Group's gross capital expenditures on fixed assets between January and March were 3.0 million euros (2.0), or 1.4% of net sales (0.4%). Depreciation amounted to 8.1 million euros (18.9). Investments have been reduced to a minimum to increase existing asset capacity utilization ratios. During the review period, investments were earmarked mainly for the test equipment of new customer programs.

Financing and Cash Flow

Cash flow after investing activities was -23.3 million euros (-50.7). The Group had no sold accounts receivable at the end of March 2010 (52.3 million euros at the end of March 2009). Negative cash flow mainly resulted from the increase in working capital for new product ramp-ups.

At the end of March 2010, Elcoteq had cash totaling 69.8 million euros (87.9 million euros at the end of 2009 and 98.0 million euros at the end of March 2009). The company's syndicated committed credit facility of 100 million euros agreed in November 2009 was fully utilized. On April 30, 2010, the company signed an agreement with the same bank syndicate for a new credit facility of 100 million euros that will mature at the end of June 2011.

At the end of March, the Group's interest-bearing net debt amounted to 103.7 million euros (286.4). The solvency ratio was 19.4% (12.1%) and gearing was 1.0 (3.2). Rolling 12-month return on capital employed (ROCE) was 11.4% (-11.3%). The net debt was significantly reduced due to the redemption of debentures with a nominal amount of 105 million euros in January 2010.

Strategic Business Units

Since the third quarter of 2009, Elcoteq has had two Strategic Business Units (SBUs) as its segments: Consumer Electronics and System Solutions. In the first quarter of 2010, Consumer Electronics contributed 77% (73%) and System Solutions 23% (27%) of the Group's net sales.

Net sales of the Consumer Electronics SBU were 170.0 million euros (344.6). The decline was mainly due to lower handset deliveries and operational changes in Juarez, Mexico where the business model was transformed at the end of the first quarter of 2009 from a turnkey (materials owned by Elcoteq) to a consigned (materials owned by the customer) business model. The segment's operating loss was -3.8 million euros (-20.1) and -2.6 million euros excluding restructuring costs (-12.9). The Consumer Electronics SBU made strong progress in reducing operating costs and expanding service content, especially in increasing the after sales services business. The SBU also won significant new customers such as Cinterion, Philips Lighting and Sharp. An agreement was signed with Nokia about providing after market services.

Net sales of the System Solutions SBU were 50.6 million euros (125.3). The decline was mainly due to the divestment of Ericsson-related operations in Tallinn, Estonia to Ericsson in July 2009. The segment's operating income was 2.1 million euros (-10.3) and 3.0 million euros excluding restructuring costs (-4.5). The System Solutions SBU was successful in attracting new customers, such as Inmarsat, and showed solid progress in eliminating excess capacity.

Personnel

At the end of March 2010, the Group employed 10,545 (14,569) people. The geographical distribution of the workforce was as follows: Europe 3,867 (6,597), Asia-Pacific 3,043 (3,231) and Americas 3,635 (4,741). The average number of employees on Elcoteq's direct payroll between January and March was 10,024 (14,446).

Balance Sheet Strengthening

In January 2010, the company announced its decision to issue hybrid securities with a nominal value of 29 million euros in a private placement. The proceeds from the hybrid securities issue were used directly to redeem the company's existing outstanding debenture bonds with a nominal amount of 105 million euros at a price of 25% of the nominal value. As a result of the debentures transaction, reversing the related deferred tax assets and recognizing the hybrid securities as equity in the company's balance sheet, the company's equity increased by approximately 85 million euros. The announced restructuring has improved the company's indebtedness and solidity significantly.

In September 2009, Elcoteq announced that it had signed a non-binding Letter of Intent with Videocon Industries Limited (Videocon) regarding a major equity investment which would have made Videocon the largest single shareholder in Elcoteq. By mutual decision of both Elcoteq and Videocon the negotiations were terminated in March 2010.

In March 2010, the three founder shareholders of the company, Mr. Antti Piippo, Mr. Henry Sjöman and Mr. Jorma Vanhanen, informed the Board of Directors that they will exercise their right to convert all of their series K founders' shares to series A shares in accordance with the provisions set out in the Articles of Association of Elcoteq. The conversion will take place at a ratio of ten series K founders' shares to one series A share. It will not affect the ownership structure of the company, and Mr. Piippo, Mr. Sjöman and Mr. Vanhanen will continue to have a 41.38% holding in the company. However, the conversion will affect the voting structure of the company, reducing the total voting share of Mr. Piippo, Mr. Sjöman and Mr. Vanhanen from the current 84.81% to 41.38%. The conversion is expected to be completed during the second quarter of 2010.

Elcoteq announced that it continues to work on further strengthening its balance sheet through equity-related transactions and long-term financing arrangements in 2010. Related to this, the company announced on April 16, 2010 an exchange offer containing both a hybrid loan and warrants for the holders of its remaining outstanding debentures in an aggregate nominal amount of approximately 35 million euros. The exchange offer was completed on May 7, 2010, and as a result the holders of debentures valued at 21.5 million euros have tendered their debentures for a hybrid bond and warrants. Had this transaction taken place in March 2010, the company's gearing would have been 0.7 and solvency 23.5%.

The interest expense related to the hybrid bonds issued in 2010 amounts approximately to 4.0 million euros annually and is recognized when the company has decided to pay the interest.

In March 2010, Elcoteq SE and the lenders of its revolving credit facility of 100 million euros signed a term sheet on extending the facility from April 30, 2010 until June 30, 2011. The parties concluded the final loan documentation relating to the committed credit facility on April 30, 2010. The agreed facility shall be amortized by 33 million euros by March 31, 2011.

Furthermore, the company has stated in March 2010 that it will arrange a rights issue during 2010 to increase liquidity and to strengthen the balance sheet further.

Shares and Shareholders

At the end of March 2010, the company had 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.

Elcoteq had 10,306 shareholders on March 31, 2010. There were a total of 3,722,756 foreign and nominee registered A-shares.

Decisions of the Extraordinary General Meeting on February 23, 2010

The Extraordinary General Meeting (EGM) held on February 23, 2010, rejected the Board's proposals to decrease the current par value of series A shares (0.40 euros) and series K shares (0.04 euros). 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 200,000,000 euros 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 (20,000,000) up to forty million euros (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 (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 (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 ($33\frac{1}{3}$) 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 March 23 to April 28 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.

Decisions of the Annual General Meeting on April 28, 2010 and Constitutive Board Meeting on May 3, 2010

Elcoteq SE's Annual General Meeting (AGM) took place on April 28, 2010, in Luxembourg. The Meeting confirmed the consolidated and parent company's income statements and balance sheets for the financial year 2009 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, 2009.

The Meeting re-elected the following persons to the Board of Directors: President Martti Ahtisaari; Mr. Heikki Horstia, BSc (Econ.); Mr. Eero Kasanen, Executive Dean, Aalto University School of Economics; Mr. François Pauly, General Manager of Sal. Oppenheim jr. & Cie S.C.A; and Mr. Jorma Vanhanen, founder-shareholder of Elcoteq SE. Mr. Pauli Aalto-Setälä, Managing Director of Aller Media Oy, and Dr. Sándor Csányi, Chairman and CEO of OTP Bank, were elected as new members to the Board of Directors. President Ahtisaari, Mr. Horstia, Mr. Kasanen, Mr. Pauly, Mr. Aalto-Setälä and Dr. Csányi are independent Board members, and they represent more than half of the Board's members.

The AGM 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, 2010.

Elcoteq SE's Board of Directors held its constitutive meeting on Monday, May 3, 2010. The Board of Directors elected Mr. Jorma Vanhanen as its Chairman and Mr. Heikki Horstia as the Deputy Chairman.

Mr. Heikki Horstia was elected as the Chairman of the Audit Committee and Mr. Martti Ahtisaari, Mr. Eero Kasanen and Mr. François Pauly were elected as members of this committee. Mr. Heikki Horstia was also elected as the Chairman of the Compensation Committee and Mr. Martti Ahtisaari, Mr. Eero Kasanen, Mr. François Pauly and Mr. Pauli Aalto-Setälä were elected as members of this committee.

When appointing the Nomination Committee, the Board of Directors took into consideration the recommendation made by the company's largest shareholders at the Annual General Meeting. The Nomination Committee consists of the largest shareholders and an independent advisor. The members from outside the Board are Mr. Antti Piippo, Mr. Henry Sjöman and Mr. Juha Toivola. In addition, the Chairman of the Board, Mr. Jorma Vanhanen, was elected from among the Board members.

No working committee was re-established.

Changes in Elcoteq's Management

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.

As of April 2010, 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. 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

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 debt financing, better control of working capital and cash pooling as well as ability to stabilize the financing structure, including the strengthening of shareholders' equity under volatile market conditions.

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 makes a significant part of its purchases and sales in currencies other than the euro and the currency fluctuations may result in deviations from business plans. The ability to provide the right service offering to customers is a key element in keeping existing customers and winning new customers. Under the changing market conditions, a failure to identify and respond to the customer requirements may prevent the company from achieving its strategic objectives and the above operative targets.

Prospects

Second-quarter net sales are expected to increase compared with the first quarter of 2010 due to the new customer programs started in the first quarter. Operating income is expected to improve from the first quarter but to remain somewhat negative.

As communicated earlier, the company expects the operating profit to turn positive for the second half of 2010 based on the impact of implemented cost reduction actions, the stabilization of underlying business and the contribution of recently won new customer contracts. Due to the restructuring of subordinated debt in January 2010, the net income for 2010 will be clearly positive.

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

Elcoteq plans its material purchases and capacity based on the forecasts received from customers and market analysis. Such forecasts may fluctuate during the forecast period, causing uncertainty in the company's own forecasts.

May 18, 2010
Board of Directors

Further information:

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Press Conference and Webcast

Elcoteq will hold a combined press conference, conference call and webcast in English at 2.30 pm (EET) on Wednesday, May 19, in the Ambassador II room (9th floor of Scandic Hotel Continental, address: Mannerheimintie 46, Helsinki, Finland).

To participate via a conference call, please dial in 5-10 minutes before the beginning of the event: +44 (0)20 7162 0025 (Europe) or +1 334 323 6201 (USA). When dialing in, the participants should quote 866002 as the conference ID. The password is Elcoteq.

The press conference can also be followed as a live webcast or later as a recording via Elcoteq's website www.elcoteq.com.

The presentation material used at the press conference (pdf file) will be available on the company's website www.elcoteq.com on May 19, 2010.

Elcoteq will publish its Interim Report for January-June 2010 at 9.00 am (EET) on Wednesday, July 21, 2010.

Enclosures:

- 1 Consolidated statement of comprehensive income
- 2 Consolidated Balance Sheet
- 3 Consolidated Cash Flow statement
- 4 Consolidated statement of changes in equity
- 5 Formulas for the calculation of key figures
- 6 Key figures
- 7 Segment reporting
- 8 Restructuring expenses
- 9 Assets and liabilities classified as held for sale
- 10 Assets pledged and contingent liabilities
- 11 Quarterly figures

The Group adopted the following standards on January 1, 2010:

- Revised IFRS 3 Business combinations

This adopted standard has not had impact on the reported results.

Other new interpretations or amendments to standards effective as of January 1, 2010 have not been relevant to the Group.

APPENDIX 1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR	Q1/ 2010	Q1/ 2009	Change, %	1-12/ 2009
NET SALES	220.5	470.0	-53.1	1,503.2
Change in work in progress and finished goods	4.8	-21.9		-44.4
Other operating income	0.9	2.3	-58.2	13.3
Operating expenses	-228.8	-456.1	-51.3	-1,451.5
Restructuring expenses	-2.3	-13.6		-37.0
Depreciation and impairment	-8.1	-18.9	-57.4	-60.1
OPERATING PROFIT/LOSS	-12.9	-38.3	-66.3	-76.5
% of net sales	-5.9	-8.2		-5.1
Financial income and expenses	75.9	-11.5		-40.5
Share of profits and losses of associates	0.0	0.0		-0.1
PROFIT/LOSS BEFORE TAXES	63.0	-49.9		-117.1
Income taxes	-23.0	3.7		8.1
NET PROFIT/LOSS	40.0	-46.1		-109.0
Other comprehensive income				
Cash flow hedges	0.3	-1.1		3.4
Net gain/loss on hedges of net investments in foreign operations	-0.6	1.5		3.0
Foreign currency translation differences for foreign operations	0.0	0.1		1.2
Income tax relating to components of other comprehensive income	0.0	0.3		-0.4
Other comprehensive income for the period, net of tax	-0.3	0.8		7.2
TOTAL COMPREHENSIVE PROFIT/LOSS FOR THE PERIOD	39.7	-45.3		-101.8
PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the parent company *	40.3	-45.6		-105.0
Non-controlling interests	-0.4	-0.5		-3.9

parent company, total			
Non-controlling interests	8.0	7.8	2.0
Hybrid capital loans	28.7	-	-
Total equity	100.9	32.6	209.5
Long-term liabilities			
Long-term loans	44.4	109.8	-59.6
Other long-term debt	3.5	2.8	24.5
Long-term liabilities, total	47.8	112.5	-57.5
Current liabilities			
Current loans	128.9	165.4	-22.1
Other current liabilities	238.0	200.0	19.0
Provisions	4.6	4.7	-2.7
Current liabilities, total	371.5	370.1	0.4
Liabilities classified as held for sale	-	-	-
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	520.3	515.3	1.0

* Share capital includes both A-shares listed in Nasdaq OMX Helsinki Exchange and K founders' shares.

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT, MEUR	1-3/2010	1-3/2009	Change,%	1-12/2009
Cash flow before change in working capital	12.3	-7.1		14.0
Change in working capital *	-25.3	-38.8	-34.7	50.5
Financial items and taxes	-7.7	-5.8	33.2	-24.2
Cash flow from operating activities	-20.8	-51.7		40.4
Purchases of non-current assets	-2.6	-2.1	24.9	-4.4
Acquisitions	0.0	0.0	0.0	0.3
Disposals of non-current assets	0.1	3.1	-96.7	16.6
Cash flow before financing activities	-23.3	-50.7	-54.1	52.9
Hybrid capital loans	27.8	-		-
Change in current debt	-6.5	51.4		-56.1

Repayment of long-term debt	-20.6	0.0		0.0
Dividends paid	0.0	0.0		-2.4
Cash flow from financing activities	0.7	51.4	-98.6	-58.6
Change in cash and equivalents	-22.6	0.7		-5.7
Cash and equivalents on January 1	87.9	95.1	-7.5	95.1
Cash and equivalents classified as held for sale	-	-		-
Effect of exchange rate changes on cash held	4.5	2.2		-1.5
Cash and equivalents at the end of the period	69.8	98.0	-28.8	87.9

APPENDIX 4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Attributable to equity holders of the parent								Total	Hybrid capital loans	Total equity
	Share capital	Additional paid-in capital	Other reserves	Hedging reserve	Transition reserve	Reserve for own shares	Retained earnings	Non-controlling interest			
BALANCE AT JAN 1, 2010	13.2	225.0	8.4	-0.1	6.8	-0.1	-228.4	24.8	7.8	-	32.6
Total comprehensive income				0.3	-1.1		40.3	39.5	0.2		39.6
Hybrid capital loans										28.7	28.7
BALANCE AT MARCH 31,	13.2	225.0	8.4	0.2	5.7	-0.1	-188.1	64.3	8.0	28.7	100.9

BALANCE AT JAN 1, 2009	13.0	225.0	8.4	-3.1	3.2	-0.1	-124.0	122.5	12.7	-	135.2
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Total Compre hensive income in Share- based pay ments				-0.8	1.0		-45.6	-45.4	0.0		-45.3
							0.4	0.4			0.4

BALANCE AT MARCH 31, 2009	13.0	225.0	8.4	-3.9	4.3	-0.1	-169.1	77.5	12.8	-	90.3
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APPENDIX 5

FORMULAS FOR THE CALCULATION OF KEY FIGURES

Return on equity (ROE) =

Net income x 100

Total equity, average of opening and closing balances

Return on investments (ROI/ROCE) =

(Income before taxes + interest and other financial expenses +
income from discontinued operations before taxes and
financial expenses) x 100

Total assets - non-interest bearing liabilities, average of opening
and closing balances

Return on investment (ROI/ROCE) for trailing 12 months =

(Income before taxes + interest and other financial expenses +
income from discontinued operations before taxes and
financial expenses) x 100

Total assets – non interest-bearing liabilities, average of opening and closing balances

Current ratio =

Current assets + assets classified as held for sale

Current liabilities + liabilities classified as held for sale

Solvency =

Total equity x 100

Total assets – advance payments received

Gearing =

Interest-bearing liabilities – cash and equivalents

Total equity

Equity per share =

Equity attributable to equity holders of the parent company

Adjusted average number of A shares outstanding end of the period + (adjusted average number of K founders' shares outstanding end of the period/10)

Earnings per share, A shares (EPS) =

Net income attributable to equity holders of the parent, A shares

Adjusted average number of A shares outstanding during the period

Earnings per shares, K founders' shares (EPS) =

Net income attributable to equity holders of the parent,
K founders' shares

Adjusted average number of K founders' shares outstanding during the period

APPENDIX 6

KEY FIGURES	1-3/2010	1-3/2009	Change-%	1-12/2009
Personnel on average during the period	10,024	14,446	-30.6	11,271
Gross capital expenditures, MEUR	3.0	2.0	50.0	6.4
Return on equity (ROE), %	59.9	-40.9		-129.9
Return on investment (ROI/ROCE), %	24.5	-9.4		-18.9
From 12 preceding months:				
Return on equity (ROE), %	-23.9	-71.3		-129.9
Return on investment (ROI/ROCE), %	11.4	-11.3		-18.9
Earnings per share (EPS), A-shares, EUR	1.22	-1.40		-3.22
Earnings per share (EPS), K-founders' shares, EUR	0.12	-0.14		-0.32
Current ratio	1.1	1.0		1.0
Solvency, %	19.4	12.1		6.3
Gearing	1.0	3.2		5.8
Shareholders' equity per share, A-shares, EUR	2.82	2.38		0.75
Shareholders' equity per share, K-founders' shares, EUR	0.28	0.24		0.08
Interest-bearing liabilities, MEUR	173.5	384.5	-54.9	275.4
Interest-bearing net debt, MEUR	103.7	286.4	-63.8	187.5
Non-interest-bearing liabilities, MEUR	245.8	272.4	-9.8	207.3

APPENDIX 7

SEGMENT REPORTING

Elcoteq applies IFRS 8 Operating Segments in its segment reporting. The presented segment information is based on the information provided to the Group's management.

Elcoteq has two Strategic Business Units (SBUs): Consumer Electronics and System Solutions. Elcoteq reports these strategic business units as its segments. Both SBUs are responsible for managing and developing their existing customer relationships and applicable service offerings, while Group Operations and Sourcing is responsible for supply chain and production.

Strategic Business Unit Consumer Electronics covers products such as mobile and wireless phones, their parts and accessories, set-top boxes, flat panel TVs and other consumer products as well as related after market services.

Strategic Business Unit System Solutions covers wireless and wireline infrastructure systems and modules, enterprise network products and various other industrial segment products as well as related after market services.

STRATEGIC BUSINESS UNITS, MEUR	1-3/2010	1-3/2009	1-12/2009
Net sales			
Consumer Electronics	170.0	344.6	1,127.3
System Solutions	50.6	125.3	375.9
Net sales, total	220.5	470.0	1,503.2
Segment's operating income/loss			
Consumer Electronics	-3.8	-20.1	-38.2
System Solutions	2.1	-10.3	-2.0
Group's non-allocated expenses/income			
General & Administrative expenses	-10.7	-7.2	-35.2
Other expenses	-0.5	-0,7	-1.2
Operating income/loss, total	-12.9	-38.3	-76.5
Group's financial income and expenses	75.9	-11.5	-40.5
Share of profits and losses of associates	0.0	-	-0.1
Income before taxes	63.0	-49.9	-117.1

Segments' operating income for January-March 2010 include following restructuring expenses: Consumer Electronics 1.3 million euros and System Solutions 0.9 million euros. Group's non-allocated expenses/income include restructuring costs of 0.2 million euros.

APPENDIX 8

RESTRUCTURING EXPENSES

During the first quarter of 2009, Elcoteq launched a restructuring plan that applies to the whole Group. These activities will continue in 2010 to further improve profitability through eliminating excess capacity and strengthening operational excellence. The restructuring actions cover further capacity adjustments in whole factory network, especially in the area of indirect personnel resources as well as increasing capacity utilization through internal asset transfers. The actions also involve certain asset impairment charges.

The Groups restructuring expenses arising from the actions, in total 2,305 thousand euros, comprise of the following items:

Personnel expenses	230
Impairments	2,075
Restructuring expenses, total	2,305

Impairments of buildings as well as machinery and equipment are primarily due to plant closures.

APPENDIX 9

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale amounting to 17.3 million euros relate to real estates on sale. The company did not have liabilities classified as held for sale at the end of the reporting period.

APPENDIX 10

ASSETS PLEDGED AND CONTINGENT LIABILITIES, MEUR

	March 31, 2010	March 31, 2009	Change, %	Dec. 31, 2009
BUSINESS MORTGAGES	100.0	-		100.0
PLEDGED OTHER RECEIVABLES	-	-		3.0
PLEDGED CASH AND CASH EQUIVALENTS	62.0	-		56.2
PLEDGED LOAN RECEIVABLES	0.1	0.8	-92.5	0.1
ON BEHALF OF OTHERS				
Guarantees	1.0	1.0		1.0
LEASE COMMITMENTS				
Operating leases, production machinery (excl. VAT)	0.8	6.8	-88.8	1.2
Operating leases, real estate (excl. VAT)	12.6	13.2	-4.6	12.3
Operating leases, others (excl. VAT)	0.7	1.4	-50.1	0.9
DERIVATIVE CONTRACTS				
Currency forward contracts, transaction risk, hedge accounting not applied				
- Nominal value, open deals	2.7	98.7	-97.2	43.2
- Nominal value, closed deals	117.7	-		130.1
- Fair value	-1.0	-1.5	-35.2	0.0

Currency forward contracts, transaction risk, hedge accounting applied				
- Nominal value, open deals	3.0	57.0	-94.8	70.6
- Nominal value, closed deals	-	-		11.4
- Fair value	0.2	-4.6		-0.1
Currency option contracts, transaction risk, hedge accounting not applied, bought options				
- Nominal value	-	11.8		-
- Fair value	-	0.1		-
Currency forward contracts, translation risk				
- Nominal value	-	21.5		-
- Fair value	-	-0.5		-
Currency forward contracts, financial risk				
- Nominal value	20.0	177.0	-88.7	110.7
- Fair value	-0.3	1.6		-0.2
Interest rate and foreign exchange swap contracts				
- Nominal value	-	1.5		-
- Fair value	-	0.2		-

APPENDIX 11

INCOME STATEMENT, MEUR	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
NET SALES	220.5	265.5	331.7	436.0	470.0
Change in work in progress and finished goods	4.8	-9.9	-8.2	-4.4	-21.9
Other operating income	0.9	4.2	5.5	1.4	2.3
Operating expenses	-228.8	-250.2	-317.2	-428.0	-456.1
Restructuring expenses	-2.3	-21.3	-1.7	-0.4	-13.6
Depreciation and impairments	-8.1	-11.7	-13.5	-16.0	-18.9
OPERATING INCOME	-12.9	-23.4	-3.3	-11.5	-38.3
% of net sales	-5.9	-8.8	-1.0	-2.6	-8.2
Financial income and expenses	75.9	-12.9	-4.1	-11.9	-11.5
Share of profits and losses of associates	0.0	0.0	-0.1	0.0	0.0
INCOME BEFORE TAXES	63.0	-36.4	-7.5	-23.4	-49.9
Income taxes	-23.0	2.2	0.7	1.5	3.7
NET INCOME FOR THE PERIOD	40.0	-34.2	-6.8	-21.8	-46.1

ATTRIBUTABLE TO:

Equity holders of the parent company	40.3	-31.3	-6.3	-21.8	-45.6
Minority interests	-0.4	-2.9	-0.5	0.0	-0.5
	40.0	-34.2	-6.8	-21.8	-46.1

BALANCE SHEET, MEUR		Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
ASSETS						
Non-current assets						
	Intangible assets	26.0	25.4	25.9	26.6	27.4
	Tangible assets	79.1	81.0	110.3	129.8	149.7
	Investments	0.7	0.7	2.1	2.2	2.3
	Long-term receivables	22.3	41.9	46.8	45.8	53.0
	Non-current assets, total	128.1	148.9	185.1	204.3	232.4
Current assets						
	Inventories	102.9	69.4	101.1	113.7	174.2
	Current receivables	202.2	189.9	193.4	221.4	221.9
	Cash and equivalents	69.8	87.9	201.0	154.8	98.0
	Current assets, total	374.9	347.3	495.5	489.8	494.1
	Assets classified as held for sale	17.2	19.0	21.0	41.0	20.7
	ASSETS, TOTAL	520.3	515.3	701.6	735.1	747.1

SHAREHOLDERS' EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent company						
	Share capital	13.2	13.2	13.0	13.0	13.0
	Other shareholders' equity	51.1	11.6	43.5	48.7	64.5
	Equity attributable to equity holders of the parent company, total	64.3	24.8	56.6	61.8	77.5
	Minority interests	8.0	7.8	11.1	12.0	12.8
	Hybrid capital loans	28.7	-	-	-	-
	Total equity	100.9	32.6	67.7	73.7	90.3
Long-term liabilities						
	Long-term loans	44.4	109.8	110.1	159.6	158.9
	Other long-term debt	3.5	2.8	2.8	5.7	6.7
	Long-term liabilities, total	47.8	112.5	113.0	165.2	165.6
Current liabilities						
	Current loans	128.9	165.4	263.8	210.7	225.4
	Other current liabilities	238.0	200.0	250.2	279.0	257.4
	Provisions	4.6	4.7	6.9	5.7	8.4

Current liabilities, total	371.5	370.1	520.9	495.4	491.2
Liabilities classified as held for sale	-	-	-	0.8	-
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	520.3	515.3	701.6	735.1	747.1

Personnel on average during the period	10,024	8,882	9,877	11,693	14,446
Gross capital expenditures, MEUR	3.0	1.8	1.1	1.5	2.0
ROI/ROCE from 12 preceding months, %	11.4	-18.9	-14.4	-14.4	-11.3
Earnings per share (EPS), A-shares, EUR	1.22	-0.96	-0.19	-0.67	-1.40
Solvency, %	19.4	6.3	9.7	10.0	12.1

	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
CONSOLIDATED CASH FLOW STATEMENT, MEUR					

Cash flow before change in working capital	12.3	20.5	7.0	-6.4	-7.1
Change in working capital	-25.3	-25.8	34.1	81.1	-38.8
Financial items and taxes	-7.7	-9.5	-5.0	-3.9	-5.8
Cash flow from operating activities	-20.8	-14.8	36.1	70.7	-51.7
Purchases of non-current assets	-2.6	-0.8	-1.1	-0.4	-2.1
Acquisitions	0.0	0.3	-	-	-
Disposals of non-current assets	0.1	3.9	7.8	1.8	3.1

Cash flow before financing activities	-23.3	-11.3	42.7	72.2	-50.7
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Hybrid capital loans	27.8	-	-	-	-
Change in current debt	-6.5	-100.5	5.2	-12.2	51.4
Repayment of long-term debt	-20.6	-	-	-	-
Dividends paid	0.0	-2.4	-	-	-
Cash flow from financing activities	0.7	-103.0	5.2	-12.2	51.4

Change in cash and equivalents	-22.6	-114.3	48.0	59.9	0.7
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Cash and equivalents at the beginning of the period	87.9	201.0	154.8	98.0	95.1
Cash and cash equivalents classified as held for sale	-	-	-	-	-
Effect of exchange rate changes on cash held	4.5	1.1	-1.7	-3.1	2.2
Cash and equivalents at the end of period	69.8	87.9	201.0	154.8	98.0

STRATEGIC BUSINESS UNITS, MEUR	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
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Net sales					
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	Consumer Electronics	170.0	211.1	243.5	328.1	344.6
	System Solutions	50.6	54.5	88.2	107.9	125.3
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Net sales, total		220.5	265.5	331.7	436.0	470.0
Operating income						
	Consumer Electronics	-3.8	-11.2	-2.3	-4.6	-20.1
	System Solutions	2.1	-0.1	6.9	1.5	-10.3
	Group's non-allocated expenses/income					
	General &					
	Administrative expenses	-10.7	-12.1	-7.6	-8.2	-7.2
	Other expenses	-0.5	0.0	-0.3	-0.1	-0.7
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Operating income, total		-12.9	-23.4	-3.3	-11.5	-38.3
Restructuring expenses recognized in segment's operating income						
	Consumer Electronics	-1.3	-15.6	-1.5	0.0	-7.2
	System Solutions	-0.9	-5.7	0.0	-0.4	-5.8
	Group's non-allocated					
	expenses/income	-0.2	0.0	-0.2	0.0	-0.6
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Restructuring expenses, total		-2.3	-21.3	-1.7	-0.4	-13.6
Financial income and expenses		75.9	-12.9	-4.1	-11.9	-11.5
Share of profits and losses of associates		0.0	0.0	-0.1	0.0	0.0
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Income before taxes		63.0	-36.4	-7.5	-23.4	-49.9