Elcoteq SE
Interim Report
July 22, 2009, at 9.00 am (EET)

Elcoteq SE's Interim Report January - June 2009 (Unaudited)

Elcoteq SE's net sales between April and June totaled 436.0 million euros (904.8 in April - June 2008 and 470.0 in January - March 2009). Operating income improved significantly compared to the first quarter, and was -11.5 million euros (0.6 in April - June 2008 and -38.3 in January - March 2009). Cash flow turned clearly positive as a result of the major cost reduction and working capital improvement actions carried out during the first half of 2009, and amounted to 72.2 million euros in the second quarter (-78.5 in April - June 2008 and -50.7 in January - March 2009). The equity project proceeded as expected and the company announced the signing of a conditional Letter of Intent for equity increase of 50 million euros with Shenzhen Kaifa Technology Co., Ltd., a Chinese industrial company belonging to China Electronics Corporation (CEC) group. CEC has been Elcoteq's joint venture partner in China since 2002.

April - June
- Net sales 436.0 million euros (904.8 in April - June 2008)
- Operating income -11.5 million euros (0.6) and -11.0 million euros excluding restructuring costs
- Income before taxes –23.4 million euros (-5.5)
- Earnings per share (EPS) -0.67 euros (-0.42)
- Cash flow after investing activities 72.2 million euros (-78.5)
- Rolling 12-month return on capital employed (ROCE) -14.4% (-6.2%)
- Gearing 2.9 (1.2)
- Total one-time costs 6.6 million euros, of which 6.2 million euros are financial expenses and 0.4 million euros restructuring costs above operating income

January - June
- Net sales 906.0 million euros (1,813.6 in January - June 2008)
- Operating income -49.8 million euros (-8.9) and -35.7 million euros excluding restructuring costs
- Income before taxes -73.3 million euros (-21.0)
- Earnings per share (EPS) -2.07 euros (-0.78)
- Cash flow after investing activities 21.5 million euros (-79.6)
- Interest-bearing net debt 215.9 million euros (220.2)

This interim report has been prepared using IFRS recognition and measuring principles. 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.

April - June

Elcoteq recorded net sales of 436.0 million euros (904.8) between April and June. Operating income totaled -11.5 million euros (0.6). Net sales have decreased significantly from last year, mainly due to the extraordinarily low market demand. The company has adjusted its operations to lower volumes but has still maintained its global platform to serve customers close to their end markets and its ability to respond to future growth opportunities. In the light of the current volatile market situation, the company will continue to seek further potential for cost base improvements.

The Group's net financial expenses were 11.9 million euros (6.1). Financial expenses include one-time costs of 6.2 million euros arising from a loan receivable revaluation. Income before taxes was -23.4 million euros (-5.5) and net income totaled -21.8 million euros (-13.7). Earnings per share (EPS) were -0.67 euros (-0.42).

The Group’s gross capital expenditures on fixed assets between April and June were 1.5 million euros (16.6), or 0.4% of net sales. Depreciation amounted to 16.0 million euros (18.2). Investments have been reduced to a minimum to increase existing asset capacity utilization ratios.

Cash flow after investing activities improved significantly and was 72.2 million euros (-78.5). Cash flow received by the Group from sold accounts receivable was 18.7 million euros at the end of June (113.8). The company has been successful in its vigorous measures to improve its working capital levels, especially inventory turns.

At the end of June 2009, Elcoteq had cash and unused but immediately available credit lines totaling 184.8 million euros (288.0). These credit limits included a 230 million euro syndicated, committed credit facility, of which 30 million euros were unused. Cash and unused but immediately available credit lines increased by 65.9 million euros from the first quarter.

In order to refinance its 230 million euro credit facility, the company has intended to agree on a new syndicated, committed credit facility agreement with the same bank group. However, such an agreement has not been concluded as the received equity increase proposals have contained as an integral part a certain level of debt-to-equity conversion, and the new credit facility agreement could have endangered the equity investment. A new re-financing solution will be developed as the equity project progresses.

At the end of June, the Group’s interest-bearing net debt amounted to 215.9 million euros (220.2). The net debt decreased 25% from the first quarter. The solvency ratio was 10.0% (18.0% at the end of June 2008) and gearing was 2.9 (1.2). Rolling 12-month return on capital employed (ROCE) was -14.4% (-6.2%).

January - June

Net sales in January - June decreased significantly compared to the same period last year, standing at 906.0 million euros (1,813.6 in January - June 2008). Operating income was -49.8 million euros (-8.9) and -35.7 million euros excluding restructuring costs. Income before taxes was -73.3 million euros (-21.0). Earnings per share (EPS) were -2.07 euros (-0.78). Cash flow after investing activities was positive at 21.5 million euros (-79.6), which is a significant improvement from last year.

Gross capital expenditures on fixed assets in January - June amounted to 3.5 million euros (44.3), 0.4% of net sales. Depreciation totaled 34.9 million euros (35.3).

Business Areas

As of the beginning of 2008, Elcoteq’s segment reporting covers three Business Areas: Personal Communications, Home Communications and Communications Networks. In the second quarter of 2009, Personal Communications contributed 59% (70%), Home Communications 16% (10%) and Communications Networks 25% (20%) of the Group's net sales.

Elcoteq’s largest customers (in alphabetical order) are EADS, Ericsson, Funai, Huawei, Nokia Devices, Nokia Siemens Networks, Philips, Research in Motion (RIM), Sony Ericsson and Thomson. There is also a very promising sales pipeline for winning new customers.

Net sales of the Personal Communications Business Area in the second quarter were 259.1 million euros (631.0). Net sales increased from the first quarter. Personal Communications’ net sales have decreased from last year mainly due to the manufacturing re-allocation decisions made by Nokia Devices. The segment’s operating income was 2.1 million euros (5.6). The cost level has been further reduced and together with higher sales contributed to clearly better profitability than in the first quarter.

Net sales of the Home Communications Business Area were lower in the second quarter than a year earlier, standing at 69.0 million euros (90.5). The segment's operating income was -6.7 million euros (0.9). The decrease in net sales compared to last year was due to lower market demand. Net sales decreased also compared to the first quarter of 2009, which was due to the display panel supply shortages and the change in the business model in Juarez, where the display panels were consigned to Elcoteq instead of Elcoteq buying the panels. The display panel supply situation is expected to improve during the third quarter. The Second-quarter profitability was significantly affected by the lower volumes.

Net sales of the Communications Networks business area were lower in the second quarter than a year earlier, standing at 107.9 million euros (183.3). The segment's operating income was 1.5 million euros (3.3). The segment has been able to keep its profitability at a fairly good level despite of the drop in net sales.

Elcoteq's second-quarter net sales were derived from the geographical areas as follows: Europe 44% (46%), Asia-Pacific 15% (26%) and Americas 40% (28%).

Personnel

At the end of June 2009, the Group employed 12,996 (21,522) people. The geographical distribution of the workforce was as follows: Europe 5,928 (9,708), Asia-Pacific 3,187 (6,212) and Americas 3,881 (5,602). The average number of employees on Elcoteq's direct payroll between January and June was 13,088 (17,543).

Progress in the Restructuring Plan

Elcoteq has reduced its manufacturing capacity through the Restructuring Plan launched in January to adapt to the radical changes in the market situation. The restructuring actions have proceeded according to the Plan. A further step in this process was taken on June 17, when Elcoteq and Ericsson concluded an agreement whereby Elcoteq will sell the majority of the machinery, equipment and materials of its Tallinn manufacturing operations to Ericsson. The agreement also includes the transfer of the lease agreement concerning manufacturing premises and employment agreements related to these operations. The transaction value is approximately 30 million euros. The company expects a minor profit from the transaction, which is expected to close during the third quarter. The transaction will not have an impact on profitability at the annual level. The revenue generated by the transferred business is less than 200 million euros annually.

Approximately 1,200 of Elcoteq's 1,600 employees in Tallinn will be transferred to Ericsson and continue their employment under the existing terms and conditions. Elcoteq will continue operations in Tallinn on a smaller scale in a specialized plant. Deliveries to Ericsson will continue from other Elcoteq plants. European high-volume manufacturing will be concentrated in Elcoteq's plant in Pécs, Hungary.

The total restructuring costs were 27.6 million euros, of which 13.5 million euros were booked in December 2008, 13.6 million euros in the first quarter and 0.4 million euros in the second quarter of 2009.

Equity Project

In January, the company commenced a project to strengthen its balance sheet. The company has now signed a Letter of Intent with Shenzhen Kaifa Technologies Co., Ltd. ("Kaifa"), a separately listed Chinese industrial company belonging to China Electronics Corporation group. CEC has been Elcoteq's successful joint venture partner in China since 2002. The CEC Group consists of more than 200 different technology companies ranging from semiconductor, computer and mechanics companies to software development.

As an equity investment Kaifa would subscribe new shares to be issued by Elcoteq with the amount of 50 million euros. Elcoteq and Kaifa are also negotiating about further financing, which is subject to certain financial performance criteria.

Kaifa's investment is depending on Elcoteq's creditors agreeing on restructuring of current debt, which will include partial debt-to-equity swap and it needs shareholders' approvals. The actual number of shares to be issued to Kaifa will be determined after the negotiations with the creditors have been completed, aiming at Kaifa becoming the single biggest shareholder of Elcoteq with a minimum ownership of 30%. The definitive agreement is planned to be signed during the third quarter of 2009.

Pohjola Corporate Finance has been engaged to advice the company in these debt negotiations.

Shares and Shareholders

At the end of June 2009, the company had 127,795,919 shares divided into 22,025,919 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 10,163 shareholders on June 30, 2009. There were a total of 5,582,957 foreign and nominee registered shares, representing 4.37% of the votes.

Short-Term Risks and Uncertainty Factors

The company's key short-term challenges are to conclude the planned equity increase, improve operational profitability and free up cash. In the changing market circumstances, the company must also continue to maintain the right service offering, optimized cost level and ability to react rapidly to demand changes.

Prospects

Under the current market conditions it is still extremely difficult to make exact forecasts. Third-quarter net sales are expected to decrease slightly compared with the second-quarter of 2009 due to the partial Tallinn business transfer to Ericsson. Operating income is expected to improve from the second quarter. Cash flow is expected to remain positive.

Successful completion of the equity increase project is expected to speed up the closing of several new programs, which are under negotiations with both existing and new customers.

The company's priority areas for 2009 are to strengthen the equity base, further balance the customer base, clear improvement in bottom-line profitability through the ongoing restructuring actions and strong cash generation through improved profitability, limited capital expenditure and further working capital reduction.

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.

July 21, 2009

Board of Directors

Further information:
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Mikko Puolakka, CFO, tel. +358 10 413 1287
Minna Aila, Director, Investor Relations and Corporate Responsibility, tel. +358 10 413 1908

Press Conference and Webcast

Elcoteq will arrange a combined press conference, conference call and audio webcast for media and analysts on Wednesday, July 22, at 2.30 pm (EET). The event will be held in English and it will be hosted at the Scandic Hotel Simonkenttä, Mansku room (Simonkatu 9, Helsinki, Finland).

To participate by phone, please dial in 5 - 10 minutes before the beginning of the event:
+44 (0)20 7162 0025 (Europe) or +1 334 323 6201 (USA). The password is Elcoteq. The press conference can also be followed later as a recording via Elcoteq's website at www.elcoteq.com.

Elcoteq will publish its third-quarter interim report at 9.00 am (EET) on Wednesday, October 28, 2009.

Enclosures:
1 Income statement
2 Balance sheet
3 Cash flow statement
4 Statement of changes in shareholders' equity
5 Formulas for the calculation of key figures
6 Key figures
7 Business areas
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, 2009:
- IFRS 8 Operating Segments. The adoption of the standard does not have an impact on the Interim Report.
- Revised IFRS 23 Borrowing Costs. The adaptation of the standard causes a change in the accounting principles used in the consolidated financial statements. The adoption of the standard does not have a material impact on the Group currently.
- Revised IAS 1 Presentation of Financial Statements. The change of the standard has impact on the presentation of Income Statement and Statement of Changes in Shareholders' Equity.

The following changes in the accounting principles do not have an impact on the consolidated financial statements:
- IFRS 2 Share-based Payments
- IFRS 1 First-Time adoption and IAS 27 Consolidated and Separate Financial Statements
- IFRIC 15 Agreements for the Construction of Real Estate

APPENDIX 1

INCOME STATEMENT, MEUR	Q2/ 2009	Q2/ 2008	Change %	1-6/ 2009	1-6/ 2008	Change, %	1-12/ 2008
NET SALES	**436.0**	**904.8**	**-51.8**	**906.0**	**1,813.6**	**-50.0**	**3,443.2**
Change in work in progress and finished goods	-4.4	-10.1		-26.3	-7.3	261.9	-35.5
Other operating income	1.4	3.1	-55.2	3.6	4.6	-21.8	11.2
Operating expenses	-428.0	-878.9	-51.3	-884.1	-1,784.5	-50.5	-3,346.8
Restructuring expenses	-0.4	-		-14.1	-		-13.5
Depreciation and impairment	-16.0	-18.2	-12.2	-34.9	-35.3	-1.1	-78.9
OPERATING LOSS	**-11.5**	**0.6**		**-49.8**	**-8.9**	**460.7**	**-20.4**
% of net sales	-2.6	0.1		-5.5	-0.5	1,022.4	-0.6
Financial income and expenses	-11.9	-6.1	95.3	-23.5	-12.1	94.3	-32.4
Share of profits and losses of associates	0.0	-		0.0	-		-0.1
LOSS BEFORE TAXES	**-23.4**	**-5.5**	**322.9**	**-73.3**	**-21.0**	**249.6**	**-52.9**
Income taxes	1.5	-7.3		5.3	-3.1	-268.0	-11.1
NET LOSS	**-21.8**	**-12.8**	**70.1**	**-68.0**	**-24.1**	**182.1**	**-64.0**
Other comprehensive income							
Cash flow hedges	4.4	1.5		3.3	-0.9		-2.5
Net gain/loss on hedges of net investments in foreign operations	1.7	-2.9		3.2	-0.7		-6.4
Foreign currency translation differences for foreign operations	0.3	4.8		0.4	5.5		11.2
Income tax relating to components of other comprehensive income	-1.5	0.2		-1.2	0.2		0.4
Other comprehensive income for the period, net of tax	4.9	3.6		5.7	4.1		2.7
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**-16.9**	**-9.2**		**-62.3**	**-20.0**		**-61.3**
LOSS FOR THE PERIOD ATTRIBUTABLE TO:							
Equity holders of the parent company *	-21.8	-13.7		-67.4	-25.3		-65.9
Minority interests	0.0	0.9		-0.6	1.2		1.9

	-21.8	**-12.8**	**-68.0**	**-24.1**	**-64.0**

TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:					
Equity holders of the parent company *	-16.1	-10.3	-61.5	-21.1	-64.8
Minority interests	-0.8	1.1	-0.8	1.1	3.5
	-16.9	**-9.2**	**-62.3**	**-20.0**	**-61.3**
Earnings per share (EPS), A shares EUR	-0.67	-0.42	-2.07	-0.78	-2.02
Earnings per share (EPS), K founders' shares EUR	-0.07	-0.04	-0.21	-0.08	-0.20

Income tax is the amount corresponding to the actual effective rate based on year-to-date actual tax calculation.
* The Group´s reported net income for the period.

APPENDIX 2

BALANCE SHEET, MEUR	**June 30, 2009**	**Dec. 31, 2008**	**Change, %**
ASSETS			
Non-current assets			
Intangible assets	26.6	27.6	-3.9
Tangible assets	129.8	167.8	-22.6
Investments	2.2	2.2	-1.3
Long-term receivables	45.8	46.4	-1.2
Non-current assets, total	204.3	244.0	-16.3
Current assets			
Inventories	113.7	256.2	-55.6
Current receivables	221.4	336.3	-34.2
Cash and equivalents	154.8	95.1	62.7
Current assets, total	489.8	687.5	-28.8
Assets classified as held for sale	41.0	23.9	71.5
ASSETS, TOTAL	**735.1**	**955.4**	**-23.1**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital*	13.0	13.0	0.0
Other shareholders' equity	48.7	109.4	-55.5

Equity attributable to equity holders of the parent company, total	61.8	122.5	-49.6
Minority interests	12.0	12.7	-5.9
Total equity	73.7	135.2	-45.5
Long-term liabilities			
Long-term loans	159.6	159.3	0.2
Other long-term debt	5.7	5.6	0.4
Long-term liabilities, total	165.2	165.0	0.2
Current liabilities			
Current loans	210.7	173.9	21.2
Other current liabilities	279.0	473.9	-41.1
Provisions	5.7	7.5	-23.7
Current liabilities, total	495.4	655.3	-24.4
Liabilities classified as held for sale	0.8	-	-
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**735.1**	**955.4**	**-23.1**

* Share capital includes both A-shares listed in Helsinki Stock Exchange and K-founders´ shares.

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT, MEUR	**1-6/2009**	**1-6/2008**	**Change, %**	**1-12/2008**
Cash flow before change in working capital	-13.5	17.5		71.9
Change in working capital *	42.2	-41.7		-60.2
Financial items and taxes	-9.7	-13.1	-25.6	-33.7
Cash flow from operating activities	19.0	-37.3		-22.0
Purchases of non-current assets	-2.5	-44.6	-94.5	-85.8
Disposals of non-current assets	4.9	2.3	113.3	8.2
Cash flow before financing activities	21.5	-79.6	-127.0	-99.7
Change in current debt	39.2	38.7	1.3	119.7
Repayment of long-term debt	-	-0.2		-20.4
Dividends paid	-	-		-2.0
Cash flow from financing activities	39.2	38.5	1.9	97.3
Change in cash and equivalents	60.6	-41.1	-247.4	-2.5
Cash and equivalents on January 1	95.1	92.7	2.6	92.7
Cash and equivalents classified as held for sale	-	-		-
Effect of exchange rate changes on cash held	-0.9	-1.1		4.9

Cash and equivalents at the end of the period	154.8	50.5	206.5	95.1

* The change in working capital includes the change in sold accounts receivable. The impact of this change is to weaken the cash flow by 82.3 million euros during the reporting period 1-6/2009 and by 112.7 million euros during the reporting period 1-6/2008.

APPENDIX 4

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, MEUR

	Attributable to equity holders of the parent									
	Share capital	**Additional paid-in capital**	**Other reserves**	**Hedging reserve**	**Translation differences**	**Reserve for own shares**	**Retained earnings**	**Total**	**Minority interests**	**Total equity**
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**
Other comprehensive income				2.9	2.9		-67.4	-61.5	-0.8	-62.3
Share-based payments							0.8	0.8		0.8
BALANCE AT JUNE 30, 2009	**13.0**	**225.0**	**8.4**	**-0.2**	**6.1**	**-0.1**	**-190.6**	**61.8**	**11.9**	**73.7**
BALANCE AT JAN. 1, 2008	**13.0**	**225.0**	**8.4**	**-1.0**	**0.0**	**-0.1**	**-58.7**	**186.6**	**11.3**	**197.9**
Other comprehensive income				-0.9	5.0		-25.3	-21.2	1.2	-20.0
BALANCE AT JUNE 30, 2008	**13.0**	**225.0**	**8.4**	**-1.9**	**5.0**	**-0.1**	**-84.0**	**165.4**	**12.5**	**177.9**

*) The Group has applied hedge accounting to derivative instruments related to purchases from June 30,2007 and related to personnel expenses from October 15, 2008.

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
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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	**1-6/2009**	**1-6/2008**	**Change, %**	**1-12/2008**
Personnel on average during the period	13,088	17,685	-26.0	17,401
Gross capital expenditures, MEUR	3.5	44.3	-92.1	71.4
Return on equity (ROE), %	-65.1	-12.8		-38.4
Return on investment (ROI/ROCE), %	-12.2	-1.2		-3.1
From 12 preceding months:				
Return on equity (ROE), %	-85.8	-31.0		-38.4
Return on investment (ROI/ROCE), %	-14.4	-6.2		-3.1
Earnings per share (EPS), A-shares, EUR	-2.07	-0.78	165.1	-2.02
Earnings per share (EPS), K-founders' shares, EUR	-0.21	-0.08	158.4	-0.20
Current ratio	1.1	1.1		1.1
Solvency, %	10.0	18.0		14.2
Gearing	2.9	1.2		1.8
Shareholders' equity per share, A-shares, EUR	1.89	5.08		3.76
Shareholders' equity per share, K-founders' shares, EUR	0.19	0.51		0.38
Interest-bearing liabilities, MEUR	370.7	270.7	36.9	333.6
Interest-bearing net debt, MEUR	215.9	220.2	-2.0	238.5
Non-interest-bearing liabilities, MEUR	290.8	538.1	-46.0	486.7

APPENDIX 7

From 2009, Elcoteq has applied IFRS 8 Operating Segments in its segment reporting. The transfer to IFRS 8 has not changed the previously reported information. The presented segment reporting is based on the figures provided to the company's management.

Elcoteq has three business areas: Personal Communications, Home Communications and Communications Networks. Each of the business areas attend to their own customer accounts and develop their service offering in their own area.

The main product group for Personal Communications business area is mobile phones, their parts, modules and accessories. The company's Home Communications products include set-top boxes, flat panel televisions, and other home communications devices. Communications Networks products include wireless infrastructure equipment, wireline infrastructure components as well as enterprise network products.

BUSINESS AREAS, MEUR	**1-6/2009**	**1-6/2008**	**1-12/2008**
Net Sales			
Personal Communications	486.8	1,319.4	2,222.2
Home Communications	186.0	171.9	517.3
Communications Networks	233.2	322.3	703.7
Net sales, total	906.0	1,813.6	3,443.2
Segment´s operating income			
Personal Communications	-8.1	11.0	19.6
Home Communications	-16.6	0.4	-4.6
Communications Networks	-8.8	-0.9	1.6
Group´s non-allocated expenses/income			
General & Administrative expenses	-15.4	-19.3	-37.1
Other expenses	-0.9	-	0.2
Operating income, total	-49.8	-8.9	-20.4
Group´s financial income and expenses	-23.5	-12.1	-32.4
Share of profits and losses of associates	0.0	0.0	-0.1
Income before taxes	-73.3	-21.0	-52.9

Segments' operating income for January-June 2009 includes following restructuring expenses: Personal Communications 1.9 million euros, Home Communications 5.4 million euros and Communications Networks 6.2 million euros. Group's non-allocated expenses/income includes restructuring costs of 0.6 million euros.

APPENDIX 8

During the first quarter of 2009, Elcoteq launched a restructuring plan that applies to whole Group and some part of the costs relating to the plan were recognized already in 2008. The plan targets to prepare the company for the exceptionally uncertain market situation and general economic development. This plan is the next step in the company's drive to increase profitability, cost-efficiency and operational excellence. The plan has contained several elements such as the closure of the plants in Arad (Romania), Richardson (USA) and St. Petersburg (Russia) as well as to consolidate the plant in Shenzhen (China) to the plant in Beijing. Processes with the target to reduce personnel at several plants globally have been carried out. In addition the company has reduced other operative costs.

The Group´s restructuring expenses 14,066 thousand euros, comprise the following items:

EUR 1,000	2009
Personnel expenses	7,356
Impairments	3,253
Production materials and services	1,124
Other operating expenses	2,333
Restructuring expenses, total	14,066

Impairments of non-current assets:

EUR 1,000	2009
Intangible rights	-
Goodwill	-
Buildings	1,231
Machinery and equipment	2,022
ADP software	-
Other financial assets	-
Impairments, total	3,253

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

APPENDIX 9

Assets classified as held for sale relate to real estates on sale as well as to sale of the operations in Tallinn. Liabilities classified as held for sale relate to the sale of Tallinn operations.

Assets classified as held for sale:

MEUR	**June 30, 2009**
Non-current assets	22.4
Current assets	18.6
Total	40.9

Liabilities classified as held for sale:

MEUR	**June 30, 2009**
Non-current assets	-
Current assets	0.8
Total	0.8

APPENDIX 10

ASSETS PLEDGED AND CONTINGENT LIABILITIES, MEUR	June 30, 2009	June 30, 2008	Change, %	Dec. 31, 2008
PLEDGED SALES RECEIVABLE	5.0	-		26.9
PLEDGED LOAN RECEIVABLES	0.1	-		0.8
ON BEHALF OF OTHERS				
Guarantees	1.0	1.0		1.0
LEASING COMMITMENTS				
Operating leases, production machinery (excl. VAT)	4.6	17.2	-73.1	9.0
Rental commitments, real-estate (excl. VAT)	12.6	13.7	-8.5	15.4
DERIVATIVE CONTRACTS				
Currency forward contracts, transaction risk, hedge accounting not applied				
Nominal value	86.7	168.8	-48.7	118.3
Fair value	-0.3	-4.2	-92.5	-0.2
Currency forward contracts, transaction risk, hedge accounting applied				
Nominal value	19.1	-124.0	-115.4	69.4
Fair value	-0.3	-1.9	-86.3	-3.5
Currency option contracts, transaction risk, hedge accounting applied, bought options				
Nominal value	-	-		17.0
Fair value	-	-		0.3
Currency option contracts, transaction risk, hedge accounting not applied, bought options				
Nominal value	11.3	-		-
Fair value	0.0	-		-
Currency forward contracts, translation risk				
Nominal value	20.8	43.8	-52.5	20.2
Fair value	0.1	0.8		-0.8
Currency forward contracts, financial risk				
Nominal value	120.4	159.5	-24.5	172.3
Fair value	0.3	-0.3		-3.1
Interest rate and foreign exchange swap contracts				
Nominal value	-	4.0		1.5
Fair value	-	0.7		0.2

The 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 also include closed positions.

APPENDIX 11

INCOME STATEMENT, MEUR	Q2/ 2009	Q1/ 2009	Q4/ 2008	Q3/ 2008	Q2/ 2008	Q1/ 2008
NET SALES	**436.0**	**470.0**	**889.1**	**740.5**	**904.8**	**908.7**
Change in work in progress and finished goods	-4.4	-21.9	-23.9	-4.4	-10.1	2.9
Other operating income	1.4	2.3	2.2	4.4	3.1	1.6
Operating expenses	-428.0	-456.1	-842.6	-719.7	-878.9	-905.6
Restructuring expenses	-0.4	-13.6	-13.5	-	-	-
Depreciation and impairments	-16.0	-18.9	-23.2	-20.5	-18.2	-17.1
OPERATING INCOME	**-11.5**	**-38.3**	**-11.8**	**0.3**	**0.6**	**-9.5**
% of net sales	-2.6	-8.2	-1.3	0.0	0.1	-1.0
Financial income and expenses	-11.9	-11.5	-13.3	-7.0	-6.1	-6.0
Share of profits and losses of associates	0.0	0.0	0.0	-0.1	-	-
INCOME BEFORE TAXES	**-23.4**	**-49.9**	**-25.2**	**-6.8**	**-5.5**	**-15.4**
Income taxes	1.5	3.7	-4.0	-4.0	-7.3	4.2
NET INCOME FOR THE PERIOD	**-21.8**	**-46.1**	**-29.2**	**-10.7**	**-12.8**	**-11.3**
ATTRIBUTABLE TO:						
Equity holders of the parent company	-21.8	-45.6	-29.1	-11.5	-13.7	-11.6
Minority interests	0.0	-0.5	-0.1	0.8	0.9	0.3
	-21.8	**-46.1**	**-29.2**	**-10.7**	**-12.8**	**-11.3**

BALANCE SHEET, MEUR		Q2/ 2009	Q1/ 2009	Q4/ 2008	Q3/ 2008	Q2/ 2008	Q1/ 2008
ASSETS							
Non-current assets							
	Intangible assets	26.6	27.4	27.6	28.4	28.5	29.5
	Tangible assets	129.8	149.7	167.8	190.0	184.0	182.0
	Investments	2.2	2.3	2.2	2.2	2.1	2.1
	Long-term receivables	45.8	53.0	46.4	49.2	48.5	47.3
Non-current assets, total		204.3	232.4	244.0	269.8	263.2	260.9
Current assets							

	Inventories	113.7	174.2	256.2	358.2	322.5	321.7
	Current receivables	221.4	221.9	336.3	326.4	320.0	271.7
	Cash and equivalents	154.8	98.0	95.1	59.5	50.5	91.9
Current assets, total		489.8	494.1	687.5	744.0	692.9	685.3
Assets classified as held for sale		41.0	20.7	23.9	28.7	30.5	30.2
ASSETS, TOTAL		**735.1**	**747.1**	**955.4**	**1,042.6**	**986.6**	**976.4**
SHAREHOLDERS' EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent company							
	Share capital	13.0	13.0	13.0	13.0	13.0	13.0
	Other shareholders' equity	48.7	64.5	109.4	139.7	152.4	162.8
Equity attributable to equity holders of the parent company, total		61.8	77.5	122.5	152.8	165.4	175.9
Minority interests		12.0	12.8	12.7	13.4	12.5	11.3
Total equity		73.7	90.3	135.2	166.2	177.9	187.2
Long-term liabilities							
	Long-term loans	159.6	158.9	159.3	159.4	159.3	159.4
	Other long-term debt	5.7	6.7	5.6	5.5	5.2	5.0
Long-term liabilities, total		165.2	165.6	165.0	164.9	164.5	164.4
Current liabilities							
	Current loans	210.7	225.4	173.9	187.2	111.2	75.7
	Other current liabilities	279.0	257.4	473.9	519.9	526.8	544.7
	Provisions	5.7	8.4	7.5	4.4	4.8	3.7
Current liabilities, total		495.4	491.2	655.3	711.5	642.8	624.1
Liabilities classified as held for sale		0.8	-	-	-	1.4	0.7
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**735,1**	**747,1**	**955.4**	**1,042.6**	**986.6**	**976.4**

Personnel on average during the period	11,693	14,446	17,050	17,304	17,543	17,894
Gross capital expenditures, MEUR	1.5	2.0	9.9	17.2	16.6	27.7
ROI/ROCE from 12 preceding months, %	-14.4	-11.3	-3.1	-5.6	-6.2	-10.7
Earnings per share (EPS), A-shares, EUR	-0.67	-1.40	-0.89	-0.35	-0.42	-0.35
Solvency, %	10.0	12.1	14.2	15.9	18.0	19.2

CONSOLIDATED CASH FLOW STATEMENT, MEUR	**Q2/ 2009**	**Q1/ 2009**	**Q4/ 2008**	**Q3/ 2008**	**Q2/ 2008**	**Q1/ 2008**

Cash flow before change in working capital	-6.4	-7.1	21.5	32.8	16.2	1.3
Change in working capital	81.1	-38.8	46.6	-65.2	-66.3	24.7
Financial items and taxes	-3.9	-5.8	-13.0	-7.6	-5.6	-7.5
Cash flow from operating activities	70.7	-51.7	55.2	-39.9	-55.8	18.4
Purchases of non-current assets	-0.4	-2.1	-4.4	-12.8	-24.6	-20.0
Acquisitions	-	-	-8.4	-15.5	-	-
Disposals of non-current assets	1.8	3.1	4.1	1.5	1.8	0.5
Cash flow before financing activities	72.2	-50.7	46.6	-66.7	-78.5	-1.1
Change in current debt	-12.2	51.4	8.9	72.2	36.3	2.4
Repayment of long-term debt	-	-	-20.2	-	-0.2	-
Dividends paid	-	-	-1.0	-1.0	-	-
Cash flow from financing activities	-12.2	51.4	-12.3	71.1	36.1	2.4
Change in cash and equivalents	59.9	0.7	34.2	4.4	-42.4	1.3
Cash and equivalents at the beginning of the period	98.0	95.1	59.5	50.5	91.9	92.7
Cash and cash equivalents classified as held for sale	-	-	-	-	0.2	-0.2
Effect of exchange rate changes on cash held	-3.1	2.2	1.4	4.6	0.9	-1.9
Cash and equivalents at the end of period	154.8	98.0	95.1	59.5	50.5	91.9

BUSINESS AREAS, MEUR		Q2/ 2009	Q1/ 2009	Q4/ 2008	Q3/ 2008	Q2/ 2008	Q1/ 2008
Net sales							
	Personal Communications	259.1	227.7	465.2	437.6	631.0	688.4
	Home Communications	69.0	116.9	218.8	126.6	90.5	81.4
	Communications Networks	107.9	125.3	205.2	176.3	183.3	139.0
Net sales, total		436.0	470.0	889.1	740.5	904.8	908.7
Segment´s operating income							
	Personal Communications	2.1	-10.2	6.7	1.9	5.6	5.4
	Home Communications	-6.7	-9.9	-4.1	-0.9	0.9	-0.5
	Communications Networks	1.5	-10.3	-5.1	7.6	3.3	-4.2
	Group´s non-allocated expenses/income						
	General & Administrative expenses	-8.2	-7.2	-9.5	-8.3	-9.2	-10.1
	Other expenses	-0.1	-0.7	0.2	-0.1	-	-
Operating income, total		-11.5	-38.3	-11.8	0.3	0.6	-9.5

Group´s financial income and expenses		-11.9	-11.5	-13.3	-7.0	-6.1	-6.0
Share of profits and losses of associates		0.0	0.0	0.0	-0.1	-	-
Income before taxes		-23.4	-49.9	-25.2	-6.8	-5.5	-15.4
Restructuring expenses recognized in segment´s operating income							
	Personal Communications	-1.1	-0.8	-6.0	-	-	-
	Home Communications	1.1	-6.4	-2.1	-	-	-
	Communications Networks	-0.4	-5.8	-5.4	-	-	-
	Group´s non-allocated expenses/income	0.0	-0.6	-	-	-	-
Restructuring expenses, total		-0.4	-13.6	-13.5	-	-	-