Elcoteq SE
Interim Report
October 28, 2009, at 9.00 am (EET)

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

Elcoteq's third-quarter net sales totaled 331.7 million euros (436.0 million euros in April-June 2009). Operating income continued to improve and totaled -3.3 million euros, and excluding restructuring costs amounted to -1.6 million euros (-11.5 in April-June 2009). Cash flow after investing activities in July-September was positive at 42.7 million euros (72.2 in April – June 2009 and -66.7 July-September 2008). Interest bearing net debt decreased by 114.2 million euros compared to July - September 2008. The equity project proceeded, and Elcoteq signed a Letter of Intent with Videocon. The company is also continuing to restructure its balance sheet.

July - September
- Net sales 331.7 million euros (740.5 in July – September 2008)
- Operating loss -3.3 million euros (0.3), and excluding restructuring costs -1.6 million euros (0.3)
- Loss before taxes -7.5 million euros (-6.8)
- Earnings per share (EPS) -0.19 euros (-0.35)
- Cash flow after investing activities 42.7 million euros (-66.7)
- Rolling 12-month return on capital employed (ROCE) -14.4% (-5.6%)
- Gearing 2.6 (1.7)

January - September
- Net sales 1,237.7 million euros (2,554.1 in January - September 2008)
- Operating loss -53.1 million euros (-8.6), and excluding restructuring costs -37.4 million euros (-8.6)
- Loss before taxes -80.8 million euros (-27.7)
- Earnings per share (EPS) -2.26 euros (-1.13)
- Cash flow after investing activities 64.2 million euros (-146.3)
- Interest-bearing net debt 173.2 million euros (287.4)

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.

July - September

Elcoteq recorded net sales of 331.7 million euros (740.5 in July - September 2008) between July and September. Operating loss continued to decrease from the previous quarter, and totaled -3.3 million euros, excluding restructuring costs -1.6 million euros (0.3 in July - September 2008 and -11.5 in April-June 2009). The company has continued to adjust its operations to lower volumes, but it has at the same time maintained its global platform to serve customers close to their end markets. There are good business opportunities and demand for the services Elcoteq provides, but customers have withheld their orders until the company's balance sheet has been restructured and the existing credit facility is refinanced. 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 4.1 million euros (7.0). Loss before taxes was -7.5 million euros (-6.8) and net loss totaled -6.3 million euros (-11.5). Earnings per share (EPS) were -0.19 euros (-0.35).

The Group's gross capital expenditures on fixed assets between July and September were 1.1 million euros (17.2), or 0.3% of net sales. Depreciation amounted to 13.5 million euros (20.5). Investments have been reduced to a minimum to increase existing asset capacity utilization ratios.

Cash flow after investing activities remained positive and was 42.7 million euros (-66.7). Elcoteq had no sold accounts receivable at the end of September (115.4). The company has continued actions to lower its working capital level, especially by optimizing material flows.

At the end of September 2009, Elcoteq had cash and unused but immediately available credit lines totaling 231.0 million euros (187.0). These credit limits included a 230 million euro syndicated, committed credit facility. The refinancing of the existing 230 million euro credit facility, the debenture conversion to equity and the completion of the equity increase are seamlessly linked to each other. Thus a new re-financing solution for the existing 230 million euro credit facility is now under negotiation.

At the end of September, the Group's interest-bearing net debt amounted to 173.2 million euros (287.4). Net debt decreased by 20% from the second quarter of 2009. The solvency ratio was 9.7% (15.9% at the end of September 2008) and gearing was 2.6 (1.7). Rolling 12-month return on capital employed (ROCE) was -14.4% (-5.6%).

January - September

Net sales in January - September decreased significantly compared to the same period last year, standing at 1.237,7 million euros (2.554,1 in January - September 2008). Operating loss was -53.1 million euros (-8.6), excluding restructuring costs -37.4 million euros. Loss before taxes was -80.8 million euros (-27.7). Earnings per share (EPS) were -2.26 euros (-1.13). Cash flow after investing activities improved significantly from last year's comparable period and was positive at 64.2 million euros (-146.3).

Gross capital expenditures on fixed assets in January - September amounted to 4.6 million euros (61.5), 0.3% of net sales. Depreciation totaled 48.4 million euros (55.8).

Strategic Business Units

Since the beginning of 2008, Elcoteq's segment reporting has covered three Business Areas: Personal Communications, Home Communications and Communications Networks. During the third quarter of 2009 the company changed its organization and combined Personal Communications and Home Communications under one new segment. Elcoteq now has only two Strategic Business Units (SBUs) as its segments: Consumer Electronics and System Solutions. In the third quarter of 2009, Consumer Electronics contributed 73% (76%) and System Solutions contributed 27% (24%) of the Group's net sales.

Net sales of the Consumer Electronics SBU in the third quarter were 243.5 million euros (564.2). The segment's operating income was -2.3 million euros (1.0), and -0.8 million euros excluding restructuring costs (1.0).

Net sales of the System Solutions SBU were 88.2 million euros (176.3). The segment's operating income was 6.9 million euros (7.6). Net sales were affected by the divestment of Ericsson-related operations in Estonia. At the same time, the segment has been able to further reduce costs to offset the volume decline. The segment's profitability was affected by a number of positive one-time items arising from restructuring.

Elcoteq's third-quarter net sales were derived from the geographical areas as follows: Europe 49% (49%), Asia-Pacific 18% (23%) and Americas 33% (28%).

Personnel

At the end of September 2009, the Group employed 10,770 (21,404) people. The geographical distribution of the workforce was as follows: Europe 4,068 (9,118), Asia-Pacific 3,347 (6,060) and Americas 3,355 (6,226). The average number of employees on Elcoteq's direct payroll between January and September was 12,014 (17,598).

Changes in the Organization

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, 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 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.

As of August 27, 2009 the 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
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

As a result of streamlining the organization, the company has implemented personnel reductions in its Group and former Business Area functions.

Equity Project

Equity investment negotiations with Shenzhen Kaifa Technology Company Limited ended in September. On October 2, Elcoteq announced the signing of a non-binding Letter of Intent with Videocon Industries Ltd (Videocon). Elcoteq's Board of Directors has given authorization to proceed with the due diligence and contract negotiations with Videocon. The parties are aiming at a rapid process to conclude the negotiations and sign the definitive Agreement. The transaction is expected to close by the end of the year. The signing of the Agreement is subject to successful senior and subordinate debt restructuring and complete due diligence. The closing of the transaction will be subject to all the requisite and applicable regulatory, statutory and corporate approvals of both Videocon and Elcoteq.

Elcoteq stated in July 2009 that it is the company's intention, in agreement with its relevant creditors, to restructure its interest-bearing debt as an integral part of the project to strengthen its balance sheet. This planned restructuring will require, among other things, measures to be taken with respect to the company's outstanding debentures. The company held a meeting with its debenture holders on September 3, 2009 to amend the terms and conditions of its debentures. These amendments were made in order to be able to carry out the needed actions.

Pohjola Corporate Finance as the advisor of Elcoteq will approach debenture holders with a concrete proposal whereby the debenture holders would be requested to make an irrevocable commitment to sell the holder's debentures at a price of 25% of the nominal value plus the accrued interest. Elcoteq is planning a structure in which a potential investor would buy the debentures and possibly subsequently convert the debentures to shares in Elcoteq. According to the plan, Elcoteq shall retain the right to withdraw its proposal.

Restructuring Plan

Elcoteq SE and Ericsson completed a transaction on July 31, 2009 whereby the majority of the machinery, equipment and materials of Elcoteq's Tallinn manufacturing operations were sold to Ericsson. Cost-saving measures have continued at other factories as well.

Incentive Schemes

The company has a share subscription plan from 2007 that allows the company to issue shares to key personnel on the basis of the improvement of the profit before taxes for the full financial year 2008. According to the plan, the actual number of new series A shares to be transferred to the personnel on November 12, 2009 is 336,266.

Elcoteq SE's Board of Directors has amended the 2009 Share Subscription Plan. The amendments concern 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. Exact details about the Share Subscription Plan can be found on the company's website.

Shares and Shareholders

At the end of September 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 10,306 shareholders on September 30, 2009. There were a total of 5,225,083 foreign and nominee registered shares, representing 4.1% of the votes.

Short-Term Risks and Uncertainty Factors

The company's key short-term challenges are to conclude both the planned debt restructuring, including the extension of the revolving credit facility, and the equity project as well as to ensure customer satisfaction and maximize sales. In the changing market circumstances, the company must continue to maintain the right service offering, optimized cost level and ability to react rapidly to demand changes.

Prospects

Fourth-quarter net sales are expected to decline further compared to the third quarter of 2009. Operating income is expected to be negative. Cash flow is expected to be positive.

Securing the company's long-term financing in the future is expected by the new and existing customers. This will speed up the signing of several new programs that are under negotiations. Elcoteq's customers are giving continuous positive feedback as regards the company's operational performance.

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.

October 27, 2009
Board of Directors

Further information:
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Mikko Puolakka, CFO, tel. +358 10 413 1287
Minna Aila, Director, Communications 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, October 28, at 2.30 pm (EET). The event will be held in English and it will be hosted at the Scandic Hotel Simonkenttä, Bulsa-Freda room (Simonkatu 9, Helsinki, Finland).

To listen to the press conference either live or as an on-demand version, please visit www.elcoteq.com. To participate via a conference call, please dial in 5-10 minutes before the beginning of the event: +44 (0)20 7162 0125 (Europe) or +1 334 323 6203 (USA). When dialing in, the participants should quote 848165 as the conference ID. The password is Elcoteq.

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 Strategic Business Units
8 Restructuring expenses
9 Assets and liabilities classified as held for sale
10 Impact of business combinations of the consolidated financial statements
11 Assets pledged and contingent liabilities
12 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	Q3/ 2009	Q3/ 2008	Change, %	1-9/ 2009	1-9/ 2008	Change, %	1-12/ 2008
NET SALES	**331.7**	**740.5**	**-55.2**	**1,237.7**	**2,554.1**	**-51.5**	**3,443.2**
Change in work in progress and finished goods	-8.2	-4.4		-34.5	-11.7	195.6	-35.5
Other operating income	5.5	4.4	25.2	9.1	9.0	1.0	11.2
Operating expenses	-317.2	-719.7	-55.9	-1,201.3	-2,504.2	-52.0	-3,346.8
Restructuring expenses	-1.7	-		-15.7	-		-13.5
Depreciation and impairment	-13.5	-20.5	-34.1	-48.4	-55.8	-13.2	-78.9
OPERATING PROFIT/LOSS	**-3.3**	**0.3**		**-53.1**	**-8.6**	**519.3**	**-20.4**
% of net sales	-1.0	0.0		-4.3	-0.3	1 178.0	-0.6
Financial income and expenses	-4.1	-7.0	-41.0	-27.6	-19.1	44.7	-32.4
Share of profits and losses of associates	-0.1	-0.1		-0.1	-		-0.1
LOSS BEFORE TAXES	**-7.5**	**-6.8**	**10.4**	**-80.8**	**-27.7**	**191.1**	**-52.9**
Income taxes	0.7	-4.0		6.0	-7.1	-184.3	-11.1
NET LOSS	**-6.8**	**-10.7**	**-36.8**	**-74.8**	**-34.8**	**114.6**	**-64.0**
Other comprehensive income							
Cash flow hedges	0.3	1.2		3.6	0.3		-2.5
Net gain/loss on hedges of net investments in foreign operations	0.6	-4.7		3.8	-5.4		-6.4
Foreign currency translation differences for foreign operations	-0.1	2.1		0.3	7.6		11.2
Income tax relating to components of other comprehensive income	-0.2	1.2		-1.4	1.4		0.4
Other comprehensive income for the period, net of tax	0.6	-0.2		6.3	3.9		2.7
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**-6.2**	**-10.9**		**-68.5**	**-30.9**		**-61.3**
LOSS FOR THE PERIOD ATTRIBUTABLE TO:							
Equity holders of the parent company *	-6.3	-11.5		-73.7	-36.8		-65.9
Minority interests	-0.5	0.8		-1.1	2.0		1.9
	-6.8	**-10.7**		**-74.8**	**-34.8**		**-64.0**

TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:

Equity holders of the parent company *	-5.9	-12.9	-66.9	-34.0	-64.8
Minority interests	-0.3	2.0	-1.6	3.1	3.5
	-6.2	**-10.9**	**-68.5**	**-30.9**	**-61.3**
Earnings per share (EPS), A shares EUR	-0.19	-0.35	-2.26	-1.13	-2.02
Earnings per share (EPS), K founders' shares EUR	-0.02	-0.04	-0.23	-0.11	-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		**Sept. 30, 2009**	**Dec. 31, 2008**	**Change, %**
ASSETS				
Non-current assets				
	Intangible assets	25.9	27.6	-6.2
	Tangible assets	110.3	167.8	-34.3
	Investments	2.1	2.2	-6.5
	Long-term receivables	46.8	46.4	0.9
Non-current assets, total		185.1	244.0	-24.2
Current assets				
	Inventories	101.1	256.2	-60.5
	Current receivables	193.4	336.3	-42.5
	Cash and equivalents	201.0	95.1	111.4
Current assets, total		495.5	687.5	-27.9
Assets classified as held for sale		21.0	23.9	-12.2
ASSETS, TOTAL		**701.6**	**955.4**	**-26.6**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
	Share capital*	13.0	13.0	
	Other shareholders' equity	43.5	109.4	-60.2
Equity attributable to equity holders of the parent company, total		56.6	122.5	-53.8

Minority interests		11.1	12.7	-12.4
Total equity		67.7	135.2	-49.9
Long-term liabilities				
	Long-term loans	110.1	159.3	-30.9
	Other long-term debt	2.8	5.6	-49.5
Long-term liabilities, total		113.0	165.0	-31.5
Current liabilities				
	Current loans	263.8	173.9	51.7
	Other current liabilities	250.2	473.9	-47.2
	Provisions	6.9	7.5	-8.1
Current liabilities, total		520.9	655.3	-20.5
Liabilities classified as held for sale		-	-	-
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**701.6**	**955.4**	**-26.6**

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

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT, MEUR	1-9/2009	1-9/2008	Change, %	1-12/2008
Cash flow before change in working capital	-6.5	50.3		71.9
Change in working capital *	76.3	-106.8		-60.2
Financial items and taxes	-14.7	-20.8	-29.4	-33.7
Cash flow from operating activities	55.1	-77.3		-22.0
Purchases of non-current assets	-3.6	-57.4	-93.7	-61.9
Acquisitions	-	-15.5		-23.9
Disposals of non-current assets	12.7	3.9	225.8	8.1
Cash flow before financing activities	64.2	-146.3	-143.9	-99.7
Change in current debt	44.4	110.8	-60.0	119.7
Repayment of long-term debt	-	-0.2		-20.4
Dividends paid	-	-1.0		-2.0
Cash flow from financing activities	44.4	109.6	-59.5	97.3
Change in cash and equivalents	108.6	-36.7	-395.8	-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	-2.6	3.5		4.9
Cash and equivalents at the end of the period	201.0	59.5	237.9	95.1

* The company had no sold accounts receivable at the end of September 2009.

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				3.2	3.5		-73.7	-66.9	-1.6	-68.5
Share-based payments							1.0	1.0		1.0
BALANCE AT SEPT. 30, 2009	**13.0**	**225.0**	**8.4**	**0.1**	**6.8**	**-0.1**	**-196.6**	**56.6**	**11.1**	**67.7**
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				0.3	2.4		-36.8	-34.0	3.1	-30.9
Share-based payments							0.2	0.2		0.2
Dividends									-1.0	-1.0
BALANCE AT SEPT.30, 2008	**13.0**	**225.0**	**8.4**	**-0.7**	**2.4**	**-0.1**	**-95.3**	**152.8**	**13.4**	**166.2**

*) 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	**1-9/ 2009**	**1-9/ 2008**	**Change, %**	**1-12/ 2008**
Personnel on average during the period	12,014	17,598	-31.7	17,401
Gross capital expenditures, MEUR	4.6	61.5	-92.6	71.4
Return on equity (ROE), %	-73.7	-19.1		-38.4
Return on investment (ROI/ROCE), %	-12.7	-0.7		-3.1
From 12 preceding months:				
Return on equity (ROE), %	-88.9	-34.8		-38.4
Return on investment (ROI/ROCE), %	-14.4	-5.6		-3.1
Earnings per share (EPS), A-shares, EUR	-2.26	-1.13	100.1	-2.02
Earnings per share (EPS), K-founders' shares, EUR	-0.23	-0.11	105.6	-0.20
Current ratio	1.0	1.1		1.1
Solvency, %	9.7	15.9		14.2
Gearing	2.6	1.7		1.8
Shareholders' equity per share, A-shares, EUR	1.74	4.69		3.76
Shareholders' equity per share, K-founders' shares, EUR	0.17	0.47		0.38
Interest-bearing liabilities, MEUR	387.6	346.9	11.7	333.6
Interest-bearing net debt, MEUR	173.2	287.4	-39.7	238.5
Non-interest-bearing liabilities, MEUR	384.0	529.5	-27.5	486.7

APPENDIX 7

STRATEGIC BUSINESS UNITS

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.

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. Personal Communications and Home Communications Business Areas were combined during the third quarter under a new Strategic Business Unit, Consumer Electronics. Communications Networks business has been included into a new Staregic Business Unit, System Solutions. The company now only has 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 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.

Strategic Business Unit System Solutions covers wireless and wire line infrastructure products like complete cellular base stations, further enterprise products like switches as well as infrastructure products like complex controllers.

STRATEGIC BUSINESS UNITS, MEUR	1-9/2009	1-9/2008	1-12/2008
Net sales			
Consumer Electronics	916.2	2,055.5	2,739.5
System Solutions	321.5	498.5	703.7
Net sales, total	1,237.7	2,554.1	3,443.2
Segment's operating income			
Consumer Electronics	-27.0	12.3	15.0
System Solutions	-1.9	6.7	1.6
Group's non-allocated expenses/income			
General & Administrative expenses	-23.0	-27.6	-37.1
Other expenses	-1.2	-0.1	0.2
Operating income, total	-53.1	-8.6	-20.4
Group's financial income and expenses	-27.6	-19.1	-32.4
Share of profits and losses of associates	-0.1	-	-0.1
Income before taxes	-80.8	-27.7	-52.9

Segments' operating income for January-September 2009 includes following restructuring expenses: Consumer Electronics 8.7 million euros and System Solutions 6.2 million euros. Group's non-allocated expenses/income includes restructuring costs of 0.8 million euros.

APPENDIX 8

RESTRUCTURING EXPENSES

During the first quarter of 2009, Elcoteq launched a restructuring plan that applies to whole Group. 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.

In August 2009, Elcoteq announced further organizational changes (see Appendix 7). The target is to better utilize the synergies between businesses and to aim for further cost reductions. Consequently personnel reductions have been and will be carried out at several Elcoteq sites.

The Group´s restructuring expenses 15,723 thousand euros, comprise the following items:

EUR 1, 000	2009
Personnel expenses	9,437
Impairments	2,829
Production materials and services	1,124
Other operating expenses	2,333
Restructuring expenses, total	15,723

Impairments of non-current assets:

EUR 1, 000	2009
Intangible rights	-
Goodwill	-
Buildings	1,231
Machinery and equipment	1,598
ADP software	-
Other financial assets	-
Impairments, total	2,829

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 21.0 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

IMPACT OF BUSINESS COMBINATIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Elcoteq SE signed in September 4, 2008 an agreement to purchase Philips' flat panel TV (FTV) assembly operations in Juarez, Mexico. The deal includes a long-term cooperation agreement with Philips to provide manufacturing services to Philips for its Latin American FTV business and its Philips Business Services business in the Americas. The deal includes also a long term cooperation agreement with Funai Electric Co., Ltd to provide manufacturing services to Funai's FTV business in North America.

The acquisition includes certain fixed assets and inventories of Philips' Juarez manufacturing operation and will be used in the manufacturing of products to be supplied to Philips. The assets and liabilities were acquired at fair value.The impact of acquisition to the group's net profit in 2008, had the agreement been signed at the beginning of 2008, cannot be reliably determined. Acquisition cost include 0.5 million euros legal service fees.

The assets and liabilities acquired in business combinations are valued at their fair values.

The final acquisition price was confirmed in 2009. Purchase price allocation and the values of the acquired the assets and liabilities are as follows:

Assets and liabilities acquired in business combinations in:

EUR 1,000	2008 Fair Value	2008 Book Value
Non-current assets		
Intangible assets	364	-
Tangible assets	5,235	5 235
Current assets		
Inventories	15,181	15,181
Current receivables	7,021	7,021
Cash and equivalents	406	406
Assets, total	28,207	28,004
Liabilities		
Current liabilities	5,033	5,033
Acquisition cost	23,174	-
Acquisition price paid in cash	24,094	-
Cash and equivalents of acquired subsidiary	-406	-
Impact on cash flow	23,688	-

The acquisition in 2008 was made in US dollars. The acquisition cost was translated into euros using the exchange rate of the acquisition date. The acquisition price paid in cash was translated into euros using the payment date's rate of the acquisition.

APPENDIX 11

ASSETS PLEDGED AND CONTINGENT LIABILITIES, MEUR	**Sept. 30, 2009**	**Sept. 30, 2008**	**Change, %**	**Dec. 31, 2008**
PLEDGED SALES RECEIVABLE	0.0	-		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)	2.4	14.2	-82.8	9.0
Rental commitments. real-estate (excl. VAT)	11.0	15.1	-27.1	15.4
DERIVATIVE CONTRACTS				
Currency forward contracts, transaction risk, hedge accounting not applied				
Nominal value	218.3	116.1	88.0	118.3
Fair value	0.0	4.2	-99.1	-0.2
Currency forward contracts, transaction risk, hedge accounting applied				
Nominal value	7.6	97.1	-92.2	69.4
Fair value	0.1	-0.7	-118.1	-3.5
Currency option contracts, transaction risk, hedge accounting applied, bought options				
Nominal value	-	-		17.0
Fair value	-	-		0.3
Currency forward contracts, translation risk				
Nominal value	20.0	46.2	-56.8	20.2
Fair value	0.0	-1.2		-0.8
Currency forward contracts, financial risk				
Nominal value	109.5	228.5	-52.1	172.3
Fair value	0.1	-0.8		-3.1
Interest rate and foreign exchange swap contracts				
Nominal value	-	1.5		1.5
Fair value	-	0.2		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 12

QUARTERLY FIGURES

INCOME STATEMENT, MEUR	**Q3/ 2009**	**Q2/ 2009**	**Q1/ 2009**	**Q4/ 2008**	**Q3/ 2008**	**Q2/ 2008**	**Q1 /2008**
NET SALES	**331.7**	**436.0**	**470.0**	**889.1**	**740.5**	**904.8**	**908.7**
Change in work in progress and finished goods	-8.2	-4.4	-21.9	-23.9	-4.4	-10.1	2.9
Other operating income	5.5	1.4	2.3	2.2	4.4	3.1	1.6
Operating expenses	-317.2	-428.0	-456.1	-842.6	-719.7	-878.9	-905.6
Restructuring expenses	-1.7	-0.4	-13.6	-13.5	-	-	-
Depreciation and impairments	-13.5	-16.0	-18.9	-23.2	-20.5	-18.2	-17.1
OPERATING INCOME	**-3.3**	**-11.5**	**-38.3**	**-11.8**	**0.3**	**0.6**	**-9.5**
% of net sales	-1.0	-2.6	-8.2	-1.3	0.0	0.1	-1.0
Financial income and expenses	-4.1	-11.9	-11.5	-13.3	-7.0	-6.1	-6.0
Share of profits and losses of associates	-0.1	0.0	0.0	0.0	-0.1	-	-
INCOME BEFORE TAXES	**-7.5**	**-23.4**	**-49.9**	**-25.2**	**-6.8**	**-5.5**	**-15.4**
Income taxes	0.7	1.5	3.7	-4.0	-4.0	-7.3	4.2
NET INCOME FOR THE PERIOD	**-6.8**	**-21.8**	**-46.1**	**-29.2**	**-10.7**	**-12.8**	**-11.3**
ATTRIBUTABLE TO:							
Equity holders of the parent company	-6.3	-21.8	-45.6	-29.1	-11.5	-13.7	-11.6
Minority interests	-0.5	0.0	-0.5	-0.1	0.8	0.9	0.3
	-6.8	**-21.8**	**-46.1**	**-29.2**	**-10.7**	**-12.8**	**-11.3**

BALANCE SHEET, MEUR		**Q3/ 2009**	**Q2/ 2009**	**Q1/ 2009**	**Q4/ 2008**	**Q3/ 2008**	**Q2/ 2008**	**Q1/ 2008**
ASSETS								
Non-current assets								
	Intangible assets	25.9	26.6	27.4	27.6	28.4	28.5	29.5
	Tangible assets	110.3	129.8	149.7	167.8	190.0	184.0	182.0
	Investments	2.1	2.2	2.3	2.2	2.2	2.1	2.1
	Long-term receivables	46.8	45.8	53.0	46.4	49.2	48.5	47.3
Non-current assets, total		185.1	204.3	232.4	244.0	269.8	263.2	260.9

Current assets								
	Inventories	101.1	113.7	174.2	256.2	358.2	322.5	321.7
	Current receivables	193.4	221.4	221.9	336.3	326.4	320.0	271.7
	Cash and equivalents	201.0	154.8	98.0	95.1	59.5	50.5	91.9
Current assets, total		495.5	489.8	494.1	687.5	744.0	692.9	685.3
Assets classified as held for sale		21.0	41.0	20.7	23.9	28.7	30.5	30.2
ASSETS, TOTAL		**701.6**	**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	13.0
	Other shareholders' equity	43.5	48.7	64.5	109.4	139.7	152.4	162.8
Equity attributable to equity holders of the parent company, total		56.6	61.8	77.5	122.5	152.8	165.4	175.9
Minority interests		11.1	12.0	12.8	12.7	13.4	12.5	11.3
Total equity		67.7	73.7	90.3	135.2	166.2	177.9	187.2
Long-term liabilities								
	Long-term loans	110.1	159.6	158.9	159.3	159.4	159.3	159.4
	Other long-term debt	2.8	5.7	6.7	5.6	5.5	5.2	5.0
Long-term liabilities, total		113.0	165.2	165.6	165.0	164.9	164.5	164.4
Current liabilities								
	Current loans	263.8	210.7	225.4	173.9	187.2	111.2	75.7
	Other current liabilities	250.2	279.0	257.4	473.9	519.9	526.8	544.7
	Provisions	6.9	5.7	8.4	7.5	4.4	4.8	3.7
Current liabilities, total		520.9	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		**701.6**	**735.1**	**747.1**	**955.4**	**1,042.6**	**986.6**	**976.4**
Personnel on average during the period		9,877	11,693	14,446	17,050	17,304	17,543	17,894
Gross capital expenditures, MEUR		1.1	1.5	2.0	9.9	17.2	16.6	27.7
ROI/ROCE from 12 preceding months, %		-14.4	-14.4	-11.3	-3.1	-5.6	-6.2	-10.7
Earnings per share (EPS), A-shares, EUR		-0.19	-0.67	-1.40	-0.89	-0.35	-0.42	-0.35

Solvency, %	9.7	10.0	12.1	14.2	15.9	18.0	19.2

CONSOLIDATED CASH FLOW STATEMENT, MEUR	**Q3/ 2009**	**Q2/ 2009**	**Q1/ 2009**	**Q4/ 2008**	**Q3/ 2008**	**Q2/ 2008**	**Q1/ 2008**
Cash flow before change in working capital	7.0	-6.4	-7.1	21.5	32.8	16.2	1.3
Change in working capital	34.1	81.1	-38.8	46.6	-65.2	-66.3	24.7
Financial items and taxes	-5.0	-3.9	-5.8	-13.0	-7.6	-5.6	-7.5
Cash flow from operating activities	36.1	70.7	-51.7	55.2	-39.9	-55.8	18.4
Purchases of non-current assets	-1.1	-0.4	-2.1	-4.4	-12.8	-24.6	-20.0
Acquisitions	-	-	-	-8.4	-15.5	-	-
Disposals of non-current assets	7.8	1.8	3.1	4.1	1.5	1.8	0.5
Cash flow before financing activities	42.7	72.2	-50.7	46.6	-66.7	-78.5	-1.1
Change in current debt	5.2	-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	5.2	-12.2	51.4	-12.3	71.1	36.1	2.4
Change in cash and equivalents	48.0	59.9	0.7	34.2	4.4	-42.4	1.3
Cash and equivalents at the beginning of the period	154.8	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	-1.7	-3.1	2.2	1.4	4.6	0.9	-1.9
Cash and equivalents at the end of period	201.0	154.8	98.0	95.1	59.5	50.5	91.9

STRATEGIC BUSINESS UNITS, MEUR	**Q3/ 2009**	**Q2/ 2009**	**Q1/ 2009**	**Q4/ 2008**	**Q3/ 2008**	**Q2/ 2008**	**Q1/ 2008**
Net sales							
Consumer Electronics	243.5	328.1	344.6	684.0	564.2	721.5	769.8
System Solutions	88.2	107.9	125.3	205.2	176.3	183.3	139.0
Net sales, total	331.7	436.0	470.0	889.1	740.5	904.8	908.7
Segment's operating income							
Consumer Electronics	-2.3	-4.6	-20.1	2.7	1.0	6.5	4.8
System Solutions	6.9	1.5	-10.3	-5.1	7.6	3.3	-4.2
Group's non-allocated expenses/income							
	-7.6	-8.2	-7.2	-9.5	-8.3	-9.2	-10.1
	-0.3	-0.1	-0.7	0.2	-0.1	-	-
Operating income, total	-3.3	-11.5	-38.3	-11.8	0.3	0.6	-9.5
Group's financial income and expenses	-4.1	-11.9	-11.5	-13.3	-7.0	-6.1	-6.0
Share of profits and losses of associates	-0.1	0.0	0.0	0.0	-0.1	-	-

Income before taxes	-7.5	-23.4	-49.9	-25.2	-6.8	-5.5	-15.4
Restructuring expenses recognized in segment's operating income							
Consumer Electronics	-1.5	0.0	-7.2	-8.1	-	-	-
System Solutions	0.0	-0.4	-5.8	-5.4	-	-	-
Group's non-allocated expenses/income	-0.2	0.0	-0.6	-	-	-	-
Restructuring expenses, total	-1.7	-0.4	-13.6	-13.5	-	-	-