

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

Significant improvement from previous quarter as operating result improves, cash flow turns positive and net debt decreases considerably

April - June

- Net sales 332.3 million euros (436.0 in April - June 2009)
- Operating loss -6.9 million euros (-11.5). Operating loss excluding restructuring costs -3.0 million euros (-11.0)
- Loss before taxes -1.7 million euros (-23.4)
- Earnings per share (EPS) -0.18 euros (-0.67)
- Cash flow after investing activities 5.3 million euros (72.2)
- Rolling 12-month return on capital employed (ROCE) 16.8% (-14.4%)

January - June

- Net sales 552.9 million euros (906.0 in January - June 2009)
- Operating loss -19.8 million euros (-49.8). Operating loss excluding restructuring costs -13.6 million euros (-35.7)
- Income before taxes 61.3 million euros (loss -73.3)
- Earnings per share (EPS) 1.05 euros (-2.07)
- Cash flow after investing activities -18.0 million euros (21.5)
- Interest-bearing net debt 76.3 million euros (215.9)
- Gearing 0.7 (2.9)
- Solvency 18.7% (10.0%)

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:

"The second quarter of 2010 clearly proved that we have been able to restore customer confidence through the actions executed earlier this year to strengthen the balance sheet. Furthermore, the new product life cycle services strategy has been well received by our customers. Revenues increased by 51% from the previous quarter due to increased volumes from existing customers and the new customer programs started this year. The operating result continued to improve.

During the past six months we have signed over ten new customer accounts with both large and smaller companies for a large variety of different types of services that cover the whole life cycle of products. We also have successfully started manufacturing LED lighting products for Philips in China and will expand their production to other Elcoteq locations in the second half of 2010.

We also successfully concluded the divestment of the St. Petersburg production facility and managed to reduce the net debt by 26% from the first quarter of 2010.

A major disappointment in early July 2010 was Sharp's decision to put the KIN smartphone deliveries on hold after a rapid and successful ramp-up. We are presently in discussions with the customer on how to continue the cooperation.

During the latter half of the year, our focus will be on further improving our profitability and continuing to strengthen the balance sheet.”

April - June

Elcoteq recorded net sales of 332.3 million euros between April and June (436.0 million euros in April-June 2009). Operating loss totaled -6.9 million euros (-11.5), excluding restructuring costs it was -3.0 million euros (-11.0). Net sales have decreased significantly from last year, but clearly improved from the first quarter of 2010, mainly due to high demand for Flat TVs and set-top products, increased deliveries of communications network products as well as ramp-up of new customer programs, including the KIN smartphone. Operating result continued to improve due to increased sales and the consistent cost savings actions carried out during the review period.

The Group's net financial income was 5.2 million euros (net financial expenses 11.9 million euros in April-June 2009) due to foreign exchange gains resulting from the favorable EUR/USD exchange rate development during the review period. Loss before taxes was -1.7 million euros (-23.4) and net loss totaled -5.8 million euros (-21.8). Earnings per share (EPS) were -0.18 euros (-0.67).

The Group's gross capital expenditures on fixed assets between April and June were 2.6 million euros (1.5), or 0.8% of net sales (0.4%). Depreciation amounted to 8.7 million euros (16.0). During the review period, investments were earmarked mainly for the test equipment of new customer programs.

Cash flow after investing activities was 5.3 million euros (72.2). The Group had 3.3 million euros sold accounts receivable without recourse at the end of June 2010 (18.7 million euros at the end of June 2009). Positive cash flow includes the proceeds from the St. Petersburg facility divestment.

At the end of June 2010, Elcoteq had cash totaling 72.5 million euros (154.8). The company reduced the 100 million euros syndicated committed credit facility signed in April 2010 by 16.5 million euros to 83.5 million euros. The credit facility was fully utilized.

At the end of June, the Group's interest-bearing net debt amounted to 76.3 million euros (215.9). The net debt decreased 26.4% from the first quarter. The solvency ratio was 18.7% (10.0%) and gearing was 0.7 (2.9). Rolling 12-month return on capital employed (ROCE) was 16.8% (-14.4%).

January - June

Net sales in January - June decreased significantly compared to the same period last year, standing at 552.9 million euros (906.0 million euros in January - June 2009). Operating loss was -19.8 million euros (-49.8) and excluding restructuring costs -13.6 million euros (-35.7). Income before taxes was 61.3 million euros (-73.3). Earnings per share (EPS) were 1.05 euros (-2.07). Cash flow after investing activities was -18.0 million euros (21.5).

Gross capital expenditures on fixed assets in January - June amounted to 5.6 million euros (3.5), 1.0% of net sales (0.4%). Depreciation totaled 16.7 million euros (34.9).

Strategic Business Units

Elcoteq has two Strategic Business Units (SBUs) as its segments: Consumer Electronics and System Solutions. In the second quarter of 2010, Consumer Electronics contributed 76% (75%) and System Solutions 24% (25%) of the Group's net sales.

Net sales of the Consumer Electronics SBU in the second quarter were 251.7 million euros (328.1). The segment's operating income was 1.3 million euros (loss -4.6) and excluding restructuring costs 4.3 million

euros (loss -4.6). The Consumer Electronics SBU made strong progress in reducing operating costs, expanding service content and developing the business mix towards higher margin products.

Net sales of the System Solutions SBU in April-June were 80.6 million euros (107.9). 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 1.7 million euros (1.5) and excluding restructuring costs 2.6 million euros (1.9).

Personnel

At the end of June 2010, the Group employed 9,999 (12,996) people. The geographical distribution of the workforce was as follows: Europe 3,807 (5,928), Asia-Pacific 2,820 (3,187) and Americas 3,372 (3,881). The average number of employees on Elcoteq's direct payroll between January and June was 8,369 (13,088).

Balance Sheet Strengthening

On April 16, the company announced 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 tendered their debentures for a hybrid bond and warrants. As a result of this transaction as well as the issuance of 29 million euros in hybrid bonds and the redemption of 105 million euros of debentures in January 2010, the company's indebtedness and solvency have improved significantly. The solvency has improved from 10.0% in the second quarter of 2009 to 18.7% in the second quarter of 2010 and gearing from 2.9 to 0.7, respectively.

Also, as earlier announced the company aims at arranging a rights issue during 2010 to increase liquidity and to further strengthen the balance sheet. During the second half of 2010, the actions in support of the strengthening of the balance sheet will have a significant role in the agenda of the company's management and board.

Restructuring Plan

On May 19, Elcoteq and Optogan CJSC completed the transaction whereby Optogan acquired 100 percent of the shares in Elcoteq's subsidiary in St. Petersburg, Russia including its premises and personnel of about 40 employees but excluding any customer agreements. The transaction reduces Elcoteq's total costs by approximately 2 million euros on an annual basis and had a considerable positive impact on the second-quarter cash flow.

Elcoteq has now consolidated all European electronics manufacturing and after market service activities to its units in Pécs, Hungary and Tallinn, Estonia.

Shares and Shareholders

At the end of June 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 10,654 shareholders on June 30, 2010. There were a total of 4,009,399 foreign and nominee registered A shares.

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 Board of Directors

On June 24, Dr. Sándor Csányi announced his resignation from the Board of Directors with immediate effect. Dr. Csányi resigned at his own request and due to personal reasons.

Events After the Review Period

On July 1, Sharp informed Elcoteq that further deliveries of the KIN smartphone product lineup will be put on hold. Elcoteq had already delivered to Sharp the KIN smartphones for the US markets with revenues amounting to more than one third of the original guidance for Sharp business in 2010, i.e. over 150 million euros in net sales in 2010. Deliveries for the European markets were scheduled to start later in the autumn.

On July 5, a total of 12,625 Elcoteq series A shares were returned free of consideration to the company in connection with the resignation of Dr. Sándor Csányi from the company's Board of Directors. Elcoteq had transferred in May 2010 12,625 shares to each member of the Board of Directors as part of the remuneration of the Board and after Dr. Sándor Csányi's resignation from the Board of Directors on June 24, 2010, the shares allocated to him were transferred back to the company. The company now holds a total of 12,625 own shares.

On July 20, a total of 105,770,000 Elcoteq SE's series K founders' shares owned by the three founder shareholders of the company, Mr. Antti Piippo, Mr. Henry Sjöman and Mr. Jorma Vanhanen, were converted

into Series A shares in accordance with Article 18 of the Articles of Association of the company. The conversion took place at a ratio of ten series K founders' shares to one series A share, i.e. the total number of series A shares grew by 10,577,000 from 22,362,185 to 32,939,185. After the conversion Mr. Piippo, Mr. Sjöman and Mr. Vanhanen hold in total 13,452,862 Series A shares, which corresponds to 40.85% ownership in the company. The conversion reduced the total voting share of Mr. Piippo, Mr. Sjöman and Mr. Vanhanen from 84.81% to current 40.85%.

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 bases component purchases and resource commitments on customers' forecasts. Sudden changes in customers' demand may cause the company to have excess inventories which are under customers' liability but which the company may have to finance for a certain period of time. The company makes a significant part of its purchases and sales in currencies other than the euro and 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.

The company's key short-term operative challenges are to increase sales, proactively manage fixed costs according to sales fluctuations and significantly improve profitability.

Prospects

Third-quarter net sales are expected to be lower than in the second quarter, mainly because the KIN smartphone product deliveries were put on hold at the beginning of July. Operating income is expected to further improve from the second quarter.

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, the net income for 2010 will be clearly positive.

The Board's and management's key activities are focused towards further strengthening the balance sheet through equity-related transactions and long-term financing arrangements. In the second half of 2010, the company will continue to carry out actions to further optimize its cost structure and increase working capital efficiency.

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 20, 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, July 21, in the Balsa-Freda room at Scandic Hotel Simonkenttä (address: Simonkatu 9, Helsinki, Finland).

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 869213 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 July 21, 2010.

Elcoteq will publish its Interim Report for January-September 2010 at around 9.00 am (EET) on Wednesday, October 27, 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 pledged and contingent liabilities
- 10 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

	Q2/ 2010	Q2/ 2009	Change , %	1-6/ 2010	1-6/ 2009	Change , %	1-12/ 2009
NET SALES	332.3	436.0	-23.8	552.9	906.0	-39.0	1,503.2
Change in work in progress and finished goods	4.8	-4.4		9.6	-26.3		-44.4
Other operating income	1.1	1.4	-20.6	2.0	3.6	-44.0	13.3
Operating expenses	-332.6	-428.0	-22.3	-561.4	-884.1	-36.5	-1,451.5
Restructuring expenses	-3.9	-0.4		-6.2	-14.1		-37.0
Depreciation and impairment	-8.7	-16.0	-45.9	-16.7	-34.9	-52.1	-60.1
OPERATING LOSS	-6.9	-11.5		-19.8	-49.8	-60.2	-76.5
% of net sales	-2.1	-2.6		-3.6	-5.5		-5.1
Financial income and expenses	5.2	-11.9		81.1	-23.5		-40.5
Share of profits and losses of associates	0.0	0.0		0.0	0.0		-0.1
PROFIT/LOSS BEFORE TAXES	-1.7	-23.4		61.3	-73.3		-117.1
Income taxes	-4.8	1.5		-27.8	5.3		8.1
NET PROFIT/LOSS	-6.5	-21.8		33.5	-68.0		-109.0
Other comprehensive income							
Cash flow hedges	-0.3	4.4		0.0	3.3		3.4
Net gain/loss on hedges of net investments in foreign operations	0.0	1.7		-0.6	3.2		3.0
Foreign currency translation differences for foreign operations	-1.7	0.3		-1.7	0.4		1.2
Income tax relating to components of other comprehensive income	0.0	-1.5		0.0	-1.2		-0.4
Other comprehensive income for the period, net of tax	-2.0	4.9		-2.3	5.7		7.2
TOTAL COMPREHENSIVE PROFIT/LOSS FOR THE PERIOD	-8.5	-16.9		31.2	-62.3		-101.8
PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO:							
Equity holders of the parent company *	-5.8	-21.8		34.6	-67.4		-105.0
Minority interests	-0.7	0.0		-1.1	-0.6		-3.9
	-6.5	-21.8		33.5	-68.0		-109.0

TOTAL COMPREHENSIVE PROFIT/LOSS ATTRIBUTABLE TO:

Equity holders of the parent company	-8.5	-16.1	31.0	-61.5	-98.4
Non-controlling interest	0.0	-0.8	0.2	-0.8	-3.3
	-8.5	-16.9	31.2	-62.3	-101.8

Earnings per share (EPS), A shares EUR	-0.18	-0.67	1.05	-2.07	-3.22
Diluted earnings per share (EPS), A shares EUR	-	-	1.02	-	-
Earnings per share (EPS), K founders' shares EUR	-0.02	-0.07	0.10	-0.21	-0.32

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, 2010	Dec. 31, 2009	Change, %
ASSETS			
Non-current assets			
Intangible assets	26.1	25.4	3,0
Tangible assets	76.2	81.0	-5,9
Investments	0.7	0.7	-2,2
Long-term receivables	19.9	41.9	-52,5
Non-current assets, total	122.9	148.9	-17.5
Current assets			
Inventories	125.3	69.4	80,4
Current receivables	290.0	189.9	52,7
Cash and equivalents	72.5	87.9	-17,6
Current assets, total	487.8	347.3	40.4
Assets classified as held for sale	-	19.0	
ASSETS, TOTAL	610.6	515.3	18.5

SHAREHOLDERS' EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent company			
Share capital*	13.2	13.2	0.0

Other shareholders' equity	42.9	11.6	269.6
Equity attributable to equity holders of the parent company, total	56,0	24.8	126.2
Non-controlling interest	8.1	7.8	3.1
Hybrid capital loans	50.2	-	-
Total equity	114.3	32.6	250.5
Long-term liabilities			
Long-term loans	28.1	109.8	-74.4
Other long-term debt	3.3	2.8	19.6
Long-term liabilities, total	31.4	112.5	-72.1
Current liabilities			
Current loans	120.4	165.4	-27.2
Other current liabilities	340.3	200.0	70.1
Provisions	4.2	4.7	-10.7
Current liabilities, total	464.9	370.1	25.6
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	610.6	515.3	18.5

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

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT, MEUR	1-6/2010	1-6/2009	Change, %	1-12/2009
Cash flow before change in working capital	38.2	-13.5		14.0
Change in working capital	-53.8	42.2		50.5
Financial items and taxes	-13.2	-9.7	36.5	-24.2
Cash flow from operating activities	-28.9	19.0		40.4
Purchases of non-current assets	-5.9	-2.5	136.3	-4.4
Acquisitions	0.0	0.0		0.3
Disposals of non-current assets	16.8	4.9	242.3	16.6
Cash flow before financing activities	-18.0	21.5		52.9
Hybrid capital loans	27.9	-		-
Change in current debt	-15.1	39.2		-56.1
Repayment of long-term debt	-19.0	-		0.0
Dividends paid	0.0	-		-2.4
Cash flow from financing activities	-6.1	39.2		-58.6

Change in cash and equivalents	-24.1	60.6		-5.7
Cash and equivalents on January 1	87.9	95.1	-7.5	95.1
Effect of exchange rate changes on cash held	8.6	-0.9		-1.5
Cash and equivalents at the end of the period	72.5	154.8	-53.2	87.9

APPENDIX 4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Attributable to equity holders of the parent										Total equity
	Share capital	Additional paid-in capital	Other reserves	Hedging reserve	Translation reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interest	Hybrid capital loans	
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				0.0	-3.6	0.1	34.5	30.9	0.2		31.2
Hybrid capital loans										50.2	50.2
Option rights							0.3	0.3			0.3
BALANCE AT JUNE 30, 2010	13.2	225.0	8.4	-0.1	3.2	0.0	-193.6	56.0	8.1	50.2	114.3

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
Total Comprehensive income Share-based payments				2.9	2.9		-67.4	-61.5	-0.8		-62.3
							0.8	0.8			0.8
BALANCE AT JUNE 30, 2009	13.0	225.0	8.4	-0.2	6.1	-0.1	-190.5	61.8	12.0	-	73.7

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 share, diluted, A shares (EPS) =

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

Adjusted average number of A shares outstanding during the Period + effect of dilution on the number of shares

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/ 2010	1-6/ 2009	Change- %	1-12/ 2009
Personnel on average during the period	8,369	13,088	-36.1	11,271
Gross capital expenditures, MEUR	5.6	3.5	60.0	6.4
Return on equity (ROE), %	45.6	-65.1		-129.9
Return on investment (ROI/ROCE), %	27.1	-12.2		-18.9
From 12 preceding months:				
Return on equity (ROE), %	-8.0	-85.8		-129.9
Return on investment (ROI/ROCE), %	16.8	-14.4		-18.9
Earnings per share (EPS), A shares, EUR	1.05	-2.07		-3.22
Earnings per share (EPS), K founders' shares, EUR	0.10	-0.21		-0.32
Diluted earnings per share (EPS), A shares, EUR	1.02	-		-
Current ratio	1.0	1.1		1.0
Solvency, %	18.7	10.0		6.3
Gearing	0.7	2.9		5,8
Shareholders' equity per share, A shares, EUR	3.22	1.89		0.75
Shareholders' equity per share, K founders' shares, EUR	0.32	0.19		0.08
Interest-bearing liabilities, MEUR	148.7	370.7	-59.9	275.4
Interest-bearing net debt, MEUR	76.3	215.9	-64.7	187.5
Non-interest-bearing liabilities, MEUR	347.6	290.8	19.5	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	1-6/2010	1-6/2009	1-12/2009
Net sales			
Consumer Electronics	421.7	672.7	1,127.3
System Solutions	131.2	233.2	375.9
Net sales, total	552.9	906.0	1,503.2
Segment's operating income/loss			
Consumer Electronics	-2.5	-24.7	-38.2
System Solutions	3.9	-8.8	-2.0
Group's non-allocated expenses/income			
General & Administrative expenses	-18.5	-15.4	-35.2
Other expenses	-2.7	-0.9	-1.2
Operating income/loss, total	-19.8	-49.8	-76.5
Group's financial income and expenses	81.1	-23.5	-40.5
Share of profits and losses of associates	0.0	0.0	-0.1
Income before taxes	61.3	-73.3	-117.1

Segments' operating income for January-June 2010 include following restructuring expenses: Consumer Electronics 4.2 million euros and System Solutions 1.8 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 whole Group. The plan targets is to assure the company drive to increase profitability, cost-efficiency and operational excellence.

The plan has contained several elements already in year 2009 such as the closure of several plants and the merge of the plant in Shenzhen (China) to the plant in Beijing, organizational changes to aim for further cost reduction and various assets impairment charges.

The Restructuring plan actions continues still in year 2010 and the Group's restructuring expenses, 6.167 thousands euros, comprise of the following items:

EUR 1,000	2010
Personnel expenses	748
Production material and services	-26
Reversal of impairment	-1,225
Sales loss of fixed assets	6,670
Restructuring expenses, total	6,167

The above restructuring expenses include also the effect of sales of Elcoteq's subsidiary in St. Petersburg, Russia.

APPENDIX 9

ASSETS PLEDGED AND CONTINGENT LIABILITIES, MEUR

	June 30, 2010	June 30, 2009	Change, %	Dec. 31, 2009
BUSINESS MORTGAGES	100.0	-		100.0
PLEDGED OTHER RECEIVABLES				3.0
PLEDGED CASH AND CASH EQUIVALENTS	49.0	-		56.2
PLEDGED ACCOUNTS RECEIVABLES	-	5.0		-
PLEDGED LOAN RECEIVABLES	-	0.1		0.1
ON BEHALF OF OTHERS				
Guarantees	1.0	1.0		1.0
LEASE COMMITMENTS				
Operating leases, production machinery (excl. VAT)	0.7	4.6	-84.9	1.2
Operating leases, real estate (excl. VAT)	14.2	12.6	12.9	12.3
Operating leases, others (excl. VAT)	0.5	1.3	-56.4	0.9
DERIVATIVE CONTRACTS				
Currency forward contracts, transaction risk, hedge accounting not applied				
- Nominal value, open deals	14.9	86.7	-82.8	43.2
- Nominal value, closed deals	-	-		130.1
- Fair value	0.0	-0.3		0.0
Currency forward contracts, transaction risk,				

hedge accounting applied						
- Nominal value, open deals	1.6	19.1	-91.8		70.6	
- Nominal value, closed deals	-	-			11.4	
- Fair value	-0.1	-0.3			-0.1	
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			-	
- Fair value	-	0.1			-	
Currency forward contracts, financial risk						
- Nominal value	-	120.4			110.7	
- Fair value	-	0.3			-0.2	

APPENDIX 10

QUARTERLY FIGURES

INCOME STATEMENT, MEUR	Q2/2010	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
NET SALES	332.3	220.5	265.5	331.7	436.0	470.0
Change in work in progress and finished goods	4.8	4.8	-9.9	-8.2	-4.4	-21.9
Other operating income	1.1	0.9	4.2	5.5	1.4	2.3
Operating expenses	-332.6	-228.8	-250.2	-317.2	-428.0	-456.1
Restructuring expenses	-3.9	-2.3	-21.3	-1.7	-0.4	-13.6
Depreciation and impairments	-8.7	-8.1	-11.7	-13.5	-16.0	-18.9
OPERATING INCOME	-6.9	-12.9	-23.4	-3.3	-11.5	-38.3
% of net sales	-2.1	-5.9	-8.8	-1.0	-2.6	-8.2
Financial income and expenses	5.2	75.9	-12.9	-4.1	-11.9	-11.5
Share of profits and losses of associates	0.0	0.0	0.0	-0.1	0.0	0.0
INCOME BEFORE TAXES	-1.7	63.0	-36.4	-7.5	-23.4	-49.9
Income taxes	-4.8	-23.0	2.2	0.7	1.5	3.7
NET INCOME FOR THE PERIOD	-6.5	40.0	-34.2	-6.8	-21.8	-46.1
ATTRIBUTABLE TO:						
Equity holders of the parent company	-5.8	40.3	-31.3	-6.3	-21.8	-45.6
Non-controlling interest	-0.7	-0.4	-2.9	-0.5	0.0	-0.5
	-6.5	40.0	-34.2	-6.8	-21.8	-46.1

BALANCE SHEET, MEUR		Q2/2010	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
ASSETS							
Non-current assets							
	Intangible assets	26.1	26.0	25.4	25.9	26.6	27.4
	Tangible assets	76.2	79.1	81.0	110.3	129.8	149.7
	Investments	0.7	0.7	0.7	2.1	2.2	2.3
	Long-term receivables	19.9	22.3	41.9	46.8	45.8	53.0
Non-current assets, total		122.9	128.1	148.9	185.1	204.3	232.4
Current assets							
	Inventories	125.3	102.9	69.4	101.1	113.7	174.2
	Current receivables	290.0	202.2	189.9	193.4	221.4	221.9
	Cash and equivalents	72.5	69.8	87.9	201.0	154.8	98.0
Current assets, total		487.8	374.9	347.3	495.5	489.8	494.1
Assets classified as held for sale		0.0	17.2	19.0	21.0	41.0	20.7
ASSETS, TOTAL		610.6	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	13.2	13.0	13.0	13.0
	Other shareholders' equity	42.9	51.1	11.6	43.5	48.7	64.5
Equity attributable to equity holders of the parent company, total		56.0	64.3	24.8	56.6	61.8	77.5
Non-controlling interest		8.1	8.0	7.8	11.1	12.0	12.8
Hybrid capital loans		50.2	28.7	-	-	-	-
Total equity		114.3	100.9	32.6	67.7	73.7	90.3
Long-term liabilities							
	Long-term loans	28.1	44.4	109.8	110.1	159.6	158.9
	Other long-term debt	3.3	3.5	2.8	2.8	5.7	6.7
Long-term liabilities, total		31.4	47.8	112.5	113.0	165.2	165.6

Current liabilities							
Current loans	120.4	128.9	165.4	263.8	210.7	225.4	
Other current liabilities	340.3	238.0	200.0	250.2	279.0	257.4	
Provisions	4.2	4.6	4.7	6.9	5.7	8.4	
Current liabilities, total	464.9	371.5	370.1	520.9	495.4	491.2	
Liabilities classified as held for sale	-	-	-	-	0.8	-	

SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	610.6	520.3	515.3	701.6	735.1	747.1	
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Personnel on average during the period	8,541	10,024	8,882	9,877	11,693	14,446	
Gross capital expenditures, MEUR	2.6	3.0	1.8	1.1	1.5	2.0	
ROI/ROCE from 12 preceding months, %	16.8	11.4	-18.9	-14.4	-14.4	-11.3	
Earnings per share (EPS), A-shares, EUR	-0.18	1.22	-0.96	-0.19	-0.67	-1.40	
Solvency, %	18.7	19.4	6.3	9.7	10.0	12.1	

CONSOLIDATED CASH FLOW STATEMENT, MEUR

	Q2/2010	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009	
Cash flow before change in working capital	25.9	12.3	20.5	7.0	-6.4	-7.1	
Change in working capital	-28.5	-25.3	-25.8	34.1	81.1	-38.8	
Financial items and taxes	-5.5	-7.7	-9.5	-5.0	-3.9	-5.8	
Cash flow from operating activities	-8.1	-20.8	-14.8	36.1	70.7	-51.7	
Purchases of non-current assets	-3.3	-2.6	-0.8	-1.1	-0.4	-2.1	
Acquisitions	0.0	0.0	0.3	-	-	-	
Disposals of non-current assets	16.7	0.1	3.9	7.8	1.8	3.1	
Cash flow before financing activities	5.3	-23.3	-11.3	42.7	72.2	-50.7	
Hybrid capital loans	0.1	27.8	-	-	-	-	
Change in current debt	-8.6	-6.5	-100.5	5.2	-12.2	51.4	
Repayment of long-term debt	1.6	-20.6	-	-	-	-	
Dividends paid	0.0	0.0	-2.4	-	-	-	
Cash flow from financing activities	-6.8	0.7	-103.0	5.2	-12.2	51.4	

Change in cash and equivalents	-1.5	-22.6	-114.3	48.0	59.9	0.7
Cash and equivalents at the beginning of the period	69.8	87.9	201.0	154.8	98.0	95.1
Effect of exchange rate changes on cash held	4.1	4.5	1.1	-1.7	-3.1	2.2
Cash and equivalents at the end of period	72.5	69.8	87.9	201.0	154.8	98.0

**STRATEGIC BUSINESS UNITS,
MEUR**

	Q2/2010	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
Net sales						
Consumer Electronics	251.7	170.0	211.1	243.5	328.1	344.6
System Solutions	80.6	50.6	54.5	88.2	107.9	125.3
Net sales, total	332.3	220.5	265.5	331.7	436.0	470.0
Operating income						
Consumer Electronics	1.3	-3.8	-11.2	-2.3	-4.6	-20.1
System Solutions	1.7	2.1	-0.1	6.9	1.5	-10.3
Group's non-allocated expenses/income						
General & Administrative expenses	-7.8	-10.7	-12.1	-7.6	-8.2	-7.2
Other expenses	-2.2	-0.5	0.0	-0.3	-0.1	-0.7
Operating income, total	-6.9	-12.9	-23.4	-3.3	-11.5	-38.3
Restructuring expenses recognized in segment's operating income						
Consumer Electronics	-3.0	-1.3	-15.6	-1.5	0.0	-7.2
System Solutions	-0.9	-0.9	-5.7	0.0	-0.4	-5.8
Group's non-allocated expenses/income	0.0	-0.2	0.0	-0.2	0.0	-0.6
Restructuring expenses, total	-3.9	-2.3	-21.3	-1.7	-0.4	-13.6
Financial income and expenses	5.2	75.9	-12.9	-4.1	-11.9	-11.5
Share of profits and losses of associates	0.0	0.0	0.0	-0.1	0.0	0.0
Income before taxes	-1.7	63.0	-36.4	-7.5	-23.4	-49.9