

## ELCOTEQ SE'S INTERIM REPORT JANUARY – JUNE 2007 (unaudited)

Elcoteq's second-quarter net sales rose on the first quarter of the current year and totaled 968.3 million euros (1,029.6 million euros in April – June 2006). Operating income in the second quarter was -19.0 million euros (12.2) and, excluding restructuring costs, -15.9 million euros. Balancing of the customer portfolio continued and sales to almost all the most important customers grew, and the Communications Networks business area's sales and result developed positively.

## April – June

- Second-quarter net sales amounted to 968.3 million euros (1,029.6 April – June 2006).
- Operating income was -19.0 million euros (12.2). Operating income included restructuring costs totaling 3.1 million euros, excluding which operating income was -15.9 million euros.
- Income before taxes was -25.1 million euros (7.0).
- Earnings per share (EPS) were -0.64 euros (0.14).
- Rolling 12-month return on capital employed (ROCE) was -9.4% (15.7%).
- Cash flow after investing activities was -21.0 million euros (-71.5).
- Gearing was 0.8 (0.6).

## January – June

- Net sales between January and June were 1,920.8 million euros (2,010.7 million euros between January and June 2006).
- Operating income was -71.3 million euros (20.5). Operating income included restructuring costs totaling 33.1 million euros, excluding which operating income was -38.2 million euros.
- Income before taxes was -84.1 million euros (9.9).
- Earnings per share (EPS) were -2.12 euros (0.21).
- Cash flow after investing activities was -61.9 million euros (-57.3).
- Interest-bearing net debt was 192.1 million euros (165.4).

This interim report has been prepared using IFRS recognition and measuring principles. The tables have been prepared in compliance with the IAS 34 requirements approved by the EU.

## April – June

The Group's net sales in the second quarter showed a slight increase on the first quarter, totaling 968.3 million euros (1,029.6 in the second quarter of 2006 and 952.5 million euros in the first quarter of 2007). Net sales of the Communications Networks business area rose by roughly 17% compared to the first quarter, due in particular to growth in manufacturing volumes in Asia-Pacific. Net sales of the Terminal Products business area decreased by about 2% as mobile phone deliveries to Nokia declined in Europe and the Americas. Deliveries to other major terminal products customers, however, were higher than in the first quarter.

Operating income was -19.0 million euros (12.2). Operating income includes restructuring costs associated with Elcoteq's action plan totaling 3.1 million euros, excluding which operating income was -15.9 million euros. As the company expected, operating income improved compared to the first quarter during which comparable operating income was -22.3 million euros. The main reason for this positive trend was an improvement in Communications Networks' profitability, which was due in particular to growth in manufacturing volumes. Terminal Products' operating income before restructuring costs remained at the first quarter's level because of continuing production problems in Mexico and weaker than expected manufacturing volumes especially in Europe. The company did not entirely gain the planned cost savings.

The Group's net financial expenses amounted to 6.1 million euros. Income before taxes was -25.1 million euros (7.0) and net income was -20.6 million euros (4.4). Earnings per share were -0.64 euros (0.14).

Gross capital expenditures on fixed assets in the second quarter totaled 13.4 million euros (30.1) or 1.4% of net sales. A large proportion of investments was allocated to testing equipment. Depreciation was 19.9 million euros (20.1).

Cash flow after investing activities in the second quarter was -21.0 million euros (-71.5). Cash flow was weakened by, among other things, the postponement to the third quarter of value-added tax rebates arising from the new invoicing model adopted in Europe from May 1, which increased the Group's net debt at the end of the review period by almost 23 million euros. The solvency ratio was 20.9% (25.0%) and gearing was 0.8 (0.6). The cash flow received by the Group from sold accounts receivable amounted to 190.9 million euros at the end of June (170.3 million euros at the end of March 2007).

At the end of June Elcoteq had unused but immediately available credit limits totaling 295.8 million euros (294.9 million euros at the end of March 2007), which included a syndicated loan with a committed credit limit of 230 million euros. Commercial papers issued by the Group had a total nominal value of 19.0 million euros on June 30, 2007.

## January – June

Net sales between January and June decreased slightly on the same period last year, standing at 1,920.8 million euros (2,010.7). Operating income was -71.3 million euros (20.5). Operating income includes 33.1 million euros in restructuring costs, and therefore operating income excluding restructuring costs was -38.2 million euros. Income before taxes was -84.1 million euros (9.9). Earnings per share were -2.12 euros (0.21).

Gross capital expenditures on fixed assets between January and June amounted to 24.6 million euros (46.1) or 1.3% of net sales. Depreciation was 40.0 million euros (38.9).

## Personnel

At the end of June Elcoteq employed 23,847 people (22 617): 489 (840) in Finland and 23,358 (21,777) elsewhere. The geographical distribution of the workforce was as follows: Europe 10,889 (11,079), Asia-Pacific 8,125 (7,971) and the Americas 4,833 (3,567). The average number of Elcoteq employees on the company's direct payroll between January and June was 19,334 (16,154).

Personnel negotiations concerning the Lohja manufacturing plant and the company's NPI (new product introduction) organization were concluded at the beginning of April. As a result of the negotiations the company made 242 employees redundant on production and financial grounds and decided to close its Lohja plant. Production at the plant ceased at the end of June.

## Business Areas

Elcoteq has two business areas: Terminal Products and Communications Networks. In the second quarter Terminal Products contributed 78% (81%) and Communications Networks 22% (19%) of the Group's net sales.

Sales to companies within the Ericsson and Nokia groups during the second quarter amounted to 53% (69%) of Elcoteq's total net sales. These figures do not include business activities with Sony Ericsson. Business with Nokia Siemens Networks is reported as part of the Nokia group. The above figures are not

entirely comparable owing to Siemens' communications network business, which has been part of Nokia Siemens Networks since April 1.

Net sales of the Terminal Products business area between April and June totaled 752.0 million euros (837.6), down by roughly 10% on the same period last year and about 2% lower than in the first quarter this year. The segment's operating income was -11.4 million euros (20.7) or -1.5% of its net sales. Operating income excluding restructuring costs was -8.4 million euros.

Net sales of the Communications Networks business area between April and June were 216.4 million euros (192.0), an increase of approximately 13% on the same period last year and about 17% on the first quarter this year. The segment's operating income was 2.2 million euros (3.2) or 1.0% of its net sales. Operating income excluding restructuring costs was 2.5 million euros.

### Geographical Areas (GAs)

Elcoteq has three geographical areas: Europe, Asia-Pacific and Americas. Elcoteq's second-quarter net sales were derived from these areas as follows: Europe 50% (58%), Asia-Pacific 28% (27%) and Americas 22% (15%).

GA Europe's net sales showed a decrease of roughly 20% compared to the same period last year and totaled 481.0 million euros (599.7). Asia-Pacific's net sales remained at last year's level, amounting to 272.1 million euros (272.8) and net sales of Americas increased by 37% on the same period last year to 215.2 million euros (157.1).

Compared to the first quarter Europe's net sales declined by approximately 5%, Asia-Pacific's net sales grew by roughly 18% and Americas' net sales remained at the first quarter's level. The increase in Asia-Pacific's net sales was due to good manufacturing volumes in both Communications Networks and Terminal Products, while the decrease in Europe's net sales was mainly attributable to lower than earlier mobile phone manufacturing volumes.

### Divestments

In April Elcoteq SE and Aspocomp Group Oyj concluded an agreement under which funds managed by Conor Venture Partners, Index Ventures and Northzone Ventures became Imbera's new financiers and principal owners. Elcoteq retained a minority stake in Imbera, holding roughly 15% of Imbera's share capital. Elcoteq previously held 50% of Imbera's share capital. The restructuring of Imbera's ownership had no impact on Elcoteq's result.

In June Elcoteq agreed on the sale of real estate company Kiinteistö Oy Piiharju, and the manufacturing facility in the Gunnarla district of Lohja, Finland owned by this company.

### Progress with Action Plan

As part of its action plan to improve profitability and competitiveness, Elcoteq has initiated measures to rationalize its operations in Europe and the Americas, and has announced its plan to close its manufacturing plants in Lohja, Finland, and Juarez, Mexico. Production at the Lohja plant has already ceased. The Juarez facility will be run down during 2007 and production for its customers will be moved to Elcoteq's Monterrey plant in Mexico and to China.

The one-time restructuring costs related to the action plan amount to approximately 35 million euros, of which 33.1 million euros were recognized in the January-June accounts.

## Changes in Elcoteq's Management

Mr Anssi Korhonen, a member of Elcoteq Management Team (EMT), was appointed President of Elcoteq's Asia-Pacific geographical area in May. He also continues in his earlier role as Senior Vice President of Product Development Services.

Mr Mike Liang, head of Elcoteq's human resources in Asia-Pacific, was appointed Senior Vice President, Human Resources of Elcoteq Group and a member of the EMT in May.

Mr Mikko Puolakka, Controller of Elcoteq's geographical area Europe, was appointed Chief Financial Officer (CFO) of Elcoteq Group and a member of the EMT with effect from August 1, 2007.

## Short-Term Risks and Uncertainty Factors

The most important short-term challenges with respect to Elcoteq's business operations concern the company's ability to improve its cost structure and thus its profitability sufficiently fast as market conditions become increasingly tight, coupled with its ability to offer service packages corresponding to customer demand and needs.

## Shares and Shareholders

On June 30, 2007 the company had 32,602,919 shares divided into 22,025,919 series A shares and 10,577,000 series K shares. All the K shares are held by the company's three principal owners.

Elcoteq had 10,886 shareholders on June 30, 2007. There were altogether 8,319,300 nominee-registered and foreign-registered shares, or 25.5% of the share capital and 6.5% of the votes outstanding.

Altogether 1,063,042 new Elcoteq A shares were subscribed between March 15 and April 30, 2007 under Elcoteq SE's 2001 stock option scheme. The share subscription period ended on April 30, 2007.

## IEMS Strategy

To support their business operations some terminal products customers, especially mobile phone manufacturers, need partners able to offer and independently manage a wider range of services i.e. to take a larger role in product supply chains. The reasons underlying this trend are more complex product structures and shorter product lifecycles. The main goal, apart from managing complexity, is to increase efficiency and speed in the supply chains.

Through its Integrated Electronics Manufacturing Services (IEMS) strategy, Elcoteq is giving special emphasis in the broadening of its service offering to increasing its mechanics expertise and services, and to strengthening product development services that combine both electronics and mechanics. Elcoteq has previously announced that, in addition to developing its own operations, this strategy could call for certain M&A arrangements or various forms of collaboration with other companies in the same field. Negotiations in pursuit of this strategy have proceeded according to plan with a number of candidates.

## Prospects

Elcoteq forecasts that its full-year net sales will increase only slightly on last year's and that its operating income excluding restructuring costs will be slightly negative. The company has previously forecast that its full-year operating income excluding restructuring costs would be on a break-even level.

Net sales in the third quarter of 2007 are expected to increase compared to the second quarter. Third-quarter operating income excluding restructuring costs is forecast to be positive.

Elcoteq's forecasts are based on the company's opinion of market growth and on the project-specific forecasts of its customers, based on which Elcoteq makes its forecasts of the realization of agreed and planned new projects.

Espoo, Finland  
July 24, 2007  
Board of Directors

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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 25, in the Akseli Gallen-Kallela Room of Hotel Kämp (address: Pohjoisesplanadi 29, Helsinki, Finland).

To participate by phone, please call 5 - 10 minutes before the start of the conference on +44 20 7162 0125 (Europe) or +1 334 323 6203 (USA), code Elcoteq.

The conference can also be followed as a live webcast or later as a recording via Elcoteq's website [www.elcoteq.com](http://www.elcoteq.com).

The presentation material used at the conference (pdf file) will be available on the company's website [www.elcoteq.com](http://www.elcoteq.com) from approximately 11.00 am (EET) on July 25.

Elcoteq will publish its third-quarter interim report at 9.00 am (EET) on October 24, 2007.

Enclosures:

- 1 Income statement
- 2 Balance sheet
- 3 Cash flow statement
- 4 Calculation of changes in shareholders' equity
- 5 Calculation of key figures
- 6 Key figures
- 7 Writedowns of non-current assets
- 8 Business areas
- 9 Assets pledged and contingent liabilities
- 10 Quarterly figures

## APPENDIX 1

| <b>INCOME STATEMENT, MEUR</b>                 | <b>Q2/<br/>2007</b> | <b>Q2/<br/>2006</b> | <b>Change,<br/>%</b> | <b>1-6/<br/>2007</b> | <b>1-6/<br/>2006</b> | <b>Change<br/>, %</b> | <b>1-12/<br/>2006</b> |
|---|---------------------|---------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| <b>NET SALES</b>                              | <b>968.3</b>        | <b>1,029.6</b>      | <b>-5.9</b>          | <b>1,920.8</b>       | <b>2,010.7</b>       | <b>-4.5</b>           | <b>4,284.3</b>        |
| Change in work in progress and finished goods | -0.9                | -6.5                | -86.8                | 0.4                  | 6.0                  | -93.3                 | 17.3                  |
| Other operating income                        | 1.0                 | 1.1                 | -4.3                 | 2.0                  | 2.8                  | -26.7                 | 7.0                   |
| Operating expenses                            | -964.5              | -991.9              | -2.8                 | -1,921.5             | -1,960.1             | -2.0                  | -4,182.0              |
| Restructuring costs                           | -3.1                | -                   |                      | -33.1                | -                    |                       | -                     |
| Depreciation and writedowns                   | -19.9               | -20.1               | -0.8                 | -40.0                | -38.9                | 2.7                   | -82.7                 |
| <b>OPERATING INCOME</b>                       | <b>-19.0</b>        | <b>12.2</b>         |                      | <b>-71.3</b>         | <b>20.5</b>          |                       | <b>43.9</b>           |
| % of net sales                                | -2.0                | 1.2                 |                      | -3.7                 | 1.0                  |                       | 1.0                   |
| Financial income and expenses                 | -6.1                | -5.0                | 21.6                 | -12.5                | -10.1                | 23.7                  | -23.7                 |
| Share of profits and losses of associates     | -0.1                | -0.2                | -66.2                | -0.3                 | -0.5                 | -32.8                 | -1.0                  |
| <b>INCOME BEFORE TAXES</b>                    | <b>-25.1</b>        | <b>7.0</b>          |                      | <b>-84.1</b>         | <b>9.9</b>           |                       | <b>19.2</b>           |
| Income taxes                                  | 5.3                 | -2.0                |                      | 17.7                 | -2.8                 |                       | -4.7                  |
| <b>NET INCOME FOR THE PERIOD</b>              | <b>-19.8</b>        | <b>5.0</b>          |                      | <b>-66.4</b>         | <b>7.1</b>           |                       | <b>14.6</b>           |
| <b>ATTRIBUTABLE TO:</b>                       |                     |                     |                      |                      |                      |                       |                       |
| Equity holders of the parent company *)       | -20.6               | 4.4                 |                      | -67.5                | 6.5                  |                       | 12.1                  |
| Minority interests                            | 0.7                 | 0.6                 | 13.2                 | 1.0                  | 0.6                  | 72.5                  | 2.5                   |
|   | <b>-19.8</b>        | <b>5.0</b>          |                      | <b>-66.4</b>         | <b>7.1</b>           |                       | <b>14.6</b>           |

Income tax is the amount corresponding to the result for the period based on the estimated tax rate for the full year. The positive tax figures in the first and second quarters of 2007 are due mainly to tax assets recognized on losses recorded by Group companies.

\*) The Group's reported net profit for the period.

## APPENDIX 2

| <b>BALANCE SHEET, MEUR</b> | <b>June 30,<br/>2007</b> | <b>Dec. 31, 2006</b> | <b>Change, %</b> |
|----------------------------|--------------------------|----------------------|------------------|
| <b>ASSETS</b>              |                          |                      |                  |
| Non-current assets         |                          |                      |                  |
| Intangible assets          | 36.9                     | 45.4                 | -18.6            |
| Tangible assets            | 220.4                    | 245.0                | -10.0            |
| Investments                | 2.5                      | 13.7                 | -81.5            |

|                                       |                |                |             |
|---------------------------------------|----------------|----------------|-------------|
| Long-term receivables                 | 34.8           | 15.3           | 127.4       |
| Non-current assets, total             | 294.7          | 319.4          | -7.7        |
| Current assets                        |                |                |             |
| Inventories                           | 365.0          | 359.0          | 1.7         |
| Current receivables                   | 420.3          | 402.9          | 4.3         |
| Cash and equivalents                  | 44.4           | 82.3           | -46.0       |
| Assets classified as held for sale *) | 7.6            | -              |             |
| Current assets, total                 | 837.3          | 844.2          | -0.8        |
| <b>ASSETS, TOTAL</b>                  | <b>1,132.0</b> | <b>1,163.6</b> | <b>-2.7</b> |

\*) Assets classified as held for sale are measured at fair value. Asset writedowns are recognized under restructuring costs.

### SHAREHOLDERS' EQUITY AND LIABILITIES

|  |                |                |             |
|--|----------------|----------------|-------------|
| Equity attributable to equity holders of the parent company        |                |                |             |
| Share capital  | 13.0           | 12.6           | 3.4         |
| Other shareholders' equity   | 213.5          | 281.0          | -24.0       |
| Equity attributable to equity holders of the parent company, total | 226.6          | 293.7          | -22.8       |
| Minority interests   | 9.8            | 9.6            | 1.6         |
| Total equity   | 236.4          | 303.3          | -22.1       |
| Long-term liabilities  |                |                |             |
| Long-term loans  | 179.4          | 179.7          | -0.1        |
| Other long-term debt   | 5.1            | 5.2            | -1.6        |
| Long-term liabilities, total                                       | 184.5          | 184.8          | -0.2        |
| Current liabilities  |                |                |             |
| Current loans  | 56.6           | 30.6           | 85.2        |
| Other current liabilities  | 647.0          | 643.1          | 0.6         |
| Provisions   | 7.5            | 1.8            | 313.5       |
| Current liabilities, total   | 711.1          | 675.5          | 5.3         |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>                 | <b>1,132.0</b> | <b>1,163.6</b> | <b>-2.7</b> |

### APPENDIX 3

| <b>CONSOLIDATED CASH FLOW STATEMENT, MEUR</b> | <b>1-6/2007</b> | <b>1-6/2006</b> | <b>Change, %</b> | <b>1-12/2006</b> |
|---|-----------------|-----------------|------------------|------------------|
| Cash flow before change in working capital    | -6.6            | 53.6            |                  | 114.2            |
| Change in working capital *)                  | -24.3           | -60.5           | -59.8            | -16.1            |
| Financial items and taxes                     | -9.8            | -13.9           | -29.5            | -33.2            |

|   |       |       |       |        |
|---|-------|-------|-------|--------|
| Cash flow from operating activities           | -40.7 | -20.7 |       | 65.0   |
| Purchases of non-current assets               | -22.9 | -41.9 | -45.3 | -108.9 |
| Disposals of non-current assets               | 1.7   | 5.3   | -67.9 | 23.2   |
| Cash flow before financing activities         | -61.9 | -57.3 | 8.0   | -20.8  |
| Proceeds from share issue                     | 6.7   | 1.9   | 252.6 | 2.9    |
| Change in current debt (**)                   | 25.6  | -12.0 |       | -7.5   |
| Issuance of long-term debt                    | -     | 29.8  |       | 29.8   |
| Repayment of long-term debt                   | -0.4  | -0.2  | 100.0 | -0.5   |
| Dividends paid                                | -7.4  | -20.6 | -64.1 | -20.6  |
| Cash flow from financing activities           | 24.6  | -1.1  |       | 4.2    |
| Change in cash and equivalents                | -37.4 | -58.3 | -35.8 | -16.5  |
| Cash and equivalents on January 1             | 82.3  | 101.4 | -18.8 | 101.4  |
| Effect of exchange rate changes on cash held  | -0.5  | -2.1  | -76.2 | -2.5   |
| Cash and equivalents at the end of the period | 44.4  | 41.0  | 8.3   | 82.3   |

\*) The impact of this change is to improve cash flow by 3.3 million euros during the reporting period 1-6/2007 and by 17.1 million euros during 1-6/2006.

\*\*) The change in current debt during the reporting period 1-6/2007 includes the change in issuance of commercial papers with a nominal value of 19 million euros.

#### APPENDIX 4

#### **CALCULATION OF CHANGES IN SHAREHOLDERS' EQUITY, MEUR**

|                              | Attributable to equity holders of the parent |                            |                |                         |                   |       | Minority interests | Total equity |
|------------------------------|--|----------------------------|----------------|-------------------------|-------------------|-------|--------------------|--------------|
|                              | Share capital                                | Additional paid-in capital | Other reserves | Translation differences | Retained earnings | Total |                    |              |
| Balance at Jan. 1, 2007      | 12.6   | 218.7                      | 8.4            | -1.9                    | 55.8              | 293.7 | 9.6                | 303.3        |
| Issue of share capital       | 0.4  | 6.3                        |                |                         |                   | 6.7   |                    | 6.7          |
| Equity hedge of subsidiaries |  |                            |                | 0.4                     |                   | 0.4   |                    | 0.4          |
| Cash flow hedge *)           |  |                            | -1.3           |                         |                   | -1.3  |                    | -1.3         |
| Translation differences      |  |                            |                | 0.6                     |                   | 0.6   | 0.2                | 0.8          |
| Share-based payments         |  |                            |                |                         | 0.3               | 0.3   |                    | 0.3          |
| Dividends                    |  |                            |                |                         | -6.3              | -6.3  |                    | -7.4         |
| Net income                   |  |                            |                |                         | -67.5             | -67.5 | 1.0                | -66.4        |
| Balance at June 30, 2007     | 13.0   | 225.0                      | 7.1            | -0.9                    | -17.7             | 226.6 | 9.8                | 236.4        |

|                              |      |       |     |      |       |       |      |       |
|------------------------------|------|-------|-----|------|-------|-------|------|-------|
| Balance at Jan. 1, 2006      | 12.4 | 216.0 | 8.4 | -2.9 | 63.1  | 297.0 | 6.9  | 303.9 |
| Issue of share capital       | 0.1  | 1.8   |     |      |       | 1.9   |      | 1.9   |
| Equity hedge of subsidiaries |      |       |     | 1.2  |       | 1.2   |      | 1.2   |
| Translation differences      |      |       |     | -1.4 |       | -1.4  | -0.4 | -1.8  |
| Share-based payments         |      |       |     |      | 0.7   | 0.7   |      | 0.7   |
| Dividends                    |      |       |     |      | -20.6 | -20.6 |      | -20.6 |
| Net income                   |      |       |     |      | 6.5   | 6.5   | 0.6  | 7.1   |
| Balance at June 30, 2006     | 12.6 | 217.8 | 8.4 | -3.1 | 49.8  | 285.4 | 7.0  | 292.5 |

\*) The Group has applied hedge accounting to derivative instruments related to purchases from June 30, 2007.

## APPENDIX 5

### FORMULAS FOR THE CALCULATION OF FINANCIAL RATIOS

|                                    |   |
|------------------------------------|---|
| Return on equity (ROE) =           | $\frac{\text{Net income} \times 100}{\text{Total equity, average of opening and closing balances}}$   |
| Return on investments (ROI/ROCE) = | $\frac{(\text{Income before taxes} + \text{interest and other financial expenses}) \times 100}{\text{Total assets} - \text{non-interest bearing liabilities, average of opening and closing balances}}$ |
| Earnings per share (EPS) =         | $\frac{\text{Net income attributable to equity holders of the parent}}{\text{Adjusted average number of shares outstanding during the period}}$   |
| Diluted earnings per share (EPS) = | $\frac{\text{Net income attributable to equity holders of the parent}}{\text{Adjusted average number of shares outstanding during the period} + \text{effect of dilution on the number of shares}}$     |
| Current ratio =                    | $\frac{\text{Current assets}}{\text{Current liabilities}}$  |
| Solvency =                         | $\frac{\text{Total equity} \times 100}{\text{Total assets} - \text{advance payments received}}$   |
| Gearing =                          | $\frac{\text{Interest-bearing liabilities} - \text{cash and equivalents}}{\text{Total equity}}$   |
| Shareholders' equity per share =   | $\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Adjusted number of shares outstanding at the end of the period}}$  |

## APPENDIX 6

| <b>KEY FIGURES</b>                     | <b>1-6/2007</b> | <b>1-6/2006</b> | <b>Change, %</b> | <b>1-12/2006</b> |
|--|-----------------|-----------------|------------------|------------------|
| Personnel on average during the period | 19,334          | 16,154          | 19.7             | 16,651           |
| Gross capital expenditure, MEUR        | 24.6            | 46.1            | -46.6            | 116.9            |
| Return on equity (ROE), %              | -24.6           | 2.4             |                  | 4.8              |
| Return on investment (ROI/ROCE), %     | -14.2           | 4.4             |                  | 9.1              |
| From 12 preceding months:              |                 |                 |                  |                  |
| Return on equity (ROE), %              | -22.3           | 12.7            |                  | 4.8              |
| Return on investment (ROI/ROCE), %     | -9.4            | 15.7            |                  | 9.1              |
| Earnings per share (EPS), EUR          | -2.12           | 0.21            |                  | 0.38             |
| Diluted earnings per share (EPS), EUR  | -2.11           | 0.20            |                  | 0.37             |
| Current ratio                          | 1.2             | 1.2             |                  | 1.2              |
| Solvency, %                            | 20.9            | 25.0            |                  | 26.1             |
| Gearing                                | 0.8             | 0.6             |                  | 0.4              |
| Shareholders' equity per share, EUR    | 6.95            | 9.09            | -23.5            | 9.31             |
| Interest-bearing liabilities, MEUR     | 236.5           | 206.3           | 14.6             | 210.3            |
| Interest-bearing net debt, MEUR        | 192.1           | 165.4           | 16.1             | 128.0            |
| Non-interest-bearing liabilities, MEUR | 659.1           | 672.9           | -2.1             | 650.0            |

## APPENDIX 7

**WRITEDOWNS MADE TO THE NON-CURRENT ASSETS, MEUR****1-6/2007**

|  |      |
|--|------|
| Writedowns made to the non-current assets        |      |
| Intangible assets                                | 4.2  |
| Tangible assets                                  | 2.6  |
| Investments                                      | 10.9 |
| Writedowns made to the non-current assets, total | 17.7 |

Writedowns made to the non-current assets have been entered as restructuring costs in the income statement.

## APPENDIX 8

| <b>BUSINESS AREAS, MEUR</b>           | <b>1-6/2007</b> | <b>1-6/2006</b> | <b>1-12/2006</b> |
|---------------------------------------|-----------------|-----------------|------------------|
| Net sales                             |                 |                 |                  |
| Terminal Products                     | 1,519.2         | 1,645.6         | 3,512.1          |
| Communications Networks               | 401.7           | 365.1           | 772.3            |
| Total                                 | 1,920.8         | 2,010.7         | 4,284.3          |
| Segment's operating income            |                 |                 |                  |
| Terminal Products                     | -48.3           | 36.6            | 68.4             |
| Communications Networks               | -2.5            | 7.8             | 22.4             |
| Group's non-allocated expenses/income | -20.5           | -23.9           | -46.8            |
| Total                                 | -71.3           | 20.5            | 43.9             |

Of the 33.1 million euros restructuring costs recognized in the first half of 2007, 31.1 million euros have been entered against Terminal Products' operating income, 1.7 million euros against Communications Networks' operating income and 0.3 million euros under Group non-allocated expenses.

Elcoteq's share of associated company results in the first half of 2007 totaled -0.3 million euros (-0.5). Associated company results for the full year 2006 totaled -1.0 million euros. The share of associated company results is allocated to the Group's non-allocated expenses/income.

## APPENDIX 9

### ASSETS PLEDGED AND CONTINGENT LIABILITIES, MEUR

|  | <b>June 30,<br/>2007</b> | <b>June 30,<br/>2006</b> | <b>Change, %</b> | <b>Dec. 31,<br/>2006</b> |
|--|--------------------------|--------------------------|------------------|--------------------------|
| ON BEHALF OF OTHERS  |                          |                          |                  |                          |
| Guarantees   | 0.0                      | 0.0                      |                  | 0.0                      |
| LEASING COMMITMENTS  |                          |                          |                  |                          |
| Operating leases, production machinery and equipment (excl. VAT)         | 36.1                     | 46.3                     | -22.0            | 48.2                     |
| Rental commitments, real-estate (excl. VAT)                              | 29.7                     | 29.5                     | 0.7              | 27.6                     |
| DERIVATIVE CONTRACTS   |                          |                          |                  |                          |
| Currency forward contracts, transaction risk no hedge accounting applied |                          |                          |                  |                          |
| Nominal value  | 228.1                    | 340.4                    | -33.0            | 275.4                    |
| Fair value   | -4.2                     | -5.8                     | -27.6            | -5.1                     |

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Currency derivative contracts, transaction risk hedge accounting applied *) |       |       |       |       |
| Nominal value   | 233.1 | -     |       | -     |
| Fair value  | -1.3  | -     |       | -     |
| Currency forward contracts, translation risk                                |       |       |       |       |
| Nominal value   | 34.7  | 23.8  | 45.8  | 35.5  |
| Fair value  | 0.4   | 0.3   | 33.3  | 0.3   |
| Currency forward contracts, financial risk                                  |       |       |       |       |
| Nominal value   | 155.1 | 156.9 | -1.1  | 131.1 |
| Fair value  | 0.2   | 0.1   | 100.0 | -0.0  |
| Interest rate and foreign exchange swap contracts                           |       |       |       |       |
| Nominal value   | 4.0   | 4.0   | 0.0   | 4.0   |
| Fair value  | -0.1  | 0.1   |       | 0.1   |

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.

\*) The Group has applied hedge accounting to derivative instruments related to purchases from June 30, 2007.

#### OTHER COMMITMENTS

The Group is engaged in some legal cases which are not expected to have a significant impact on its profits, and therefore no provision has been made.

#### APPENDIX 10

#### QUARTERLY FIGURES

| <b>INCOME STATEMENT,<br/>MEUR</b>             | <b>Q2/<br/>2007</b> | <b>Q1/<br/>2007</b> | <b>Q4/<br/>2006</b> | <b>Q3/<br/>2006</b> | <b>Q2/<br/>2006</b> | <b>Q1/<br/>2006</b> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>NET SALES</b>                              | <b>968.3</b>        | <b>952.5</b>        | <b>1,104.6</b>      | <b>1,169.1</b>      | <b>1,029.6</b>      | <b>981.1</b>        |
| Change in work in progress and finished goods | -0.9                | 1.3                 | -8.1                | 19.4                | -6.5                | 12.6                |
| Other operating income                        | 1.0                 | 1.0                 | 3.2                 | 1.0                 | 1.1                 | 1.7                 |
| Operating expenses                            | -964.5              | -957.0              | -1,070.9            | -1,151.0            | -991.9              | -968.2              |
| Restructuring costs                           | -3.1                | -30.1               | -                   | -                   | -                   | -                   |
| Depreciation and writedowns                   | -19.9               | -20.1               | -22.0               | -21.8               | -20.1               | -18.9               |
| <b>OPERATING INCOME</b>                       | <b>-19.0</b>        | <b>-52.4</b>        | <b>6.9</b>          | <b>16.6</b>         | <b>12.2</b>         | <b>8.3</b>          |
| % of net sales                                | -2.0                | -5.5                | 0.6                 | 1.4                 | 1.2                 | 0.8                 |
| Financial income and expenses                 | -6.1                | -6.4                | -7.4                | -6.2                | -5.0                | -5.1                |

|  |                |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Share of profits and losses of associates                          | -0.1           | -0.3           | -0.3           | -0.2           | -0.2           | -0.3           |
| <b>INCOME BEFORE TAXES</b>   | <b>-25.1</b>   | <b>-59.0</b>   | <b>-0.8</b>    | <b>10.1</b>    | <b>7.0</b>     | <b>2.9</b>     |
| Income taxes   | 5.3            | 12.4           | 1.6            | -3.4           | -2.0           | -0.8           |
| <b>NET INCOME FOR THE PERIOD</b>                                   | <b>-19.8</b>   | <b>-46.6</b>   | <b>0.8</b>     | <b>6.7</b>     | <b>5.0</b>     | <b>2.1</b>     |
| <b>ATTRIBUTABLE TO:</b>  |                |                |                |                |                |                |
| Equity holders of the parent company                               | -20.6          | -46.9          | -0.3           | 5.9            | 4.4            | 2.1            |
| Minority interests   | 0.7            | 0.3            | 1.1            | 0.8            | 0.6            | -0.0           |
|  | <b>-19.8</b>   | <b>-46.6</b>   | <b>0.8</b>     | <b>6.7</b>     | <b>5.0</b>     | <b>2.1</b>     |
| <b>BALANCE SHEET, MEUR</b>   |                |                |                |                |                |                |
|  | <b>Q2/2007</b> | <b>Q1/2007</b> | <b>Q4/2006</b> | <b>Q3/2006</b> | <b>Q2/2006</b> | <b>Q1/2006</b> |
| <b>ASSETS</b>  |                |                |                |                |                |                |
| Non-current assets   |                |                |                |                |                |                |
| Intangible assets  | 36.9           | 38.8           | 45.4           | 47.8           | 49.4           | 48.2           |
| Tangible assets  | 220.4          | 227.3          | 245.0          | 263.6          | 242.1          | 238.2          |
| Investments  | 2.5            | 2.6            | 13.7           | 14.0           | 14.0           | 14.0           |
| Long-term receivables  | 34.8           | 28.6           | 15.3           | 14.2           | 11.2           | 10.6           |
| Non-current assets, total  | 294.7          | 297.4          | 319.4          | 339.6          | 316.7          | 311.0          |
| Current assets   |                |                |                |                |                |                |
| Inventories  | 365.0          | 346.4          | 359.0          | 407.4          | 366.1          | 339.6          |
| Current receivables  | 420.3          | 390.1          | 402.9          | 518.1          | 447.9          | 425.7          |
| Cash and equivalents   | 44.4           | 75.4           | 82.3           | 102.4          | 41.0           | 143.5          |
| Assets classified as held for sale                                 | 7.6            | 6.7            | -              | -              | -              | -              |
| Current assets, total  | 837.3          | 818.6          | 844.2          | 1,028.0        | 854.9          | 908.9          |
| <b>ASSETS, TOTAL</b>   | <b>1,132.0</b> | <b>1,116.0</b> | <b>1,163.6</b> | <b>1,367.6</b> | <b>1,171.7</b> | <b>1,219.9</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>                        |                |                |                |                |                |                |
| Equity attributable to equity holders of the parent company        |                |                |                |                |                |                |
| Share capital  | 13.0           | 12.6           | 12.6           | 12.6           | 12.6           | 12.5           |
| Other shareholders' equity   | 213.5          | 228.5          | 281.0          | 279.9          | 272.9          | 267.1          |
| Equity attributable to equity holders of the parent company, total |                |                |                |                |                |                |
|  | 226.6          | 241.1          | 293.7          | 292.5          | 285.4          | 279.5          |
| Minority interests   | 9.8            | 10.1           | 9.6            | 7.9            | 7.0            | 6.7            |
| Total equity   | 236.4          | 251.2          | 303.3          | 300.4          | 292.5          | 286.3          |
| Long-term liabilities  |                |                |                |                |                |                |

|                               |                |                |                |                |                |                |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Long-term loans               | 179.4          | 179.6          | 179.7          | 179.9          | 179.9          | 180.0          |
| Other long-term debt          | 5.1            | 4.5            | 5.2            | 4.3            | 4.1            | 3.7            |
| Long-term liabilities, total  | 184.5          | 184.1          | 184.8          | 184.3          | 184.0          | 183.7          |
| Current liabilities           |                |                |                |                |                |                |
| Current loans                 | 56.6           | 64.8           | 30.6           | 92.0           | 26.2           | 38.7           |
| Other current liabilities     | 647.0          | 607.3          | 643.1          | 788.3          | 666.3          | 708.9          |
| Provisions                    | 7.5            | 8.5            | 1.8            | 2.5            | 2.7            | 2.5            |
| Current liabilities, total    | 711.1          | 680.6          | 675.5          | 882.9          | 695.2          | 750.0          |
| <b>SHAREHOLDERS' EQUITY</b>   |                |                |                |                |                |                |
| <b>AND LIABILITIES, TOTAL</b> | <b>1,132.0</b> | <b>1,116.0</b> | <b>1,163.6</b> | <b>1,367.6</b> | <b>1,171.7</b> | <b>1,219.9</b> |

|  |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|
| Personnel on average during the period | 19,714 | 19,065 | 17,431 | 16,930 | 16,581 | 15,748 |
| Gross capital expenditures, MEUR       | 13.4   | 11.2   | 32.3   | 38.5   | 30.1   | 16.0   |
| ROI/ROCE from 12 preceding months, %   | -9.4   | -2.9   | 9.1    | 12.1   | 15.7   | 16.0   |
| Earnings per share (EPS), EUR          | -0.64  | -1.49  | -0.01  | 0.19   | 0.14   | 0.07   |
| Solvency, %                            | 20.9   | 22.5   | 26.1   | 22.0   | 25.0   | 23.5   |

| <b>CONSOLIDATED CASH FLOW STATEMENT, MEUR</b> | <b>Q2/2007</b> | <b>Q1/2007</b> | <b>Q4/2006</b> | <b>Q3/2006</b> | <b>Q2/2006</b> | <b>Q1/2006</b> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash flow before change in working capital    | -2.3           | -4.3           | 23.8           | 36.8           | 28.4           | 25.2           |
| Change in working capital                     | -5.9           | -18.4          | 30.7           | 13.7           | -73.1          | 12.6           |
| Financial items and taxes                     | -1.2           | -8.6           | -11.6          | -7.7           | -6.6           | -7.3           |
| Cash flow from operating activities           | -9.5           | -31.2          | 43.1           | 42.6           | -51.3          | 30.6           |
| Purchases of non-current assets               | -12.5          | -10.4          | -18.2          | -48.8          | -24.5          | -17.4          |
| Disposals of non-current assets               | 1.0            | 0.7            | 16.4           | 1.5            | 4.2            | 1.1            |
| Cash flow before financing activities         | -21.0          | -40.9          | 41.2           | -4.7           | -71.5          | 14.2           |
| Proceeds from share issue                     | 6.7            | 0.0            | 0.5            | 0.5            | 1.4            | 0.5            |
| Change in current debt                        | -8.8           | 34.4           | -60.9          | 65.4           | -10.3          | -1.7           |
| Issuance of long-term debt                    | -              | -              | -              | -              | -              | 29.8           |
| Repayment of long-term debt                   | -0.2           | -0.2           | -0.2           | -0.1           | -0.2           | -              |
| Dividends paid                                | -7.4           | -              | -              | -              | -20.6          | -              |
| Cash flow from financing activities           | -9.7           | 34.3           | -60.6          | 65.9           | -29.7          | 28.6           |

Change in cash and

|   |       |      |       |       |        |       |
|---|-------|------|-------|-------|--------|-------|
| equivalents   | -30.8 | -6.6 | -19.3 | 61.1  | -101.1 | 42.8  |
| Cash and equivalents at the beginning of the period | 75.4  | 82.3 | 102.4 | 41.0  | 143.5  | 101.4 |
| Effect of exchange rate changes on cash held        | -0.2  | -0.3 | -0.8  | 0.4   | -1.4   | -0.7  |
| Cash and equivalents at the end of period           | 44.4  | 75.4 | 82.3  | 102.4 | 41.0   | 143.5 |

| <b>BUSINESS AREAS, MEUR</b>           | <b>Q2/2007</b> | <b>Q1/2007</b> | <b>Q4/2006</b> | <b>Q3/2006</b> | <b>Q2/2006</b> | <b>Q1/2006</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net sales                             |                |                |                |                |                |                |
| Terminal Products                     | 752.0          | 767.2          | 898.6          | 967.9          | 837.6          | 808.0          |
| Communications Networks               | 216.4          | 185.3          | 206.0          | 201.2          | 192.0          | 173.1          |
| Total                                 | 968.3          | 952.5          | 1,104.6        | 1,169.1        | 1,029.6        | 981.1          |
| Segment's operating income            |                |                |                |                |                |                |
| Terminal Products                     | -11.4          | -36.9          | 13.2           | 18.6           | 20.7           | 15.9           |
| Communications Networks               | 2.2            | -4.7           | 5.7            | 8.8            | 3.2            | 4.6            |
| Group's non-allocated expenses/income | -9.8           | -10.8          | -12.1          | -10.8          | -11.6          | -12.3          |
| Total                                 | -19.0          | -52.4          | 6.9            | 16.6           | 12.2           | 8.3            |

Of the 3.1 million euros restructuring costs recognized in the second quarter of 2007, 2.9 million euros have been entered against Terminal Products' operating income, 0.3 million euros against Communications Networks' operating income and -0.1 million euros under Group's non-allocated expenses.

Of the 30.1 million euros restructuring costs recognized in the first quarter of 2007, 28.3 million euros have been entered against Terminal Products' operating income, 1.4 million euros against Communications Networks' operating income and 0.4 million euros under Group's non-allocated expenses.

| <b>GEOGRAPHICAL AREAS, MEUR</b> | <b>Q2/2007</b> | <b>Q1/2007</b> | <b>Q4/2006</b> | <b>Q3/2006</b> | <b>Q2/2006</b> | <b>Q1/2006</b> |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net sales                       |                |                |                |                |                |                |
| Europe                          | 481.0          | 507.6          | 635.8          | 659.4          | 599.7          | 530.5          |
| Asia-Pacific                    | 272.1          | 231.2          | 260.3          | 307.2          | 272.8          | 253.8          |
| Americas                        | 215.2          | 213.6          | 208.5          | 202.4          | 157.1          | 196.8          |
| Total                           | 968.3          | 952.5          | 1,104.6        | 1,169.1        | 1,029.6        | 981.1          |