ELCOTEQ NETWORK CORPORATION'S FINANCIAL STATEMENTS BULLETIN JANUARY 1 – DECEMBER 31, 2003

Financial year 2003

- Net sales up 21% and totaled MEUR 2,235.7 (MEUR 1,840.2 in 2002)
- Operating income up 19% to MEUR 30.5 (MEUR 25.5).
- Income before taxes and minority interests rose 23% to MEUR 22.8 (MEUR 18.6).
- Earnings per share improved 30% to EUR 0.70 (EUR 0.54)
- Return on capital employed in previous 12 months 10.4% (9.2%)
- Cash flow after investing activities MEUR –18 (MEUR 77)
- Interest-bearing net debt MEUR –7.6 (MEUR –33.4)
- Board's dividend proposal EUR 0.90 per share

Final quarter in 2003

- Net sales up 30% and totaled MEUR 721.9 (MEUR 556.4 in Q4/2002)
- Operating income weakened 7% mainly due to increase in fixed costs and totaled MEUR 16.9 (MEUR 18.1)
- Income before taxes and minority interest weakened 18% and totaled MEUR 14.2 (MEUR 17.3)
- Earnings per share weakened 36% to EUR 0.42 (EUR 0.66)
- Cash flow after investing activities MEUR 9.5 (MEUR 6.0)

(Figures in brackets are those for the same period in 2002 unless otherwise stated.)

After several years of waiting, the communications electronics market once again took an upward swing during the final quarter of 2003 and similarly Elcoteq's net sales showed clear growth. The favorable improvement in sales in the final quarter raised the Group's net sales for 2003 to MEUR 2,235.7, up 21% on the previous year. This meant that Elcoteq reached the net sales target announced in conjunction with its nine-month results although the figure was clearly lower than the full-year net sales target set at the start of the year.

The Group's operating income improved compared to the previous year, as the company forecast. However, investments to enhance the company's future capabilities, to broaden its service offering and to strengthen its organization raised fixed costs and thus depressed profit growth, a trend that was most evident during the final quarter.

Market trends

Global sales of mobile phones during 2003 rose by approximately 15%. The business volume of Elcoteq's Terminal Products grew 32% during the same period. The communications network equipment market, however, contracted by approximately 10% compared to the previous year. By contrast, net sales of Elcoteq's Communications Network Equipment business area increased by roughly 7%.

Structural changes took place in the electronics manufacturing services market. The electronics industry has extended the scope of outsourcing extremely fast from pure manufacturing to the front end of the value chain, product design. Demand for maintenance and repair services has risen at the same time. These trends were visible in all Elcoteq's three geographical areas: Europe, Asia-Pacific and Americas. Accordingly, broadening the company's range of services is one of the cornerstones of Elcoteq's current strategy, revised in 2002. The other key features of the strategy are concentration on communications technology products and customers, and expanding the customer portfolio in this area. In 2003 all these aspects of the revised strategy reflected the growing needs of Elcoteq's customers.

Service portfolio and customer partnerships developed

Elcoteq focused in 2003 on expanding its service range and expertise. Particularly high priority was given to design and new product introduction (NPI) services. The company's NPI centers in Finland and Estonia were strengthened and co-operation between them was intensified. A new NPI center was established in Hungary, while in the USA the company reinforced its NPI capabilities through acquisitions: an NPI center called NPRC in Dallas, and a 20% holding in ISIS Surface Mounting in California. Elcoteq's design capabilities were improved by strengthening the Elcoteq Design Center in Finland. Elcoteq also forged a strategic alliance with Cellon, the world's leading independent mobile phone design and development company, through a co-operation agreement and a minority holding in Cellon.

Expansion of the NPI and design network especially increased Elcoteq's expertise and service capabilities in mobile phones. Furthermore, Elcoteq boosted its know-how in communications network equipment by acquiring Marconi's microwave links manufacturing operation in Germany as well as a Tellabs International's manufacturing operation in Finland producing, among other things, optical cross-connection devices.

Sales and marketing, which were intensified in 2002, generated a good 20 new customer accounts for Elcoteq during 2003. New accounts included KATHREIN-Werke KG, LANCOM, Marconi, NEC, Siemens, Strix Systems and Tellabs. Most of the new account agreements were concluded in the second half of the year.

Profits improved in 2003

Elcoteq's net sales in 2003 rose 21% to MEUR 2,235.7 (MEUR 1,840.2). Operating income totaled MEUR 30.5 (MEUR 25.5). Pretax income was MEUR 22.8 (MEUR 18.6) and income after taxes and minority interest was MEUR 20.8 (MEUR 16.1). Earnings per share (EPS) were EUR 0.70 (EUR 0.54).

Net sales growth was hampered during spring 2003 by the SARS epidemic in China, unsettled economic conditions arising from the Iraq war, the weakening of the US dollar against the euro, a significant fall in the prices of certain components especially in Asia, and a slower than expected increase in the number of new customers. A further factor affecting operating conditions in China was extremely intense competition on prices arising from overcapacity in electronics manufacturing services.

Net sales of the GKI companies acquired at the end of 2002 amounted to MEUR 296 and the impact of the manufacturing operation acquired from Marconi in October on Elcoteq's net sales in 2003 totaled MEUR 12. The weakening of the US dollar against the euro, coupled with other exchange rate changes, reduced Elcoteq's net sales by more than MEUR 150 compared to 2002 exchange rates. Net income in 2003 was not significantly affected by the changes in exchange rates.

Elcoteq entered writedowns on fixed assets totaling approximately MEUR 3.4 during 2003. This was the result of writedowns of R&D expenses capitalized to Elcoteq Design Center's balance sheet in conjunction with the acquisition of the Benefon R&D unit in 2002.

The Group’s net financial expenses were MEUR 7.7 (MEUR 7.0). Their share of net sales was 0.34% (0.38%) as short-term interest expenses decreased more than the increase in financial expenses caused by growth in working capital.

The Group’s taxes in 2003 were reduced by the writedowns of subsidiary shares and by a loss on structural changes in the USA. The aggregate impact of these factors was to reduce taxes by over MEUR 9.

Fourth-quarter result

Demand strengthened substantially during the fourth quarter compared to the earlier quarters in the year. Fourth-quarter net sales totaled MEUR 721.9 (MEUR 556.4), up 46% on the previous quarter’s total of MEUR 496.1. Operating income in the fourth quarter amounted to MEUR 16.9 (MEUR 6.6 in Q3/2003 and MEUR 18.1 in Q4/2002) and income before taxes was MEUR 14.2 (MEUR 17.3). The impact of exchange rate changes on fourth-quarter net sales compared to net sales in Q4/2002 calculated at the exchange rates prevailing then was MEUR 36. Capital expenditure during the fourth quarter amounted to MEUR 22.4 (51.7).

Profitability compared to the previous period was affected both by lower margins and by a clear increase in fixed costs arising from organizational development and the expansion of Elcoteq’s service portfolio. Moreover, operating income was weakened by a writedown of approx. MEUR 1.4 on fixed assets in the Elcoteq Design Center.

Financing and cash flow

The Group’s liquidity remained very good throughout the year. Interest-bearing net debt at the end of December totaled MEUR -7.6 (MEUR -33.4) so gearing was negative, –0.0 (-0.1). The solvency ratio was 33.4% (33.6%) and the balance sheet total was MEUR 802.5 (MEUR 709.8). Acquisitions during the fourth quarter increased the balance sheet by approximately MEUR 80, which reduced the solvency ratio by approximately three percentage points. The balance sheet items related to the acquisition of the Tellabs manufacturing operation are included in the balance sheet at December 31, 2003 but the effect of this acquisition on the income statement will be visible in 2004. The acquisition price will be paid during 2004 in several installments.

Proceeds from sold accounts receivable rose to MEUR 185 (MEUR 121.4) due to an increase in the securitization and other sales limits related to these receivables; in December the company raised the maximum limit of its accounts receivable securitization program to MEUR 200 (MEUR 130). Selling accounts receivable gives the company a flexible and cost-effective tool for managing the balance sheet alongside its MEUR 100 commercial paper program and credit lines. At the end of December the company had unused but immediately available credit limits totaling MEUR 168.8 (MEUR 167.1), which included a MEUR 105 committed syndicated credit limit.

The Group’s year 2003 cash flow after investing activities was MEUR -18 (MEUR 77) and during the fourth quarter MEUR 9.5 (MEUR 6.0)

Capital expenditures

Gross capital expenditures on fixed assets represented 3.0% of net sales or MEUR 68.1 (MEUR 78.0) and depreciation was MEUR 57.6 (MEUR 49.2). The largest investment items were new production lines at the plants in Hungary, China and Mexico, the acquisition of manufacturing operations from Marconi and Tellabs, and the minority holdings taken in Cellon and ISIS. Owing to strengthened demand Elcoteq decided at the end of the year to almost double the size of its second manufacturing plant in Tallinn with an expansion totaling almost 9,000 square meters. This plant, opened in 2001, concentrates on communications network equipment.

Adoption of IFRS accounting principles

The European Union requires all public limited corporations listed in the EU to adopt International Financial Reporting Standards (IFRS) no later than 2005. Elcoteq Network Corporation starts reporting according to IFRS/IAS from the beginning of 2004. Since Elcoteq has already applied IFRS standards for several years within the limits permitted by Finnish accounting legislation and other pertinent regulations governing the preparation of financial statements, the adoption of IFRS in the company will have no significant impact on the Group's profits, balance sheet or shareholders' equity. The changes to shareholders' equity under IFRS include the requirement to use the actuarial valuation method when calculating the assets and liabilities arising from defined benefit pension schemes in the balance sheet.

Elcoteq has organized its operations primarily around two business areas: Terminal Products and Communications Network Equipment. The company also has a separate Industrial Electronics function. In 2004 Elcoteq will report these business areas in its IFRS reports as its primary segments and, in addition to net sales, provide other information on them including operating income.

Personnel

Elcoteq's total workforce increased by 2,837 employees during the year owing to improved sales and acquisitions. The largest personnel increases took place in China, Hungary, Mexico, Germany and Estonia. At the end of December the company had 13,013 (10,176) employees: 1,040 (1,021) in Finland and 11,973 (9,155) in other countries. The average number of employees during 2003 was 11,044 (8,127).

Business area performance

Net sales of the Terminal Products business area, which primarily manufactures mobile phone products, represented 80% (73%) or MEUR 1,779.9 (MEUR 1,348.9) of the Group's consolidated net sales in 2003. Most of this came from the company's European plants but China and Mexico grew in importance towards the end of the year. Elcoteq expects further growth in its Terminal Products business during 2004.

In its Communications Network Equipment business, Elcoteq recorded only marginal growth as this market contracted. Growth was only 7% compared to 40% in the previous year. Net sales amounted to MEUR 260.3 (MEUR 243.9), which represented 12% (13%) of the Group's total. Elcoteq made several acquisitions and manufacturing agreements during the latter half of the year, the impact of which will be visible in Elcoteq's 2004 net sales and result. Elcoteq believes that its market share in this sector will continue to strengthen during 2004 and that net sales will show substantial growth on the previous year.

Elcoteq's largest customers in 2003 were companies within the Nokia and Ericsson groups and accounted for 78% (83%) of Elcoteq's net sales. This figure does not include business activities with Sony Ericsson.

Net sales from industrial electronics in 2003 amounted to MEUR 195.5 (MEUR 247.4) or 9% (13%) of the Group’s total. In the summer Elcoteq incorporated its industrial electronics companies in Finland under a new company called Elcoteq Finland Oy.

Geographical Areas (GA)

GA Europe’s net sales in 2003 totaled MEUR 1,421.0 (MEUR 1,286.7). Net sales from Terminal Products/Europe were MEUR 1,001.6 (MEUR 859.7). The aggregate net sales of Communications Network Equipment and Industrial Electronics/Europe were MEUR 419.4 (MEUR 427). Net sales for GA Asia-Pacific totaled MEUR 698.2 (MEUR 470.6) and for GA Americas MEUR 116.5 (MEUR 82.9). The Elcoteq companies in the NAFTA area will be moved to a separate holding company in order to improve the efficiency of Elcoteq’s operations in the Americas.

The Annual General Meeting

Elcoteq's Annual General Meeting was held on March 26, 2003. The meeting authorized the Board for one year to float one or several convertible bond loans and/or to issue stock options and/or to raise the share capital in one or several installments through a rights issue by at most 5,898,330 new Series A shares. This authorization has not been exercised.

Elcoteq’s Annual General Meeting in March gave the Board of Directors and CEO the task of assessing if the company would gain any competitive benefit by changing the locations of its share listing, management or company domicile. The Board of Directors considered the conclusions of this work in December. The analysis indicated that with respect to the stock exchange listing there is no immediate need to list Elcoteq shares on other exchanges than the Helsinki Exchanges. With respect to the location of the company’s head office and corporate functions, the Board assigned the company’s executive management the task of examining this issue further. Accordingly, the Board will present a report to the AGM based on which the meeting will be able to review the possibility of changing Elcoteq into a European Company, or Societas Europaea (SE).

The Board of Directors

The Annual General Meeting elected seven members to the Board of Directors. These are President Martti Ahtisaari; Mr Heikki Horstia, Vice President, Treasurer, Wärtsilä Corporation; Dr Eero Kasanen, Rector of the Helsinki School of Economics and Business Administration; Mr Antti Piippo; Mr Henry Sjöman; Mr Juha Toivola, MSc; and Mr Jorma Vanhanen. The term of office of the Board members extends until the end of the AGM following their election.

The Board elected Mr Antti Piippo as its chairman and Mr Juha Toivola as its deputy chairman.

The company’s Working and Nomination Committee will propose to the Annual General Meeting on March 17, 2004 that the current members of the Board of Directors be re-elected.

The President and CEO

Elcoteq’s President and CEO, Mr Lasse Kurkilahti, announced at the end of November that he would resign from the company to join another company. The new President and CEO, appointed with effect from January 1, 2004, is Mr Jouni Hartikainen, M.Sc. (Eng.), previously President, Asia-Pacific. At the same time the Board appointed an Executive Vice President for the company, choosing for this position Mr Jukka Jäämaa, L.Sc. (Eng.), previously President, Communications Network Equipment and Industrial Electronics/Europe, also with effect from January 1, 2004.

The Auditor

The Annual General Meeting in 2003 reappointed the firm of public authorized accountants KPMG Wideri Oy Ab as the company's auditors under the supervision of principal auditor Mauri Palvi APA.

Shares and Shareholders

The company had altogether 30,190,527 shares at the end of 2003: 19,613,527 A shares and 10,577,000 K shares.

Altogether 698,875 new A shares were registered during 2003 pursuant to options under the 1997 bond with warrants to company executives.

According to the share register on December 31, 2003 the company had 11,939 registered shareholders. There were altogether 7,584,474 nominee-registered or foreign-registered shareholders representing 25.1% of the shares and 6.0% of the total voting power at general meetings.

Prospects

Elcoteq's main markets, terminal products and communications network equipment, began to grow at the end of 2003. This gives a good foundation for the company's business development despite intense competition in Asia-Pacific and growing competition also in Europe and America.

Elcoteq's primary targets during 2004 are to further increase sales and the number of new customers, and to enhance internal efficiency. Implementation of Elcoteq's strategy – concentration on communications technology products and customers – will be continued.

Net sales and earnings per share are forecast to continue growing during 2004 as a result of the acquisitions made in 2003 and organic growth. Due to the seasonal fluctuations typical of the company's business, first-quarter net sales in 2004 will remain clearly below net sales in the final quarter of 2003. However, the first-quarter operating income is expected to be slightly positive.

The Board's Dividend Proposal

The Board of Directors proposes to the Annual General Meeting on March 17, 2004 payment of a dividend of EUR 0.90 per share on the financial year 2003, representing approximately 130% of the company's net income.

The Annual General Meeting in 2004

Elcoteq's Annual General Meeting will be held on March 17, 2004. The notice of meeting and its agenda will be published on February 27, 2004 as a Stock Exchange Announcement, on the company's website www.elcoteq.com, and in the Finnish newspapers Kauppalehti and Iltalehti.

Espoo, February 5, 2004

Board of Directors

Further information:
Mr Jouni Hartikainen, President and CEO, tel. +358 10 413 11
Mr Osmo Kammonen, Senior Vice President, Communications and IR, tel. +358 10 413 1406, GSM +358 593 0770

Press conference

Elcoteq will hold a press conference for analysts and the media in the Freda Cabinet of the Scandic Hotel Simonkenttä (1st floor), Simonkatu 9, Helsinki starting at 13.00 Eastern European time (EET) on Friday, February 6, 2004.

Conference call and a web presentation for analysts and fund managers

A conference call and a web presentation in English will be held on Friday, February 6, 2004 starting at 15.30 EET (1.30 pm UK time). Participation can take place via Elcoteq's website, www.elcoteq.com, and by phone +44 (0) 207 162 0183.

CONVERSION RATE

The following average conversion rate is used in this interim report:
1 EUR = 1.2630 USD

Enclosures:
1 Consolidated income statement
2 Consolidated balance sheet
3 Consolidated cash flow statement
4 Personnel
5 Key figures
6 Assets pledged, contingent liabilities and other commitments
7 Quarterly figures

APPENDIX 1

CONSOLIDATED INCOME STATEMENT, EUR 1,000	1-12/2003	1-12/2002
NET SALES	**2,235,668**	**1,840,214**
Change in work in progress		
and finished goods	6,500	11,218
Other operating income	2,362	3,936
Production materials and services		
Materials and supplies		
Purchases during the year	-1,937,884	-1,546,861
Change in raw materials	40,988	-10,461
Materials and supplies	-1,896,896	-1,557,322
External services	-2,960	-1,032
	-1,899,856	-1,558,354
Personnel expenses		
Wages, salaries and fees	-123,755	-107,152
Indirect personnel expenses		
Pension expenses	-11,134	-8,085
Other indirect personnel expenses	-18,594	-14,017
	-153,483	-129,254
Depreciation, amortization and writedowns		
Scheduled depreciation and amortization	-50,777	-48,372
Amortization of goodwill	-1,573	-697
Amortization of goodwill on consolidation	-1,832	-157
Writedowns	-3,414	0
	-57,596	-49,227
Other operating expenses	-103,133	-93,018
OPERATING INCOME	**30,462**	**25,517**
Financial income and expenses		
Financial income		
Foreign exchange gains	476	1,272
Other financial income	1,631	1,933
	2,107	3,205
Financial expenses		
Interest expenses	-2,479	-2,627
Foreign exchange losses	-2,706	-2,119
Other financial expenses	-4,600	-5,416
	-9,785	-10,161
Financial income and expenses, total	-7,679	-6,956
INCOME BEFORE EXTRAORDINARY ITEMS	**22,783**	**18,561**
Extraordinary items	-	-
INCOME BEFORE TAXES	**22,783**	**18,561**

Income taxes		
Income taxes for the current year	-364	-821
Income taxes for prior years	1	-147
Other direct taxes	-958	-887
Change in deferred tax liability	-222	1,802
Income taxes, total	-1,544	-52
Minority interests	-406	-2,453
NET INCOME	**20,834**	**16,055**

APPENDIX 2

CONSOLIDATED BALANCE SHEET, EUR 1,000	**Dec. 31, 2003**	**Dec. 31, 2002**
ASSETS		
Fixed Assets		
Intangible assets		
Intangible rights	3,028	3,377
Product development costs	0	4,042
Other long-term expenditures	11,839	8,228
Advance payments and construction in progress	1,962	3,798
Goodwill	10,979	11,702
Goodwill on consolidation	15,099	14,669
	42,907	45,816
Tangible assets		
Land and water areas	2,414	2,448
Buildings	39,321	40,354
Machinery and equipment	88,881	102,257
Advance payments and construction in progress	17,407	2,517
	148,023	147,577
Investments		
Shares and equity interests in associated companies	3,058	65
Receivables from associated companies	137	137
Other shares and equity interests	11,666	556
	14,861	758
Fixed assets, total	**205,792**	**194,152**
Current Assets		
Inventories		
Raw materials	198,729	142,763
Work in progress	31,855	17,964
Finished goods	36,138	36,459
Advance payments	245	285
	266,967	197,471
Long-term receivables		

Deferred tax assets	9,291	6,727
Other loans receivable	15	166
	9,306	6,894
Current receivables		
Accounts receivable	217,604	216,076
Prepaid expenses and accruals	39,121	19,152
	256,724	235,228
Cash and equivalents	63,683	76,065
Current assets, total	**596,681**	**515,657**
ASSETS, TOTAL	**802,473**	**709,809**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' Equity		
Share capital	12,076	11,797
Additional paid-in capital	209,008	202,550
Other reserves	8,341	8,354
Share issue	1,361	-
Translation differences	-3,076	759
Retained earnings	12,327	8,069
Net income for the year	20,834	16,055
Shareholders' equity, total	**260,871**	**247,584**
Minority Interests	**5,764**	**12,172**
Provisions	**2,056**	**1,439**
Liabilities		
Long-term liabilities		
Medium-term notes	25,092	15,095
Loans from financial institutions	13,931	19,685
Loans from pension plans	2,609	3,074
Other debt	535	0
Deferred tax liability	5,117	2,862
	47,284	40,716
Payments due after one year	-5,180	-15,196
	42,103	25,520
Current liabilities		
Medium-term notes	0	10,000
Loans from financial institutions	13,850	7,036
Commercial paper program	4,951	2,980
Loans from pension plans	465	463
Advances received	3,016	434
Accounts payable	376,474	320,647
Other current liabilities	13,672	8,581

Accrued expenses	79,251	72,953
	491,678	423,094
Liabilities, total	**533,782**	**448,614**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**802,473**	**709,809**

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	Jan.1-Dec. 31, 2003	Jan.1-Dec.31, 2002
Cash Flow from Operating Activities		
Income before extraordinary items	22,783	18,561
Adjustments:		
Scheduled depreciation and amortization	57,596	49,227
Unrealized foreign exchange gains and losses	-10,335	-4,286
Other non-cash income and expenses	0	0
Financial income and expenses	-502	9,901
Other adjustments	135	-2,417
Cash flow before change in working capital	69,678	70,986
Change in working capital: *)		
Change in non-interest bearing current receivables	-44,133	11,934
Change in inventories	-41,207	-2,634
Change in non-interest bearing current liabilities	121,771	35,760
Cash flow from operating activities before financial items and taxes	106,109	116,046
Interest and other financial expenses	-5,642	-12,228
Operations-related dividend income	0	0
Operations-related interest income	583	1,205
Income taxes paid	-952	144
Cash flow from operating activities	**100,098**	**105,167**
Cash Flow from Investing Activities		
Purchases of tangible and intangible assets	-74,127	-32,031
Proceeds from disposal of tangible and intangible assets	2,462	4,333
Acquisitions	-46,727	0
Loans made	0	-153
Repayment of loans receivable	151	4
Change in minority interest	0	0
Cash flow from investing activities	**-118,241**	**-27,847**
Cash Flow from Financing Activities		
Proceeds from the share issue	8,099	0
Proceeds from other changes in shareholders' equity	0	0
Change in current debt	-876	-15,003
Issuance of long-term debt	20,017	1,684

Repayment of long-term debt	-4,796	-18,554
Dividends paid and other distributions of earnings	-12,604	-2,060
Cash flow from financing activities	**9,841**	**-33,933**
Change in cash and equivalents	**-8,302**	**43,385**
Cash and equivalents on January 1	76,065	36,432
Effect of foreign exchange rate changes on cash held	-4,079	-3,752
Cash and equivalents on December 31	**63,683**	**76,065**

*) The change in working capital includes the change in sold accounts receivable. The impact of this change is to improve cash flow by MEUR 63.7 during the reporting period 1-12/2003 and to improve cash flow by MEUR 40.2 during 1-12/2002.

APPENDIX 4

PERSONNEL

The Group had 11,044 (8,127) employees on average during the year, distributed geographically as follows:

	At Dec. 31	At Jan. 1	Change	Average
Finland	1,040	1,021	19	1,060
Hong Kong	59	54	5	54
Japan	16	12	4	14
China	4,295	3,352	943	3,505
Mexico	1,092	550	542	762
Sweden	5	4	1	5
Hungary	3,241	2,571	670	2,841
Germany	494	180	314	232
Switzerland	243	278	-35	234
USA	55	19	36	38
Russia	190	177	13	186
Estonia	2,283	1,958	325	2,113
Total	13,013	10,176	2,837	11,044

APPENDIX 5

FIVE YEARS IN FIGURES

	2003	**2002**	**2001**	**2000**	**1999**
OPERATIONS					
Net sales, MEUR	2,235.7	1,840.2	1,862.5	2,213.5	752.5
of which outside Finland, %	81.0	77.5	76.5	68.5	80.3
Gross capital expenditures, MEUR	68.1	78.0	45.1	125.7	50.2
(does not include operating leases)					
Employees, average	11,044	8,127	9,960	9,630	4,733

PROFITABILITY					
Operating income, MEUR	30.5	25.5	-18.4	66.4	14.5
as percentage of net sales, %	1.4	1.4	-1.0	3.0	1.9
Income before taxes, MEUR	22.8	18.6	-30.7	54.4	9.8
as percentage of net sales, %	1.0	1.0	-1.6	2.5	1.3
Net income, MEUR	20.8	16.1	-32.0	37.2	5.0
as percentage of net sales, %	0.9	0.9	-1.7	1.7	0.7
Return on equity (ROE), %	8.1	7.4	-11.7	19.3	5.4
Return on investment (ROCE/ROI), %	10.4	9.2	-3.5	20.4	8.2
FINANCIAL RATIOS					
Current ratio	1.2	1.2	1.3	1.3	1.2
Solvency 1, %	33.4	36.6	39.6	35.1	27.5
Solvency 2, %	33.4	36.6	39.6	35.1	31.7
Gearing 1	0.0	-0.1	0.2	0.5	0.7
Gearing 2	0.0	-0.1	0.2	0.5	0.5
Interest-bearing liabilities, MEUR	56.1	42.6	75.8	182.3	89.3
Interest-bearing net debt, MEUR	-7.6	-33.4	39.4	150.5	68.8
PER SHARE DATA					
Earnings per share (EPS), EUR,	0.70	0.54	-1.08	1.38	0.21
Diluted earnings per share *), (EPS), EUR	0.63	0.48		1.33	
Shareholders' equity per share, EUR	8.64	8.40	7.99	9.37	5.04
Diluted shareholders' equity per share, EUR	7.87	7.47	7.11	9.07	0.0
Dividend per share **), EUR	0.90	0.40	0.00	0.38	0.11
Payout ratio **), %	131.0	73.5	0.0	30.0	51.0
Dividend yield **)	5.6	3.7	0.0	1.10	0.70
P/E ratio	22.7	19.7	-9.1	24.4	72.0
Share price					
* lowest share price, EUR	9.76	4.43	3.30	13.00	7.07
* highest share price, EUR	17.75	12.50	34.90	43.00	15.90
* average share price, EUR	12.75	8.75	11.92	30.26	9.42
* share price at the end of the year, EUR	15.98	10.80	10.00	33.50	15.20
Market capitalization					
* A share, MEUR	313.4	204.3	189.1	633.5	193.6
* K share, MEUR	169.0	114.2	105.8	354.3	160.8
* Total, MEUR	482.4	318.5	294.9	987.9	354.4

The market capitalizations of both classes of shares have been calculated using the closing share price of the series A shares at year-end.

Trading of shares					
* Number of shares traded	25,344,918	17,936,782	39,324,316	31,957,599	10,706,930
* As percentage of all A shares, %	129.2	94.8	207.9	169.0	84.1
Adjusted weighted average number of shares in issue during the period	29,572,826	29,491,652	29,491,373	26,944,809	23,315,500
Adjusted number of shares in issue at the end of the period	30,190,527	29,491,652	29,491,652	29,488,902	23,315,500

*) Diluted earnings per share (EPS) are not presented for 1999 and 2001 because they are higher than the undiluted EPS.
**) The dividend shown for 2003 represents the Board's proposal to the Annual General Meeting.

Elcoteq's 1998 and subsequent financial statements have been prepared in compliance with the Finnish Accounting Act, which came into effect on December 31, 1997.

OTHER COMMITMENTS

In calculating the value-added tax for China in 2003, Elcoteq has applied a method that has so far not received the written approval of the tax authorities. Should this approval not be forthcoming, the effect would be to reduce Elcoteq's result substantially. Elcoteq has estimated the risk to be small and has therefore made no provision.

The Chinese authorities have claimed value-added tax totaling roughly MEUR 8.3 from the Shenzhen GKI company, 70%-owned by Elcoteq, for the years 2001 and 2002. When the GKI companies were acquired, it was decided that the seller (IBM China) would be liable for 70% (i.e. its own holding) of all tax claims prior to December 31, 2002. Since the minority shareholder is liable for 30% of the risk, i.e. the minority holding, Elcoteq considers that it carries no significant risk in this matter. The matter has no impact on Elcoteq's result.

In 2003 Elcoteq acquired a 20% stake in ISIS Surface Mounting Inc. Elcoteq has the option, and in the event that ISIS fulfills certain profitability targets during 2004 also the obligation, to acquire the outstanding shares in this company. The book value of Elcoteq's 20% holding in ISIS Surface Mounting Inc. acquired in 2003 totals approx. MEUR 2.6.

APPENDIX 6

ASSETS PLEDGED AND CONTINGENT LIABILITIES, EUR 1,000

	Consolidated		Parent company	
	2003	2002	2003	2002
FOR OWN LIABILITIES				
Mortgages on real estate				
Mortgages	-	9,041	-	-
Mortgages on moveable assets				
Mortgages for other loans	-	4,541	-	4,541
Other pledges given as collateral				
Mortgages on moveable assets	-	336	-	336
ON BEHALF OF GROUP COMPANIES				
Guarantees	-	-	87,996	119,503
ON BEHALF OF OTHERS				
Guarantees	168	523	168	523
LEASING COMMITMENTS				
Operating leases, machinery				

and equipment (excl. VAT)	13,222	8,848	12,931	8,848
Rental commitments, real estate (excl. VAT)	20,571	17,443	3,885	4,540

DERIVATIVES CONTRACTS

Foreign currency derivative instruments				
Forward contracts on foreign currencies				
- Nominal value	189,745	168,118	181,090	157,018
- Book value	-4,013	-1,475	-4,143	-1,129
- Market value	-3,990	-1,540	-4,244	-1,201
Option contracts on foreign currencies				
- Nominal value, bought	1,584	11,309	-	9,402
- Nominal value, sold	2,375	2,861	-	-
- Book value, bought	0	4	-	-13
- Book value, sold	0	0	-	-
- Market value, bought	2	0	-	0
- Market value, sold	0	0	-	-

The fair value of forwards is calculated using the average official exchange rate on the balance sheet date. The fair value of options is the amount at which the options could be exchanged if closed on the balance sheet date.

APPENDIX 7

QUARTERLY FIGURES

	Q4/ 2003	Q3/ 2003	Q2/ 2003	Q1/ 2003	Q4/ 2002	Q3/ 2002	Q2/ 2002	Q1/ 2002
INCOME STATEMENT, MEUR								
NET SALES	**721.9**	**496.1**	**500.4**	**517.3**	**556.4**	**456.1**	**425.2**	**402.3**
Change in stock of work in progress and finished goods	13.0	5.0	3.8	-15.3	5.7	8.7	-6.7	3.5
Other income from operations	0.6	0.5	0.7	0.6	1.5	0.8	0.5	1.1
Operating expenses	-703.7	-480.7	-488.7	-483.4	-532.9	-441.1	-405.9	-400.7
Depreciation, amortization and writedowns	-14.9	-14.4	-14.5	-13.8	-12.6	-11.9	-11.9	-12.6
OPERATING INCOME	**16.9**	**6.6**	**1.7**	**5.3**	**18.1**	**12.7**	**1.2**	**-6.5**
% of net sales	2.3	1.3	0.3	1.0	3.3	2.8	0.3	-1.6
Financial income and expenses	-2.7	-1.5	-2.0	-1.5	-0.8	-2.0	-2.5	-1.6
INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**14.2**	**5.1**	**-0.3**	**3.8**	**17.3**	**10.7**	**-1.3**	**-8.1**
Income taxes	-1.2	3.6	-1.9	-2.0	3.0	-2.9	-0.7	0.5
Minority interests	-0.5	0.1	0.0	0.1	-0.7	-1.4	-0.4	0.0
NET INCOME	**12.5**	**8.8**	**-2.3**	**1.8**	**19.6**	**6.4**	**-2.4**	**-7.6**

BALANCE SHEET, MEUR	Q4/ 2003	Q3/ 2003	Q2/ 2003	Q1/ 2003	Q4/ 2002	Q3/ 2002	Q2/ 2002	Q1/ 2002
ASSETS								
Fixed assets								
Intangible assets	42.9	46.0	46.9	48.1	45.8	20.9	10,8	11,8
Tangible assets	148.0	134.0	130.5	139.6	147.6	139.5	144,6	157,8
Investments	14.9	1.1	1.2	0.8	0.8	0.8	0,9	0,7
Fixed assets, total	**205.8**	**181.1**	**178.6**	**188.6**	**194.2**	**161.2**	**156,3**	**170,3**
Current assets								
Inventories	267.0	200.1	158.9	176.5	197.5	180.4	152.2	169.2
Long-term receivables	9.3	8.8	4.0	4.8	6.9	1.7	5.1	4.3
Short-term receivables	256.7	221.0	222.6	222.8	235.2	176.9	161.2	173.5
Cash and cash equivalents	63.7	24.6	44.4	41.3	76.1	101.7	100.8	75.7
Current assets, total	**596.7**	**454.5**	**429.9**	**445.4**	**515.7**	**460.7**	**419.3**	**422.8**
ASSETS, TOTAL	**802.5**	**635.6**	**608.5**	**634.0**	**709.8**	**621.9**	**575.6**	**593.1**
SHAREHOLDERS' EQUITY AND LIABILITIES								
Shareholders' equity								
Share capital	12.1	11.8	11.8	11.8	11.8	11.8	11.8	11.8
Other shareholders' equity	248.8	230.1	222.0	225.3	235.8	217.7	210.7	216.5
Shareholders' equity, total	**260.9**	**241.9**	**233.8**	**237.1**	**247.6**	**229.5**	**222.5**	**228.3**
Minority interests	5.8	8.3	10.2	11.7	12.2	5.5	6.0	6.3
Provisions	2.1	1.0	0.7	0.9	1.4	3.3	2.0	2.6
Liabilities								
Long-term liabilities								
Long-term loans	36.5	21.8	22.1	22.4	22.7	36.5	37.5	35.4
Other long-term debt	5.7	5.3	3.5	3.0	2.9	1.2	1.3	1.3
	42.1	27.1	25.6	25.4	25.5	37.7	38.8	36.7
Current liabilities								
Current loans	19.3	10.9	46.2	44.4	20.5	34.8	31.4	37.6
Other current liabilities	472.4	346.4	292.0	314.4	402.6	311.1	274.8	281.7
	491.7	357.2	338.2	358.9	423.1	345.9	306.3	319.2
Liabilities, total	**533.8**	**384.3**	**363.8**	**384.3**	**448.6**	**383.6**	**345.1**	**355.9**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**802.5**	**635.6**	**608.5**	**634.0**	**709.8**	**621.9**	**575.6**	**593.1**
Personnel on average	12,864	11,132	10,566	10,210	8,734	7,781	7,731	8,020
Gross capital expenditure, MEUR	22.4	21.8	10.3	13.6	51.7	16.7	5.7	3.9
ROI/ROCE from 12 preceding months, %	10.4	11.3	13.0	12.7	9.2	4.4	-3.4	-5.6
Earnings per share (EPS), EUR	0.42	0.30	-0.08	0.06	0.66	0.22	-0.08	-0.26
Solvency ratio, %	33.4	39.4	40.1	39.3	36.6	37.8	39.7	39.6

NET SALES BY GEOGRAPHICAL AREA

	Q4/ 2003	Q3/ 2003	Q2/ 2003	Q1/ 2003	Q4/ 2002	Q3/ 2002	Q2/ 2002	Q1/ 2002
TP * Europe	350.4	229.1	218.4	203.7	289.6	225.0	188.5	156.6
Asia-Pacific	183.6	153.7	161.7	199.2	129.5	115.3	104.5	121.3
Americas	66.6	21.2	16.6	12.1	20.1	15.5	21.3	26.0
CNE/IE ** Europe	121.4	92.1	103.6	102.3	117.3	100.4	110.9	98.4

* Terminal Procucts
** Communications Network Equipment / Industrial Electronics

NET SALES BY BUSINESS AREA

	Q4/ 2003	Q3/ 2003	Q2/ 2003	Q1/ 2003	Q4/ 2002	Q3/ 2002	Q2/ 2002	Q1/ 2002
Terminal Products	589.4	391.6	388.9	410.0	423.3	339.3	300.7	285.6
Communications Network Equipment	84.2	60.2	60.8	55.1	67.6	59.5	61.9	54.9
Industrial Electronics	48.4	44.3	50.6	52.2	65.6	57.4	62.6	61.8