

ELCOTEQ'S INTERIM REPORT JANUARY-SEPTEMBER 2002 (Unaudited)

July - September

- Third-quarter net sales MEUR 456.1 (+7 %)
- Operating profit improved substantially on second quarter to MEUR 12.7 (MEUR -16.1). Pretax profit totaled MEUR 10.7 (MEUR -19.1)
- Earnings per share (EPS) EUR 0.22 (EUR -0.58)
- Cash flow after investments MEUR 1.6 positive (MEUR 21.7)
- Return on investment (ROI/ROCE) (trailing 12-month) 4.4 % (0.3 %)
- The Group had no interest-bearing net debt, gearing was -0.1 (0.4)

January - September

- January-September net sales totaled MEUR 1,283.6 (-3.6 %)
- Operating profit MEUR 7.4 (MEUR -23.3). Pretax profit MEUR 1.3 (MEUR -33.6)
- Earnings per share (EPS) EUR -0.12 (EUR -1.09)
- Cash flow after investments MEUR 71.3 positive (MEUR 65.5)

(The period for comparison is the same period in 2001 unless stated otherwise.)

July-September: net sales and result

Third-quarter net sales, and especially the result, improved on last year's third quarter. Net sales totaled MEUR 456.1 (MEUR 427.7), representing growth of approximately 7 % compared to both the same period last year and the second quarter of 2002. The Group's operating profit improved significantly and amounted to MEUR 12.7 (MEUR -16.1), owing among other things to an increase in sales volume and the impact of the 2001 adjustment program. The operating profit also included changes to provisions and other non-recurring items, making a net total of approximately MEUR +4.5. The pretax profit was MEUR 10.7 (MEUR -19.1) and earnings per share EUR 0.22 (EUR -0.58).

The volume of offers swelled during the third quarter due both to Elcoteq's enhanced competitive efficiency and to growth in demand based on seasonal fluctuations. The Group's capacity utilization rose to almost 45 % by the end of the reporting period having averaged approximately 35 % during the previous six months of the year. This increase was particularly evident in Europe and China. Capacity utilization in Mexico is still low.

January-September: net sales and result

Net sales between January and September totaled MEUR 1,283.6 (MEUR 1,330.9) and the operating profit was MEUR 7.4 (MEUR -23.3). The pretax profit was MEUR 1.3 (MEUR -33.6). Earnings per share totaled EUR -0.12 (EUR -1.09).

Gross capital expenditure on fixed assets between January and September amounted to MEUR 26.3 (MEUR 34.8), representing 2.0 % of net sales. Depreciation totaled MEUR 36.4 (MEUR 35.7). The largest investment was acquiring the R&D capacity of Benefon. In August Elcoteq signed a preliminary agreement with a French company on the sale of the factory property in Wroclaw, Poland. This divestment still requires the approval of the Polish authorities.

Cash flow continued to be positive. Cash flow before financing activities was MEUR 71.3 (MEUR 65.5). The balance sheet remained strong, the solvency ratio standing at 37.8 % (36.9 %). The Group had no interest-bearing net debt at the end of the third quarter. Unused credit limits amounted to MEUR 156.4 (MEUR 156.2 at the close of the previous quarter). MEUR 96.1 of the Group's trade receivables had been sold by the end of September (MEUR 102.9 at the close of the previous quarter and MEUR 81.2 at the end of 2001).

Personnel

The Group had 7,935 employees (9,016) at the end of September, 1,019 (1,048) of whom worked in Finland and 6,916 (7,968) in other countries. Personnel was distributed geographically as follows: Europe 5,764 (6,318), Asia 1,682 (2,003) and the Americas 477 (695). Personnel averaged 7,866 (10,423) between January and September.

Business areas

Elcoteq's largest customers are companies belonging to the Ericsson and Nokia groups and accounted for 86 % (84 %) of Elcoteq's total net sales between January and September. Terminal Products represented 74 % (75 %) of third-quarter net sales, Communications Network Equipment 13 % (11 %) and Industrial Electronics 13 % (14 %).

All Elcoteq's business areas are making continued efforts to broaden their customer bases and the volume of offers is strong. In August the Group started shipments to the French company Wavecom. The agreement, under which Elcoteq will manufacture mobile phone modules at its Beijing plant in China, will have a moderately positive impact on Elcoteq's fourth-quarter net sales and profits. Its affect during 2003 is expected to be significant.

Net sales of the Terminal Products business area between July and September totaled MEUR 339.3 (MEUR 320.8), an increase of approximately 6 % on the same period last year and roughly 13 % compared to the second quarter this year. Underlying this growth is stronger than expected demand especially in Europe and China. Terminal Products' sales during the final quarter are expected to grow in line with typical seasonal trends in this sector and the business unit's full-year sales are estimated to exceed EUR 1.3 billion.

Communications Network Equipment's net sales increased roughly 26 % compared to the same period last year and totaled MEUR 59.5 (MEUR 47.0). With respect to Q2/2002, however, net sales fell approximately 4 % although Elcoteq strengthened its market share in a market that was uncertain and even declining in volume. Fourth-quarter net sales is expected to rise only slightly on the third quarter but an increase of approximately 35-40 % is forecast in this business area's overall net sales for 2002 compared to 2001.

The Industrial Electronics business area posted net sales of MEUR 57.4 (MEUR 59.9) between July and September, down approximately 4 % on the same period last year and roughly 8 % on the second quarter of 2002 mainly as a result of measures taken to rationalize business operations. Net sales in the final quarter will remain on a par with the third quarter. Under Elcoteq's refined strategy and organization this business area has assumed a more independent role and consequently Industrial Electronics is able to focus its manufacturing, services and their development more effectively in line with customer demands.

Implementation of strategy under way

Under Elcoteq's refined strategy the company's goal is to become the world's leading EMS (electronics manufacturing services) provider to communications technology customers. This clearly focused strategy, which targets a specific customer segment, differentiates Elcoteq from other large EMS companies. In addition to gaining a leading market position the new strategy also calls for growth and higher profitability.

Implementation of the strategy has only just started and its impact on the company's performance will become fully visible in the years ahead.

To reach its goals Elcoteq will need to build the most competitive service portfolio in the business. Related to this process Elcoteq acquired 75 % of the R&D capacity of Finnish mobile phone manufacturer Benefon in August in order to increase the design knowhow Elcoteq can offer its mobile phone customers. Elcoteq continues to further broaden its service offering to ensure the company can globally provide solutions for the whole lifecycle of its customers' products from design to after-sales services. Elcoteq has begun to build up a global sourcing network in order to develop its sourcing capabilities.

Broadening the customer base occupies a central role in Elcoteq's refined strategy. This year Elcoteq has boosted its sales resources in all geographical areas and embarked on resolute measures to raise awareness of the company and strengthen its corporate image.

Although implementation of the strategy has only just started Elcoteq's clear strategic focus and its determination to enhance its service portfolio and expertise within the focus area have already aroused positive interest among customers. The amount of requests for offer, and also the number of offers made, continued to be high. Apart from Elcoteq's customers, the refined strategy has also been introduced to the capital markets and the company's employees in all units.

Prospects

Elcoteq has laid the foundation for its long-term business development during 2002. Fourth-quarter net sales is expected to reach the same level as in Q4/2001, when net sales totaled MEUR 532. The result for the period is forecast to roughly equal the level in Q3/2002. Hence, the company estimates that its net sales for the full year will exceed EUR 1.8 billion and its result will be positive.

Although the EMS markets will barely grow during 2002, market surveys forecast that the sector will continue to show annual growth of approximately 25 % in the years ahead. Elcoteq's refined strategy lays emphasis on growth and higher profitability. The company's growth targets, however, are not based primarily on market growth but on improved competitive efficiency resulting from the impact of its refined strategy. Elcoteq intends to continue growing in co-evolution with its existing customers, although it is equally important to broaden the customer base and raise the proportion of business volume contributed by new customers, both through active sales work and possibly also acquisitions.

Elcoteq will publish its 2002 financial statements bulletin at 9.00 am (Eastern European Time) on February 6, 2003.

Espoo, October 23, 2002

Lasse Kurkilahti
President and CEO

Further information:

Lasse Kurkilahti, President and CEO, tel. +358 10 413 11

Osmo Kammonen, Senior Vice President, Communications and IR, tel. +358 10 413 1406, GSM +358 50 593 0770

Press conference

Elcoteq will hold a press conference for media representatives in the Paavo Nurmi Cabinet of the Hotel

Kämp, Pohjoisesplanadi 29, Helsinki, starting at 1.00 pm Eastern European Time on Thursday, October 24, 2002.

Conference call for analysts and fund managers

A separate conference and conference call will be held in English for analysts and fund managers in the Paavo Nurmi Cabinet of the Hotel Kämp, Pohjoisesplanadi 29, Helsinki, starting at 2.30 pm Eastern European Time (12.30 pm UK time) on Thursday, October 24, 2002.

To participate by phone, please call +44 20 8240 8243, code Elcoteq. A taped recording of the teleconference will be available for three banking days after the call on +44 20 8288 4459, code 303 442.

The following average conversion rate is used in this interim report:

1 EUR = 0.9860 USD

Enclosures:

- 1 Income Statement
- 2 Balance Sheet
- 3 Cash Flow Statement
- 4 Key Figures
- 5 Assets Pledged and Contingent Liabilities
- 6 Quarterly Figures

APPENDIX 1

INCOME STATEMENT, MEUR	1-9/2002	1-9/2001	Change-%	1-12/2001
NET SALES	1,283.6	1,330.9	-3.6	1,862.5
Change in stock of work in progress and finished goods	5.5	4.4	25.2	-10.3
Other income from operations	2.4	23.0	-89.4	27.4
Operating expenses	-1,247.8	-1,334.2	-6.5	-1,837.8
Restructuring costs	-	-11.8		-11.8
Depreciation and writedowns	-36.4	-35.7	2.0	-48.4
OPERATING PROFIT/LOSS	7.4	-23.3		-18.4
% of net sales	0.6	-1.7		-1.0
Financial income and expenses	-6.1	-10.3	-41.0	-12.3
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS AND TAXES	1.3	-33.6		-30.7
Income taxes *	-3.1	2.5		0.2
Minority interests	-1.8	-1.0	82,5	-1.4
NET LOSS FOR THE PERIOD	-3.6	-32.1		-32.0

*) Reported taxes represent income tax for the period.

APPENDIX 2

BALANCE SHEET, MEUR	Sept. 30, 2002	Sept. 30, 2001	Change-%	Dec. 31, 2001
ASSETS				
Fixed assets				
Intangible assets	33.0	24.8	33.4	25.2
Tangible assets	127.4	154.3	-17.5	153.1
Investments	0.8	0.6	35.4	0.6
Fixed assets, total	161.2	179.7	-10.3	178.9
Current assets				
Inventories	180.4	198.6	-9.2	177.7
Long-term receivables	1.7	6.3	-73.3	3.2
Short-term receivables	176.9	226.5	-21.9	214.4
Cash and cash equivalents	101.7	38.0	167.7	36.4
Current assets, total	460.7	469.4	-1.9	431.7
ASSETS, TOTAL	621.9	649.1	-4.2	610.7
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	11.8	11.8	0.0	11.8
Other shareholders' equity	217.7	222.2	-1.9	223.9
Shareholders' equity total	229.5	234.0	-1.9	235.7
Minority interests	5.5	5.6	-1.3	6.3
Provisions	3.3	7.2	-54.9	3.1
Liabilities				
Long-term liabilities				
Long-term loans	36.5	48.8	-25.2	37.3
Other long-term debt	1.2	2.0	-41.5	1.3
	37.7	50.9	-25.9	38.6
Short-term liabilities				
Short-term loans	34.8	86.4	-59.7	39.1
Other short-term debt	311.1	265.0	17.4	287.9
	345.9	351.4	-1.6	327.0
Liabilities, total	383.6	402.3	-4.6	365.6
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	621.9	649.1	-4.2	610.7

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT, MEUR

	1-9/2002	1-9/2001	Change-%	1-12/2001
Cash flow before change in working capital	47.5	18.7	154.7	24.2
Change in working capital *)	52.6	125.4	-58.0	180.1
Financial items and taxes	-8.1	-20.5	-60.3	-14.0
Cash flow from operating activities	92.0	123.6	-25.5	190.3
Cash flow from investing activities	-20.7	-58.1	-64.4	-66.9
Cash flow before financing activities	71.3	65.5	8.9	123.4

*) The change in working capital includes the change in sold accounts receivable. The impact of this change is to improve cash flow by MEUR 14.9 during the reporting period 1-9/2002 and to weaken by MEUR 3.2 during 1-9/2001.

APPENDIX 4

KEY FIGURES	1-9/2002	1-9/2001	Change-%	12/2001
Personnel on average during the period	7,866	10,423	-24.5	9,960
Gross capital expenditure, MEUR	26.3	34.8	-24.3	45.1
Return on equity (ROE), %	-0.7	-12.0		-11.7
Return on investment (ROI/ROCE), %	3.1	-4.6		-3.5
From 12 preceding months:				
Return on equity (ROE), %	-0.6	-7.7		-11.7
Return on investment (ROI/ROCE), %	4.4	0.3		-3.5
Earnings per share (EPS), EUR	-0.12	-1.09		-1.08
Current ratio	1.3	1.3		1.3
Solvency ratio, %	37.8	36.9		39.6
Gearing	-0.1	0.4		0.2
Equity per share, EUR	7.78	7.93	-1.9	7.99
Interest-bearing liabilities, MEUR	70.8	134.5	-47.4	75.8
Interest-bearing net debt, MEUR	-30.9	96.5		39.4
Non-interest-bearing liabilities, MEUR	312.8	267.8	16.8	289.8

APPENDIX 5

ASSETS PLEDGED AND CONTINGENT LIABILITIES, MEUR

	Sept. 30, 2002	Sept. 30, 2001	Change-%	Dec. 31, 2001
FOR OWN LIABILITIES				
Mortgages on real estate				
Loans from credit institutions	0.6	1.9	-68.4	1.3
Mortgages	9.0	9.3	-3.2	9.3
Mortgages on moveable assets				
Mortgages for other loans	4.5	6.7	-32.8	4.5
Other pledges given as collateral				
Mortgages on moveable assets	0.3	2.0	-85.0	0.3
ON BEHALF OF OTHERS				
Guarantees	0.4	0.6	-33.3	0.5
LEASING COMMITMENTS				
Operating lease, machinery and equipment (excl. VAT)	10.7	19.7	-45.7	16.3
Rental commitments, real estates (excl. VAT)	18.3	33.9	-46.0	27.0
	Sept. 30, 2002	Sept. 30, 2001	Change-%	Dec. 31, 2001
DERIVATIVE CONTRACTS				
Foreign currency derivative instruments				
Foreign currency forward contracts				
- Nominal value	144.5	170.5	-15.2	163.7
- Book value	-	-0.5		-1.5
- Market value	-	-0.4		-1.3
Foreign currency option contracts				
- Nominal value	20.1	40.8	-50.7	24.9
- Book value	-0.1	-0.1		-0.3
- Market value	-0.1	-1.0		-0.3
Interest rate derivative instruments				
- Nominal value	-	147.2		145.4
- Book value	-	-		-0.1
- Market value	-	-		-0.2
Interest rate and foreign exchange swap contracts				
- Nominal value	0.8	2.5	-68.0	1.7
- Book value	0.2	0.8	-75.0	0.6
- Market value	0.2	0.8	-75.0	0.6

The market value shows the realizable amount at which the instrument could be exchanged in a current transaction between willing parties if these instruments were closed off at the balance sheet date. The realizable amount also includes accrued interest.

OTHER COMMITMENTS

Elcoteq has received official approval for its method of treating value-added tax in China in 2001. The approval process for VAT treatment in 2002 is in progress. The company estimates the risk to be small and the previously entered provision has been reversed.

APPENDIX 6

QUARTERLY FIGURES

INCOME STATEMENT, MEUR

	Q3/ 2002	Q2/ 2002	Q1/ 2002	Q4/ 2001	Q3/ 2001	Q2/ 2001	Q1/ 2001
NET SALES	456.1	425.2	402.3	531.6	427.7	433.3	469.9
Change in stock of work in progress and finished goods	8.7	-6.7	3.5	-14.7	1.4	-3.0	6.0
Other income from operations	0.8	0.5	1.1	4.4	3.9	7.7	11.4
Operating expenses	-441.1	-405.9	-400.7	-503.8	-424.3	-437.3	-472.5
Restructuring costs	-	-	-	-	-11.8	-	-
Depreciation and writedowns	-11.9	-11.9	-12.6	-12.7	-12.9	-11.6	-11.2
OPERATING PROFIT/LOSS	12.7	1.2	-6.5	4.9	-16.1	-10.8	3.6
% of net sales	2.8	0.3	-1.6	0.9	-3.8	-2.5	0.7
Financial income and expenses	-2.0	-2.5	-1.6	-2.0	-3.1	-2.9	-4.3
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS AND TAXES	10.7	-1.3	-8.1	2.9	-19.1	-13.8	-0.7
Income taxes	-2.9	-0.7	0.5	-2.3	2.6	1.2	-1.3
Minority interests	-1.4	-0.4	0.0	-0.4	-0.5	-0.5	0.0
NET PROFIT/LOSS	6.4	-2.4	-7.6	0.1	-17.0	-13.1	-2.0

BALANCE SHEET, MEUR

	Q3/ 2002	Q2/ 2002	Q1/ 2002	Q4/ 2001	Q3/ 2001	Q2/ 2001	Q1/ 2001
ASSETS							
Fixed assets							
Intangible assets	33.0	22.9	23.9	25.2	24.8	24.3	13.0
Tangible assets	127.4	132.5	145.6	153.1	154.3	164.9	175.7

Investments	0.8	0.9	0.7	0.6	0.6	0.6	0.5
Fixed assets, total	161.2	156.3	170.3	178.9	179.7	189.8	189.2
Current assets							
Inventories	180.4	152.2	169.2	177.8	198.6	253.4	275.1
Long-term receivables	1.7	5.1	4.3	3.2	6.3	3.6	1.3
Short-term receivables	176.9	161.2	173.5	214.2	226.5	218.8	346.2
Cash and cash equivalents	101.7	100.8	75.7	36.4	38.0	27.5	19.2
Current assets, total	460.7	419.3	422.8	431.7	469.4	503.3	641.8
ASSETS, TOTAL	621.9	575.6	593.1	610.7	649.1	693.1	831.1

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity							
Share capital	11.8	11.8	11.8	11.8	11.8	11.8	9.9
Other shareholders' equity	217.7	210.7	216.5	223.9	222.2	242.0	255.2
Shareholders' equity, total	229.5	222.5	228.3	235.7	234.0	253.8	265.1
Minority interests	5.5	6.0	6.3	6.3	5.6	5.5	4.8
Provisions	3.3	2.0	2.6	3.1	7.2	0.0	0.0
Liabilities							
Long-term liabilities							
Long-term loans	36.5	37.5	35.4	37.3	48.8	48.7	49.9
Other long-term debt	1.2	1.3	1.3	1.3	2.0	2.1	2.1
	37.7	38.8	36.7	38.6	50.9	50.8	52.0
Short-term liabilities							
Short-term loans	34.8	31.4	37.6	39.1	86.4	119.6	210.2
Other short-term debt	311.1	274.8	281.7	287.8	265.0	263.3	299.0
	345.9	306.3	319.2	327.0	351.4	382.9	509.2
Liabilities, total	383.6	345.1	355.9	365.6	402.3	433.8	561.2

SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	621.9	575.6	593.1	610.7	649.1	693.1	831.1
--	--------------	--------------	--------------	--------------	--------------	--------------	--------------

Personnel on average during the period	7,781	7,731	8,020	8,699	9,409	10,352	11,360
Gross capital expenditure, MEUR	16.7	5.7	3.9	10.3	7.9	8.4	18.5
ROCE/ROI from 12 preceding months, %	4.4	-3.4	-5.6	-3.5	0.3	8.4	14.6
Earnings per share (EPS), EUR	0.22	-0.08	-0.26	0.00	-0.58	-0.44	-0.07
Solvency ratio	37.8	39.7	39.6	39.6	36.9	37.4	32.5

NET SALES BY BUSINESS AREA

	Q3/ 2002	Q2/ 2002	Q1/ 2002	Q4/ 2001	Q3/ 2001	Q2/ 2001	Q1/ 2001
Terminal Products	339.3	300.7	285.6	413.6	320.8	341.9	380.6
Communication Network Equipment	59.5	61.9	54.9	51.6	47.0	34.7	37.6
Industrial Electronics	57.4	62.6	61.8	66.5	59.9	56.7	51.7

NET SALES BY GEOGRAPHICAL AREA

	Q3/ 2002	Q2/ 2002	Q1/ 2002	Q4/ 2001	Q3/ 2001	Q2/ 2001	Q1/ 2001
Europe	272.0	238.2	196.8	221.1	146.7	178.8	244.7
Asia	115.3	104.5	121.3	214.9	174.5	136.8	122.2
Americas	15.5	21.3	26.0	39.1	46.4	55.3	49.8
Industrial Electronics, Europe *	53.4	61.2	58.2	56.5	60.1	62.4	53.2

*) The figures for Asia and Americas include the Industrial Electronics' customers in these Geographical Areas.