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ELCOTEQ

Corporate
Responsibility



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Elcoteq in the SRI Index



Kempen Asset Management and SNS Asset Management selected Elcoteq for membership of the new Kempen/SNS Smallcap SRI (Socially Responsible Investment) Europe index in 2003. Membership is granted only to companies that meet the index's stringent criteria on business ethics, human resources and the environment.

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Group Office

Elcoteq Network Corporation
P.O. Box 8
Sinimäentie 8B
FI-02631 Espoo, Finland
Tel. +358 10 41 311
Fax +358 10 413 1209

E-mail

info@elcoteq.com
environment@elcoteq.com

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Dear Reader,

You have before you Elcoteq's first corporate responsibility report. Until now, we have addressed the various aspects of corporate responsibility in our annual report but, as our operations have expanded and the number of our stakeholders has increased, we wish to broaden the way we deal with corporate responsibility as well. The purpose of this publication is to describe to our stakeholders the principles we apply in meeting our corporate responsibilities and the action we have taken so far.

Elcoteq follows the sustainability reporting guidelines of the Global Reporting Initiative (GRI). In this publication we have defined the aspects of corporate responsibility relevant to our company and set ourselves a starting level for monitoring and developing these aspects. In the following pages we give particular priority to examining issues concerning environmental and social responsibility. On the environmental side, our strategic goal is to ensure continuous improvement of our environmental management, compliance with legislation and the requirements of our customers, and good business practice. Where social responsibility is concerned, we aim to ensure the well-being of our employees and to respect human rights and local cultures. In our social responsibility reporting we have placed particular emphasis on charting the current situation with respect to our employees.

Elcoteq is a truly global corporation. At the moment we operate in twelve countries on four continents. We are aware of the responsibilities that global operations impose on us and we wish to be a good corporate citizen in all the societies where we are present.

Our entire operation is founded on Elcoteq's values, strategy and efficient management and administrative practices. Making our strategy and goals a reality requires a competent and continuously developing workforce. On the other hand, working in a multicultural company sets new requirements for social responsibilities. One of our competitive advantages is consistency, which leads us to apply the same harmonized models in all our countries of operation. Similarly, our principle of co-evolution guides us to work in a spirit of confidentiality and trust both internally and with our customers.

Intensifying international competition, globalization, and the transfer of production to new regions sets new demands on how companies, Elcoteq included, operate. The need to broaden our service offering and emphasize our unique competencies guides us to establish new jobs in places where a skilled, motivated and hard-working labor force is available.

Operating successfully in a multicultural environment requires us to apply a common set of values that include honesty, care for the operating environment, a commitment to continuously develop operating practices, and observing the needs of our various stakeholders. By operating in a responsible and profitable way we will safeguard our future success.

Jouni Hartikainen
President and CEO



Corporate Responsibility at Elcoteq

Corporate responsibility has become an increasingly important factor for companies and the demands placed on reporting have grown. In previous years Elcoteq has addressed corporate responsibility issues in its annual report. However, since the company's operations have broadened in scope and now affect an ever wider range of stakeholders, the annual report alone is no longer an adequate tool for this task. The purpose of this publication, therefore, is to describe to Elcoteq's stakeholders the principles applied by the company and what it has achieved so far in the various areas of corporate responsibility.

Dimensions of corporate responsibility

Corporate responsibility means taking responsibility for the impacts of the company's operations on both its local community and on the company's stakeholders. Corporate responsibility covers three dimensions: economic, social and environmental sustainability. In Elcoteq, responsibility for addressing these three dimensions is integrated in the company's management models, corporate governance, and the principles and systems that are derived from them.

The economic dimension of corporate responsibility means taking care of the company's profitability and competitive efficiency in accordance with the principles of sustainable development. This means meeting the return on investment expectations of the company's shareholders, along with creating wellbeing in the company and the communities in which it operates.

The social dimension of sustainability concerns the wellbeing of the company's employees, ethical business practice, observing the values and expectations of the company's various stakeholders in decisions and communications, and supporting non-profit

good causes. Elcoteq's aim in this context is to ensure the wellbeing of its employees, and to respect human rights and local cultures in all its operating locations.

The environmental dimension covers responsibility for the company's impacts on

living and non-living natural systems. The goals of Elcoteq's environmental responsibility activities are continuous improvement of its environmental performance, compliance with legal regulations and customers' requirements, and good business practices.



Reporting Principles

This publication on corporate responsibility is based on the Global Reporting Initiative (GRI) guidelines for international sustainable development, but it does not yet cover all the key performance indicators recommended by the GRI. Elcoteq's aim is to further develop its corporate responsibility reporting to meet the GRI guidelines even more closely. A comparison of the contents of this publication with the GRI guidelines is given on page 26.

Scope of reporting

The indicators presented in this report were chosen by comparing Elcoteq's indicators with the GRI guidelines and the availability of information. The choice of indicators was also affected by the nature of Elcoteq's business and what is of central importance to it.

This publication focuses on describing the company's social and environmental management systems and the performance indicators used in them. Reporting of economic responsibility concentrates on the direct financial impacts of the company's operations. The report does not cover the indirect impacts of economic responsibility. The main emphasis in this report is on the results and events of 2003.

The economic and social responsibility sections of this report apply to the entire Group. The environmental section covers the company's manufacturing plants and New Product Introduction (NPI) centers. When an NPI center is located in the same premises with a manufacturing plant, the environmental results are reported as one figure to the environmental database.

Gathering of information

Elcoteq has chosen from the GRI guidelines the indicators that best match its operations. The company does not report indicators on which it is unable to gather information by reasonable means.

Information on economic responsibility

The information on economic responsibility presented in this report is based on Elcoteq's accounting procedures and official financial statements.

Information on social responsibility

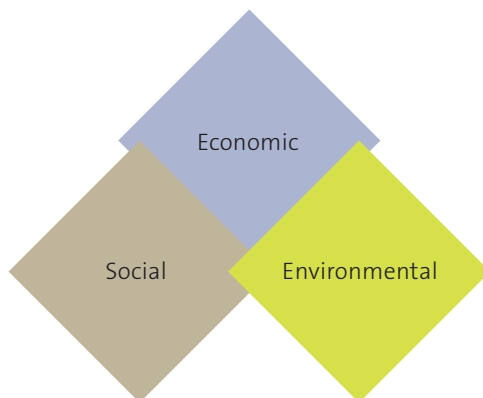
The information on social responsibility is based on Elcoteq's internal human resources reporting system.

Information on environmental responsibility

Elcoteq operates a global environmental database (E-Data) which primarily contains the environmental information reported by the manufacturing plants. Elcoteq uses this database to monitor its environmental indicators quarterly. The indicators are used to measure and assess environmental management at the plants, their use of natural resources and waste management, and the indirect environmental impacts of the plants. Environmental responsibility reporting is based on the information contained in this database.

Reliability of information

The information in this publication has not been externally audited. Elcoteq is continuously developing its internal procedures to ensure the quality and reliability of information.



Elcoteq in Brief

Elcoteq Network Corporation is a globally operating electronics manufacturing services (EMS) company focusing on communications technology products and customers. The Group operates in 12 countries on four continents and employs approximately 16,500 people. Elcoteq's net sales in 2003 totaled MEUR 2,235.7 (MEUR 1,840.2 in 2002). Elcoteq ranks among the world's leading EMS providers and is clearly the largest European company in its field. Elcoteq is listed on the Helsinki Exchanges.

Business areas

Elcoteq's strategy is to focus on communications technology products. The company's aim is to offer customers in this segment the most comprehensive possible range of services. Elcoteq's customer portfolio includes Andrew Corporation, Ericsson, Huawei, KATHREIN, NEC, Nokia, Siemens and Sony Ericsson.

Elcoteq has two business areas: Terminal Products and Communications Network Equipment. Terminal Products contribute 80% to Group net sales and Communications Network Equipment 20%.

The principal product group of Terminal Products is mobile phones, their modules and accessories but the product range also includes other terminal devices such as digital receivers and PDAs.

Communications Network Equipment's customers are primarily suppliers of mobile phone networks, wireless local area networks (WLANs) and broadband networks.

Service offering

Elcoteq provides design, NPI (New Product Introduction), sourcing, manufacturing, supply chain management and after-sales ser-

vices for the whole lifecycle of its customers' products.

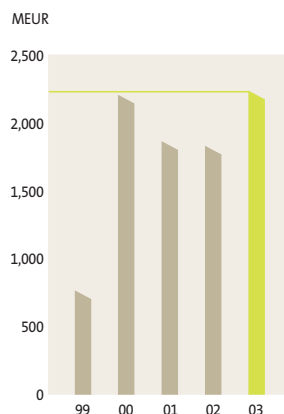
Elcoteq Design Center, which is specialized in design services for mobile phones, operates in Finland and Russia. Elcoteq also provides after-sales services in Hungary and Mexico.

Elcoteq's volume manufacturing plants are located in Estonia, Russia, Hungary, China and Mexico. The company's new product introduction (NPI) centers, which focus on industrialization and manufacturing proto-

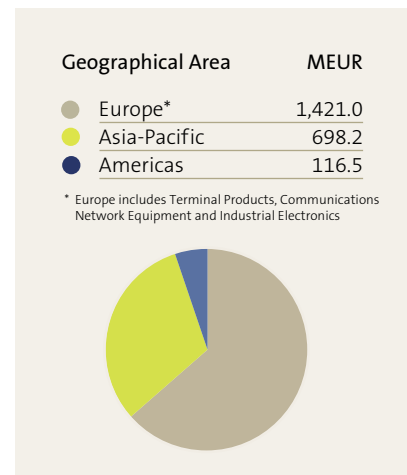
types, are located in Finland, Estonia, Germany, Hungary, the USA, Mexico, and China. Elcoteq's manufacturing plants have an aggregate floor area of approximately 190,000 square meters.

In 2004 Elcoteq has announced its intentions to begin manufacturing operations in India and Brazil. The company has also announced plans to build a 15,000 square meter manufacturing plant in St. Petersburg, Russia. This plant is expected to be operational during fall 2005.

Net Sales in 1999-2003



Net Sales in 2003



Strategy and Values

Elcoteq's strategy is to concentrate on serving communications technology customers as in this way the company can best exploit its experience and expertise in wireless communications products. Elcoteq believes that by targeting investments on, and developing services for, this specifically chosen segment it will gain a clear competitive edge that will strengthen its market position.

Cornerstones of the strategy

Profitable Growth

We are targeting profitable growth both organically and through acquisitions. We wish to be so competitive that our growth is not dependent on market trends. That way we serve the interests of our shareholders, customers and other stakeholders.

Focus on Communications Technology

We wish to be the world's best EMS provider to communications technology customers. We concentrate on terminal products, cellular networks, broadband networks and wireless local area networks.

Wide Service Range

We wish to provide a full range of services that fulfills our customers' needs. In particular we are developing design and NPI services, sourcing, and after-sales services to meet the demand and the evolving needs of our customers.

Balanced Customer Base

We are expanding our customer base by attracting new customers especially among

global and medium-sized companies. This also enables us to assess our own know-how, balance our operations and spread our risks.

Strong company image

We are actively marketing our services and building a strong corporate identity. We wish to be known as a unique, highly skilled and global EMS provider in communications technology.

Values

Shared values underly all Elcoteq's activities. These values act as the principles that guide our choices and the actions we take to reach our goals.

Customer satisfaction

We know our customers' needs and respond to them quickly. We consistently deliver the best possible service, expertise, quality, delivery times, and cost efficiency. We keep our promises. Our customer relationships are based on commitment, mutual trust, openness and co-evolution.

Committed personnel

We respect our colleagues. Initiative, sharing of ideas, and the give and take of responsibility form the basis for the entrepreneurial spirit that is valued at Elcoteq. We strive for rewarding good performance.

Ethical conduct of business

Conducting business with integrity means that we take care of the environment under our influence and always consider and encourage positive developments in our social locality.

Continuous improvement

Our aim is to be a worldclass electronics manufacturer. Recognizing the need for change and development makes us continually focus on developing our personnel and discovering new methods of improving operations and then implementing them rapidly and with full commitment.

Result orientation

We are committed to our goals and to increasing the value of the company through profitable and successful business practices.

Corporate Governance

Elcoteq's corporate governance is based on Finnish law and the company's articles of association, supported by the company's operating principles and guidelines, values, strategy and vision. Elcoteq complies with the new recommendations on the corporate governance of listed companies issued by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers that came into force on July 1, 2004. Elcoteq also applies the insider guidelines of the Helsinki Exchanges.

Elcoteq's global scope of operations and the rapid pace of change in the company's operating environment call for flexibility and fast responsiveness. Elcoteq is continuously monitoring and developing its strategy and organization to ensure that the company effectively fulfills the demands of its various stakeholders and reaches its goals.

Board of Directors

Responsibility for the management of the company and the appropriate organization of its operations lies with the Board of Directors, which in accordance with the company's articles of association has at least four and at most eight members. The Board's working procedures require that a majority of the Board members are independent, non-executive directors and that at least two members from this majority are independent of the company's principal shareholders.

At its first meeting following the Annual General Meeting the Board elects a chairman and a deputy chairman from among its members and decides on the appointment of committees. The regularly established Board's committees are the Working, Audit, Compensation and Nomination Committees.

The matters regularly addressed at the Board's meetings include the company's strategy, financial performance, significant investments and organizational development.

Organization and management

Elcoteq revised its group organization in autumn 2004 to make strategy implementation more effective, to broaden the company's customer base and degree of internationalization, and to accelerate decision-making.

The company's Management Team (EMT) comprises the President and CEO, the Chief Operating Officer, the Chief Financial Officer, the Senior Vice President Sales and Marketing, the Senior Vice President Corporate Development, and a new Senior Vice President, Human Resources. All EMT members report to the President and CEO. The EMT meets monthly and its main tasks are strategy formulation, and assuring and monitoring the company's financial performance.

Supplementing the Elcoteq Management Team, the company also has a Management Conference (MC) which convenes at the request of the President and CEO 3-4 times a year. The purpose of the MC meetings is to

plan operations and to communicate information to the company's senior management.

Business and geographical areas

The company has organized its operations primarily into two business areas, Terminal Products and Communications Network Equipment, as well as into three geographical areas: Europe, Americas, and Asia-Pacific.

The heads of the business areas are responsible for developing the operations, service offering, value propositions and partnership networks of their areas, and for ensuring the global consistency of Elcoteq's operations. The heads of the geographical areas are responsible for the sales, production and financial performance of their respective areas.

More information on Elcoteq's corporate governance, organization and management can be found at www.elcoteq.com in the Investors section.



Management Systems

Elcoteq's global management system is designed to ensure that the company attains its strategic goals and that the same operating principles are applied in all countries of operation with respect to economic, social and environmental performance, giving appropriate attention to the requirements of local legislation.

The management system's policies and requirements are defined in the Elcoteq Manual and apply to all the company's units and operations worldwide. The Manual also describes the company's key business processes and their guidelines. The Elcoteq Manual is available to all Elcoteq employees on the company's intranet. Policy implementation and compliance with the guidelines are monitored by both internal and external audits.

Elcoteq's management system has ISO 9001:2000 and ISO 14001 certification. The management systems at the manufacturing plants in Hungary and Mexico are also ISO/TS 16949 certified. The ISO 9001:2000 and ISO 14001 certificates were updated in early 2004 to ensure that all units now have one common certificate.

Corporate responsibility

A number of working groups were involved in drawing up Elcoteq's corporate responsibility policy during 2003. The policy was approved by the company's Board of Directors in December 2003. The corporate responsibility policy describes how the company manages its operations ethically and in accordance with its core values. The policy covers the three areas of corporate responsibility: economic, social and environmental performance. Its purpose is also to meet the various requirements of the company's different

stakeholders. The corporate responsibility policy was introduced to Elcoteq employees in August 2004.

Environmental management

Elcoteq updated its environmental policy at the end of 2003 to correspond to the company's expanded service offering and the new stipulations presented by EU legislation. The business units are individually responsible for ensuring that Elcoteq's environmental policy is implemented effectively and adapted to local conditions.

Elcoteq operates its environmental management system on two levels: global and local. The global guidelines, which apply to all business units, consist of the Group's environmental policy, global environmental guidelines related to its business processes and other matters, and the system for reporting environmental indicators. Furthermore, all business units are required to have an ISO 14001 certified environmental management system, for which they are individually responsible.

All the company's units nominate a representative of the local management team with responsibility for implementing and developing the environmental management system. In 1999 Elcoteq set up an environmental competence group comprising the representatives of the units to act as a

coordinating body in the implementation of the company's global environmental activities.

The task of the unit responsible for corporate responsibility and environmental issues in Elcoteq is to ensure that the company's environmental policy supports its business strategy while corresponding to customers' requirements. The unit's other responsibilities are to define the company's environmental management priorities, to coordinate Group-wide development projects, to maintain the consistency of common working practices throughout the company, and to manage corporate responsibility reporting.

Human resources management

The company's human resources strategy is to ensure that the number of employees, their availability, competencies and motivation are correctly dimensioned in all conditions for reaching Elcoteq's strategic business targets. For this purpose the company must ensure that employee remuneration and incentive schemes are competitive, provide individuals with opportunities for personal growth and career development, and actively promote a corporate culture throughout the organization based on fairness, equal opportunity, openness and participation.

Successful human resources management in Elcoteq is founded upon the com-



pany's values, legal requirements, the company's internal policies and the company's contracts.

Personnel administration in the company has three levels. The Group's human resources function is responsible for ensuring that the human resources policy is up to date and supports the company's business strategy. It also sets the human resources management policies and guidelines for the company's various areas and units, ensures the suitability of the company's personnel management systems and resources, as well as supervises personnel management development.

The human resources functions in Elcoteq's geographical areas are responsible for compliance with the Group-wide personnel policies and operating models in their respective areas. Typically, the human resources function in each geographical area forecasts personnel needs, executes training programs, promotes job rotation in the area, and coordinates activities with the personnel management teams at Group and unit levels.

In Elcoteq's business units, the human resources function is responsible for local personnel management in line with the Group's values and policies, as well as local legislation and provisions. These tasks include payroll management, wellbeing at work and occupational health, induction and training, and information on personnel matters.

Elcoteq as a supplier

The globalization of operations has brought a new perspective also to human resources management and social responsibility. The fair treatment of both Elcoteq's own employees and the workforce employed throughout the delivery chain in all countries of operation is a matter of growing interest to Elcoteq's and its customers' stakeholders.

Elcoteq's activities in this context are founded on the Social Accountability 8000 standard (SA8000) prepared by Social

Accountability International. Its main items address the prevention of child and forced labor, employment hours and remuneration, occupational health and safety issues, the freedom to organize, and the right to negotiate employment terms.

A Social Accountability 8000 (SA8000) audit was conducted at Elcoteq's manufacturing plants during 2003 to establish the current situation and any areas requiring development. The results of the audit showed that the plants largely met the requirements listed above. Areas for improvement related mainly to the documentation of procedures. Each plant will draw up its own plan and timetable for meeting the requirements of SA8000 based on the audit's results.

Elcoteq's customers, likewise, have conducted social performance audits in the company, for example at the manufacturing plants in Tallinn, Estonia, and in Dongguan, China, with excellent results.

The environment and ethical aspects as part of co-operation with suppliers

In the electronics industry, the entire value chain must participate in managing the environmental impacts of products throughout their lifecycle. Elcoteq requires its suppliers to demonstrate ethical and environmental responsibility and for this reason, these aspects are integral to Elcoteq's relations with its suppliers. All Elcoteq's suppliers must have a documented environmental management system and the minimum requirement is to have a plan for building such as system. In 2003 Elcoteq gave special emphasis to establishing the capabilities of its component suppliers to meet the requirements of the new EU directives.

The ethical requirements, based on SA8000, are also part of the self-assessment questionnaires completed by the suppliers. The information provided in these questionnaires is used in connection with supplier

evaluation. Elcoteq does not require its suppliers to have an SA8000-certified system, however.

Human rights

Elcoteq respects and complies with the principles of international human rights such as the UN International Declaration of Human Rights and the Conventions of the International Labour Organization (ILO).

Risk management

Elcoteq's risk management policy, endorsed by the Board of Directors, is based on integration of risk management in the business processes of each unit and at all levels of the organization. Elcoteq classifies risks as external or internal on the one hand, and as strategic, operational, financial, or property and casualty risks on the other. The company seeks to manage these risk areas in a comprehensive and forward-looking manner.

Risk management responsibilities coincide with normal business responsibilities. Elcoteq's business units regularly identify and assess the risks associated with their own activities, draw up appropriate development plans, and provide reports on these risks and plans in accordance with Elcoteq's reporting organization. The purpose of Elcoteq's Risk Management function is to support and evaluate the risk management efforts of the company's business units, and to report key risks to the company's top management. A summary risk management report is submitted to the Audit Committee of the Board of Directors at least once a year.

Elcoteq has also prepared separate risk management guidelines for specific areas that supplement its overall risk management policies. These areas include treasury operations, insurance, IT and corporate security, and environmental management.

Main Stakeholder Groups

Elcoteq aims to maintain wide-ranging dialogue with all its main stakeholder groups. The company provides information on its operations in an open, objective and timely manner. Elcoteq’s main tools of communication are its Internet pages, e-mail and various publications such as printed media communications, the annual report, a customer magazine, presentation material and the corporate responsibility report.

Elcoteq’s dialogue with its various stakeholders is generally managed at the local level but the company’s corporate communications department is centrally responsible for investor and analyst relations, for example, and for handling communications with the media.

Employees

Successful implementation of Elcoteq’s strategy requires a competent and motivated personnel. In particular, the company’s recent drive to broaden its service portfolio has set new demands on developing competencies and on recruiting new employees with the requisite skills.

Elcoteq measures the satisfaction of its employees through an annual employee survey, which is conducted in all the company’s units in the local language.

Customers

Elcoteq manages relations with its customer relations in a process it calls “co-evolution”, which means close, confidential and long-term collaboration with customers and partners. A deep knowledge of customer needs is the foundation for success in Elcoteq’s business.

Fulfilling and exceeding customer expectations, which also includes corporate re-

sponsibility aspects, is an important element of customer service, also with respect to the corporate image of Elcoteq’s customers and their product brands. Elcoteq ensures its ability to work as a link in the value chain of its customers in the best possible way by maintaining continuous dialogue and consultation with customers on how they expect Elcoteq to meet its corporate responsibility obligations.

Elcoteq measures customer satisfaction using several different surveys according to the needs of its business units. Customers are asked to give feedback both at a general level and on specific projects. The results

Stakeholder group	Description
Employees	All employees of Elcoteq Network Corporation and its subsidiaries. Future employees.
Customers	Existing and potential customers to whom the company sells its services.
Investors	Existing and future shareholders, financiers and analysts.
Business partners	Material, component and service suppliers. Partners in various projects of mutual benefit. Subcontractors.
Local and national government	Industrial and other organizations and interest groups in which Elcoteq is a member. Public authorities, international organizations.
Media	Local and international press and other media.
Local associations	Local population and business communities.
Colleges and universities	Universities, research institutes and other educational institutes. Students and research collaboration.

of these surveys are carefully analyzed and used to initiate further surveys, if necessary, and the requisite change processes. Besides ensuring a continuous improvement in customer service and quality of operations, Elcoteq's aim with these surveys is also to further develop its service portfolio.

Investors

As a listed company Elcoteq is required to comply with both national legislation and the recommendations and guidelines of the stock exchange.

Elcoteq's Investor Relations function aims to provide information about the company's activities, financial position, goals, and its operating environment, in a timely, open, accurate and objective manner, enabling the capital markets to form a true and fair view of the company as an investment prospect. IR seeks to increase awareness of Elcoteq's strategy and activities, thereby enhancing interest in the company.

Elcoteq arranges conferences in Finland and web and teleconferences for analysts, investors and financial journalists on publication of its interim and full-year reports. To maintain continuous dialogue the company's management regularly meets shareholders, investors and analysts both in Finland and abroad. Private investors are given the opportunity to meet the company's representatives at the Annual General Meeting and at the annual Sijoitus-Invest exhibition in Helsinki, Finland.

Partners

Elcoteq requires its suppliers and partners to meet its quality requirements with respect to products and services before starting co-operation with them.

Elcoteq arranges an annual meeting with its key suppliers where the company's management and key individuals in its sourcing

and demand/supply chain management organization review Elcoteq's activities and discuss business challenges and business development. The Supplier Day held in 2003 also examined corporate responsibility matters, and especially issues related to environmental and social performance.

Local and national authorities

In keeping with the principles of good citizenship, Elcoteq complies with local laws and provisions and international treaties, taking into account the impacts of the local culture in each country. A fundamental principle underlying the company's operations is compliance with the requirements that national and local authorities expect companies to meet.

The media

The company regularly informs stakeholders about its operations as required by the stock exchange rules and on its own initiative. Elcoteq holds media conferences on publica-

tion of its interim and annual reports and in conjunction with other significant events. The company also arranges visits to its manufacturing plants and head office for media representatives to give them more detailed background information. The company's units outside Finland are responsible for media relations in their respective areas.

Local associations

Since Elcoteq operates in many countries and a wide diversity of cultures, the company's local country units are responsible for dialogue with local associations such as universities, the local population and public authorities. Elcoteq considers that this policy best ensures its ability to observe the wishes and needs of its various stakeholders and respond to them.

Colleges and universities

Elcoteq offers students opportunities for practical training and apprenticeships whenever possible.



Economic Responsibility

Economic responsibility means ensuring that the company is profitable and competitive in a sustainable manner. That in turn means meeting shareholders' expectations for a return on their investments and creating wellbeing in the company and the societies in which the company operates.



Economic objectives and results

The company's economic success enables it to produce added value and wellbeing for its stakeholders. Elcoteq has set itself challenging long-term financial targets. Achievement of these objectives is continuously monitored and forms one factor in the company's incentive systems.

Shareholders

Elcoteq Network Corporation has been listed on the Helsinki Exchanges since 1997. At the end of September 2004, the company had

altogether 13,188 shareholders. The company's stock is divided into Series A and Series K shares. Series K shares carry ten votes per share compared to one vote per Series A share. All Series K shares are owned by the company's three principal shareholders.

At the end of September 2004 the company's share capital consisted of altogether 30,459,777 shares, of which 19,882,777 were Series A and 10,577,000 were Series K. The total number of nominee- and foreign-registered shares was 7,240,525, representing 23.8% of the company's share capital and 5.8% of the total number of votes.

Payroll and benefits

In 2003 Elcoteq paid altogether MEUR 153.5 (MEUR 129.3) in wages, salaries and other personnel expenses. Salary levels and competitiveness are reviewed against salary comparison data produced by the International Position Evaluation (IPE) system.

The company also operates a target-based bonus scheme covering some 20% of employees. The amount of the bonus depends on the targets the Group sets for economic performance and on the individual's achievement of personal targets. In 2004 the maximum amount of the bonus ranged between 15%

Financial targets and results

	2003	2002	2001
Increasing earnings per share (EPS), EUR	0.70	0.54	-1.08
Return on investment (ROI/ROCE), calculated over 12 months > 20%	10.4	9.2	-3.5
Positive cash flow (after investments), MEUR	-18.1	77.3	123.4
Gearing < 1	0.0	-0.1	0.2

Key financial figures

	2003	2002	2001
Net sales, MEUR	2,235.7	1,840.2	1,862.5
Operating income, MEUR	30.5	25.5	-18.4
Income before taxes, MEUR	22.8	18.6	-30.7
Gross capital expenditure, MEUR	68.1	78.0	45.1
Purchases from suppliers (goods, materials and services), MEUR	1,940.8	1,547.9	1,451.3
Interest paid, MEUR*	2.5	2.6	9.9
Taxes paid, MEUR	1.3	1.9	2.8
Wages, salaries and other personnel expenses, MEUR	153.5	129.3	139.5
Solvency ratio, %	33.4	36.6	39.6
Dividend per share, EUR	0.90	0.40	0.00
Dividends paid and other distributions of earnings, MEUR	12.6	2.1	11.2

Ten largest shareholders (September 30, 2004)

	Series A shares	Series K shares	Shares, %	Votes, %
1. Piippo Antti Olavi	1,587,770	5,411,000	22.98	44.33
2. Vanhanen Jorma	601,565	2,583,000	10.45	21.04
3. Sjöman Henry	586,565	2,583,000	10.41	21.02
4. Tapiola Mutual Pension Insurance Company	365,000		1.20	0.29
5. State Pension Fund	300,000		0.98	0.24
6. Gyllenberg Finlandia Fund	188,070		0.62	0.15
7. Etola Erkki Olavi	150,000		0.49	0.12
8. OP Finland Growth Mutual Fund	134,550		0.44	0.11
9. Eq Pikkujätkäläiset/Eq Rahastoyhtiö Oy	125,000		0.41	0.10
10. Investment Fund Alfred Berg Finland	121,400		0.40	0.10

Nominee-registered holdings have been excluded.

and 100% of basic annual salary depending on the person's job level. For members of the Elcoteq Management Team and Management Conference, the maximum amount is 50% of basic annual salary.

Customers

Elcoteq primarily serves communications technology corporations. In 2003, Europe generated 63% of the Group's consolidated

net sales, the Asia-Pacific 31% and Americas 5%.

Elcoteq's largest customers are companies belonging to the Nokia and Ericsson groups, which between them generated 78% (83%) of Elcoteq's net sales in 2003.

Partners

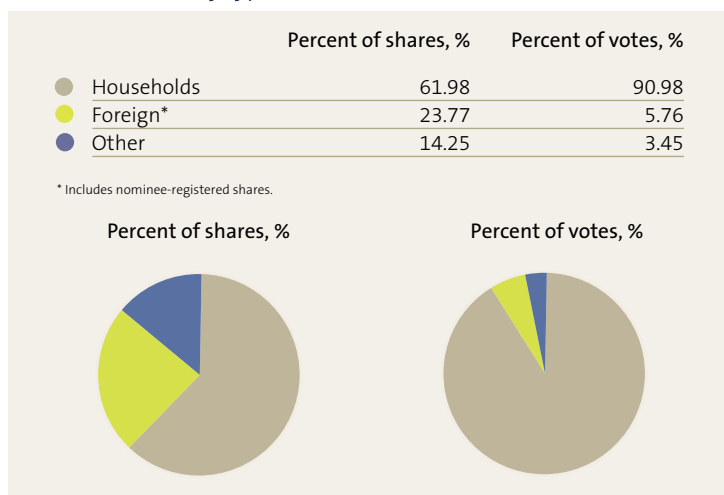
In 2003 Elcoteq spent MEUR 1,940.8 on purchasing goods, materials and servi-

ces. Most of the purchases were components and other materials used in manufacturing.

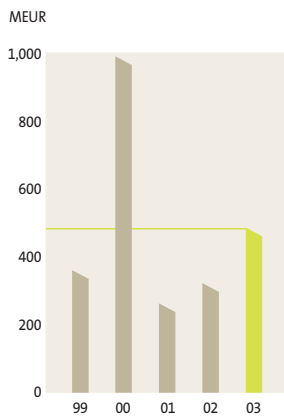
Taxes paid

In 2003 the Group paid taxes amounting to MEUR 1.3. The Group's taxes for 2003 were reduced by writedowns of subsidiary shares and by a loss arising from a divestment in the USA.

Shareholders by type



Market capitalization 1999-2003



Donations to non-profit groups

Elcoteq's donations to non-profit groups are based on the company's values, and therefore each organization, event or activity supported must reflect them. The company only makes donations to non-political and non-religious organizations. Donations are targeted at research, culture and sports and focus especially on children and young people. Elcoteq's units decide independently on which groups to support locally.

The largest single group to receive donations was the Finnish Children and Youth Foundation, which is a part of the International Youth Foundation (IYF). The fund works through local organizations, in co-operation with public authorities and other organizations, to reduce the problems of children and young people throughout the world.



Social Responsibility

Corporate social responsibility is a broad area that covers personnel management practices, respect and promotion of human rights, and the impacts of these on the social environment. The performance indicators for social responsibility that Elcoteq currently uses mainly measure the company's activities in respect of its own employees. Social responsibility reporting will be extended in future to include effects on other stakeholder groups.



Objectives

The objective of social responsibility is to safeguard the wellbeing of employees and ensure that human rights and local cultures are respected. Within Elcoteq, social responsibility mainly focuses on creating and protecting the wellbeing of the company's own personnel. Skilled personnel who are constantly developing give Elcoteq an important competitive advantage. Towards this end, the company's aim is to create a fair, competitive, harmonized and participative organization, in which each individual and the work he or she does is respected.

Elcoteq affects local communities in all the countries in which it operates. As a good corporate citizen, Elcoteq bears responsibility for these communities and endeavors to promote their development while respecting local cultures, customs and legislation.

Operating in many different countries and in many different types of culture makes social responsibility a challenge for the company. Legislation and operating procedures

vary, so creating consistent practices and working procedures is a demanding task.

Number of personnel

At the end of 2003 Elcoteq employed 13,013 people. Growth was focused on Asia-Pacific, as a result of both organic growth and corporate acquisitions. The largest single increase in personnel was due to Elcoteq's acquisition in December 2002 of IBM's holding in the GKI plants in China. Globally the number of personnel grew by 28% in 2003.

In 2003 the number of employees grew significantly also at Elcoteq's biggest manufacturing plants in Hungary and Estonia. Overall, the number of employees in Europe grew by 21%. The acquisitions made in Finland and Germany in the latter part of 2003 also contributed to the increase in Elcoteq's European personnel.

The number of employees in the company's units in the Americas grew by 102% in 2003.

The creation of new jobs is generally linked to a rise in manufacturing volumes,

increased manufacturing capacity or expansion of the service portfolio. Elcoteq recruited altogether 5,245 new employees in 2003.

The largest net increase was in Europe, where a total of 2,029 new employees were recruited. In Asia-Pacific 1,822 new recruits started working in Elcoteq and in the Americas 1,394.

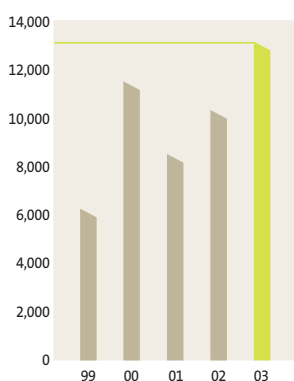
Elcoteq's personnel has continued growing in 2004. At the end of September the Group employed approximately 16,500 people.

Distribution by age

Elcoteq's average employee is a young person at the start of his or her career. In 2003 some 70% of employees were less than 34 years old and 37% were less than 25 years old.

The plants in China employed most young people, and 69% of all their personnel are less than 25 years old. Only 2% of all personnel are over 55 years old. In 2003 the average age of all Group personnel was 30.8 years. In Europe the average age was 34.5, in Asia-Pacific 24.9 and in Americas 29.3 years.

Number of employees



Number of employees by country

	2003	2002	2001
Finland	1,040	1,021	964
Hong Kong	59	54	102
Japan	16	12	12
China	4,295	3,352	1,864
Mexico	1,092	550	648
Poland	0	0	90
Sweden	5	4	2
Germany	494	180	181
Switzerland	243	278	329
Denmark	0	0	1
Hungary	3,241	2,571	1,943
USA	55	19	15
Russia	190	177	151
Estonia	2,283	1,958	2,048

Distribution by age 2003

	< 25	25-34	35-44	45-54	> 55
Europe	1,332 17.8%	2,723 36.3%	1,919 25.6%	1,284 17.1%	238 3.2%
Asia-Pacific	3,007 68.8%	1,174 26.8%	170 3.9%	15 0.3%	4 0.1%
Americas	431 37.6%	420 36.6%	239 20.8%	50 4.4%	7 0.6%
Total	4,770 37%	4,317 33%	2,328 18%	1,349 10%	249 2%

Composition of management

Elcoteq has management teams at different levels. Elcoteq Network Corporation's Management Team (EMT) comprises six men. In addition to the EMT, the company also has a Management Conference, which consists of 18 members. Of these, three are women and 15 men. The geographical areas and business units have their own management teams. On average 20% of the members of these management teams were women and 80% were men in 2003.

Personnel groups and employment relationships

Of the Group's total workforce, some 20% are white-collar employees and 80% are blue-collar workers. The company employs people under open-ended and fixed-term contracts, as well as part-time employees and as leased labor.

Employment relationships in the Asia-Pacific region are more difficult to assess using the same definitions because they are generally fixed-term contracts. This applies to all personnel groups. The term of an employment contract ranges from three months to three years. In practice, however, employment relationships are usually open-ended.

Fixed-term and part-time employment re-

lationships are not only a means for the employer to respond to changing demand. They also offer summer workers and students, for instance, the opportunity to gain work experience that is relevant to their studies. Fixed-term employment for students varies from the typical few months during the summer to three years in the case of the manufacturing plants in the Asia-Pacific region.

Occupational health and safety

Accidents occurring in Elcoteq are currently reported locally. The target is to create a unified Group-wide reporting procedure by 2005.

The absentee rate of employees in manufacturing units is monitored on a monthly basis. Figures for absenteeism are not available for January 2003, so absentee data for 2003 is based on the figures for 11 months.

The average absentee rate of employees

in the manufacturing units was 4.4% globally. Average absenteeism in Europe over the year was 6.4%. In Americas, the absentee rate was on average 2.1% and in Asia-Pacific around 1.5%. Over the review period, the total number of days of absence among all manufacturing personnel was 92,939.5 days.

Employee satisfaction

All Elcoteq's units conduct an annual employee survey to ascertain opinions and experiences of the organization's working atmosphere, management and employer image and to identify the company's strengths and targets for development. The survey is conducted in the local language in each Elcoteq unit. In 2003, overall, 70% of the entire workforce responded to the survey.

The survey showed that Elcoteq's strengths were considered to be the Group's

Distribution by sex 2003

	Men	Women
Europe	60%	40%
Asia-Pacific	35%	65%
Americas	29%	71%
Total	48.8%	51.2%



In a health and safety competition organized by Technology Industries of Finland in 2003, Elcoteq's Lohja and Vaasa plants ranked among the top seven companies in the country.

good development, sufficient flow of information, its modern approach, service-mindedness and competitive efficiency. The main targets for improvement were identified as management and work supervision generally, and the need to make work more challenging.

The employee satisfaction survey has proven to be a good tool for establishing employees' opinions and attitudes towards their work, their organization and their employer. Each unit has specified their own target areas for development at both the department and unit level, based on the survey results. Targets for development have also been specified for the geographical areas, which are monitored by the management team for the area. The Elcoteq Management Team selected development of supervisor skills and enhancement of team spirit and corporate culture as target areas for development throughout the entire Group.

The last employee survey was conducted in the fall of 2004.

Remuneration and appraisal discussions

Special priority was given during 2003 to re-assessing the level of difficulty of work tasks in order to ensure the internal fairness and external competitiveness of Elcoteq's employee remuneration system. Improvements during the year included taking greater account of the needs of different units, teams and individuals, and integrating their performance to the Group's common strategic and business objectives.

Elcoteq renewed the way it conducts its performance appraisal discussions during 2003, giving greater emphasis to wellbeing at work and to achieving a balance between work and free time. Special emphasis was placed on drawing up personal development plans.

Training and development

The company's high proportion of operatives is also reflected in the educational backgrounds of personnel. Altogether 45% of all employees hold a certificate of education from a secondary school or high school. The largest single group in terms of educational background consists of employees who have received training in vocational schools, representing 32.4% of all personnel. At the end of 2003 one out of every six Elcoteq employees had an academic degree.

Elcoteq supports its personnel in learning at work, irrespective of educational background, and invests in training its personnel. Elcoteq estimates that in 2003 each person employed by the company participated in various training events for an average of 5 days per year. Manufacturing employees participated in training for an average of 5.3 days and white-collar employees for an estimated average of 9 days per year.

Employees have the opportunity of expanding their skills by combining fixed-term employment with training. When starting employment at the plants in China, for instance, employees are offered on-the-job training and are awarded certificates for acquired skills and tested learning.

Elcoteq encourages an atmosphere that is conducive to learning and participation, which are elements of everyday work in today's climate of continuous development and improvement.

Personnel development is based on the company's strategy and business needs at all levels of the organization. In 2003 Elcoteq launched two global management development programs, one for senior management and one for plant management. The objective of the programs is to ensure the future availability of critical human resources.



Environmental Responsibility

In the area of environmental responsibility, Elcoteq's objective is to continuously improve the company's management of environmental aspects, to fulfill statutory and customer requirements, and to apply good business practices.



Priority areas

The EU's integrated product policy has shifted the emphasis from management of site-specific environmental impacts to minimizing the environmental impacts of products throughout their lifecycle. Legislative obligations and customer requirements also set new demands and, to meet these, Elcoteq must continuously develop its environmental management.

The main requirements are based on new or proposed EU directives that apply, for instance, to the recycling of electronics and electrical products (WEEE*), the restriction of hazardous substances used in products (RoHS**), and to observing the lifecycle impacts of energy-consuming products in product design (EuP Directive Proposal***). These directives have already set new demands, especially concerning the collection and management of product-specific environmental information.

Objectives

In line with the company's environmental policy, Elcoteq's central environmental objectives are to obtain ISO 14001 certification for all its business units, to continuously improve the environmental performance of the com-

pany's business operations, to improve the environmental performance of products in collaboration with customers, to enhance the environmental awareness and expertise of its employees, and to require the company's network of suppliers to apply the principles of environmental responsibility.

Elcoteq has spread environmental responsibilities by making the business units independently responsible for continuously improving and setting objectives for the environmental management of their local operations. This allows the units to address local conditions when defining development priorities.

Measuring environmental performance

Elcoteq has introduced a global system for environmental performance monitoring and reporting to ensure effective environmental management and the efficient coordination of activities at all the company's operational sites. The system is underpinned by environmental guidelines that apply to all of Elcoteq worldwide.

Elcoteq monitors environmental indicators on a quarterly basis to measure and assess environmental management at

its plants, the consumption of natural resources, waste management and indirect environmental impacts. The purpose of these indicators is to compare the environmental performance of different business units, to identify best practices and to promote the adoption of best practices throughout the Group.

Statutory requirements

Elcoteq's units comply with national and international laws, regulations and generally accepted principles. The company records any contravention of regulations, non-conformancies and consequent penalties in its global environmental database. In 2003 no such contraventions were reported.

Group development projects

Elcoteq is a member of several environmental networks operating in the electrical and electronics sector, and the company also participates in a number of research and development projects. AWARENESS is a project initiated by the Federation of the Finnish Electrical and Electronics Industry (SET) to anticipate the requirements set by EU environmental directives on producers of electrical and electronic equipment. The project's aim is to develop recycling systems for electronic waste.

Similarly, a work group set up by KOTEL (Co-operation for Better Electronics, a Finnish co-operative body for electronics research and development) focuses on establishing the requirements of new EU directives on the management of the materials and processes employed in electrical and electronics products and on their lifecycle environmental impacts. Elcoteq's internal development projects focus primarily on preparing to meet the requirements of the new EU directives.

Material data management

The aim of the tool developed for material data management is to create a global database containing information on components and materials used in the products that Elcoteq manufactures. One of the most important features of the tool is to help Elcoteq select environmentally benign components, thereby reducing the use of hazardous substances in products. The tool makes reporting on the material content and recyclability of products easier. The data can also be used to prepare product ecoprofiles.

* WEEE, Directive on Waste Electronic and Electrical Equipment
** RoHS, Directive on Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment
*** EuP, Directive on Eco-design Requirements for Energy Using Products

Design for environment

Design for Environment (DfE) aims at minimizing the lifecycle impacts of the product in each stage of product design process. The main aspects of Design for Environment include improving the recyclability of products, and minimizing the use of hazardous substances, energy consumption and quantities of materials needed.

In 2002 Elcoteq expanded its service portfolio and established the Elcoteq Design Center in Salo, Finland. The wider service portfolio has made Elcoteq to develop the tools and processes needed for Design for Environment and to arrange environmental training for its employees.

Lead-free manufacturing

Elcoteq started preparing for lead-free manufacturing already in 2002, soon after the EU had made the decision on the RoHS Directive.

Lead is used in the soldering of electronics products, in component termination surface-finishings and in the wiring surfaces of printed circuits. A tin-lead alloy has traditionally been used for solder because it has many advantageous properties. The most commonly used

solder in lead-free manufacturing is a tin-silver-copper alloy, which requires a much higher temperature in the manufacturing process. That means the components used must be able withstand heat better.

Production lines have usually been designed around the properties of tin-lead alloy, so changes in manufacturing techniques are major and must be addressed at the start of product design. Component placement is steadily becoming denser as the size of products shrinks and more features are packed into them.

Elcoteq has tested the viability of lead-free solutions with pilot projects, and Elcoteq's plants have shared all the experience and knowledge gained from the pilots. Switching to a lead-free soldering process will be phased in for each product, material and component. A lead-free manufacturing process is already used for mass production in many of Elcoteq's plants.

Environmental impacts of manufacturing

The environmental impacts of Elcoteq's manufacturing processes are minor compared to

the environmental impacts over the entire product lifecycle. Over their full lifecycles, the main environmental impacts of products are concentrated at the beginning and the end of their lifecycle, starting with the energy used to process metals and ending when the products are taken out of service.

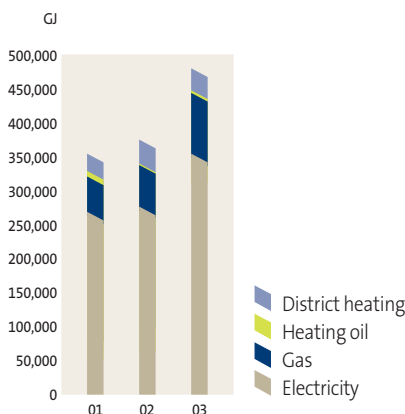
Environmental responsibility reporting

The total reporting on environmental responsibility varies annually, depending on any acquisitions made and the establishment of new units during the year. At the end of 2002 Elcoteq acquired IBM's holding in GKI, two Chinese joint-venture EMS companies. The inclusion of these two high-volume manufacturing units in the reporting is seen in the figures for 2003. The figures for 2001 also include the plants in Poland and Helsinki, Finland which the company divested in 2001.

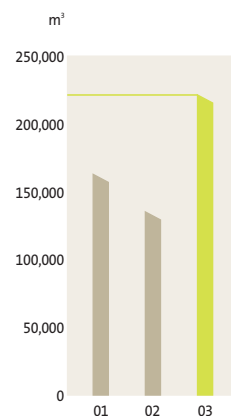
Energy use

Elcoteq's total energy consumption in 2003 amounted to 477,778 GJ (132,716 MWh). Total energy consumption includes electricity use, heat consumption and fuel consumption

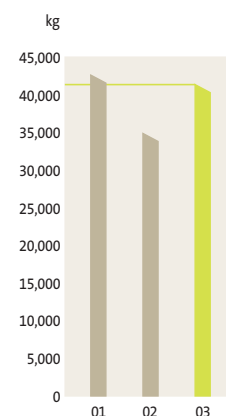
Energy consumption



Water consumption



Volatile organic compounds



In 2003, Elcoteq's Monterrey plant in Mexico was granted the 2003 Ecological Award by the government of the state of Nuevo Leon. This award is conferred on people and organizations that have demonstrated commitment to environmental responsibility.



but does not include energy consumption by vehicles and transportation. The air conditioning, heating and lighting of buildings and production equipment and machinery consume most energy. Elcoteq mainly consumes electricity, which accounted for 73.8% of total energy use in 2003.

Water use

Elcoteq's plants use water mainly as faucet water and in air conditioning. Little water is used in manufacturing and its main use is in the washing of equipment. Water used in manufacturing accounts for roughly 10% of total water consumption on average. In 2003 the total water consumption was 220,575 m³.

Air emissions

Volatile organic compounds (VOCs) are emissions into the air caused by manufacturing operations. They are chemicals that evaporate easily at room temperature. The largest single source of volatile organic compounds is isopropyl alcohol, which is used to clean tools employed in manufacturing. These emissions, however, are very small. The amount of volatile organic compounds is

calculated from the chemicals purchased. The total amount of volatile organic compounds reported in 2003 was 41,333 kg.

Wastes

Elcoteq's goal is to reduce the amount of waste by improving efficiency in waste management and by developing its own operations. The total amount of wastes in 2003 was 4,283.5 tons, of which 176.6 tons comprised hazardous waste.

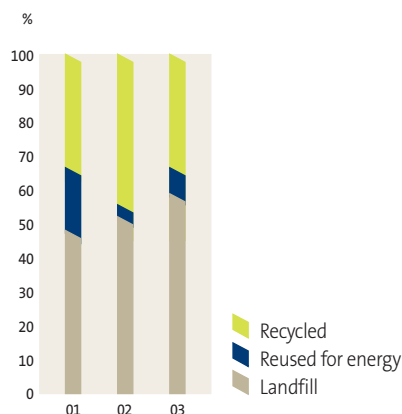
Elcoteq categorizes wastes as normal waste and hazardous waste. These types are further classified into the methods used for handling them: recycled, reused for energy, and landfill.

Elcoteq's units follow Group-wide waste management instructions to ensure that all units apply good waste management

practices. Each unit makes its own waste management agreement with local waste management companies, and develops its operations in order to reduce the amount of waste and increase the proportion that is reused or recycled.

More information on Elcoteq's activities is available on the company's website at www.elcoteq.com.

Waste handling



Comparison with GRI Guidelines

			Reported
			Partly reported
			Not reported
			Not applicable
Code		Page	Comments
VISION AND STRATEGY			
1.1	Vision and strategy	8	
2.1	CEO's statement	4	
PROFILE			
Basic information on the company's operations			
2.1-2.8	Basic information on the company's operations	7	
2.9	Stakeholder groups	12	
2.10	Contact persons	3	
2.11-2.21	Reporting principles	6	Elcoteq's Corporate Responsibility Report has not been externally audited
2.22	Further information	25	
GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS			
3.1-3.8	Corporate governance	9	
3.9-3.12	Stakeholder engagement	12	
3.13-3.20	Overarching policies and management systems	10	
Comparison with GRI performance indicators			
ECONOMIC PERFORMANCE INDICATORS			
EC1	Net sales	15	
EC2	Geographic breakdown of markets	-	
EC3	Cost of all goods, materials and services purchased	15	
EC4	Contracts paid according to agreed terms		
EC5	Total payroll costs	15	Payroll costs shown as a total figure
EC6	Interest and dividends paid	15	
EC7	Retained earnings	15	
EC8	Taxes paid	15	Taxes paid shown as a total figure
EC9	Subsidies received	-	
EC10	Donations to non-profit groups	17	Figure not shown, only donation principles
ENVIRONMENTAL PERFORMANCE INDICATORS			
EN1	Total material use	-	
EN2	Use of recycled materials	-	
EN3	Direct energy use by primary energy source	24	
EN4	Indirect energy use	-	

EN5	Total water use	24	
EN6	Land owned and administered	-	
EN7	Impacts on biodiversity	-	
EN8	Greenhouse gas emissions	-	
EN9	Ozone-depleting substances	-	
EN10	Other air emissions	24	VOC emissions reported
EN11	Total amount of waste	25	
EN12	Discharges to water	-	
EN13	Significant spills	-	
EN14	Environmental impacts of principal products and services	-	
EN15	Reclaimability of products	-	
EN16	Incidents and fraud	23	
SOCIAL PERFORMANCE INDICATORS			
LA1	Workforce	19	
LA2	Employment creation and employee turnover	19	Employment creation reported
LA3	Trade union representation	-	
LA4	Changes in operations	-	
LA5	Notification of occupational accidents and diseases	-	Occupational accidents monitored but no uniform reporting system exists for them
LA6	Formal joint health and safety committees	-	
LA7	Injuries, absentee rates and fatalities	20	Absentee rates reported
LA8	HIV/AIDS	-	
LA9	Training hours	21	
LA10	Equal opportunity policy and program	-	
LA11	Senior management	20	
HR1-HR7	Human rights in operations	-	Principle defined in Corporate Responsibility Policy
SO1	Impacts on communities	-	Principle defined in Corporate Responsibility Policy
SO2	Bribery and corruption prevention	-	Principle defined in Corporate Responsibility Policy
SO3	Political lobbying and contributions	-	
PR1	Customer health and safety	-	
PR2	Product information and labelling	-	
PR3	Consumer privacy policy	-	



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