ELCOTEQ SE'S FINANCIAL STATEMENTS BULLETIN JANUARY - DECEMBER 2006

Elcoteq SE's net sales in 2006 increased by roughly 3% on the previous year to 4,284.3 million euros (4,169.0 million euros in 2005). Operating income was 43.9 million euros (76.5). Cash flow for the full year amounted to -20.8 million euros (24.4).

Financial Year 2006

- Net sales rose roughly 3% to 4,284.3 million euros (4,169.0)
- Operating income was 43.9 million euros (76.5)
- Income before taxes was 19.2 million euros (59.3)
- Earnings per share (EPS) were 0.38 euros (1.34)
- Rolling 12-month return on capital employed was 9.1% (17.6%)
- Cash flow after investing activities was -20.8 million euros (24.4)
- Interest-bearing net debt was 128.0 million euros (90.3)
- The Board proposes a dividend of 0.20 euros per share

Final Quarter in 2006

- Net sales totaled 1,104.6 million euros (1,182.0 in fourth quarter of 2005 and 1,169.1 in the third quarter of 2006)
- Operating income was 6.9 million euros (25.5)
- Income before taxes was -0.8 million euros (19.7)
- Earnings per share (EPS) were -0.01 euros (0.48)
- Cash flow after investing activities was 41.2 million euros (5.5)

In preparing the financial statements for 2006 Elcoteq SE has applied the recognition and measurement principles of the International Financial Reporting Standards (IFRS), which Elcoteq adopted at the beginning of 2004.

Market Review

The electronics manufacturing services (EMS) market continued to grow also in 2006, with total growth reaching almost 15%. According to research company iSuppli, the original design manufacturing (ODM) segment grew by approximately 15% in 2006 and the traditional EMS business by about 13%, the main drivers being an increase in outsourcing and strong growth in the mobile phone market, especially in Asia's growth markets China and India. Roughly one billion new mobile phones were sold worldwide during 2006, which was some 20% more than one year earlier. The communications networks market increased by approximately 7% in 2006.

Despite its modest increase in net sales, Elcoteq retained its position as the world's fourth largest EMS provider to communications technology companies in 2006 with a market share of roughly 7%.

Financial Year 2006

Elcoteq's 2006 net sales showed a slight increase on the previous year to 4,284.3 million euros (4,169.0). Operating income amounted to 43.9 million euros (76.5), or 1.0% of net sales. Income before taxes was 19.2 million euros (59.3) and net profit was 12.1 million euros (41.3). Earnings per share (EPS) were 0.38 euros (1.34).

Net sales were below target especially in terminal products, but also in the networks business and in all the geographical areas. The modest growth in net sales was to a great extent due to lower sales to companies within the Nokia group compared with the previous year, owing to an unfavorable product mix and intensified competition. Net sales to other customers than companies belonging to the Nokia and Ericsson groups grew 13% compared with 2005.

Operating income in 2006 did not reach the previous year's level and the operating margin declined owing to lower than forecast production volumes, strong fluctuations in volumes especially in Europe and the Americas, tougher competition, and the still weak level of capacity utilization in the newest manufacturing plants. The strong fluctuations in volumes and the intensification of competition weakened especially the profitability of the Terminal Products business area.

The Group's net financial expenses amounted to 23.7 million euros (16.0). Roughly half of the increase in financial expenses was the result of higher interest rates in both the euro and foreign currencies. Financial expenses were also increased by average growth in Elcoteq's debt portfolio and the sale of accounts receivable.

Fourth-Quarter Net Sales and Result

Fourth-quarter net sales were slightly below the third quarter's level and totaled 1,104.6 million euros (1,182.0 in the fourth quarter of 2005 and 1,169.1 in the third quarter of 2006). The slight decrease on the previous quarter was attributable to lower production volumes for Terminal Products in Europe and Asia-Pacific.

Operating income in the fourth quarter was 6.9 million euros (25.5 in the fourth quarter of 2005 and 16.6 in the third quarter of 2006) and income before taxes amounted to -0.8 million euros (19.7). The profitability of Terminal Products weakened compared to the third quarter owing to lower production volumes especially in Europe. The performance of the Communications Networks business area declined as a result of changes in the product mix and costs arising from the ramp-up of certain new products.

Financing and Cash Flow

Liquidity was good throughout the review period. At the end of December Elcoteq had unused but immediately available credit limits totaling 293.8 million euros (293.5 million euros at the end of the third quarter and 293.5 million euros at the end of 2005). Of this total, the 230 million euro syndicated loan is a committed credit limit. There were no open issues of the company's 200 million euro commercial paper program at December 31, 2006.

Interest-bearing net debt at the end of December amounted to 128.0 million euros (90.3), and gearing stood at 0.4 (0.3). The solvency ratio was 26.1% (26.0%). Cash flow from sold accounts receivable was 187.7 million euros (148.8 at the end of 2005 and 183.0 at the end of the third quarter in 2006). Return on capital employed was 9.1% (17.6%).

In March Elcoteq issued subordinated notes in the nominal amount of 30 million euros and with a maturity of five years. The notes carry a fixed annual coupon of 5.55%. The company is using the notes to extend the average maturity of its loan portfolio and to strengthen its financial structure.

Cash flow after investing activities was -20.8 million euros (24.4) for the full year 2006, and 41.2 million euros (5.5) for the fourth quarter. Despite the modest growth in net sales, cash flow in 2006 was negative owing to weaker income flow, the relatively high level of investments and to a slight weakening of turnover of working capital. The average turnover of working capital at the end of 2006 was roughly ten days.

Turnover improved slightly during the fourth quarter compared with the third quarter but was weaker than one year earlier, due particularly to fluctuations in production volumes.

Capital Expenditures

Gross capital expenditures on fixed assets in 2006 totaled 116.9 million euros (123.6) or 2.7% of net sales. Depreciation amounted to 82.7 million euros (78.2) or 1.9% of net sales. Investments were allocated to increases in assembly capacity, mainly in Asia-Pacific and Europe. Capital expenditures in the final quarter amounted to 32.3 million euros (35.4).

Elcoteq has also increased its manufacturing capacity through operating leases worth roughly 26.8 million euros (25.2) in 2006.

Personnel

At the end of December the Group employed 23,298 (19,802) people: 705 (869) in Finland and 22,593 (18,933) in other countries. The geographical distribution of the workforce was as follows: Europe 11,682 (9,984), Asia-Pacific 7,409 (6,086) and Americas 4,207 (3,732). The average number of employees directly employed by the company during 2006 was 16,651 (15,242).

Wages, salaries and other personnel expenses in 2006 amounted to 205.9 million euros (202.6).

In March 2006 Elcoteq began personnel negotiations concerning personnel at the Lohja manufacturing plant, the company's product development unit and the NPI (New Product Introduction) unit in Finland. The negotiations were completed in April and resulted in the termination of 65 work contracts and 15 temporary lay-offs on production and financial grounds.

Environment

Elcoteq has a certified quality and environmental system covering all its units. The main environmental projects affecting the company's operations relate to the European Union's new environmental directives on electrical and electronic equipment. Elcoteq shifted to lead-free manufacturing and products that comply in full with the RoHS directive in stages as its customers required, completing this process by July 1, 2006. The company's environmental performance is described in more detail in a separate Corporate Responsibility Report to be published in 2007.

Research and Development

Elcoteq's research and development costs in 2006 totaled approximately 6.8 million euros (7.1) or 0.15% of net sales. The company's R&D activities and expenditures cover, among other things, equipment and process development for production and production testing needs, research and development related to the platforms, software, electronics, mechanics and testing and verification environments for mobile phones, and the development of radio modules and technologies for mobile phones.

Business Area Performance

Elcoteq has two business areas: Terminal Products and Communications Networks. In 2006 Terminal Products contributed 82% (82.5%) and Communications Networks 18% (17.5%) of Elcoteq's consolidated net sales.

In 2006 companies belonging to the Nokia and Ericsson groups accounted for altogether 66% (69%) of Elcoteq's net sales. In addition to these companies, Elcoteq's top five customers include RIM, Sony Ericsson and Thomson.

Terminal Products

Net sales of the Terminal Products business area in 2006 grew roughly 2% on the previous year to 3,512.1 million euros (3,439.0). The segment's operating income was 68.4 million euros (95.0) or 1.9% of net sales. Net sales in the final quarter of the year totaled 898.6 million euros (999.5) and the segment's operating income was 13.2 million euros (32.2). Home communications products grew clearly as a proportion of Terminal Products' total net sales compared with 2005. Concerning customers, development was particularly positive with RIM and Philips.

In order to respond more effectively to the needs of its different customers and to boost its global sales and business development, Elcoteq has established two new sales and business development organizations within Terminal Products. These are Personal Communications, which includes mobile phones, and Home Communications, which covers products such as set-top boxes and electronics for flat-screen TVs.

The central goal of Terminal Products in 2007 is to broaden and balance its customer base, and to raise profitability especially in the manufacturing of home communications products. Elcoteq expects that net sales of its Terminal Products business area will grow at the same pace as the EMS market during 2007.

Communication Networks

Net sales of the Communications Networks business area in 2006 rose roughly 6% on the year before to 772.3 million euros (730.1). The segment's operating income was 22.4 million euros (23.2) or 2.9% of its net sales. Net sales in the fourth quarter of 2006 amounted to 206.0 million euros (182.6) and the segment's operating income was 5.7 million euros (2.9).

Elcoteq and Andrew Corporation signed a global long-term manufacturing supply agreement which further strengthens Elcoteq's position as a strategic partner to Andrew Corporation in Europe and the Americas. The agreement is expected to raise Elcoteq's net sales by some 80 million euros in 2007. As part of the agreement Elcoteq acquired Andrew's manufacturing operations in Arad, Romania, along with the plant's machinery, equipment and inventories. Roughly 8 million euros of the acquisition price was paid in September. The remainder of the acquisition price could be substantially lower than the 15 million euros estimated at the time of acquisition (see enclosure 8).

Elcoteq expects net sales of the Communications Networks business area to grow clearly and its market position to strengthen during 2007. Elcoteq intends to raise the profitability of Communications Networks and increase its business volume so that its contribution to the Group's net sales in clearly higher than at present.

Geographical Areas

Elcoteq has three geographical areas: Europe, Asia-Pacific and Americas. In 2006 the geographical areas contributed to the Group's net sales as follows: Europe 57% (56%), Asia-Pacific 25% (26%) and Americas 18% (18%).

Europe
Net sales from the geographical area Europe totaled 2,425.4 million euros (2,345.0).

To simplify its corporate structure Elcoteq SE incorporated some of its operations in Finland into two subsidiaries on October 1, 2006: one is principally responsible for the Group's support functions and the other for the Lohja manufacturing plant and the Finnish New Product Introduction (NPI) center. Incorporation did not change Elcoteq's organizational structure based on business and geographical areas, or the status of its employees or reporting responsibilities in Finland or elsewhere.

Elcoteq increased its capacity in Pecs, Hungary, by leasing a further 7,000 square meters of storage and production space. The extra capacity raised the number of employees in Hungary by roughly 10%. The company also expanded into Romania, following the agreement with Andrew Corporation, and began the manufacture of products for Andrew Corporation and PCTL at its plant in St. Petersburg, Russia.

In December Elcoteq sold the property in which its Tallinn manufacturing plant operates to an Estonian investment company for about 10 million euros, recording a capital gain of 1.7 million euros on the deal. Elcoteq continues to operate in these facilities under an operating lease.

Asia-Pacific
Net sales from the Asia-Pacific geographical area totaled 1,094.1 million euros (1,069.4). Manufacturing volumes increased clearly more than sales. With respect to the plants in China, a positive development in 2006 was balancing of the customer base and an increase in manufacturing volumes of communications networks and home communications products. Manufacturing volumes at the Indian plant developed positively likewise, although they had still not reached the target level by the end of the year.

A new unit for the product development services organization was set up in Beijing, China in 2006 in order to further increase Elcoteq's product development services offering in the Asia-Pacific region.

Americas
Net sales from the Americas geographical area amounted to 764.8 million euros (754.6).

Elcoteq's manufacturing plants in Manaus, Brazil, and in Juarez, Mexico, moved into new premises in May. This is resulting in more efficient use of the production and office premises and improving the level of service to existing and future customers in the Americas.

Elcoteq expanded co-operation with Andrew Corporation in Mexico, where the company began the manufacturing and system assembly of network products. Business with Terminal Products' customer RIM developed well.

Decisions of the Annual General Meeting

The Annual General Meeting of Elcoteq SE, held on March 23, 2006, elected seven members to the Board of Directors. The composition of the Board remained unchanged. The following persons were re-elected: President Martti Ahtisaari; Mr Heikki Horstia, Vice President, Treasurer, Wärtsilä Corporation; Dr Eero Kasanen, Rector of the Helsinki School of Economics; Mr Antti Piippo, principal owner and founder-shareholder of Elcoteq SE; Mr Henry Sjöman, founder-shareholder of Elcoteq SE; Mr Juha Toivola, MSc, and Mr Jorma Vanhanen, founder-shareholder of Elcoteq SE. The terms of office of the Board members extend until the end of the following Annual General Meeting. Ahtisaari, Horstia, Kasanen and Toivola are independent Board members, and they represent more than half of the Board's members.

Convening after the Annual General Meeting, the Board of Directors elected Mr Piippo as its chairman and Mr Toivola as the deputy chairman. Mr Piippo was elected chairman of the Nomination Committee and Mr Sjöman, Mr Vanhanen and Mr Toivola as this committee's other members. Mr Piippo was elected chairman of the Working Committee and Mr Sjöman, Mr Vanhanen and Mr Toivola as this committee's other members. Mr Toivola was elected chairman of the Compensation Committee and President Ahtisaari, Mr Horstia and Mr Kasanen as this committee's other members. The Board elected Mr Toivola chairman of the Audit Committee and President Ahtisaari, Mr Horstia and Mr Kasanen as this committee's other members.

The Annual General Meeting re-appointed the firm of authorized public accountants KPMG Oy Ab under the supervision of principal auditor Mr Mauri Palvi (APA) as the company's auditors.

The Annual General meeting authorized the Board of Directors to float one or several convertible bonds and/or to issue stock options and/or to raise the share capital in one or several installments through a rights issue within one year from the Annual General Meeting. When issuing convertible bonds, stock options or new shares the Board shall be entitled to issue at most 6,234,315 new Series A shares of nominal value 0.40 euros per share for subscription. However, the valid and unexercised authorizations of the Board of Directors concerning the total number of share capital increases and the votes carried by the new shares issued shall not exceed one-fifth of the Company's total registered share capital and aggregate number of votes carried by the shares at the time of the authorization and the Board's decision to raise the share capital.

The Meeting also authorized the Board of Directors within one year from the Annual General Meeting to purchase or dispose of the Company's own shares to the extent that the nominal value of the purchased shares and the votes carried by these shares shall not exceed five (5) percent of the company's share capital and the aggregate number of votes conferred by all the shares.

These authorizations are in force until March 23, 2007.

Shares and Shareholders

At the end of 2006 the company’s share capital totaled 12,615,730.80 euros and there were altogether 31,539,327 shares comprising 20,962,327 Series A shares and 10,577,000 Series K shares. All the K shares are held by the company’s three principal owners. During 2006 altogether 435,750 new A shares were subscribed under the 2001 stock options scheme.

Elcoetq had 11,693 shareholders on December 31, 2006. There were 8,039,881 nominee-registered and foreign-registered shares, which represented 25.5% of the total number of shares and 6.3% of the votes outstanding.

Board’s Proposal to Transfer the Domicile to Luxembourg

Elcoteq SE’s Board of Directors will propose to the Annual General Meeting on March 22, 2007 that Elcoteq’s domicile and registered office be transferred to Luxembourg. The purpose underlying the transfer of domicile is to implement Elcoteq's globalization strategy and to create an effective structural basis for ensuring the continuous improvement of the company's competitiveness.

The Board of Directors has, as of December 21, 2006, prepared a Transfer Proposal, a Report and proposed new Articles of Association, which have been registered and published in the manner required by Finnish law. Should the AGM carry the Board's proposal the transfer could take place on January 1, 2008.

Action Plan to Improve Competitiveness and Profitability

Elcoteq announced in December 2006 that it would begin implementation of an action plan to accelerate improvements to the company’s competitiveness, profitability and cost-efficiency. The target is to achieve annual savings in the amount of 20 million euros. The action plan could contain, among other things, reorganizations and structural changes especially in Europe and the Americas. The company will begin personnel negotiations with employee representatives in Finland in February 2007. The need for possible personnel reductions in Finland is estimated to be at most roughly 500 people.

The company estimates that the action plan will incur one-time costs in the order of 20 million euros in 2007. Most of the one-time costs will probably be recognized in the first-quarter's result.
Most of the impact of the plan will start to become visible in Elcoteq's result in the latter part of 2007.

In addition to the aforementioned action plan, Elcoteq is also undertaking several other measures designed to raise its profitability and competitive efficiency. These include a global program of production efficiency enhancing measures at all the company's manufacturing plants and the adoption of a new contract and invoicing model in Europe. The Board's proposal to transfer the company's domicile is likewise part of the measures aimed at improving competitiveness.

Prospects

Market research institutes forecast more than 10% annual growth in the EMS and ODM markets in the years ahead, and an approximate 10% increase in sales of mobile phones during 2007. The market value is expected to remain at the previous year's level owing to a continuous decline in average mobile phone prices. The end-product market for communications networks is forecast to grow by about 9% in 2007. The major growth areas are the developing countries of Asia-Pacific and Latin America, where the number of mobile phone users is increasing rapidly.

Elcoteq's strategy is to focus on serving communications technology companies. The company is developing an end-to-end ODM service chain for precisely the needs of these customers. Elcoteq supplements its own service portfolio by working in co-operation with various design companies and component suppliers.

Balancing of the customer base and expansion into new product areas that suit the company's operating model and manufacturing processes will continue to be key goals alongside strengthening of the service offering.

Net sales in the first quarter of 2007 are forecast to be at the same level as one year earlier. The operating income, before the possible one-time costs arising from the action plan, is expected to be a loss owing to the company's heavy cost structure with respect to market conditions and weak capacity utilization. The cost structure will be rectified with the action plan and capacity utilization at the manufacturing plants will be improved through more intensive sales efforts. Most of the impacts of these measures will be visible in the company's result in the latter part of 2007.

Elcoteq forecasts that its net sales in 2007 will increase in pace with the EMS market in general and that its operating income, excluding one-time items, will improve compared with 2006.

Board's Dividend Proposal

The Board of Directors proposes to the Annual General Meeting on March 22, 2007 that a dividend of 0.20 euros per share be paid on the financial year 2006, i.e. roughly half of the company's net profit.

Annual General Meeting 2007

Elcoteq's Annual General Meeting will be held in Helsinki on March 22, 2007. The Board's Nomination Committee proposes to the Annual General Meeting that the Board's current members be re-elected. All have given their consent to re-election.

The invitation to the of meeting and the matters to be submitted to the Annual General Meeting for its decision will be published in a stock exchange release on February 21, 2007, on the company's website www.elcoteq.com, and in the Finnish newspapers Kauppalehti and Helsingin Sanomat. The company will also mail the invitation to all shareholders whose address in known to the company.

Espoo, Finland, February 6, 2007

Board of Directors

Further information:
Jouni Hartikainen, President and CEO, tel. +358 10 413 11
Teo Ottola, CFO, tel. +358 10 413 1240
Reeta Kaukiainen, Director, Communications and IR, tel. +358 (0)10 413 1742, GSM +358 50 522 0924

Press Conference

Elcoteq will hold a combined conference, conference call and webcast in the Paavo Nurmi Room of Hotel Kämp (address: Pohjoisesplanadi 29, Helsinki) starting at 2.30 pm on Wednesday February 7, 2007. The language of the conference will be English.

To participate in the conference call, please phone 5-10 minutes before the start of the conference on +44 20 7162 0125, code Elcoteq.

The conference can also be heard direct as a webcast on the internet or as a recording on Elcoteq's website www.elcoteq.com.

The presentation material (pdf file) shown at the conference will be available on the company's website, www.elcoteq.com, from about 11.00 (EET) on February 7.

Elcoteq publishes its interim report for the first three months of 2007 at 9.00 (EET) on April 26.

ENCLOSURES

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APPENDIX 1

CONSOLIDATED INCOME STATEMENT, (IFRS), EUR 1,000

	Jan. 1 - Dec. 31, 2006	Jan. 1 - Dec. 31, 2005
NET SALES	**4,284,333**	**4,169,046**
Change in work in progress and finished goods	17,339	-11,163
Other operating income	6,970	5,809
Production materials and services	-3,787,467	-3,638,528
Personnel expenses	-205,871	-202,596
Depreciation	-82,701	-78,238
Writedowns	-	-279
Depreciation and writedowns, total	-82,701	-78,517
Other operating expenses	-188,700	-167,565
OPERATING INCOME	**43,902**	**76,486**
Financial income, total	3,165	4,788
Financial expenses, total	-26,847	-20,751
Share of the losses of associated companies	-985	-1,178
INCOME BEFORE TAXES	**19,237**	**59,346**
Income taxes	-4,651	-18,442
NET INCOME	**14,586**	**40,904**
ATTRIBUTABLE TO:		
Equity holders of the parent*	12,065	41,271
Minority interests	2,521	-367
	14,586	**40,904**
Earnings per share calculated on profit attributable to equity holders of the parent company		
Earnings per share (EPS), EUR	0.38	1.34
Earnings per share (EPS), diluted, EUR	0.37	1.28

* Net profit reported by the company

APPENDIX 2

CONSOLIDATED BALANCE SHEET (IFRS)	Dec. 31, 2006	Dec. 31, 2005
ASSETS, EUR 1,000		
Non-current Assets		
Intangible assets		
Intangible rights	7,625	6,439
Product development costs	4,199	1,889
ADP software	7,182	7,629
Advance payments and construction in progress	682	5,731
Goodwill	10,578	10,615
Goodwill on consolidation	15,098	15,098
	45,365	47,400
Tangible assets		
Land and water areas	2,611	3,952
Investment properties	1,846	2,042
Buildings	71,252	79,033
Machinery and equipment	164,307	149,621
Advance payments and construction in progress	5,005	10,085
	245,021	244,734
Investments		
Shares and equity interests in associated companies	2,261	2,426
Receivables from associated companies	87	262
Other shares and equity interests	11,379	11,399
	13,728	14,087
Long-term receivables		
Deferred tax assets	15,218	10,010
Other loans receivable	99	4
	15,317	10,014
Non-current assets, total	**319,431**	**316,235**
Current Assets		
Inventories		
Raw materials	286,646	270,368
Work in progress	32,727	24,678
Finished goods	39,031	33,304
Advance payments	620	12
	359,025	328,362
Current receivables		
Accounts receivable	348,305	352,713
Loans receivable	2,188	7,976
Other receivable	26,242	44 ,312
Prepaid expenses and accruals	18,784	16,441
Tax assets based on taxable income in year	7,346	-

	402,865	421,442
Cash and equivalents	82,298	101,351
Current assets, total	**844,187**	**851,155**
ASSETS, TOTAL	**1,163,618**	**1,167,390**
SHAREHOLDERS' EQUITY AND LIABILITIES, EUR 1,000		
Equity attributable to equity holders of the parent		
Share capital	12,616	12,441
Additional paid-in capital	218,704	215,988
Other reserves	8,369	8,369
Translation differences	-1,864	-2,883
Retained earnings	43,767	21,794
Net income for the year	12,065	41,271
Equity attributable to equity holders of the parent, total	**293,656**	**296,980**
Minority interests	9,647	6,885
Total equity	**303,303**	**303,865**
Liabilities		
Long-term liabilities		
Subordinated notes	139,087	108,978
Medium-term notes	39,966	39,956
Loans from pension plans	1,213	1,678
Other debt	64	628
Deferred tax liability	5,111	3,062
	185,440	154,302
Payments due within one year	-605	-702
Long-term liabilities, total	184,835	153,600
Current liabilities		
Loans from financial institutions	30,096	40,691
Loans from pension plans	462	465
Advances received	518	216
Accounts payable	578,774	582,602
Other current liabilities	12,444	11,262
Accrued expenses	49,193	64,211
Tax liabilities based on taxable income in year	2,179	7,698
Provisions	1,816	2,780
Current liabilities, total	675,480	709,925
Liabilities, total	**860,315**	**863,525**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**1,163,618**	**1,167,390**

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT (IFRS), EUR 1,000

	Jan. 1 - Dec. 31, 2006	Jan. 1 - Dec. 31, 2005
CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxes	19,237	59,345
Adjustments:		
Scheduled depreciation and amortization	82,701	78,517
Unrealized foreign exchange gains and losses	-11,427	13,629
Other non-payment-related income and expenses	1,275	831
Financial income and expenses	26,703	19,439
Other adjustments	-4,266	768
Cash flow before change in working capital	114,223	172,530
Change in working capital: *)		
Change in non-interest-bearing current receivables	3,807	-122,088
Change in inventories	-39,558	-9,986
Change in non-interest-bearing current liabilities	19,690	115,222
Cash flow from operating activities before financial items and taxes	98,162	155,677
Interest and other financial expenses	-21,443	-16,140
Operations-related interest income	2,055	2,725
Income taxes paid	-13,813	-14,018
Cash flow from operating activities	**64,961**	**128,244**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of tangible and intangible assets	-101,279	-126,626
Proceeds from disposal of tangible and intangible assets	17,173	20,630
Acquisitions	-7,619	-
Disposals	6,001	2,146
Repayment of loans receivable	1	17
Cash flow from investing activities	**-85,724**	**-103,834**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	2,890	3,369
Change in current debt	-7,459	-25,757
Issuance of long-term debt	29,839	79,529
Repayment of long-term debt	-466	-4,450
Dividends paid	-20,573	-19,959
Cash flow from financing activities	**4,231**	**32,731**
CHANGE IN CASH AND EQUIVALENTS	**-16,532**	**57,141**
Cash and equivalents on January 1	**101,351**	**39,239**
Effect of exchange rate changes on cash held	**-2,521**	**4,972**
Cash and equivalents on December 31	**82,298**	**101,351**

*) The change in working capital includes the change in sold accounts receivable. The impact of this change is to improve cash flow by 38.9 million euros during the reporting period 1-12/2006 and to weaken by 15.2 million euros during 1-12/2005.

APPENDIX 4

CALCULATION OF CHANGES IN SHAREHOLDERS´EQUITY (IFRS), EUR 1,000

	Attributable to equity holders of the parent						Minority interests	Total equity
	Share capital	Additional paid-in capital	Other reserves	Translation differences	Retained earnings	Total		
BALANCE AT JAN. 1, 2006	12,441	215,988	8,369	-2,883	63,065	296,980	6,885	303,865
Issue of share capital	174	2 ,716				2,890		2,890
Equity hedge of subsidiaries				1,935		1,935		1,935
Translation differences				-915		-915	240	-675
Share based payments					1,275	1,275		1,275
Dividends					-20,573	-20,573		-20,573
Net income					12,065	12,065	2,521	14,586
BALANCE AT DEC. 31, 2006	**12,616**	**218,704**	**8,369**	**-1,864**	**55,831**	**293,656**	**9,647**	**303,303**
BALANCE AT JAN. 1, 2005	**12,256**	**212,226**	**8,354**	**-2,687**	**40,116**	**270,265**	**6,575**	**276,840**
Issue of share capital	185	3,184				3,369		3,369
Transfer to translation difference		578		-578		-		-
Increase in other reserves			15	-15		-		-
Equity hedge of subsidiaries				-2,602		-2,602		-2,602
Translation differences				2,999		2,999	330	3,329
Share based payments					1,637	1,637		1,637
Ownership change of group companies						-	348	348
Dividends					-19,959	-19,959		-19,959
Net income					41,271	41,271	-367	40,904
BALANCE AT DEC. 31, 2005	**12,441**	**215,988**	**8,369**	**-2,883**	**63,065**	**296,980**	**6,885**	**303,865**

APPENDIX 5

SEGMENT REPORTING

Elcoteq has organized its business operations into two business areas: Terminal Products and Communications Networks. Elcoteq reports these as its primary segments applying the principles defined in IAS 14 (Segment Reporting).

As its secondary segments Elcoteq reports its three geographical areas: Europe, Asia-Pacific and Americas.

Segment reporting is based on the company's internal reporting system.

Accounting Principles

There are no intersegment sales between the primary segments.

The net sales of the secondary segments are based on where the segment's assets are located. Net sales according to customer location are shown under "Breakdown of net sales by market".

The items shown for the segments are those that are either directly attributable to the segments or that can be reasonably allocated to them.

The segment's assets comprise intangible and tangible rights, investments in associated companies, inventories, accounts receivable and allocatable prepaid expenses and accruals.

The segment's liabilities are its accounts payable and allocatable accrued expenses.

Non-Allocated Items

Non-allocated expenses in the income statement consist of the expenses of the Group's corporate office.

Non-allocated assets consist mainly of cash and bank receivables as well as prepaid expenses and accruals not allocated to the segments.

Non-allocated liabilities are mainly interest-bearing liabilities, deferred tax liabilities and accrued expenses not allocated to the segments.

Investments in associated companies that cannot be allocated to the segments are entered under non-allocated assets.

Business Areas

The Terminal Products business area designs and manufactures terminal devices based on the most advanced wireless communications technology. Its products include mobile phones and their accessories, cordless phones and set-top boxes.

Communications Networks business area serves customers operating in the areas of mobile phone networks, wireless local area networks, and broadband networks. The business area's products include base station equipment such as plug-in units and routers for mobile phone networks, and broadband network products.

BUSINESS AREAS IN 2006, MEUR

	Terminal Products	Communications Networks	Non-allocated	Total
Net sales	3,512.1	772.3	-	4,284.3
Depreciation	56.0	22.1	4.6	82.7

Operating income	68.4	22.4	-46.8	43.9
Share of associated companies' results	0.0	0.0	-1.0	-1.0
Assets	710.8	322.3	130.5	1,163.6
Investments in associated companies	0.2	1.7	0.3	2.3
Liabilities	470.6	145.4	244.3	860.3
Capital expenditures	85.4	23.5	7.9	116.9
Sold accounts receivable*	131.7	56.0	-	187.7

BUSINESS AREAS IN 2005, MEUR

	Terminal Products	Communications Networks	Non-allocated	Total
Net sales	3,439.0	730.1	-	4,169.0
Depreciation	55.1	18.9	4.6	78.5
Operating income	95.0	23.2	-41.7	76.5
Share of associated companies' results	0.0	-0.3	-0.9	-1.2
Assets	737.7	277.7	152.1	1,167.4
Investments in associated companies	0.2	1.9	0.3	2.4
Liabilities	491.9	129.1	242.6	863.5
Capital expenditures	88.5	30.9	4.2	123.6
Sold accounts receivable*	96.1	52.7	-	148.8

* not included in the segment's assets

Geographical areas

Elcoteq's geographical areas are Europe, Asia-Pacific and Americas.

GEOGRAPHICAL AREAS IN 2006, MEUR

	Europe	Asia-Pacific	Americas	Non-allocated	Total
Net sales	2,425.4	1,094.1	764.8	-	4,284.3
Assets	618.3	263.1	164.0	118.1	1,163.6
Capital expenditures	49.4	40.5	19.0	7.9	116.9
Sold accounts receivable*	152.7	29.3	5.7	-	187.7

GEOGRAPHICAL AREAS IN 2005, MEUR

	Europe	Asia-Pacific	Americas	Non-allocated	Total

Net sales	2,345.0	1,069.4	754.6	-	4,169.0
Assets	541.8	291.6	184.2	149.9	1,167.4
Capital expenditures	72.2	37.8	9.5	4.2	123.6
Sold accounts receivable*	132.0	-	16.8	-	148.8

* Not included in the segment's assets

BREAKDOWN OF NET SALES BY MARKET, MEUR

	2006	2005
Europe	2,342.5	2,857.4
Americas	905.7	767.4
Asia-Pacific	1,036.2	544.3
	4,284.3	4,169.0

APPENDIX 6

PERSONNEL

The Group had on average 16,651 (15,242) employees during the year, distributed geographically as follows.

	At Dec. 31	At Jan. 1	Change	Average
Finland	668	789	-121	737
Brazil	176	204	-28	214
Hong Kong	60	52	8	47
India	777	299	478	568
Japan	4	4	-	4
China	5,323	5,255	68	5,247
Luxembourg	1	-	1	1
Mexico	3,138	2,353	785	2,744
Romania	201	-	201	55
Sweden	7	7	-	7
Germany	453	419	34	428
Switzerland	9	8	1	8
Hungary	3,311	2,523	788	2,774
USA	157	103	54	121
Russia	483	281	202	351
Estonia	2,937	3,454	-517	3,345
Total	17,705	15,751	1,954	16,651

On December 31, 2006 the Group employed 23,298 people, of whom 17,705 were on Elcoteq's payroll.

APPENDIX 7

FIVE YEARS IN FIGURES

	2006	2005	2004*	2003	2002
OPERATIONS					
Net sales, MEUR	4,284.3	4,169,0	2,921,8	2,235,7	1,840,2
of which outside Finland, %	89.7	81.4	86.2	81.0	77.5
Gross capital expenditures, MEUR	116.9	123.6	128.3	68.1	78.0
(does not include operating leases)					
Employees, average	16,651	15,242	13,065	11,044	8,127
PROFITABILITY					
Operating income before depreciation and amortization (EBITDA)	126.6	155.0	117.6	88.1	74.7
Operating income, MEUR	43.9	76.5	57.3	30.5	25.5
as percentage of net sales, %	1.0	1.8	2.0	1.4	1.4
Income before taxes, MEUR	19.2	59.3	44.9	22.5	18.6
as percentage of net sales, %	0.4	1.4	1.5	1.0	1.0
Net income ***, MEUR	12.1	41.3	30.7	20.7	16.1
as percentage of net sales, %	0.3	1.0	1.1	0.9	0.9
Return on equity (ROE), %	4.8	14.1	15.1	8.2	7.4
Return on investment (ROI/ROCE), %	9.1	17.6	19.5	10.2	9.2
FINANCIAL RATIOS					
Current ratio	1.2	1.2	1.1	1.2	1.2
Solvency, %	26.1	26.0	30.5	32.6	36.6
Gearing	0.4	0.3	0.4	-0.0	-0.1
Interest-bearing liabilities, MEUR	210.3	191.7	137.4	63.3	42.6
Interest-bearing net debt, MEUR	128.0	90.3	98.2	-0.4	-33.4
PER SHARE DATA					
Earnings per share (EPS), EUR	0.38	1.34	1.01	0.70	0.54
Diluted earnings per share (EPS), EUR	0.37	1.28	0.96	0.67	-
Shareholders' equity per share ***, EUR	9.31	9.55	8.82	8.46	8.40
Share price at the end of the year, EUR	9.78	20.15	17.89	15.98	10.80
Dividend per share **, EUR	0.20	0.66	0.65	0.90	0.40
Payout ratio **, %	52.3	49.7	49.6	131.0	73.5
Dividend yield **, %	2.0	3.3	3.6	5.6	3.7
P/E ratio	25.7	15.0	14.1	22.9	19.7
Adjusted weighted average number of shares in issue during the period					
Shares	31,338,611	30,764,705	30,420,473	29,572,826	29,491,652
Adjusted number of shares in issue at the end of the period					
Shares	31,539,327	31,103,577	30,640,877	30,190,527	29,491,652

* The key figures for the income statement and earnings per share are calculated on continuing operations.

Other key figures include the impact of the discontinued operation.
** The dividend in 2006 is the proposal of the Board of Directors to the Annual General Meeting.
*** Amount attributable to equity holders of the parent company. The net income for 2004 does not include the income of the discontinued operation.

Financial statements have been prepared in compliance with the IFRS standards beginning from January 1, 2003. Financial statement 2002 has been prepared in compliance with the Finnish Accounting Act, which came into effect on December 31, 1997.

APPENDIX 8

IMPACT OF BUSINESS COMBINATIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS, EUR 1,000

Elcoteq signed a manufacturing supply agreement with Andrew Corporation in September 2006 under which Elcoteq took over Andrew's subsidiary in Arad, Romania, as well as the machinery, equipment and inventories related to the acquired operations. The assets and liabilities were acquired at fair value and will be used in the manufacture of products to be supplied to Andrew Corporation. The impact of this supply agreement on the company's result in 2006, assuming that the agreement had been signed at the beginning of 2006, cannot be reliably determined because the pricing method for the production operation transferred to Elcoteq as a result of the agreement was not the same as before the agreement took effect.

Elcoteq did not acquire new businesses in 2005.

The assets and liabilities acquired in business combinations are valued at their fair values.

Assets and liabilities acquired in business combinations in 2006 and 2005:

	2006 Fair Value	2006 Book Value	2005 Fair Value	2005 Book Value
Non-current assets				
Intangible assets	1	1	-	-
Tangible assets	2,831	2,831	-	-
Current assets				
Inventories	5,122	4,864	-	-
Current receivables	824	824	-	-
Cash and equivalents	406	406	-	-
Assets total	9,184	8,926	-	-
Liabilities				
Current liabilities	1,159	1,159	-	-
Acquisition cost	8,025	7,767	-	
Acquisition price paid in cash	8,025			
Cash and equivalents of acquired subsidiary	-406			
Impact on cash flow	7,619			

APPENDIX 9

ASSETS PLEDGED AND CONTINGENT LIABILITIES, EUR 1,000

	2006	2005
ON BEHALF OF OTHERS		
Guarantees	8	8
LEASING COMMITMENTS		
Operating leases, production machinery (excl. VAT)	48,155	45,620
Rental commitments, real-estate (excl. VAT)	27,612	25,898
DERIVATIVE CONTRACTS		
Foreign currency derivative instruments		
Forward contracts, transaction risk		
Nominal value	275,444	378,905
Fair value	-5,101	-1,358
Forward contracts, translation risk		
Nominal value	35,533	28,857
Fair value	285	-129
Forward contracts, financial risk		
Nominal value	131,085	98,143
Fair value	-46	-996
Interest rate and foreign exchange swap contracts		
Nominal value	4,000	2,500
Fair value	117	-180

The derivatives have been valued using the market prices and the exchange reference rates of the European Central Bank on the balance sheet date. The figures include also the closed positions.

OTHER COMMITMENTS

In calculating value-added tax for China in 2006, 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. During previous years Elcoteq has been granted the approval afterwards and therefore the company has estimated the risk to be small and has made no provision.

Group companies are engaged in certain court cases. These are not expected to have a significant effect on the Group's result.

APPENDIX 10

QUARTERLY FIGURES

INCOME STATEMENT, MEUR

	Q4/ 2006	Q3/ 2006	Q2/ 2006	Q1/ 2006	Q4/ 2005	Q3/ 2005	Q2/ 2005	Q1/ 2005
NET SALES	**1,104.6**	**1,169.1**	**1,029.6**	**981.1**	**1,182.0**	**1,194.7**	**982.1**	**810.3**
Change in work in progress and finished goods	-8.1	19.4	-6.5	12.6	2.1	1.7	-9.8	-5.2
Other operating income	3.2	1.0	1.1	1.7	1.2	1.1	1.8	1.7
Operating expenses	-1,070.9	-1,151.0	-991.9	-968.2	-1,137.8	-1,150.5	-940.1	-780.3
Depreciation and writedowns	-22.0	-21.8	-20.1	-18.9	-22.1	-21.4	-18.0	-17.0
OPERATING INCOME	**6.9**	**16.6**	**12.2**	**8.3**	**25.5**	**25.6**	**15.9**	**9.5**
% of net sales	0.6	1.4	1.2	0.8	2.2	2.1	1.6	1.2
Financial income and expenses	-7.4	-6.2	-5.0	-5.1	-5.6	-4.4	-3.2	-2.8
Share of profits and losses of associates	-0.3	-0.2	-0.2	-0.3	-0.2	-0.2	-0.6	-0.2
INCOME BEFORE TAXES	**-0.8**	**10.1**	**7.0**	**2.9**	**19.7**	**21.0**	**12.1**	**6.5**
Income taxes	1.6	-3.4	-2.0	-0.8	-4.6	-7.4	-3.8	-2.7
NET INCOME FOR THE PERIOD	**0.8**	**6.7**	**5.0**	**2.1**	**15.1**	**13.7**	**8.3**	**3.8**
ATTRIBUTABLE TO:								
Equity holders of the parent	-0.3	5.9	4.4	2.1	14.9	13.7	8.3	4.4
Minority interests	1.1	0.8	0.6	-0.0	0.2	0.0	-0.0	-0.6
	0.8	**6.7**	**5.0**	**2.1**	**15.1**	**13.7**	**8.3**	**3.8**

BALANCE SHEET, MEUR	Q4/ 2006	Q3/ 2006	Q2/ 2006	Q1/ 2006	Q4/ 2005	Q3/ 2005	Q2/ 2005	Q1/ 2005
ASSETS								
Non-current Assets								
Intangible assets	45.4	47.8	49.4	48.2	47.4	47.5	46.6	43.9
Tangible assets	245.0	263.6	242.1	238.2	244.7	245.4	215.1	206.7
Investments	13.7	14.0	14.0	14.0	14.1	14.1	14.1	14.4
Long-term receivables	15.3	14.2	11.2	10.6	10.0	9.8	16.2	16.5
Non-current assets, total	319.4	339.6	316.7	311.0	316.2	316.8	292.0	281.4
Current assets								

Inventories	359.0	407.4	366.1	339.6	328.4	363.4	323.2	331.5
Current receivables	402.9	518.1	447.9	425.7	421.4	487.5	462.8	388.6
Cash and equivalents	82.3	102.4	41.0	143.5	101.4	106.7	60.5	70.2
Assets classified as held for sale	-	-	-	-	-	1.7	-	-
Current assets, total	844.2	1 028.0	854.9	908.9	851.2	959.3	846.5	790.3
ASSETS, TOTAL	**1,163.6**	**1,367.6**	**1,171.7**	**1,219.9**	**1,167.4**	**1,276.0**	**1,138.5**	**1,071.7**
SHAREHOLDERS' EQUITY AND LIABILITIES								
Equity attributable to equity holders of the parent								
Share capital	12.6	12.6	12.6	12.5	12.4	12.3	12.3	12.3
Other shareholders' equity	281.0	279.9	272.9	267.1	284.5	267.1	252.8	243.3
Equity attributable to equity holders of the parent, total	293.7	292.5	285.4	279.5	297.0	279.4	265.1	255.6
Minority interests	9.6	7.9	7.0	6.7	6.9	7.3	6.9	6.7
Total equity	303.3	300.4	292.5	286.3	303.9	286.7	272.0	262.3
Long-term liabilities								
Long-term loans	179.7	179.9	179.9	180.0	149.9	150.4	101.1	72.3
Other long-term debt	5.2	4.3	4.1	3.7	3.7	4.0	4.2	4.9
Long-term liabilities, total	184.8	184.3	184.0	183.7	153.6	154.3	105.3	77.1
Current liabilities								
Current loans	30.6	92.0	26.2	38.7	41.2	53.4	69.8	135.9
Other current liabilities	643.1	788.3	666.3	708.9	666.0	778.9	686.6	594.3
Provisions	1.8	2.5	2.7	2.5	2.8	2.7	4.8	2.1
Current liabilities, total	675.5	882.9	695.2	750.0	709.9	835.0	761.2	732.2
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**1,163.6**	**1,367.6**	**1,171.7**	**1,219.9**	**1,167.4**	**1,276.0**	**1,138.5**	**1,071.7**
Personnel on average during the period	17,431	16,930	16,581	15,748	15,903	15,162	15,030	14,560
Gross capital expenditures, MEUR	32.3	38.5	30.1	16.0	35.4	48.8	17.8	21.6
ROI/ROCE from 12 preceding months, %	9.1	12.1	15.7	16.0	17.6	17.5	17.7	16.8
Earnings per share (EPS), EUR	-0.01	0.19	0.14	0.07	0.48	0.44	0.27	0.14
Solvency ratio, %	26.1	22.0	25.0	23.5	26.0	22.5	23.9	24.5

CONSOLIDATED CASH FLOW STATEMENT, MEUR

	Q4/ 2006	Q3/ 2006	Q2/ 2006	Q1/ 2006	Q4/ 2005	Q3/ 2005	Q2/ 2005	Q1/ 2005
Cash flow before change in working capital	23.8	36.8	28.4	25.2	47.3	47.1	48.4	29.7
Change in working capital	30.7	13.7	-73.1	12.6	-11.4	21.6	26.6	-53.7
Financial items and taxes	-11.6	-7.7	-6.6	-7.3	-10.3	-8.1	-5.7	-3.3
Cash flow from operating activities	43.1	42.6	-51.3	30.6	25.6	60.6	69.3	-27.3

Cash flow from investing activities	-1.8	-47.3	-20.3	-16.3	-20.1	-47.1	-22.3	-14.3
Cash flow before financing activities	41.2	-4.7	-71.5	14.2	5.5	13.5	47.0	-41.6
Proceeds from share issue	0.5	0.5	1.4	0.5	2.4	0.1	0.1	0.8
Change in current debt	-60.9	65.4	-10.3	-1.7	-12.7	-16.8	-67.3	71.0
Issuance of long-term debt	-	-	-	29.8	-	49.4	30.2	-
Repayment of long-term debt	-0.2	-0.1	-0.2	-	-1.1	-0.5	-2.1	-0.7
Dividends paid	-	-	-20.6	-	-	-	-20.0	-
Cash flow from financing activities	-60.6	65.9	-29.7	28.6	-11.5	32.1	-58.9	71.0
Change in cash and equivalents	-19.3	61.1	-101.1	42.8	-6.1	45.7	-11.9	29.4
Cash and equivalents at the beginning of the period	102.4	41.0	143.5	101.4	106.7	60.5	70.2	39.2
Effect of exchange rate changes on cash held	-0.8	0.4	-1.4	-0.7	0.7	0.5	2.3	1.5
Cash and equivalents at the end of the period	82.3	102.4	41.0	143.5	101.4	106.7	60.5	70.2

BUSINESS AREAS	**Q4/ 2006**	**Q3/ 2006**	**Q2/ 2006**	**Q1/ 2006**	**Q4/ 2005**	**Q3/ 2005**	**Q2/ 2005**	**Q1/ 2005**
Net sales, MEUR								
Terminal Products	898.6	967.9	837.6	808.0	999.5	999.3	795.0	645.2
Communications Networks	206.0	201.2	192.0	173.1	182.6	195.4	187.1	165.1
Total	1,104.6	1,169.1	1,029.6	981.1	1,182.0	1,194.7	982.1	810.3
Segment´s operating income, MEUR								
Terminal Products	13.2	18.6	20.7	15.9	32.2	26.6	19.4	16.9
Communications Networks	5.7	8.8	3.2	4.6	2.9	9.7	8.0	2.6
Group´s non-allocated expenses/income	-12.1	-10.8	-11.6	-12.3	-9.6	-10.7	-11.5	-10.0
Total	6.9	16.6	12.2	8.3	25.5	25.6	15.9	9.5

GEOGRAPHICAL AREAS	**Q4/ 2006**	**Q3/ 2006**	**Q2/ 2006**	**Q1/ 2006**	**Q4/ 2005**	**Q3/ 2005**	**Q2/ 2005**	**Q1/ 2005**
Net Sales, MEUR								
Europe	635.8	659.4	599.7	530.5	641.6	686.5	550.9	466.0
Asia-Pacific	260.3	307.2	272.8	253.8	344.7	321.0	226.6	177.1
Americas	208.5	202.4	157.1	196.8	195.8	187.1	204.5	167.2
Total	1,104.6	1,169.1	1,029.6	981.1	1,182.0	1,194.7	982.1	810.3