Elcoteq Network Corporation | Financial Statements Bulletin
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ELCOTEQ NETWORK CORPORATION'S FINANCIAL STATEMENTS BULLETIN JANUARY 1 – DECEMBER 31, 2000

* Net sales almost tripled to MEUR 2 213.5 (752.5)
* Operating profit quadrupled to MEUR 66.4 (14.5)
* EPS increased six-fold to EUR 1.38 (0.21)
* Return on capital employed 20.4 % (8.2 %)
* The Board proposes a dividend of FIM 2.25, i.e. approx. EUR 0.38 per share (FIM 0.65 i.e. approx. EUR 0.11)
* Net sales in 2001 will increase, result expected to be clearly positive.

Market conditions

Manufacturers of electronic end-products (OEMs) continued to outsource their production during 2000 and demand for electronics manufacturing services (EMS) showed further rapid growth. At the same time many European companies that had hitherto handled their own production, modified their manufacturing strategies to include outsourcing. Outsourcing has increased most rapidly in Elcoteq's main market, communications electronics. Growth in the mobile phone markets was fast once again and an increasing proportion of these products were made by EMS companies. In the future construction of new wireless communications networks will accelerate, which will mean rapid outsourcing of these products as well.

Demand for electronics manufacturing services will continue to grow at an average rate of 28 % a year until 2004 according to Technology Forecasters, Inc. Outsourcing is expected to be most pronounced among companies engineering and manufacturing communications electronics equipment, which indicates that EMS companies serving this segment of the market will grow considerably faster than market growth on average. This is precisely the customer segment best served by Elcoteq's expertise and production capacity.

Vigorous consolidation within the EMS sector through acquisitions and mergers was once again well in evidence during 2000. Heavy investments were also made in expanding EMS plant networks in different geographical regions.

Based on interim reports published by EMS companies during the year Elcoteq became one of the world's ten largest EMS companies in 2000. Its global network of manufacturing plants, built up between 1998 and 1999, has mutually consistent systems, processes and operating procedures and the network offers modern and competitive capacity on three continents. Most of Elcoteq's capacity is situated in Estonia, Hungary, Mexico and China, all countries that are highly cost-competitive.

The tight situation in the component markets early in the year began to ease gradually during the third quarter. The availability of many radio frequency components improved as these manufacturers brought new capacity investments into production. The availability of semi-conductors and passive components, however, remained tight to the end of the year. Component availability is expected to return to normal during 2001.

Net sales and performance

Consolidated net sales almost tripled during 2000 as planned, increasing 194 % to MEUR 2,213.5 (752.5). Most of the growth in net sales during 2000 was attributable to the increase in Elcoteq's production capacity, notably at the plants in Tallinn, Hungary, Mexico and China.

Elcoteq's principal customers were companies belonging to the ABB, Danfoss, Ericsson, Kone, Nokia and Philips groups. Ericsson and Nokia companies contributed altogether 92 % (87 %) of Elcoteq's net sales. Mobile phones and their accessories accounted for 75 % (75 %) of net sales; communications network equipment for 7 % (8 %), industrial electronics for 4 % (8 %), and other electronics manufacturing for 14 % (9%).

The Group's profits and its profitability, measured in terms of return on capital employed, both showed a distinct improvement. The consolidated operating profit rose on the previous year by 358 % to MEUR 66.4 (14.5) and represented 3.0 % (1.9 %) of the year's consolidated net sales. Return on capital employed (ROCE), a central measure of the company's profitability, was 20.4 % (8.2 %) at the year end and return on shareholders' equity was 19.3 % (5.4 %). Earnings per share increased to EUR 1.38 (0.21). The operating margin (operating profit as a percentage of net sales) was steady throughout the year and the improvement on the previous year was mainly attributable to higher capacity utilization.

The consolidated profit before extraordinary items and taxes was MEUR 54.4 (9.8). Net financial expenses totaled MEUR 12.1 (4.6). The main reasons underlying the increase in net financial expenses were the growth in working capital arising from the company's expanded business volume, the expenses associated with the share issue in May, and a general increase in interest rates.

The company posted a net profit after taxes and minority interest of MEUR 37.2 (5.0). Income tax during the year totaled MEUR 15.6 (3.6).

The heavy expansion in manufacturing capacity raised depreciation by 94 % on the previous year to MEUR 34.7 (17.9).

The balance sheet total rose 83 % to MEUR 801.4 (438.1). Capital expenditure raised fixed assets to MEUR 182.2 (98.7) at the year end. Accounts payable at the close of the period were MEUR 295.7 (190.3) and stocks were MEUR 300.5 (142.4), which included component stocks totaling MEUR 265.6 (128.0). Accounts receivable totaled MEUR 239.4 (162.9).

The Group had 11,371 employees at the end of the year. Personnel expenses increased 107 % on the previous year to MEUR 107.9 (52.1). Most of the increase took place in Hungary, China and Mexico.

Capital expenditure

Gross capital expenditure totaled MEUR 125.7 (50.2), in addition to which the company concluded new operating lease contracts amounting to MEUR 26.6 (5.4). The bulk of investments applied to the plants in Hungary and Beijing, China.

The global plant network

As a result of Elcoteq's globalization program in 1998-1999 the company's plant network now covers three continents – Asia, Europe and America – enabling the company to offer its services in all the main markets of its customers. At the end of 2000 Elcoteq had more than twice as much plant floor area in use or under construction than one year earlier. Manufacturing floor area at Elcoteq's disposal at the end of 2000 totaled approximately 150,000 (69,000) square meters.

The expansions at the Tallinn and Lohja plants – 7,100 square meters and 2,200 square meters respectively – were completed during the second half of 2000. In July Elcoteq decided to build a new 6 300-square-meter plant in Tallinn to manufacture communications network equipment. This plant is part of the company's plan to strengthen its position as an EMS company in the communications network electronics sector. The new plant will be brought into production during the first quarter of 2001. Elcoteq has already taken a decision to expand this plant to cover altogether 15,000 square meters.

In April Elcoteq acquired the operation in Vaasa, Finland, assembling electronic modules for medium-voltage protection relays from ABB Substation Automation Oy. Elcoteq is now responsible for all electronics manufacturing related to these ABB products.

The plant in St. Petersburg, Russia, manufactures mainly industrial electronics and mobile phone accessories. Elcoteq will continue to evaluate the feasibility of expansion in St. Petersburg.

On January 1, 2000 Elcoteq took over the operations of the German EMS company Stephan Elektronik as well as this company's plants in Überlingen, Germany, and Wroclaw, Poland, as well as a customer service center in Beringen, Switzerland. This transaction strengthened Elcoteq's position in Europe and especially in Germany, where companies are just beginning to outsource electronics manufacturing.

Elcoteq has decided to build a new plant in Wroclaw, Poland, with a floor area of about 11,000 square meters to increase its capacity to manufacture communications network equipment electronics and industrial electronics.

Elcoteq acquired a 35,000-square-meter PC display manufacturing plant in Pécs, Hungary, from Nokia Display Products at the beginning of January 2000. This deal is helping Elcoteq to respond to growing demand for electronics manufacturing services in central Europe. Display manufacturing at the plant was discontinued, as planned, at the end of 2000 and the plant now concentrates on producing mobile phones and their accessories.

The Monterrey plant in Mexico, expanded in 2000, has over 18,000 square meters of floor area.

In July Elcoteq was the first international EMS company to start production in the capital of China. The company leased 12,000 square meters of plant space, where it manufactures subassemblies for mobile phones and communications network equipment for customers including Ericsson and Nokia. The plant in Dongguan was expanded by 4,000 square meters during 2000. These expansions more than doubled Elcoteq's manufacturing floor area for the Chinese mobile phone market, one of the largest and fastest growing in the world. Elcoteq now has altogether 24,000 square meters of plant floor area in China, half of which is in Beijing and half in Dongguan. The company also has a unit in Hong Kong focusing on customer service, material flow and repair.

New operating model

In November Elcoteq's Board of Directors decided to split the company's operations into three business areas: Terminal Products, Communications Network Equipment and Industrial Electronics. The principal goal of this change is to increase Elcoteq's closeness to its customers and operational flexibility. It also enables Elcoteq to develop its services in a more focused way to meet the varied requirements of its different customer segments.

Financing

The Group’s liquidity remained strong throughout the period. The solvency ratio was 35.1 % (31.7 %) at the end of the period, having been boosted during the year by share issues and good profitability.

The Group’s cash reserves on the balance sheet date were MEUR 31.8 (20.5), in addition to which the company had unused credit lines totaling MEUR 155.7 (114.6).

Interest-bearing debt totaled MEUR 182.3 at the year end, 78 % of which comprised variable interest loans. Interest-bearing debt carried average interest of 5.4 % at the year end.

In February 2000 Elcoteq decided to exercise its right to redeem the FIM 110 million convertible capital notes, issued in December 1996, ahead of schedule. All the note holders decided to convert the notes into Series A shares instead of taking repayment, which raised the number of Elcoteq A shares by 1,366,452.

The Group’s operations are international and therefore sensitive to exchange rate risks. The Group’s policy is to hedge its major open foreign exchange exposure. On the balance sheet date the balance sheet contained certain unhedged translation risks related to foreign subsidiaries. The foreign exchange exposure of these items is not expected to be significant, however. The purchasing and sales positions are hedged using mainly forward foreign exchange and option contracts with a maturity of at most four months. Loans raised in foreign currencies are generally hedged using swap contracts.

Share issues, shares and shareholders

On May 25, 2000 Elcoteq’s Board of Directors decided, as authorized by the Annual General Meeting, to raise the Company’s share capital by 7,600,000 Finnish markka (MEUR 1.3) by issuing 3,800,000 new Series A shares. The share price was EUR 21 per share. The lead managers of the share issue subsequently exercised their right to increase the number of new Series A shares offered for subscription by 330,000 shares. Consequently, altogether 4,130,000 new A shares were issued.

Following the share issue in May-June, the authorization granted to Elcoteq’s Board of Directors by the AGM still covered an increase in share capital by a further 533,000 Series A shares. These shares were sold to international and Finnish institutional investors for EUR 35 per share on September 7, 2000. At the same time Elcoteq’s three principal shareholders sold altogether 600,000 of their A shares.

The subscription period for the ”A” warrants of the 1997 Bond with Warrants began on September 1, 2000. By the end of the year, a total of 143,950 new A shares had been registered with these warrants raising Elcoteq’s share capital by FIM 287,900.

Elcoteq Network Corporation had 7,957 registered shareholders at the end of 2000.
There were altogether 8,308,576 nominee-registered or foreign-registered A shares, i.e. 28.2 % of the shares and 6.7 % of the voting rights.

The Year 2000 project

The company carried through its Year 2000 project as planned and the company’s operations were unaffected by the change of millennium.

Group structure

The Group’s parent company is Elcoteq Network Oyj (Elcoteq Network Corporation in English). During the review year Elcoteq established Beijing Elcoteq Electronics Co. Ltd. It acquired Stephan Elektronik Sp Z.o.o. in Poland and renamed this company Elcoteq Poland Sp Z.o.o. In Hungary Elcoteq acquired a PC display manufacturing plant (Elcoteq EMS Hungary Electronics Ltd) from Nokia Display Products and this company was merged with Elcoteq Hungary Electronics Ltd at the end of 2000.

At the end of the year all the Group’s subsidiaries were wholly owned by the parent company, Elcoteq Network Corporation, or its subsidiaries, except Dongguan Elcoteq Electronics Co. Ltd in which Elcoteq’s local partner holds a 30 % minority stake.

Board of Directors and President

The Annual General Meeting of Elcoteq Network Corporation was held in Helsinki on March 22, 2000. The number of Board members was raised to six, having previously been five. The Meeting elected the following to the Board until the close of the following AGM: Mr Martti Ahtisaari, Mr Antti Piippo, Mr Heikki Horstia, Mr Henry Sjöman, Mr Juha Toivola and Mr Jorma Vanhanen. The Board elected Antti Piippo as the executive chairman and Juha Toivola as deputy chairman. Martti Ahtisaari, Antti Piippo, Heikki Horstia and Juha Toivola constitute the Board’s Review and Compensation Committee. In the autumn of 2000 a Working Committee was established consisting of Antti Piippo, Henry Sjöman, Jorma Vanhanen and Tuomo Lähdesmäki.

The parent company’s president for the whole year was Mr Tuomo Lähdesmäki MSc (Eng.), MBA.

Auditors

The company’s auditors are the firm of authorized public accountants KPMG Wideri Oy Ab under the supervision of principal auditor Mr Birger Haglund, APA.

Personnel

Elcoteq’s personnel increased during 2000 by 5,224 employees, making a total of 11,371 at the year end: 1,416 in Finland and 9,955 outside Finland. The number of employees almost doubled compared to the end of 1999 when the company had altogether 6,147 employees. The Group had 9,630 (4,733) employees on average during the year.

Subsequent events

Following the announcement on January 26, 2001 by Ericsson, a major Elcoteq customer, concerning the restructuring of Ericsson’s mobile phone operations, Elcoteq and Ericsson reached agreement on January 31, 2001 to continue and increase their close manufacturing co-operation whereby Elcoteq will take a substantially larger role in providing electronics manufacturing services for Ericsson’s mobile systems products. This agreement will increase the proportion of the rapidly growing communications network system business in Elcoteq’s operations. The shift in direction will reduce the volume of business activity between the two companies during the first half of 2001 but business volumes will begin to increase again clearly towards the end of the year. Elcoteq has also started to sell its newly released manufacturing capacity to other customers. At the same time the company is making preparations to adjust its capacity to the temporary reduction in demand.

Prospects for 2001

The electronics manufacturing services markets, and in particular outsourcing of mobile phone and communications network equipment manufacture, will continue to show further strong growth.

The structure of Elcoteq's business operations will change with the effect that the company expects manufacturing of electronics for communications network systems to increase during 2001 and especially during 2002. Net sales during the first half of 2001 are likely to remain on the same level as in the corresponding period last year, which will temporarily weaken profitability. The company's full-year net sales will increase, however, and the Group's result of operations in 2001 will be clearly positive.

Board's dividend proposal

The Board of Directors bases its annual dividend proposal on the company's dividend policy, the Group's performance and its development needs.

The Group's distributable funds on the balance sheet date totaled FIM 320,843,484 (EUR 53,962,000). The parent company recorded a net profit of FIM 183,764,483 markkaa (EUR 30,906,967). Retained earnings from previous years totaled FIM 100,174,171 (EUR 16,848,086).

The Board will propose to the Annual General Meeting that the parent company pay a dividend of FIM 2.25, i.e. approx. EUR 0.38 per share (FIM 0.65, i.e. approx EUR 0.11), making a total dividend of FIM 66,356,217, i.e. EUR 11,160,315. After this the parent company's distributable funds will total FIM 217,582,437, i.e. EUR 36,593,739.

Helsinki, February 1, 2001

Board of Directors

Conversion rates:

The following average conversion rates are used in this interim report:
1 EUR = FIM 5.94573
1 EUR = USD 0.9305
1 USD = FIM 6.389823

ELCOTEQ NETWORK CORPORATION

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Press and media conference at 12.00 (EET) on February 2, 2001

Elcoteq will hold a press conference for media representatives in the World Trade Center (cabinets 7-8, 3rd floor) in Helsinki starting at 12.00 Eastern European Time on Friday February 2, 2001.

Press conference and conference call in English for analysts and fund managers at 2.00 pm EET on February 2, 2001

A separate conference and conference call will be held in English for analysts and fund managers in the World Trade Center (cabinets 7-8, 3rd floor), Aleksanterinkatu 17, Helsinki, starting at 2.00 pm Eastern European Time (12.00 UK time) on February 2, 2001. To participate by phone, please call +44 20 8240 8246, code Elcoteq. A taped recording of the teleconference will be available for three days after the call on +44 20 8288 4459, code 640312.

APPENDICES:

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APPENDIX 1

CONSOLIDATED INCOME STATEMENT, EUR 1,000	1-12/2000	1-12/1999
NET SALES	2,213,537	752,495
Change in stock of work in progress		
and finished goods	17,439	5,599
Other income from operations	8,509	2,248
Production materials and services		
Materials and supplies		
Purchases during period	-2,070,789	-704,576
Change in inventories	117,819	68,585
Materials and supplies, total	-1,952,970	-635,991
External services	-4,712	-2,190
	-1,957,683	-638,182
Personnel expenses		
Wages, salaries and fees	-85,944	-41,217
Indirect personnel expenses	0	
Pension costs	9,765	-5,144
Other indirect employer costs	12,193	-5,691
	-107,902	-52,053
Depreciation and writedowns		
Depreciation according to plan	-34,629	-17,882
Amortization of goodwill on consolidation	-78	-45
	-34,707	-17,927
Other operating expenses	-72,748	-37,701

OPERATING PROFIT	66,445	14,479
Financial income and expenses		
Financial income		
Exchange gains	1,579	607
Other financial income	2,358	1,421
	3,937	2,027
Financial expenses		
Interest expenses	-11,202	-4,702
Exchange losses	-1,909	-684
Other financial expenses	-2,876	-1,279
	-15,987	-6,666
Financial income and expenses	-12,051	-4,639
PROFIT BEFORE EXTRAORDINARY ITEMS	54,394	9,840
Extraordinary items		
Extraordinary income	0	0
Extraordinary expenses	0	0
PROFIT BEFORE TAXES	54,394	9,840
Income taxes		
Income taxes for the financial year	-17,197	-2,492
Income taxes for prior years	-344	-159
Change in deferred tax liability	1,979	-908
Income taxes total	-15,562	-3,559
Minority interests	-1,669	-1,281
NET INCOME FOR THE FINANCIAL YEAR	37,163	5,000

APPENDIX 2

CONSOLIDATED BALANCE SHEET, EUR 1,000	Dec. 31, 2000	Dec. 31, 1999
ASSETS		
Fixed assets		
Intangible assets		
Intangible rights	73	67
Other long-term expenditure	17,011	5,236
Advance payments	368	299
Goodwill on consolidation	321	191
	17,773	5,792
Tangible assets		
Land and water	2,413	1,158
Buildings	32,013	19,711
Machinery and equipment	125,276	68,768
Advance payments and construction in progress	3,734	893

	163,435	90,530
Investments		
Shares in associated companies	39	41
Receivables from associated companies	87	87
Other shares and holdings	845	2 232
	972	2 360
Fixed asset total	182,180	98,682
Current assets		
Inventories		
Raw materials	265,597	128,011
Work in progress	18,280	8,537
Finished goods	16,606	5,861
Advance payments	16	25
	300,498	142,434
Long-term receivables		
Deferred tax assets	1,081	182
Other loan receivables	261	2,066
	1,342	2,248
Short-term receivables		
Accounts receivable	239,363	162,944
Prepaid expenses and accruals	46,171	11,303
	285,534	174,246
Cash and cash equivalents	31,810	20,492
Current assets, total	619,184	339,420
TOTAL ASSETS	801,364	438,102
SHAREHOLDERS’ EQUITY AND LIABILITIES		
Shareholders’ equity		
Share capital	9,919	7,843
Share premium account	202,523	81,647
Other reserves	94	95
Translation difference	2,701	1,238
Retained earnings	24,043	21,645
Net income for the financial year	37,163	5,000
Convertible capital notes	0	18,501
Shareholders’ equity, total	276,443	135,969
Minority interests	4,568	3,069
Provisions		
Provisions for pensions	25	28
Provisions, total	25	28
Liabilities		

Long-term liabilities		
Bonds	2,523	2,523
Medium-term capital notes	21,941	11,942
Bonds with warrants	0	186
Loans from financial institutions	20,579	4,834
Pension loans	4,215	4,459
Other debt	130	113
Deferred tax liability	1,971	3,051
	51,360	27,108
Payments due after one year	-3,676	-905
	47,684	26,204
Short-term liabilities		
Loans from financial institutions	42,632	47,606
Commercial paper programs	94,970	20,001
Pension loans	14	15
Advances received	0	0
Accounts payable	295,670	190,342
Other short-term liabilities	8,525	2,808
Accrued expenses	30,833	12,061
	472,644	272,833
Liabilities total	520,328	299,036
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	801,364	438,102

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000	1-12/2000	1-12/1999
Cash flow from operations		
Profit before extraordinary items	54,394	9,840
Adjustments:		
Depreciation according to plan	34,707	17,927
Unrealized exchange rate gains and losses	-711	-1,080
Other non-payment related income and expenses	-3	-8
Financing income and expenses	9,687	3,946
Other adjustments	-222	26
Cash flow before change in working capital	97,851	30,651
Change in working capital:		
Increase in non-interest-bearing accounts receivable	-68,954	-69,090
Increase in inventories	-135,944	-75,837
Increased in short-term liabilities	73,271	117,595
Cash flow from operations before financial items and taxes	-33,776	3,318
Interest paid and payments on other operating financial expenses	-14,078	-4,608
Dividends received from business operations	28	31
Other financial income from business operations	2,358	1,319

Income taxes paid	-13,053	-2,520
Cash generated from operations	-58,521	-2,459
Cash flow from investing activities		
Investments in tangible and intangible assets	-109,568	-36,498
Proceeds from sale of tangible and intangible assets	7,462	636
Subsidiary shares acquired	-7,904	-18,636
Loans granted	0	-2,028
Repayments of loan receivables	1,805	0
Change in minority interest	-170	1,788
Cash from investing activities	-108,205	-37,665
Cash flow from financing activities		
Share issue	104,451	0
Other change in shareholders' equity	-29	1,157
Withdrawals of short-term debt	57,689	39,975
Repayments of short-term debt	-7,746	0
Withdrawals of long-term debt	25,786	6,940
Repayments of long-term debt	-431	-607
Dividends paid and other distribution of profits	-3,077	-784
Cash used in financing activities	176,644	46,680
Change in liquid reserves	9,918	6,556
Cash flow at January 1	20,492	13,728
Adjustment for translation difference in cash flows	1,399	208
Cash flow at December 31	31,810	20,492

The 1999 figures have been adjusted to comply with the new format for cash flow statements published by the Finnish Accounting Board on November 9, 1999 and are therefore compatible with the 2000 figures.

APPENDIX 4

PERSONNEL

The Group had 9,630 (4,733) employees on average during the year, distributed geographically as follows:

	At Jan.1	At Dec. 31	Change	Average
Finland	1,066	1,416	350	1,294
Hong Kong	80	94	14	81
Japan	7	12	5	10
China	545	1,316	771	790
Mexico	491	1,253	762	1,016
Poland	0	180	180	145
Hungary	995	3,219	2,224	2,724
Germany	3	275	272	265
Switzerland	0	5	5	7
Denmark	3	3	0	3

USA	9	10	1	10
Russia	100	162	62	128
Estonia	2,848	3,426	578	3,157
Total	6,147	11,371	5,224	9,630

APPENDIX 5

KEY FINANCIAL FIGURES

	2000 12 mths Group	1999 12 mths Group	1998 12 mths Group	1997 12 mths Group	1996 12 mths Group
OPERATIONS					
Net sales, MEUR	2,213.5	752.5	394.6	282.3	166.2
Exports as percentage of net sales %	68.5	80.3	64.7	77.8	68.4
Gross capital expenditure MEUR (excludes machinery and equipment acquired using operating leases)	125.7	50.2	44.0	22.2	15.6
Personnel on average during the year	9,630	4,733	3,085	2,593	1,888
PROFITABILITY					
Operating profit, MEUR	66.4	14.5	10.4	13.6	8.2
as percentage of net sales %	3.0	1.9	2.6	4.8	4.9
Profit before taxation, MEUR	54.4	9.8	8.7	9.6	5.7
as percentage of net sales %	2.5	1.3	2.2	3.4	3.4
Net income, MEUR	37.2	5.0	7.1	7.3	3.5
as percentage of net sales	1.7	0.7	1.8	2.6	2.1
Return on equity (ROE), %	19.3	5.4	6.6	12.1	22.8
Return on investment (ROCE/ROI), %	20.4	8.2	8.1	14.1	16.6
FINANCIAL RATIOS					
Current ratio	1.3	1.2	1.7	2.6	1.7
Solvency 1, %	35.1	27.5	43.8	52.7	17.0
Solvency 2, %	35.1	31.7	51.0	62.0	36.5
Gearing 1, %	0.5	0.7	0.4	-0.4	1.8
Gearing 2, %	0.5	0.5	0.2	-0.5	0.3
Interest-bearing liabilities, MEUR	182.3	89.3	44.3	26.8	30.5
FINANCIAL RATIOS PER SHARE					
Earnings per share (EPS) *),EUR	1.38	0.21	0.32	0.44	0.22
Earnings per share , diluted (EUR)	1.33				
Shareholders’ equity per share, EUR	9.37	5.04	4.81	4.53	0.99
Shareholders' equity per share,					

diluted (EUR)	9.07				
Dividend per share **), EUR	0.38	0.11	0.03	0.03	0.10
Dividend per earnings **), %	30.0	51.0	11.0	10.7	46.4
Dividend yield **), %	1.1	0.7	0.4	0.3	
Price/ earnings (P/E)	24.4	72.0	30.1	26.1	
Quotation					
* lowest share price, EUR	13.00	7.07	5.21	10.76	
* highest share price, EUR	43.00	15.90	14.30	12.78	
* average share price, EUR	30.26	9.42	9.46	11.85	
* closing rate Dec. 30 ,EUR	33.50	15.20	9.25	11.52	
Market capitalization					
* A share, MEUR	633.5	193.6	117.8	146.8	
* K share, MEUR	354.3	160.8	97.8	121.9	
* Total, MEUR	987.9	354.4	215.7	268.6	

The closing rate of the A share at 30 December 2000 is used to calculate the market capitalization of both share series.

Trading of shares				
* Number of shares				
traded shares	31,957,599	10,706,930	12,508,204	889,992
* Proportion of Series A shares,%	169.0	84.1	98.2	7.0
Average number of shares during the period (adjusted)	26,944,809	23,315,500	23,315,500	16,558,377
Number of shares at the year end (adjusted)	29,488,902	23,315,500	23,315,500	23,315,500

*) Diluted EPS and diluted shareholders' equity per share are not presented for the years 1996-99 since these figures were higher than the undiluted figures because of interest expenses arising from convertible capital notes
**) Dividend for the financial year 2000 is the Board of Directors’ proposal to the general meeting.

Since 1998 the financial statements have been prepared in compliance with the Finnish Accounting Act which came into force on December 31, 1997. The figures and key ratios in the 1997 financial statements have been adjusted correspondingly whereas the 1996 figures have not.

APPENDIX 6

ASSETS AND CONTINGENT LIABILITIES, EUR 1,000

	Group		Parent Company	
	2000	1999	2000	1999

FOR OWN LIABILITIES

Mortgages on real estate

Loans from credit institutions	3,562	5,103	252	505
Mortgages	9,293	11,059	252	2,018
Mortgages on movable assets				
Loans from credit institutions	118	416	118	416
Mortgages for other loans	6,728	6,728	6,728	6,728
Other pledges given as collateral				
Mortgages on moveable assets	2,018	2,018	2,018	2,018
ON BEHALF GROUP COMPANIES				
Guarantees	-	-	149,328	70,037
ON BEHALF OF OTHERS				
Guarantees	725	1,044	725	1,044
LEASING COMMITMENTS	27,583	5,323	27,583	5,323
of which finance lease payments	146	918	146	918
including share of operating lease rents	27,605	4,405	27,437	4,405
DERIVATIVE CONTRACTS				
Foreign exchange derivative financial instruments				
Foreign exchange forward contracts				
- Notional value	272,715	94,981	245,479	74,077
- Book value	-3,424	494	-3,412	494
- Market value	-2,448	517	-2,586	462
Currency options				
- Notional value	20,536	44,727	11,033	39,681
- Book value	94	-121	300	-121
- Market value	177	71	384	112
Interest rate derivatives				
- Notional value	-	50,000	-	50,000
- Book value	-	-	-	-
- Market value	-	16	-	16
Interest and currency swap contracts				
- Notional value	3,310	4,599	3,310	4,599
- Book value	962	1,075	-	-
- Market value	962	1,075	962	1,075

APPENDIX 7

<u>QUARTERLY FIGURES</u>

	Q4/ 2000	Q3/ 2000	Q2/ 2000	Q1/ 2000	Q4/ 1999	Q3/ 1999	Q2/ 1999	Q1/ 1999
INCOME STATEMENT, MEUR								

Net sales	689.8	591.4	494.1	438.2	277.3	202.8	154.6	117.9
Change in stock of work in progress								
and finished goods	-7.0	1.2	12.6	10.6	4.1	1.5	0.8	-0.7
Other income from operations	1.2	4.8	1.0	1.5	0.5	-0.8	2.3	0.2
Operating expenses	-651.7	-570.7	-485.4	-430.5	-267.6	-193.6	-151.7	-115.1
Depreciation	-12.1	-8.3	-7.6	-6.7	-5.2	-4.5	-4.4	-3.8
Operating profit	20.1	18.4	14.7	13.2	9.1	5.3	1.6	-1.6
% of net sales	2.9	3.1	3.0	3.0	3.3	2.6	1.0	-1.3
Financial income								
and expenses	-5.7	-4.1	-1.6	-0.8	-1.9	-1.4	-0.8	-0.5
Profit before extraordinary items	14.5	14.4	13.1	12.4	7.3	3.9	0.8	-2.1
Income taxes	-3.0	-5.1	-3.8	-3.7	-2.5	-1.0	0.1	-0.1
Minority interest	-1.1	-0.3	-0.4	0.1	-0.2	-0.2	-0.9	0.0
Net income	10.4	9.1	8.9	8.8	4.6	2.7	-0.1	-2.2

BALANCE SHEET, MEUR

Fixed assets	182.2	157.5	124.0	106.6	98.7	85.3	78.6	77.0
Current assets								
Inventories	300.5	335.9	277.6	227.6	142.4	99.6	79.9	66.6
Other current assets	318.7	377.4	318.8	257.0	197.0	157.4	123.3	90.6
Assets	801.4	870.8	720.4	591.3	438.1	342.3	281.8	234.1
Share capital	9.9	9.9	9.7	8.3	7.8	7.8	7.8	7.8
Convertible capital notes	-	-	-	-	18.5	18.5	18.5	18.5
Other shareholders' equity	266.5	257.0	227.5	135.3	109.6	104.2	101.7	101.6
Minority interest	4.6	3.6	3.6	3.2	3.1	2.8	2.7	1.7
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities	47.7	42.5	28.7	25.8	26.2	24.2	23.0	19.3
Short-term liabilities	472.6	557.8	450.9	418.5	272.8	184.6	128.0	85.2
Shareholders' equity and								
liabilities	801.4	870.8	720.4	591.3	438.1	342.3	281.8	234.1
Personnel on average during								
the period	11,121	10,174	9,300	8,080	5,648	4,933	4,371	3,909
Gross capital expenditure, MEUR	38.0	41.9	25.2	20.6	24.1	11.7	6.0	8.5
From 12 preceding months								
ROCE/ROI, %	20.4	17.5	17.4	15.7	8.2	7.3	6.0	6.4
Earnings per share (EPS), EUR	0.4	0.3	0.3	0.4	0.2	0.1	0.0	-0.1
Solvency Ratio 2	35.1	31.1	33.6	25.1	31.7	39.0	46.4	55.4

APPENDIX 1

CONSOLIDATED INCOME STATEMENT, 1,000 MFIM	1-12/2000	1-12/1999
NET SALES	13,161,092	4,474,133
Change in stock of work in progress		
and finished goods	103,685	33,290

Other income from operations	50,594	13,368
Production materials and services		
Materials and supplies		
Purchase during the period	12,312,354	-4,189,218
Change in inventories	700,520	407,785
Materials and supplies total	-11,611,834	-3,781,433
External services	-28,019	-13,024
	-11,639,853	-3,794,457
Personnel expenses		
Wages, salaries and fees	-511,000	-245,067
Indirect personnel expenses		
Pension costs	58,059	-30,587
Other indirect employer costs	-72,498	-33,839
	-641,557	-309,493
Depreciation and writedowns		
Depreciation according to plan	-205,894	-106,323
Amortization of goodwill on consolidation	-464	-268
	-206,358	-106,592
Other operating expenses	-432,538	-224,161
OPERATING PROFIT	395,065	86,088
Financial income and expenses		
Other financial income		
Exchange gains	9,387	3,606
Other financial income	14,018	8,448
	23,406	12,055
Financial expenses		
Interest expenses	-66,605	-27,959
Exchange losses	-11,351	-4,070
Other financial expenses	-17,101	-7,606
	-95,057	-39,635
Financial income and expenses	-71,651	-27,580
PROFIT BEFORE EXTRAORDINARY ITEMS	323,414	58,508
Extraordinary items		
Extraordinary income	0	0
Extraordinary expenses	0	0
PROFIT BEFORE TAXES	323,414	58,508
Income taxes		
Income taxes for the financial year	-102,247	-14,819
Income taxes for prior years	-2,044	-945
Change in deferred tax liability	11,765	-5,397
Income taxes total	-92,526	-21,162
Minority interests	-9,925	-7,615

NET INCOME FOR THE FINANCIAL YEAR	220,963	29,732

APPENDIX 2

CONSOLIDATED BALANCE SHEET, FIM 1,000	31.12.2000	31.12.1999
ASSETS		
Fixed assets		
Intangible assets		
Intangible rights	432	396
Other long-term expenditure	101,142	31,130
Advance payments	2,186	1,778
Goodwill on consolidation	1,910	1,133
	105,671	34,438
Tangible assets		
Land and water	14,345	6,888
Buildings	190,341	117,194
Machinery and equipment	744,856	408,875
Advance payments and construction in progress	22,201	5,311
	971,743	538,267
Investments		
Shares in associated companies	233	243
Receivables from associated companies	520	520
Other shares and holdings	5,026	13,268
	5,779	14,032
Fixed assets total	1,083,193	586,737
Current assets		
Inventories		
Raw materials	1,579,170	761,120
Work in progress	108,686	50,757
Finished goods	98,735	34,850
Advance payments	93	146
	1,786,683	846,873
Long-term receivables		
Deferred tax assets	6,425	1,080
Other loans receivable	1,552	12,284
	7,977	13,364
Short-term receivables		
Accounts receivable	1,423,188	968,818
Prepaid expenses and accruals	274,520	67,203
	1,697,708	1,036,021
Cash and cash equivalents	189,133	121,842
Current assets total	3,681,501	2,018,099

ASSETS TOTAL	4,764,694	2,604,836
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	58,978	46,631
Share premium account	1,204,145	485,452
Other reserves	557	564
Translation difference	16,057	7,360
Retained earnings	142,954	128,694
Net income for the financial year	220,963	29,732
Convertible capital notes	0	110,000
Shareholders' equity total	1,643,654	808,433
Minority interests	27,162	18,246
Provisions		
Provision for pensions	148	169
Provisions, total	148	169
Liabilities		
Long-term liabilities		
Bonds	15,000	15,000
Medium-term capital notes	130,457	71,002
Bonds with warrants	0	1,108
Loans from financial institutions	122,356	28,743
Pension loans	25,061	26,515
Other debt	775	672
Deferred tax liability	11,721	18,140
	305,371	161,180
Payments due after one year	-21,857	-5,380
	283,514	155,800
Short-term liabilities		
Loans from financial institutions	253,479	283,052
Commercial paper programs	564,665	118,918
Pension loans	83	89
Advances received	0	0
Accounts payable	1,757,975	1,131,720
Other short-term liabilities	50,690	16,695
Accrued expenses	183,324	71,714
	2,810,216	1,622,189
Liabilities, total	3,093,730	1,777,988
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,764,694	2,604,836

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT, FIM 1,000	1-12/2000	1-12/1999
Cash flow from operations		
Profit before extraordinary items	323,414	58,508
Adjustments:		
Depreciation according to plan	206,358	106,592
Unrealized exchange rate gains and losses	-4,230	-6,424
Other non-payment related income and expenses	-20	-47
Financing income and expenses	57,598	23,459
Other adjustments	-1,322	156
Cash flow before change in working capital	581,798	182,243
Change in working capital:		
Increased in non-interest-bearing accounts receivable	-409,985	-410,793
Increase in inventories	-808,287	-450,909
Increased in short-term liabilities	435,650	699,189
Cash flow from operations before financial items and taxes	-200,824	19,730
Interest paid and payments on other operating financial expenses	-83,706	-27,397
Dividends received from business operations	169	185
Other financial income from business operations	14,018	7,844
Income taxes paid	-77,608	-14,981
Cash generated from operations	-347,951	-14,618
Cash flow from investing activities		
Investments in tangible and intangible assets	-651,461	-217,006
Proceeds from sale of tangible and intangible assets	44,367	3,784
Subsidiary shares acquired	-46,994	-9,296
Loans granted	-1	-12,057
Repayments of loan receivables	10,733	0
Change in minority interest	0	10,631
Cash from investing activities	-643,356	-223,944
Cash flow from financing activities		
Share issue	621,039	0
Other change in shareholders' equity	-170	6,876
Withdrawals of short-term debt	343,005	237,678
Repayments of short-term debt	-46,056	0
Withdrawals of long-term debt	153,316	41,262
Repayments of long-term debt	-2,561	-3,609
Dividends paid and other distribution of profits	-18,296	-4,663
Cash used in financing activities	1,050,277	277,544
Change in liquid reserves	58,970	38,982
Cash flow at January 1	121,842	81,624
Adjustment for translation difference in cash flows	8,321	1,235

Cash flow at December 31	189,133	121,842

The 1999 figures have been adjusted to comply with the new format for cash flow statements published by the Finnish Accounting Board on November 9, 1999 and are therefore compatible with the 2000 figures.

APPENDIX 4

PERSONNEL

The Group had 9,630 (4,733) employees on average during the year, distributed geographically as follows:

	At Jan.1	At Dec. 31	Change	Average
Finland	1,066	1,416	350	1,294
Hong Kong	80	94	14	81
Japan	7	12	5	10
China	545	1,316	771	790
Mexico	491	1,253	762	1,016
Poland	0	180	180	145
Hungary	995	3,219	2,224	2,724
Germany	3	275	272	265
Switzerland	0	5	5	7
Denmark	3	3	0	3
USA	9	10	1	10
Russia	100	162	62	128
Estonia	2,848	3,426	578	3,157
Total	6,147	11,371	5,224	9,630

APPENDIX 5

KEY FINANCIAL FIGURES

	2000 12 mths Group	1999 12 mths Group	1998 12 mths Group	1997 12 mths Group	1996 12 mths Group
OPERATIONS					
Net sales, MFIM	13,161.1	4,474.1	2,346.3	1,678.6	988.1
Exports as percentage of net sales, %	68.5	80.3	64.7	77.8	68.4
Gross capital expenditure MFIM	747.2	298.6	261.7	132.0	92.8
(excludes machinery and equipment acquired using operating leases)					
Personnel on average during the year	9,630	4,733	3,085	2,593	1,888

PROFITABILITY

Operating profit, MFIM	395.1	86.1	61.8	80.9	48.7
as percentage of net sales, %	3.0	1.9	2.6	4.8	4.9
Profit before taxation, MFIM	323.4	58.5	51.5	57.0	33.9
as percentage of net sales, %	2.5	1.3	2.2	3.4	3.4
Net income, MFIM	221.0	29.7	42.5	43.7	21.0
as percentage of net sales %	1.7	0.7	1.8	2.6	2.1
Return on equity (ROE), %	19.3	5.4	6.6	12.1	22.8
Return on investment (ROCE/ROI), %	20.4	8.2	8.1	14.1	16.6

FINANCIAL RATIOS

Current ratio	1.3	1.2	1.7	2.6	1.7
Solvency 1, %	35.1	27.5	43.8	52.7	17.0
Solvency 2, %	35.1	31.7	51.0	62.0	36.5
Gearing 1, %	0.5	0.7	0.4	-0.4	1.8
Gearing 2, %	0.5	0.5	0.2	-0.5	0.3
Interest-bearing liabilities, MFIM	1,083.9	530.9	263.3	159.1	181.2

FINANCIAL RATIOS PER SHARE

Earnings per share (EPS) *), FIM	8.20	1.28	1.88	2.64	1.32
Earnings per share, diluted, (FIM)	7.91				
Shareholders' equity per share, FIM	55.74	29.96	28.57	26.93	5.89
Shareholders' equity per share, Diluted, (FIM)	53.94				
Dividend per share **)	2.25	0.65	0.20	0.20	0.61
Dividend per earnings, %**)	30.0	51.0	11.0	10.7	46.4
Dividend yield, % **)	1.1	0.7	0.4	0.3	
Price/earnings, (P/E)	24.4	72.0	30.1	26.1	
Quotation					
* lowest share price, FIM	77.29	42.04	31.00	64.00	
* highest share price, FIM	255.67	94.54	85.00	76.00	
* average share price, FIM	179.89	55.98	56.23	70.45	
* closing rate Dec. 30, FIM	199.18	90.38	55.00	68.50	
Market capitalization					
* A share, FIM	3,766.9	1,151.2	700.6	872.6	
* K share, FIM	2,106.7	955.9	581.7	724.5	
* Total, FIM	5,873.7	2,107.1	1,282.4	1,597.1	

The closing rate of the A share at 30 December 2000 is used to calculate the market capitalization of both share series.

Trading of shares				
* Number of shares traded shares	31,957,599	10,706,930	12,508,204	889,992
* Proportion of Series A shares	169.0	84.1	98.2	7.0

Average number of shares during the period (adjusted)

	26,944,809	23,315,500	23,315,500	16,558,377

Number of shares at the year end (adjusted)

	29,488,902	23,315,500	23,315,500	23,315,500

*) Diluted EPS and diluted shareholders' equity per share are not presented for the years 1996-99 since these figures were higher than the undiluted figures because of interest expenses arising from convertible capital notes.

**) Dividend for the financial year 2000 is the Board of Directors' proposal to the general meeting.

Since 1998 the financial statements have been prepared in compliance with the Finnish Accounting Act which came into force on December 31, 1997. The figures and key ratios in the 1997 financial statements have been adjusted correspondingly whereas the 1996 figures have not.

APPENDIX 6

ASSETS AND CONTINGENT LIABILITIES, FIM 1,000

	Group		Parent Company	
	2000	1999	2000	1999
FOR OWN LIABILITIES				
Mortgages on real estate				
Loans from credit institutions	21,181	30,343	1,500	3,000
Mortgages	55,254	65,754	1,500	12,000
Mortgages on movable assets				
Loans from credit institutions	700	2,473	700	2,473
Mortgages for other loans	40,000	40,000	40,000	40,000
Other pledges given as collateral				
Mortgages on moveable assets	12,000	12,000	12,000	12,000
ON BEHALF GROUP COMPANIES				
Guarantees	-	-	887,862	416,423
ON BEHALF OF OTHERS				
Guarantees	4,313	6,208	4,313	6,208
LEASING COMMITMENTS	164,001	31,651	164,001	31,651
of which finance lease payments	867	5,459	867	5,459

including share of operating lease rents	164,134	26,192	163,134	26,192
DERIVATIVE CONTRACTS				
Foreign exchange derivative financial instruments				
Foreign exchange forward contracts				
- Notional value	1,621,487	564,729	1,459,549	440,440
- Book value	-20,361	2,939	-20,284	2,939
- Market value	-14,558	3,076	-15,373	2,745
Currency options				
- Notional value	122,100	265,936	65,598	235,933
- Book value	557	-721	1,785	-721
- Market value	1,053	423	2,281	666
Interest rate derivatives				
- Notional value	-	297,287	-	297,287
- Book value	-	-	-	-
- Market value	-	98	-	98
Interest and currency swap contracts				
- Notional value	19,681	27,343	19,681	27,343
- Book value	5,718	6,392	-	-
- Market value	5,718	6,392	5,718	6,392

APPENDIX 7

QUARTERLY FIGURES

	Q4/ 2000	Q3/ 2000	Q2/ 2000	Q1/ 2000	Q4/ 1999	Q3/ 1999	Q2/ 1999	Q1/ 1999
INCOME STATEMENT, MFIM								
Net sales	4,101.4	3,516.4	2,937.9	2,605.3	1,648.6	1,205.8	919.1	700.7
Change in stock of work in progress and finished goods	-41.7	7.0	75.2	63.2	24.2	8.8	4.5	-4.3
Other income from operations	7.1	28.7	5.7	9.1	3.1	-4.8	13.8	1.3
Operating expenses	-3,875.1	-3,393.2	-2,886.2	-2,559.5	-1,590.9	-1,151.2	-902.0	-684.1
Depreciation	-72.2	-49.3	-45.2	-39.7	-30.9	-26.9	-26.0	-22.8
Operating profit	119.6	109.7	87.3	78.5	54.3	31.6	9.5	-9.3
% of net sales	2.9	3.1	3.0	3.0	3.3	2.6	1.0	-1.3
Financial income and expenses	-33.7	-24.1	-9.3	-4.6	-11.0	-8.6	-4.9	-3.1
Profit before extraordinary items	85.9	85.6	78.0	73.9	43.3	23.0	4.6	-12.4
Income taxes	-17.7	-30.1	-22.8	-21.9	-15.0	-5.9	0.4	-0.7
Minority interest	-6.6	-1.5	-2.1	0.3	-1.0	-1.1	-5.5	0.0
Net income	61.6	54.0	53.1	52.3	27.3	16.0	-0.5	-13.1
BALANCE SHEET, MFIM								
Fixed assets	1,083.2	936.3	737.4	634.0	586.7	507.0	467.1	457.8
Current assets								

Inventories	1,786.7	1,997.2	1,650.3	1,353.3	846.9	592.4	475.3	395.8
Other current assets	1,894.8	2,244.0	1,895.6	1,528.2	1,171.2	935.6	732.9	538.5
Assets	4,764.7	5,177.5	4,283.3	3,515.5	2,604.8	2,035.0	1,675.3	1,392.1
Share capital	59.0	58.7	57.6	49.4	46.6	46.6	46.6	46.6
Convertible capital notes	-	-	-	-	110,0	110,0	110,0	110,0
Other shareholders' equity	1,584.7	1,528.2	1,352.7	804.6	651.8	619.6	604.7	603.8
Minority interest	27.2	21.6	21.4	19.3	18.2	16.7	15.8	9.9
Provisions	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Long-term liabilities	283.5	252.4	170.6	153.5	155.8	144.1	136.8	114.9
Short-term liabilities	2,810.2	3,316.4	2,680.8	2,488.5	1,622.2	1,097.8	761.2	506.7
Shareholders' equity and liabilities	4,764.7	5,177.5	4,283.3	3,515.5	2,604.8	2,035.0	1,675.3	1,392.1
Personnel on average during the period	11,121	10,174	9,300	8,080	5,648	4,933	4,371	3,909
Gross capital expenditure, MFIM	225.7	249.2	149.6	122.7	143.0	69.5	35.5	50.5
From 12 preceding months								
ROCE/ROI, %	20.4	17.5	17.4	15.7	8.2	7.3	6.0	6.4
Earnings per share (EPS), FIM	2.09	1.83	2.04	2.24	1.17	0.69	-0.02	-0.56
Solvency ratio 2	35.1	31.1	33.6	25.1	31.7	39.0	46.4	55.4