Elcoteq Network Corporation | Financial Statements Bulletin
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# ELCOTEQ NETWORK CORPORATION'S FINANCIAL STATEMENTS BULLETIN JANUARY 1 – DECEMBER 31, 2002

## Financial year 2002

- Net sales MEUR 1,840.2 (-1.2%) (MEUR 1,862.5 in 2001)
- Operating profit MEUR 25.5 (MEUR -18.4), up MEUR 43.9 on previous year.
- Profit before taxes and minority interests MEUR 18.6 (MEUR -30.7), an increase of MEUR 49.3 on previous year.
- Earnings per share EUR 0.54 (EUR -1.08)
- Return on capital employed in previous 12 months 9.2% (-3.5%)
- Cash flow after investing activities MEUR 77 (MEUR 123)
- Interest-bearing net debt MEUR –33.4 (MEUR 39.4)
- The Board proposes a dividend of EUR 0.40 per share
- Elcoteq's result in 2002 the second best in its history

## Final quarter in 2002

- Net sales MEUR 556.4 (MEUR 531.6)
- Operating profit MEUR 18.1 (MEUR 4.9)
- Profit before taxes and minority interests MEUR 17.3 (MEUR 2.9)
- Earnings per share EUR 0.66 (EUR 0.00)
- Cash flow after investing activities MEUR 6.0 (MEUR 57.9)

Elcoteq reached its main targets in 2002 despite the challenging business environment. The company's position strengthened in selected market segments as business developed positively with existing customers, and also because of new customers, and Elcoteq's performance once again became profitable. All in all the result for the financial year 2002 was the second best in the company's history and surpassed only by its result in 2000.

The year was the second in a row of virtually zero growth in the terminal products market. The communications network equipment market, in contrast, contracted by roughly one fifth compared to the previous year's volume. The electronics manufacturing services market also declined in 2002 for the first time in many years. Elcoteq's success in maintaining the previous year's level of net sales in such business conditions can be considered a good achievement. The lack of growth, however, meant that the company's capacity utilization remained low on average in 2002. Only about one-third of Elcoteq's capacity was in use during the first half of the year but the situation improved substantially during the third and fourth quarters due to the impact of the strong emphasis on sales and the seasonal fluctuations typical of the EMS business. During the fourth quarter roughly half of Elcoteq's capacity was in use.

As capacity utilization was low also in Elcoteq's customers' manufacturing plants, outsourcing of production decreased temporarily. However, the need for outsourcing is likely to start growing again as manufacturers of electronics products seek to ensure that their invested capital is used efficiently in similar market conditions in the future and focus on their own core businesses such as product development and marketing.

## Fourth-quarter result

Demand strengthened considerably during the fourth quarter compared to the previous quarters in 2002 as a result of normal seasonal variation. Net sales in the final quarter totaled MEUR 556.4 (MEUR 531.6), an increase of 22% on third-quarter net sales of MEUR 456.1. The operating profit in the final quarter was MEUR 18.1 (Q3/2002 MEUR 12.7 and Q4/2001 MEUR 4.9) and the pretax profit was MEUR 17.3 (MEUR 2.9). The sale of the manufacturing plant in Poland contributed a capital gain of approximately MEUR 1 to the operating profit.

## Clear improvement in performance in 2002

Elcoteq's net sales in 2002 remained at the previous year's level totaling MEUR 1,840.2 (MEUR 1,862.5). The full-year operating profit was MEUR 25.5 (MEUR -18.4). The pretax profit was MEUR 18.6 (MEUR -30.7) and the profit after taxes and minority interests was MEUR 16.1 (MEUR –32.0). EPS (earnings per share) was EUR 0.54 (EUR -1.08).

The principal reason behind the significant improvement in performance was greater business process efficiency. When comparing 2002 and 2001 it should be remembered that the 2001 accounts contained non-recurring expenses totaling MEUR 18.8, of which MEUR 11.8 were related to Elcoteq's adjustment program. On the other hand the 2001 accounts also included non-recurring other operating income of MEUR 27, mainly from reimbursements for materials and reserved but unused capacity. The net impact of non-recurring items in the 2002 accounts is minor and in practice neutral. The official figures show a MEUR 43.9 improvement in the operating profit but the improvement before non-recurring items was in fact even larger.

Income tax in 2002 was reduced by deferred tax assets entered by the parent company after it was awarded during the fourth quarter the right to a tax deduction on writedowns on investments in its US subsidiary in the 2000 and 2001 accounts. These writedowns amounted to MEUR 24.4, and the resulting tax deduction, charged to the income statement in 2002, was approximately MEUR 7.1 positive.

Elcoteq's solvency ratio at the close of the period was 36.6% (39.6%) and gearing was -0.1 (0.2). Elcoteq's year-end balance sheet total was MEUR 709.8 (MEUR 610.7).

## Capital expenditure

Gross capital expenditure on fixed assets amounted to 4.2% of net sales, or MEUR 78.0 (MEUR 45.1) and depreciation was MEUR 49.2 (MEUR 48.4). The largest items were the acquisition of Benefon's R&D capacity for MEUR 11 and IBM's 70% holding in the Chinese GKI joint venture companies for MUSD 37.3; the former figure included goodwill totalling MEUR 7.4 and the latter goodwill of MEUR 18.1.

In December Elcoteq acquired IBM's 70% holding in the Chinese EMS companies Shenzhen GKI Electronics Company Limited and Beijing GKI Electronics Co, Ltd. The deal was closed on the last day of 2002. The balance sheets of both GKI companies were consolidated in Elcoteq's accounts at December 31, 2002 but they had no impact on Elcoteq's 2002 result. The transaction price was paid at the beginning of 2003 and therefore the deal had no impact on Elcoteq's cash flow in 2002 either. The unpaid acquisition price on December 31, 2002 was entered under accrued expenses in the balance sheet.

Consolidation of the GKI companies' balance sheets increased Elcoteq's balance sheet total by approximately MEUR 120 and weakened the solvency ratio by about 7 percentage points compared to what these figures would have been if the acquisition had not taken place.

## Financing

The Group's liquidity remained strong throughout the financial year. Interest-bearing net debt at the end of December amounted to MEUR -33.4 (MEUR 39.4) and the company had MEUR 167.1 (MEUR 157.8) in unused credit lines. Net financial expenses decreased considerably on the previous year, the main reason being that working capital was lower on average than in the previous year which made it possible to reduce interest-bearing debt. Lower interest rates also reduced financial expenses.

The company's cash flow after investing activities was positive, MEUR 77 (MEUR 123). The positive cash flow was due to the release of working capital through more efficient business processes and the sale of accounts receivable. The sale of accounts receivable contributed to cash flow MEUR 40.2. These sold accounts receivable are not included under accounts receivable in the consolidated balance sheet. The company may to sell its accounts receivable within the sales limits set by its securitization and other arrangements. The sold receivables contain no credit risks.

## Personnel

Elcoteq's total workforce increased by 1,826 employees during 2002 as a result of improved sales at the end of the year and the effect of acquisitions. The largest increases took place in Hungary and China, where the GKI acquisitions that took effect on the last day of the year raised the number of Elcoteq employees in China by 1,618. At the end of December 2002 the Group had altogether 10,176 (8,350) employees: 1,021 (964) in Finland and 9,155 (7,386) in other countries. The average number of employees during 2002 was 8,127 (9,960).

## Organization

Elcoteq adopted a new operating model during the year under which its operations are divided into three geographical areas – Europe, Asia-Pacific, Americas – and two business areas, Terminal Products and Communications Network Equipment. At the same time the Industrial Electronics business was given a more independent role and was treated as a geographical area. At the beginning of 2003 this model was further modified and GA Europe was divided into two areas: one responsible for terminal products and the other for communications network equipment and industrial electronics. At this point the Industrial Electronics business area was merged with Elcoteq's European Communications Network Equipment to achieve synergies.

## Geographical areas (GA)

GA Europe's net sales in 2002 totaled MEUR 1,286.7 (MEUR 1,023.5). This figure includes the 2002 net sales of Industrial Electronics which was MEUR 229.8 (MEUR 232.2). GA Asia-Pacific's net sales were MEUR 470.6 (MEUR 648.4) and the Americas MEUR 82.9 (MEUR 190.6).

Europe has always been Elcoteq's largest geographical area but the acquisition of the GKI holdings in China at the end of 2002 will increase Elcoteq's net sales by roughly one-third, at the same time raising GA Asia-Pacific's net sales to more than Europe's. In the Americas Elcoteq has so far not managed to develop its business volume in line with targets.

## Business area performance

Net sales of the Terminal Products business area, which produces mainly mobile phones and their accessories, represented 73% (78%) of Elcoteq's total net sales in 2002, or MEUR 1,348.9 (MEUR 1,456.9). Most of this figure came from the manufacturing plants in Europe but China's contribution grew towards the end of the year.

In its communications network equipment business Elcoteq grew clearly faster than on average in this sector during 2002. The previous year's one-fifth growth now reached 40% and net sales amounted to MEUR 243.9 (MEUR 170.9), or 13% (9%) of Elcoteq's total net sales. New customer agreements were one factor in this growth; more than anything, however, the improvement was the result of higher competitive efficiency and a service portfolio that matched customers' needs.

Industrial Electronics is reported as a separate business for the last time in these financial statements. The business was combined with Communications Network Equipment's European operations at the beginning of 2003. Industrial Electronics' net sales in 2002 totaled MEUR 247.4 (MEUR 234.8), or 13% (13%) of consolidated net sales.

Elcoteq's largest customers in 2002 were companies within the Ericsson and Nokia groups and accounted for 83% (85%) of Elcoteq's total net sales. This figure does not include business activities with Sony Ericsson. Agreements were signed during the year with several new customers including Wavecom in France, Soutec in China and LGP in Sweden. Since, with the exception of the GKI acquisitions, these agreements did not include the purchase of any customer production plants, the new agreements typically involved rather small volumes, which is why the impact of Elcoteq's expanded customer base was still not significant in the company's 2002 financial statements.

## Refined strategy concentrates on the essential

In 2002 Elcoteq built a foundation for returning to growth and increased profitability. Special emphasis was given to creating a clear strategy, to increasing sales and sales resources, and to improving the company's service offering.

At the end of July the company's Board of Directors approved the new policies resulting from the strategy reformulation process that had taken the entire first half of the year. The overriding conclusion was the need to concentrate on serving manufacturers of communications technology products and to make Elcoteq the leading EMS provider in this sector. Underlying the decision to focus on a strictly limited group of customers and products was the idea that only through specialization could the company create a service portfolio that was both sufficiently comprehensive and able to meet its customers' needs while enabling Elcoteq to continuously enhance its competitiveness. This strategy is also well founded, given Elcoteq's position as one of the world's largest EMS providers in communications technology, and especially the expertise it has amassed in wireless communications.

Elcoteq's strategy clearly differentiates the company from other EMS providers. Concentration on one product and customer segment enables Elcoteq to develop its competitive knowhow and services. To exploit the opportunities offered by the global markets, however, the company will need to continue to build an even more international base for its business, as in this way it will also best be able to safeguard its competitiveness and independence.

Elcoteq's new strategic direction did not go unnoticed by the markets. The number of inquiries and requests for offer from customers was considerably higher in 2002 than in previous years. The company was also offered many opportunities for participation in wider-reaching restructuring. The company made progress on both fronts. Elcoteq announced several new accounts during 2002. In August 2002 Elcoteq announced its purchase of 75 % of Benefon's R&D capacity and set up the Elcoteq Design Center in Salo, Finland. In December the company secured the GKI deal in China with IBM. These examples demonstrate the company's desire and ability to move decisively in all areas of importance to its new strategy.

Elcoteq has strengths related to its expertise, way of operating, the global consistency of its manufacturing capacity, and cost efficiency on which it is able to build a competitive range of services. The company's aim is to offer communications technology customers the world's best EMS services from produce design, through manufacturing, to after-sales services. The Elcoteq Design Center provides design services for mobile phones and sources the necessary technology. Through this unit Elcoteq has expanded its service range to cover the entire value chain related to mobile phone manufacture.

NPI (new product introduction) services, sourcing, and repair all have special development priority at Elcoteq in addition to product design services. In its R&D activities, Elcoteq continues to be actively involved in national and international research projects. In April 2002 Elcoteq and Aspocomp Group Oyj established a joint venture called Imbera Electronics Oy to develop and commercialize IMB (Integrated Module Board) technology. The ownership of the company is split evenly between Elcoteq and Aspocomp.

## The Annual General Meeting

Elcoteq's Annual General Meeting was held on March 20, 2002. The meeting authorized the Board for one year to float one or several convertible bond loans and/or to issue stock options and/or to raise the share capital in one or several installments through a rights issue. This authorization permits the subscription of at most 5,898,330 new Series A shares. The authorization has not been exercised.

## The Board of Directors and President

The Annual General Meeting elected six individuals to the Board of Directors: President Martti Ahtisaari; Mr Heikki Horstia, Vice President, Treasurer of Wärtsilä Corporation; Mr Eero Kasanen, Rector of the Helsinki School of Economics and Business Administration; Mr Henry Sjöman, Senior Vice President, Elcoteq Network Corporation; Mr Juha Toivola, MSc; and Mr Jorma Vanhanen, Senior Vice President, Elcoteq Network Corporation. The Board members serve until the close of the subsequent annual general meeting.

The Board elected Juha Toivola as the Chairman and Martti Ahtisaari as the Deputy Chairman.

Elcoteq's President and CEO was Mr Lasse Kurkilahti throughout the financial year.

## Shares and shareholders

The company had altogether 29,491,652 shares at the end of 2002: 18,914,652 Series A shares and 10,577,000 Series K shares.

According to the share register on December 31, 2002 the company had 12,295 registered shareholders. There were altogether 5,865,528 nominee-registered or foreign-registered shareholders representing 19.9% of the shares and 4.7% of the total voting power at general meetings.

## The auditors

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

## Prospects

The uncertainty in the global economy at the beginning of 2003 seems likely to continue. The mobile phone market, however, is expected to grow roughly 10% on 2002. As the ability of mobile phones to process and transfer pictures and other data in addition to voice messages grows, the need to enhance the capabilities of communications networks is increasingly near at hand. It is difficult to estimate, however, whether this will lead to the start of major network investments during 2003.

Elcoteq's principal goals in 2003 are to increase sales, to gain new customers, and to improve internal efficiency. Elcoteq will also actively pursue a policy of acquisitions in line with its strategy.

Based on acquisitions already made, and the company's organic growth, Elcoteq estimates that its full-year net sales for 2003 will total about three billion euros and that its result will improve. Compared to Q1/2002, Elcoteq expects its first-quarter net sales this year to increase by roughly one-third and its result to improve.

## Board's dividend proposal

The Board of Directors proposes to the Annual General Meeting on 26 March 2003 payment of a dividend of EUR 0.40 per share on the financial year 2002, representing approximately 73.5% of the company's net profit.

Espoo, February 5, 2003

Board of Directors

Further information:
Mr Lasse Kurkilahti, President and CEO, tel. +358 10 413 11
Mr Osmo Kammonen, Senior Vice President, Communications and IR, tel. +358 10 413 1406, GSM +358 50 593 0770

## Conference for the media and analysts

Elcoteq will hold a press conference for analysts and media representatives in the Marski Cabinet of the Scandic Hotel Simonkenttä (Simonkatu 9, 1st floor) in Helsinki on Thursday February 6, 2003, starting at 1.00 pm Eastern European time.

## Conference call for investors and investment analysts

A conference call will be held in English for investors and investment analysts on February 6, 2003, stating at 3.30 pm Eastern European time (1.30 pm UK time). To participate by phone, please call +44 20 7162 0125, code Elcoteq. A taped recording of the teleconference will be available for three days after the call on +44 20 8288 4459, code 989122.

## CONVERSION RATE

The following conversion rates are used in this report:
1 EUR = 1.0487 USD

## ENCLOSURES

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APPENDIX 1

| CONSOLIDATED INCOME STATEMENT, EUR 1,000 | 1-12/2002 | 1-12/2001 |
|---|---|---|
| **NET SALES** | **1,840,214** | **1,862,490** |
| Change in stock of work in progress | | |
| and finished goods | 11,218 | -10,305 |
| Other income from operations | 3,936 | 27,382 |
| Production materials and services | | |
| Materials and supplies | | |
| Purchases during period | -1,546,861 | -1,450,462 |
| Change in inventories | -10,461 | -137,611 |
| Materials and supplies, total | -1,557,322 | -1,588,073 |
| External services | -1,032 | -830 |
| | -1,558,354 | -1,588,903 |
| Personnel expenses | | |
| Wages, salaries and fees | -107,152 | -109,868 |
| Indirect personnel expenses | | |
| Pension costs | -8,085 | -11,877 |
| Other indirect personal costs | -14,017 | -17,710 |
| | -129,254 | -139,455 |
| Depreciation and writedowns | | |
| Depreciation according to plan | -49,070 | -48,194 |
| Amortization of goodwill on consolidation | -157 | -180 |
| | -49,227 | -48,374 |
| Other operating expenses | -93,018 | -109,484 |
| Restructuring costs | 0 | -11,794 |
| **OPERATING PROFIT/LOSS** | **25,517** | **-18,443** |
| Financial income and expenses | | |
| Financial income | | |
| Exchange gains | 1,272 | 2,754 |
| Other financial income | 1,933 | 1,920 |
| | 3,205 | 4,675 |
| Financial expenses | | |
| Interest expenses | -2,627 | -9,909 |
| Exchange losses | -2,119 | -2,547 |
| Other financial expenses | -5,416 | -4,494 |
| | -10,161 | -16,951 |
| Financial income and expenses, total | -6,956 | -12,276 |
| **PROFIT/LOSS BEFORE TAXES** | **18,561** | **-30,718** |
| Income taxes | | |
| Income taxes for the financial year | -821 | -1,794 |
| Income taxes for prior years | -147 | -342 |
| Other direct taxes | -887 | -626 |
| Change in deferred tax liability | 1,802 | 2,931 |
| Income taxes, total | -52 | 169 |

| | | |
|---|---|---|
| Minority interests | -2,453 | -1,434 |
| **NET PROFIT/LOSS FOR THE FINANCIAL YEAR** | **16,055** | **-31,984** |

APPENDIX 2

| CONSOLIDATED BALANCE SHEET, EUR, 1,000 | 31.12.2002 | 31.12.2001 |
|---|---|---|
| **ASSETS** | | |
| **Fixed assets** | | |
| Intangible assets | | |
| Intangible rights | 3,377 | 364 |
| Product development costs | 4,042 | - |
| Other long-term expenditure | 8,228 | 10,812 |
| Advance payments | 3,798 | 138 |
| Goodwill | 11,702 | 1,149 |
| Goodwill on consolidation | 14,669 | 467 |
| | 45,816 | 12,929 |
| Tangible assets | | |
| Land and water | 2,448 | 2,436 |
| Buildings | 40,354 | 42,667 |
| Machinery and equipment | 102,257 | 116,867 |
| Advance payments and construction in progress | 2,517 | 3,416 |
| | 147,577 | 165,386 |
| Investments | | |
| Shares and holdings in associated companies | 65 | 37 |
| Receivables from associated companies | 137 | 87 |
| Other shares and holdings | 556 | 491 |
| | 758 | 615 |
| **Fixed assets, total** | **194,152** | **178,931** |
| **Current assets** | | |
| Inventories | | |
| Raw materials | 142,763 | 142,459 |
| Work in progress | 17,964 | 14,697 |
| Finished goods | 36,459 | 20,325 |
| Advance payments | 285 | 266 |
| | 197,471 | 177,748 |
| Long-term receivables | | |
| Deferred tax assets | 6,727 | 3,206 |
| Other loan receivables | 166 | 18 |
| | 6,894 | 3,223 |
| Short-term receivables | | |
| Accounts receivable | 216,076 | 194,374 |
| Prepaid expenses and accruals | 19,152 | 19,957 |
| | 235,228 | 214,331 |

| | | |
|---|---|---|
| Cash and cash equivalents | 76,065 | 36 432 |
| **Current assets, total** | **515,657** | **431,735** |
| **ASSETS, TOTAL** | **709,809** | **610,666** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Shareholders´ equity** | | |
| Share capital | 11,797 | 11,797 |
| Share premium account | 202,550 | 202,550 |
| Other reserves | 8,354 | 8,326 |
| Translation difference | 759 | 4,966 |
| Retained earnings | 8,069 | 40,063 |
| Net profit/loss for the financial year | 16,055 | -31,984 |
| **Shareholders´ equity, total** | **247,584** | **235,719** |
| **Minority interests** | **12,172** | **6,284** |
| **Provisions** | **1,439** | **3,100** |
| **Liabilities** | | |
| Long-term liabilities | | |
| Medium-term capital notes | 15,095 | 21,941 |
| Loans from financial institutions | 19,685 | 24,376 |
| Pension loans | 3,074 | 3,536 |
| Other debt | 0 | 137 |
| Deferred tax liability | 2,862 | 1,177 |
| | 40,716 | 51,168 |
| Payments due within one year | -15,196 | -12,565 |
| | 25,520 | 38,603 |
| Short-term liabilities | | |
| Medium-term capital notes | 10,000 | 12,538 |
| Loans from financial institutions | 7,036 | 10,787 |
| Commercial paper programs | 2,980 | 15,767 |
| Pension loans | 463 | 27 |
| Advances received | 434 | 2 |
| Accounts payable | 320,647 | 239,620 |
| Other short-term liabilities | 8,581 | 12,049 |
| Accrued expenses | 72,953 | 36,169 |
| | 423,094 | 326,960 |
| **Liabilities, total** | **448,614** | **365,563** |
| **SHAREHOLDERS´ EQUITY AND LIABILITIES, TOTAL** | **709,809** | **610,666** |

APPENDIX 3

| CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000 | 1-12/2002 | 1-12/2001 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit/loss before extraordinary items | 18,561 | -30,718 |
| Adjustments: | | |
| Depreciation according to plan | 49,227 | 48,374 |
| Unrealized exchange gains and losses | -4,286 | -2,106 |
| Other income and expenses with no payment | - | 0 |
| Financial income and expenses | 9,901 | 10,087 |
| Other adjustments | -2,417 | -1,412 |
| Cash flow before change in working capital | 70,986 | 24,224 |
| | | |
| **Change in working capital: *)** | | |
| Change in interest-free short-term receivables | 11,934 | 90,026 |
| Change in inventories | -2,634 | 151,630 |
| Change in interest-free short-term debt | 35,760 | -61,563 |
| Cash flow from operating activities before financial items and taxes | 116,046 | 204,318 |
| | | |
| Interest paid and payments on other financial expenses | -12,228 | -14,160 |
| Dividends received from business operations | 0 | 50 |
| Other financial income from business operations | 1,205 | 1,503 |
| Income taxes paid | 144 | -1,401 |
| **Cash flow from operating activities** | **105,167** | **190,309** |
| | | |
| **Cash flow from investing activities** | | |
| Investments in tangible and intangible assets | -32,031 | -43,856 |
| Proceeds from sale of tangible and intangible assets | 4,333 | 3,126 |
| Acquisition of subsidiary, net of cash acquired | 0 | -26,431 |
| Loans granted | -153 | -2 |
| Repayments of loan receivables | 4 | 245 |
| Change in minority interest | - | - |
| **Cash flow from investing activities** | **-27,847** | **-66,918** |
| | | |
| **Cash flow from financing activities** | | |
| Proceeds from the issue of shares | 0 | 29 |
| Proceeds from other shareholders´ equity | - | 0 |
| Withdrawals of short-term debt | 1,535 | -1,831 |
| Repayments of short-term debt | -16,538 | -107,399 |
| Withdrawals of long-term debt | 1,684 | 3,659 |
| Repayments of long-term debt | -18,554 | -3,202 |
| Dividends paid and other distribution of profits | -2,060 | -11,160 |
| **Cash flow from financing activities** | **-33,933** | **-119,903** |
| | | |
| **Change in cash and cash equivalents** | **43,385** | **3,488** |
| | | |
| Cash and cash equivalents on January 1 | 36,432 | 31,810 |
| Effect of exchange rate fluctuations on cash held | -3,752 | 1,134 |
| | | |
| **Cash and cash equivalents on December 31** | **76,065** | **36,432** |

*) The change in working capital includes the change in sold accounts receivable. The impact of this change is to improve cash flow by MEUR 40.2 during the reporting period 1-12/2002 and to improve cash flow by MEUR 34,3 during 1-12/2001.

APPENDIX 4

## PERSONNEL

The Group had 8,127 (9,960) employees on average during the year, distributed geographically as follows:

| | At Jan., 1 | At Dec., 31 | Change | Average |
|---|---|---|---|---|
| Finland | 964 | 1,021 | 57 | 1,013 |
| Hong Kong | 102 | 54 | -48 | 60 |
| Japan | 12 | 12 | 0 | 13 |
| China | 1,864 | 3,352 | 1,488 | 1,741 |
| Mexico | 648 | 550 | -98 | 518 |
| Poland | 90 | 0 | -90 | 10 |
| Sweden | 2 | 4 | 2 | 4 |
| Hungary | 1,943 | 2,571 | 628 | 2,182 |
| Germany | 181 | 180 | -1 | 180 |
| Switzerland | 329 | 278 | -51 | 306 |
| USA | 15 | 19 | 4 | 16 |
| Russia | 151 | 177 | 26 | 170 |
| Estonia | 2,048 | 1,958 | -90 | 1,914 |
| **Total** | **8,349** | **10,176** | **1,827** | **8,127** |

APPENDIX 5

## KEY FINANCIAL FIGURES

| | **2002** | **2001** | **2000** | **1999** | **1998** |
|---|---|---|---|---|---|
| **OPERATIONS** | | | | | |
| Net sales, MEUR | 1,840.2 | 1,862.5 | 2,213.5 | 752.5 | 394.6 |
| of which outside Finland, % | 77.5 | 76.5 | 68.5 | 80.3 | 64.7 |
| Gross capital expenditure, MEUR (excludes machinery operating leases) | 78.0 | 45.1 | 125.7 | 50.2 | 44.0 |
| Personnel on average during the year | 8,127 | 9,960 | 9,630 | 4,733 | 3,085 |
| **PROFITABILITY** | | | | | |
| Operating profit/loss, MEUR | 25.5 | -18.4 | 66.4 | 14.5 | 10.4 |
| as % of net sales | 1.4 | -1.0 | 3.0 | 1.9 | 2.6 |
| Profit/loss before taxes, MEUR | 18.6 | -30.7 | 54.4 | 9.8 | 8.7 |
| as % of net sales | 1.0 | -1.6 | 2.5 | 1.3 | 2.2 |
| Net profit/loss, MEUR | 16.1 | -32.0 | 37.2 | 5.0 | 7.1 |
| as % of net sales | 0.9 | -1.7 | 1.7 | 0.7 | 1.8 |
| Return on equity, (ROE), % | 7.4 | -11.7 | 19.3 | 5.4 | 6.6 |
| Return on investment, (ROI/ROCE), % | 9.2 | -3.5 | 20.4 | 8.2 | 8.1 |

| | | | | | |
|---|---|---|---|---|---|
| **FINANCIAL RATIOS** | | | | | |
| Current ratio | 1.2 | 1.3 | 1.3 | 1.2 | 1.7 |
| Solvency 1, % | 36.6 | 39.6 | 35.1 | 27.5 | 43.8 |
| Solvency 2, % | 36.6 | 39.6 | 35.1 | 31.7 | 51.0 |
| Gearing 1 | -0.1 | 0.2 | 0.5 | 0.7 | 0.4 |
| Gearing 2 | -0.1 | 0.2 | 0.5 | 0.5 | 0.2 |
| Interest-bearing liabilities, MEUR | 42.6 | 75.8 | 182.3 | 89.3 | 44.3 |
| Interest-bearing net debt, MEUR | -33.4 | 39.4 | 150.5 | 161.8 | 75.6 |
| | | | | | |
| **PER SHARE DATA** | | | | | |
| Earnings per share, (EPS), EUR | 0.54 | -1.08 | 1.38 | 0.21 | 0.32 |
| Diluted earnings per share, (EUR) *) | 0.48 | - | 1.33 | - | - |
| Shareholders´ equity per share, EUR | 8.40 | 7.99 | 9.37 | 5.04 | 4.81 |
| Diluted shareholders´ equity per share, (EUR) | 7.47 | 7.11 | 9.07 | - | - |
| Dividend per share **), EUR | 0.40 | 0.00 | 0.38 | 0.11 | 0.03 |
| Pay-out ratio **), % | 73.47 | 0.0 | 30.0 | 51.0 | 11.0 |
| Dividend yield **), % | 3.70 | 0.0 | 1.1 | 0.7 | 0.4 |
| Price/earnings, (P/E) | 19.7 | -9.1 | 24.4 | 72.0 | 30.1 |
| Share price | | | | | |
| * lowest, EUR | 4.43 | 3.30 | 13.00 | 7.07 | 5.21 |
| * highest, EUR | 12.50 | 34.90 | 43.00 | 15.90 | 14.30 |
| * average, EUR | 8.75 | 11.92 | 30.26 | 9.42 | 9.46 |
| * closing rate on Dec. 30, EUR | 10.80 | 10.00 | 33.50 | 15.20 | 9.25 |
| Market capitalization | | | | | |
| * A share, MEUR | 204.3 | 189.1 | 633.5 | 193.6 | 117.8 |
| * K share, MEUR | 114.2 | 105.8 | 354.3 | 160.8 | 97.8 |
| * Total, MEUR | 318.5 | 294.9 | 987.9 | 354.4 | 215.7 |

The market capitalization of both share series has been calculated by using the closing rate of the A share on December 30, 2002.

| | | | | | |
|---|---|---|---|---|---|
| Trading of shares | | | | | |
| * Number of shares traded | 17,936,782 | 39,324,316 | 31,957,599 | 10,706,930 | 12,508,204 |
| * Proportion of Series A shares, % | 94.8 | 207.9 | 169.0 | 84.1 | 98.2 |
| Adjusted weighted average number of shares during the period | 29,491,652 | 29,491,373 | 26,944,809 | 23,315,500 | 23,315,000 |
| Adjusted number of shares at the end of the period | 29,491,652 | 29,491,652 | 29,488,902 | 23,315,500 | 23,315,500 |

*) The diluted EPS has not been presented 1998-1999 and 2001 since these figures have been higher than the undiluted figures.
**) The dividend for the financial year 2002 is the Board’s proposal to the Annual General Meeting.

APPENDIX 6

## ASSETS PLEDGED AND CONTINGENT LIABILITIES, EUR 1,000

| | | Group | | Parent company |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| **FOR OWN LIABILITIES** | | | | |
| Mortgages on real estate | | | | |
| Loans from credit institutions | 0 | 1,275 | 0 | 84 |
| Mortgages | 9,041 | 9,293 | 0 | 252 |
| Mortgages on movable assets | | | | |
| Mortgages for other loans | 4,541 | 4,541 | 4,541 | 4,541 |
| Other pledges given as collateral | | | | |
| Mortgages on moveable assets | 336 | 336 | 336 | 336 |
| **ON BEHALF OF GROUP COMPANIES** | | | | |
| Guarantees | - | - | 119,503 | 164,062 |
| **ON BEHALF OF OTHERS** | | | | |
| Guarantees | 523 | 486 | 523 | 486 |
| **LEASING COMMITMENTS** | | | | |
| Operating lease, machinery and equipment, (excl. VAT) | 8,848 | 16,342 | 8,848 | 16,342 |
| Rental commitments, properties, (excl. VAT) | 17,443 | 27,010 | 4,540 | 6,003 |
| **DERIVATIVE CONTRACTS** | | | | |
| Foreign exchange derivative instruments | | | | |
| Foreign currency forward contracts | | | | |
| - Nominal value | 168,118 | 163,720 | 157,018 | 143,175 |
| - Book value | -1,475 | -1,472 | -1,129 | -1,210 |
| - Market value | -1,540 | -1,349 | -1,201 | -1,084 |
| Foreign currency option contracts | | | | |
| - Nominal value, bought | 11,309 | 10,085 | 9,402 | 7,657 |
| sold | 2,861 | 14,864 | 0 | 11,301 |
| - Book value, bought | 4 | -254 | -13 | 108 |
| sold | 0 | -42 | 0 | -42 |
| - Market value, bought | 0 | -253 | 0 | 108 |
| sold | 0 | -42 | 0 | -42 |
| Interest rate derivative instruments | | | | |
| - Nominal value | 0 | 145,387 | 0 | 145,387 |
| - Book value | 0 | -71 | 0 | -71 |
| - Market value | 0 | -235 | 0 | -235 |
| Interest rate and foreign exchange swap contracts | | | | |

| | | | | |
|---|---|---|---|---|
| - Nominal value | 0 | 1,747 | 0 | 1,747 |
| - Book value | 0 | 557 | - | - |
| - Market value | 0 | 568 | 0 | 568 |

**OTHER COMMITMENTS**

In calculating the value added tax for China in 2002 Elcoteq has applied a method that has so far not received the written approval of the tax authorities. Should this approval not be forthcoming, the effect would be to reduce Elcoteq´s result substantially. Elcoteq has estimated the risk to be small and has therefore made no provision.

APPENDIX 7

**QUARTERLY FIGURES**

| | **Q4/ 2002** | **Q3/ 2002** | **Q2/ 2002** | **Q1/ 2002** | **Q4/ 2001** | **Q3/ 2001** | **Q2/ 2001** | **Q1/ 2001** |
|---|---|---|---|---|---|---|---|---|
| **INCOME STATEMENT, MEUR** | | | | | | | | |
| **Net sales** | **556.4** | **456.1** | **425.2** | **402.3** | **531.6** | **427.7** | **433.3** | **469.9** |
| Changes in stock of work in progress and finished goods | 5.7 | 8.7 | -6.7 | 3.5 | -14.7 | 1.4 | -3.0 | 6.0 |
| Other income from operations | 1.5 | 0.8 | 0.5 | 1.1 | 4.4 | 3.9 | 7.7 | 11.4 |
| Operating expenses | -532.9 | -441.1 | -405.9 | -400.7 | -503.8 | -424.3 | -437.3 | -472.5 |
| Restructuring costs | - | - | - | - | 0.0 | -11.8 | 0.0 | 0.0 |
| Depreciation | -12.6 | -11.9 | -11.9 | -12.6 | -12.7 | -12.9 | -11.6 | -11.2 |
| **Operating profit/loss** | **18.1** | **12.7** | **1.2** | **-6.5** | **4.9** | **-16.1** | **-10.8** | **3.6** |
| % of net sales | 3.3 | 2.8 | 0.3 | -1.6 | 0.9 | -3.8 | -2.5 | 0.7 |
| Financial income and expenses | -0.8 | -2.0 | -2.5 | -1.6 | -2.0 | -3.1 | -2.9 | -4.3 |
| **Profit/loss before extraordinary items and taxes** | **17.3** | **10.7** | **-1.3** | **-8.1** | **2.9** | **-19.1** | **-13.8** | **-0.7** |
| Income taxes | 3.0 | -2.9 | -0.7 | 0.5 | -2.3 | 2.6 | 1.2 | -1.3 |
| Minority interest | -0.7 | -1.4 | -0.4 | 0.0 | -0.4 | -0.5 | -0.5 | 0.0 |
| **Net profit/loss** | **19.6** | **6.4** | **-2.4** | **-7.6** | **0.1** | **-17.0** | **-13.1** | **-2.0** |
| **BALANCE SHEET, MEUR** | | | | | | | | |
| ASSETS | | | | | | | | |
| Fixed assets | | | | | | | | |
| Intangible assets | 45.8 | 33.0 | 22.9 | 23.9 | 25.2 | 24.8 | 24.3 | 13.0 |
| Tangible assets | 147.6 | 127.4 | 132.5 | 145.6 | 153.1 | 154.3 | 164.9 | 175.7 |
| Investments | 0.8 | 0.8 | 0.9 | 0.7 | 0.6 | 0.6 | 0.6 | 0.5 |
| **Fixed assets, total** | **194.2** | **161.2** | **156.3** | **170.3** | **178.9** | **179.7** | **189.8** | **189.2** |
| Current assets | | | | | | | | |
| Inventories | 197.4 | 180.4 | 152.2 | 169.2 | 177.8 | 198.6 | 253.4 | 275.1 |
| Long-term receivables | 6.9 | 1.7 | 5.1 | 4.3 | 3.2 | 6.3 | 3.6 | 1.3 |
| Short-term receivables | 235.2 | 176.9 | 161.2 | 173.5 | 214.2 | 226.5 | 218.8 | 346.2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 76.1 | 101.7 | 100.8 | 75.7 | 36.4 | 38.0 | 27.5 | 19.2 |
| **Current assets, total** | **515.6** | **460.7** | **419.3** | **422.8** | **431.7** | **469.4** | **503.3** | **641.8** |
| | | | | | | | | |
| **ASSETS, TOTAL** | **709.8** | **621.9** | **575.6** | **593.1** | **610.7** | **649.1** | **693.1** | **831.1** |
| | | | | | | | | |
| **SHAREHOLDERS´ EQUITY AND LIABILITIES** | | | | | | | | |
| | | | | | | | | |
| Shareholders´ equity | | | | | | | | |
| Share capital | 11.8 | 11.8 | 11.8 | 11.8 | 11.8 | 11.8 | 11.8 | 9.9 |
| Other shareholders´ equity | 235.8 | 217.7 | 210.7 | 216.5 | 223.9 | 222.2 | 242.0 | 255.2 |
| **Shareholders´equity, total** | **247.6** | **229.5** | **222.5** | **228.3** | **235.7** | **234.0** | **253.8** | **265.1** |
| | | | | | | | | |
| Minority interest | 12.2 | 5.5 | 6.0 | 6.3 | 6.3 | 5.6 | 5.5 | 4.8 |
| Provisions | 1.4 | 3.3 | 2.0 | 2.6 | 3.1 | 7.2 | 0.0 | 0.0 |
| | | | | | | | | |
| Liabilities | | | | | | | | |
| Long-term liabilities | | | | | | | | |
| Long-term loans | 22.6 | 36.5 | 37.5 | 35.4 | 37.3 | 48.8 | 48.7 | 49.9 |
| Other long-term loans | 2.9 | 1.2 | 1.3 | 1.3 | 1.3 | 2.0 | 2.1 | 2.1 |
| | **25.5** | **37.7** | **38.8** | **36.7** | **38.6** | **50.9** | **50.8** | **52.0** |
| | | | | | | | | |
| Short-term liabilities | | | | | | | | |
| Short-term loans | 20.5 | 34.8 | 31.4 | 37.6 | 39.1 | 86.4 | 119.6 | 210.2 |
| Other short-term debt | 402.6 | 311.1 | 274.8 | 281.7 | 287.8 | 265.0 | 263.3 | 299.0 |
| | **423.1** | **345.9** | **306.3** | **319.2** | **327.0** | **351.4** | **382.9** | **509.2** |
| | | | | | | | | |
| **Liabilities, total** | **448.6** | **383.6** | **345.1** | **355.9** | **365.6** | **402.3** | **433.8** | **561.2** |
| | | | | | | | | |
| **SHAREHOLDERS´ EQUITY AND LIABILITIES, TOTAL** | **709.8** | **621.9** | **575.6** | **593.1** | **610.7** | **649.1** | **693.1** | **831.1** |
| | | | | | | | | |
| Personnel on average during the period | 8,734 | 7,781 | 7,731 | 8,020 | 8,699 | 9,409 | 10,352 | 11,360 |
| Gross capital expenditure, MEUR | 51.7 | 16.7 | 5.7 | 3.9 | 10.3 | 7.9 | 8.4 | 18.5 |
| | | | | | | | | |
| From 12 preceding months | | | | | | | | |
| ROI/ROCE, % | 9.2 | 4.4 | -3.4 | -5.6 | -3.5 | 0.3 | 8.4 | 14.6 |
| Earnings per share (EPS), EUR | 0.66 | 0.22 | -0.08 | -0.26 | 0.00 | -0.58 | -0.44 | -0.07 |
| Solvency Ratio | 36.6 | 37.8 | 39.7 | 39.6 | 39.6 | 36.9 | 37.4 | 32.5 |

## NET SALES BY BUSINESS AREA

| | Q4/ 2002 | Q3/ 2002 | Q2/ 2002 | Q1/ 2002 | Q4/ 2001 | Q3/ 2001 | Q2/ 2001 | Q1/ 2001 |
|---|---|---|---|---|---|---|---|---|
| Terminal Products | 423.3 | 339.3 | 300.7 | 285.6 | 413.6 | 320.8 | 341.9 | 380.6 |
| Communication Network Equipment | 67.6 | 59.5 | 61.9 | 54.9 | 51.6 | 47.0 | 34.7 | 37.6 |
| Industrial Electronics | 65.6 | 57.4 | 62.6 | 61.8 | 66.5 | 59.9 | 56.7 | 51.7 |

## NET SALES BY GEOGRAPHICAL AREA

| | Q4/ 2002 | Q3/ 2002 | Q2/ 2002 | Q1/ 2002 | Q4/ 2001 | Q3/ 2001 | Q2/ 2001 | Q1/ 2001 |
|---|---|---|---|---|---|---|---|---|
| Europe | 349.9 | 272.0 | 238.2 | 196.8 | 221.1 | 146.7 | 178.8 | 244.7 |
| Asia-Pacific | 129.5 | 115.3 | 104.5 | 121.3 | 214.9 | 174.5 | 136.8 | 122.2 |
| Americas | 20.1 | 15.5 | 21.3 | 26.0 | 39.1 | 46.4 | 55.3 | 49.8 |
| Industrial Electronics, Europe * | 57.0 | 53.4 | 61.2 | 58.2 | 56.5 | 60.1 | 62.4 | 53.2 |

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