

ELCOTEQ NETWORK CORPORATION'S FINANCIAL STATEMENTS BULLETIN JANUARY 1 – DECEMBER 31, 2004

Elcoteq Network Corporation's financial statements for 2004 have been prepared applying IFRS principles, which the company adopted at the beginning of 2004. The comparison period is the same period in the previous year unless otherwise specified. The comparison data for 2003 has been changed to correspond to IFRS principles.

Financial Year 2004

- Net sales rose 32% to MEUR 2,953.7 (MEUR 2,235.7)
- Operating income more than doubled to MEUR 71.4 (MEUR 30.5). Operating income from actual business operations was MEUR 57.0 (MEUR 30.5).
- Income before taxes was MEUR 59.0 (MEUR 22.5)
- Earnings per share improved almost 90% to EUR 1.31 (EUR 0.70)
- Return on capital employed in previous 12 months was 19.8% (10.2%)
- Cash flow after investing activities totaled MEUR -80.3 (MEUR -18.1)
- Interest-bearing net debt amounted to MEUR 98.2 (MEUR -0.4)
- Board's dividend proposal is EUR 0.65 per share

Final Quarter in 2004

- Net sales and operating income from actual business operations developed as forecast by the company
- Net sales increased approximately 20% to MEUR 864.6 (MEUR 721.9 in Q4/2003 and MEUR 828.7 in Q3/2004)
- Operating income rose 22% to MEUR 20.8 (MEUR 17.0). Operating income from actual business operations was MEUR 18.2.
- Income before taxes totaled MEUR 15.0 (MEUR 14.1)
- Earnings per share was EUR 0.43 (EUR 0.42)
- Cash flow after investing activities was MEUR -44.0 (MEUR 9.5)

The communications technology market began to recover at the end of 2003 and growth continued during 2004. The market for electronics manufacturing services (EMS) continued to grow likewise, which was also reflected in Elcoteq's net sales for 2004, up 32% on the previous year.

Elcoteq broadened its service portfolio during 2004 and strongly expanded its service network in all geographical areas. Manufacturing capacity was increased by building new production premises, by making more effective use of existing plant space, and through acquisitions. The company announced new manufacturing plant projects in Brazil, India and Russia. In December 2004 Elcoteq signed an agreement with the French company Thomson SA on the manufacture of set-top boxes. The agreement also included the transfer of Thomson's manufacturing operation in Mexico to Elcoteq at the end of 2004.

Market Development

2004 was a year of growth in the EMS market. Strong growth in mobile phone sales, coupled with increased delivery volumes in communications network equipment, created favorable conditions for EMS providers. Roughly 650 million mobile phones were sold in 2004, which represents growth of approximately 25% on

the previous year. The size of the communications network market grew simultaneously by almost 10% from EUR 110 billion to EUR 120 billion.

The end-markets for mobile phones and network equipment are forecast to grow by 5-10% in 2005. Growth in the EMS sector is expected to be even higher, however, because the degree of outsourcing is forecast to rise somewhat from the present level of about 40%. In addition to manufacturing, customers are increasingly outsourcing other functions as well, such as product design. Demand is rising all the time, especially for original design manufacturing (ODM) services, which cover the entire value chain of the product from design to after-sales service.

The EMS and ODM markets are forecast to grow further in the years ahead. The traditional EMS business is expected to expand by 10% a year between 2004 and 2007 and the ODM business by an annual average of about 20%.

Full-Year 2004: Net Sales up and Result Improved

Elcoteq's net sales increased 32% to MEUR 2,953.7 (MEUR 2,235.7) in 2004. Operating income amounted to 71.4 (MEUR 30.5). Income before taxes was MEUR 59.0 (MEUR 22.5) and net income for the year was MEUR 39.8 (MEUR 20.7). Earnings per share (EPS) were EUR 1.31 (EUR 0.70).

Underlying the growth in net sales were good demand for mobile phones and increased delivery volumes of network equipment. Growth was especially strong in the Americas, where net sales more than tripled compared to 2003. Net sales in Europe rose approximately 30%, whereas net sales in Asia-Pacific grew only slightly. The business operations (Marconi and Tellabs) acquired at the end of 2003 contributed MEUR 145 to Elcoteq's consolidated net sales.

Operating income in 2004 included three one-time items which had an aggregate positive impact of MEUR 14.4 on Elcoteq's result. These were the operating profit, MEUR 10.0, on the divestment of the Industrial Electronics business, MEUR 2.3 from the settlement of the dispute related to VAT payable by Elcoteq's 70%-owned Shenzhen GKI company, and MEUR 2.1 arising from the reduction of Elcoteq's disability pension obligation under the Finnish Employees Pension Act (TEL). The aggregate impact of these items on Elcoteq's net income for the year was MEUR 7.3.

The Group's net financial expenses totaled MEUR 11.3 (MEUR 7.5). Factors contributing to the growth in financial expenses included an increase in loan capital, the syndicated loan raised at the year end, and an increase in the securitization limit for sold accounts receivable.

Fourth-Quarter Net Sales and Result

Demand for services in the fourth quarter remained at the third quarter's level, as the company predicted. Fourth-quarter net sales amounted to MEUR 864.6 (MEUR 721.9), which marked growth of 4% on the previous quarter's figure of MEUR 828.7. Operating income in the fourth quarter totaled MEUR 20.8 (MEUR 20.0 in Q3/2004 and MEUR 17.0 in Q4/2003) and pretax income totaled MEUR 15.0 (MEUR 14.1). Operating income includes a one-time item of MEUR 2.6 arising from a reduction in the disability pension obligation under the Finnish Employees Pension Act (TEL), which had a positive effect on the result. Hence operating income from actual business operations in the fourth quarter of 2004 amounted to MEUR 18.2.

Profitability was boosted by the high production volumes of the Terminal Products business area. The profitability of the Communications Network Equipment business area was weaker than expected owing

mainly to problems associated with one customer's production and deliveries. These problems were resolved by the end of 2004.

Financing and Cash Flow

Liquidity was good throughout the year. At the end of December the company had unused but immediately available credit limits totaling MEUR 289.9 (MEUR 169.1 at the end of Q3/2004 and MEUR 168.8 at the end of 2003).

Interest-bearing net debt at the end of December totaled MEUR 98.2 (MEUR -0.4), gearing was 0.4 (-0.0), and the solvency ratio was 30.5% (32.6%). Cash flow from sold accounts receivable amounted to MEUR 164.0 (MEUR 165.4 at the end of Q3/2004 and MEUR 185.0 at the end of 2003).

In November Elcoteq signed a MEUR 230 five-year, syndicated revolving credit facility. This was used to replace the MEUR 105 facility, signed in 2001, which was due to begin amortizing in March 2005. Furthermore, Elcoteq increased its commercial paper program to MEUR 200 (MEUR 100) at the end of the year and its securitization of accounts receivable program to MEUR 250 (MEUR 200).

In December Elcoteq floated a fixed-coupon subordinated notes issue totaling MEUR 50 with a maturity of at most 7 years. The purpose of this issue is to extend the average duration of the company's credit portfolio and to strengthen its financial structure. The fixed annual nominal interest rate will be 5.0% for the first five years, after which the company will have the right to redeem the notes before their maturity. After the first five years the notes will become a floating rate loan. The emission price of the notes was 99.611% of the loan's nominal principal and the effective yield is 5.09%.

Cash flow after investing activities in 2004 was MEUR -80.3 (MEUR -18.1) and in the final quarter of the year MEUR -44.0 (MEUR 9.5). Cash flow, excluding the impact of the change arising from acquisitions and the sale of accounts receivable, was MEUR -37.4. The negative cash flow was mainly the result of capital expenditures and an increase in the working capital of the Communications Network Equipment business area.

Cash flow in the fourth quarter was reduced by the Thomson manufacturing acquisition at the end of December, for which Elcoteq paid MEUR 19.5. This deal increased the Group's balance sheet by approximately MEUR 22.0, and its impact on the solvency ratio was roughly 0.8 percentage points negative. The effect of the Thomson acquisition on Elcoteq's net sales and result will be visible in 2005.

Capital Expenditures

Gross capital expenditures on fixed assets in 2004 represented 4.3% of net sales, or MEUR 128.3 (MEUR 68.1) and depreciation was MEUR 60.8 (MEUR 57.6). The largest investment items were purchases of machinery and equipment in Europe, the acquisition of the Thomson manufacturing operation in Mexico, and the new manufacturing plant in St. Petersburg, Russia. Capital expenditures in the fourth quarter of the year totaled MEUR 45.2 (MEUR 22.4).

Elcoteq also increased its manufacturing capacity through operating leases worth roughly MEUR 35.3 (MEUR 11.7) in 2004.

Personnel

Elcoteq's total workforce grew due to improved sales and higher production volumes. The increase during 2004 was approximately 6,500 employees with strongest growth in Estonia, Hungary and Mexico, where the workforce increased by roughly 2,500 employees at the end of the year owing to the Thomson acquisition.

At the end of December the Group employed 19,480 (13,013) people: 817 (1,040) in Finland and 18,663 (11,973) in other countries. The average number of employees directly employed by the company during 2004 was 13,065 (11,044).

Business Area Performance

Elcoteq has two business areas: Terminal Products and Communications Network Equipment. In 2004 net sales of Terminal Products contributed 78% (80%) and net sales of Communications Network Equipment 21% (15%) of Elcoteq's consolidated net sales.

Elcoteq's largest customers in 2004 were companies within the Nokia and Ericsson groups and accounted for 73% (78%) of Elcoteq's net sales. This figure does not include business activities with Sony Ericsson.

Elcoteq divested its Industrial Electronics business on April 1, 2004. Industrial Electronics represented MEUR 31.9 (MEUR 126.0) or 1% (5%) of Elcoteq's consolidated net sales in 2004. Operating income of the Industrial Electronics segment, including the gain on its divestment, was MEUR 13.0 (MEUR 11.5).

Terminal Products

Net sales of the Terminal Products business area in 2004 increased on the previous year by roughly 30% to MEUR 2,300.0 (MEUR 1,779.9) and this segment's operating income almost doubled to MEUR 78.2 (MEUR 40.0). Fourth-quarter net sales in 2004 amounted to MEUR 688.8 (MEUR 589.3). The factors underlying the growth in full-year net sales were strong demand for mobile phones and growth in the end-market.

The strategic goal of the Terminal Products business area is to broaden its customer base. Elcoteq gained a number of new terminal products customers during 2004. The company believes that in 2005 the Terminal Products customer base will be distinctly wider and more balanced than hitherto. Elcoteq concluded manufacturing services agreements with customers including Research In Motion (RIM) and Vitelcom. The company also announced its first ODM agreement, a contract covering product design with Siemens, for whom production started in December. Elcoteq also has other Terminal Products customers and projects, in some of which the end-customer has also outsourced their product design. The company estimates that these accounts will increase its net sales in 2005 by approximately MEUR 350.

In December Elcoteq and the French company Thomson signed an EMS agreement covering the manufacture of Thomson's set-top boxes by Elcoteq. At the same time Elcoteq became a preferred EMS partner to Thomson for the manufacture of set-top boxes. The agreement also included the transfer to Elcoteq of the production operations of Thomson's plant in Juarez, Mexico, at the end of 2004. Elcoteq expects the deal to boost its net sales in 2005 by approximately MEUR 230.

Elcoteq estimates that the net sales of its Terminal Products business area in 2005 will increase faster than end-market growth due to its new customers.

Communications Network Equipment

The Communications Network Equipment business area almost doubled its net sales compared to 2003. The business area's net sales in 2004 amounted to MEUR 621.8 (MEUR 329.8) and the operating income of this segment was MEUR 16.4 (MEUR 8.8). Net sales grew both organically and as a result of the acquisitions made in 2003. The latter represented approximately MEUR 145 of the business area's 2004 net sales. Net sales in the fourth quarter of 2004 totaled MEUR 175.9 (MEUR 100.6).

In Europe the new customers announced by Communications Network Equipment during 2004 included Orthogon Systems and Schmid Telecom. The company also began manufacturing operations for Huawei in Shenzhen, China, in spring 2004.

Elcoteq and Tellabs have negotiated the terms for continuing co-operation, the operating model, and other long-term conditions related to this business. As a result of these negotiations, the companies have agreed to terminate their co-operation during the fall of 2005. Factors underlying this decision were changes in Tellabs' own business and strategy. Phasing out this production will not create extra costs for Elcoteq in 2005. Net sales from the Tellabs account in 2004 totaled approximately MEUR 60 and the result was a loss.

Elcoteq estimates the Communications Network Equipment business area will strengthen its market share in 2005 and increase its net sales on the previous year.

Geographical Areas (GA)

Elcoteq revised the organization of its Geographical Areas in November 2004 with the merger of Terminal Products / Europe and Communications Network Equipment / Europe. The company now has three Geographical Areas: Europe, Asia-Pacific and Americas. In its financial reporting the company has applied this division since the beginning of 2005.

In 2004 the Geographical Areas contributed to Elcoteq's consolidated net sales as follows: Terminal Products / Europe 44% (45%), Communications Network Equipment / Europe 18% (13%), Asia-Pacific 24% (31%) and Americas 12% (5%).

Europe

The aggregate net sales of GA Europe totaled MEUR 1,874.9 (MEUR 1,421.0). This was distributed as follows: Terminal Products / Europe MEUR 1,299.3 (MEUR 1,001.6), Communications Network Equipment / Europe MEUR 543.7 (MEUR 293.4) and Industrial Electronics MEUR 31.9 (MEUR 126.0).

In June Elcoteq decided to build a new 14,700-square-meter manufacturing plant in St. Petersburg. Construction began in the final quarter of 2004 and the plant is scheduled for completion in the fall of 2005. When operating at full capacity the plant is expected to have roughly 1,500 employees.

Asia-Pacific

Net sales of GA Asia-Pacific totaled MEUR 714.1 (MEUR 698.2).

Elcoteq combined its two manufacturing plants in Beijing in summer 2004. The present plant, and the NPI center that operates in conjunction with it, are located in the Xingwang Industrial Park.

In June Elcoteq announced plans to start operations in Bangalore, India. The company is initially operating in leased premises (approx. 5,500 square meters), which were completed in January 2005. At full capacity, this plant will have about 1,000 employees.

Americas

Net sales of GA Americas more than tripled in 2004 to MEUR 364.6 (MEUR 116.5).

Elcoteq started up EMS activities in Manaus, Brazil, towards the end of 2004. This plant, with approximately 1,500 square meters of leased space, employs roughly 120 people and it manufactures CDMA mobile phones.

The plant acquired from Thomson in Juarez, Mexico, doubled Elcoteq's total manufacturing capacity and workforce in the Americas. Elcoteq now operates two plants in Mexico with altogether about 3,900 employees. At its Juarez plant Elcoteq manufactures set-top boxes for Thomson.

The Annual General Meeting

Elcoteq's Annual General Meeting was held in Helsinki, Finland, on March 17, 2004. The meeting authorized the Board 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. Under this authorization the company's share capital may be increased by at most EUR 2,435,042, which includes an increase of at most EUR 608,760 in the share capital arising from a personnel incentive scheme. This authorization remains in force until March 17, 2005.

The Board exercised its authorization on August 3, 2004 and decided to issue new stock options. At most 1,350,000 option rights may be issued and they entitle to subscription of 1,350,000 Elcoteq Network Corporation A shares.

The meeting also authorized the company's executive management to continue preparations to convert Elcoteq into a European Company (SE).

The Board of Directors

The 2004 AGM elected seven members to the Board of Directors: President Martti Ahtisaari; Mr Heikki Horstia, Vice President, Treasurer, Wärtsilä Corporation; Dr Eero Kasanen, Rector of the Helsinki School of Economics and Business Administration; Mr Antti Piippo; Mr Henry Sjöman; Mr Juha Toivola, MSc, and Mr Jorma Vanhanen. The terms of office of the Board members extend until the end of the following Annual General Meeting. The chairman of the Board of Directors is Antti Piippo and the deputy chairman is Juha Toivola.

The Board's Nomination Committee will propose to the Annual General Meeting on March 23, 2005 that the Board's existing members be re-elected. These individuals have given their consent to re-election.

The President and CEO

Elcoteq's President and CEO since January 1, 2004 has been Jouni Hartikainen MSc (Eng.) and the Deputy CEO has been COO Jukka Jäämaa LSc (Eng.).

The Auditor

The AGM re-appointed the firm of authorized public accountants KPMG Oy Ab as the company's auditors and Mauri Palvi APA as the principal auditor.

Shares and Shareholders

At the close of the 2004 fiscal year Elcoteq's share capital consisted of 30,640,877 shares divided into 20,063,877 A shares and 10,577,000 K shares. All the K shares are held by the company's three principal shareholders.

During 2004 altogether 246,900 new A shares were registered as a result of subscriptions under the 1997 bond with warrants and 202,850 new A shares under the 2001 stock options scheme.

Elcoteq Network Corporation had 12,588 registered shareholders on December 31, 2004. There were a total of 7,008,543 nominee-registered and foreign-registered A shares, or 22.9% of the total number of shares and 5.6% of the votes outstanding.

As part of Elcoteq's growth and internationalization strategy the company's Board of Directors decided in June 2004 to begin analyzing the alternatives available for strengthening the company's shareholders' equity. At the same time the Board decided to examine the feasibility of combining the unlisted K series shares with the listed A shares. These assessments are still in progress.

Incentive Schemes 2004

In August Elcoteq's Board of Directors agreed on the motivation and commitment of the management and key personnel of the Group by means of a stock option plan, a share ownership plan and a reward plan.

Stock options were issued to the key personnel of the Group and to the wholly owned subsidiary Elcoteq Lohja Oy. A total of 1,350,000 options were issued and they entitle to subscription of 1,350,000 new A shares. The stock options are divided into 2004A, 2004B and 2004C stock options with 450,000 stock options in each stock option class. The 2004A options have been allocated to the members of the company's Management Conference and the other options are held by Elcoteq Lohja Oy for the company's future needs.

The share ownership plan is intended for members of the Management Conference and has a duration of three years. The Board decides annually on each year's profit and net sales targets.

The Group also has a new reward plan for key persons, the potential reward of which is based on the growth of the market value of the company's shares. The reward plan is directed at key personnel not covered by the stock option plan and the share-based incentive plan.

Conversion of Elcoteq into a European Company (SE)

On October 8, 2004 Elcoteq's Board of Directors decided to propose to a general shareholders' meeting that Elcoteq be converted into a European Company (Societas Europaea, SE). This change, which is part of Elcoteq's internationalization strategy, aims to create an effective structural framework for ensuring continuous improvement of the company's competitive efficiency. In the longer term Elcoteq's aim as an SE is to raise efficiency and reduce administrative costs.

Becoming a European Company will not affect the company's domicile, the location of its head office, its tax status or the employment contracts of its employees. The only change in the position of the company's personnel will apply to employee participation, which in the future will be arranged at the European level. The position of the shareholders will remain unchanged likewise. The final decision will be made by a general meeting. The Board will submit its proposal to the general meeting after the preparations for the conversion are complete, most probably during fall 2005.

Prospects

Elcoteq's principal goals in 2005 are to:

- Increase the number of ODM projects
- Balance the customer base especially in the Terminal Products business area
- Raise the profitability of the Communications Network Equipment business area.

Elcoteq estimates that both its net sales and operating income will improve in 2005 compared to the previous year.

Net sales for the first quarter of 2005 are expected to be higher than in the same period last year. Operating income is forecast to be weaker than in the first quarter last year owing principally to the product mix and the cost impacts of several simultaneous expansion projects.

Board's Dividend Proposal

The Board of Directors proposes to the Annual General Meeting on March 23, 2005 that a dividend of EUR 0.65 per share, or approximately half of net income, be distributed on the financial year 2004.

The Annual General Meeting 2005

Elcoteq's Annual General Meeting of shareholders takes place in Helsinki on Wednesday March 23, 2005. The invitation to the meeting and its agenda will be published on March 2, 2005 in a stock exchange release, on the company's website www.elcoteq.com and in the Finnish newspapers Kauppalehti and Iltalehti.

Espoo, Finland
February 9, 2005

Board of Directors

Further information:

Jouni Hartikainen, President and CEO, +358 10 413 11

Teo Ottola, CFO, +358 10 413 1240

Reeta Kaukiainen, Director, Communications and Investor Relations, +358 10 413 1742, GSM +358 50 522 0924

Press conference

Elcoteq will hold a conference for media representatives and analysts in the Balsa-Freda Cabinet of the Scandic Hotel Simonkenttä (1st floor), Simonkatu 9, Helsinki, starting at 1.00 pm (EET) on Thursday, February 10, 2005.

Web conference and call for investors and analysts

A web conference and call in English will be held on Thursday, February 10, 2005 starting at 3.30 pm EET (1.30 pm UK time). To participate by phone, please link in to (www.elcoteq.com and <http://events.webeventservices.com/elcoteq/2005/02/10>) and by calling +44 20 7162 0186, code Elcoteq.

A recording of the web conference can be heard until Tuesday February 15, 2005 on +44 20 7031 4064, code 641146.

Elcoteq releases its January-March 2005 interim report 2005 at 9.00 am (EET) on April 28, 2005.

CONVERSION RATE

The following conversion rate is used in this financial statements bulletin:

1 EUR = 1.3621 USD

ENCLOSURES

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APPENDIX 1

CONSOLIDATED INCOME STATEMENT, (IFRS) EUR 1,000

	Jan. 1 - Dec. 31, 2004	Jan. 1 - Dec. 31, 2003
NET SALES	2,953,735	2,235,668
Change in work in progress and finished goods	11,280	6,500
Other operating income	6,157	2,362
Gain on sale of discontinuing operation	10,751	0
Production materials and services	-2,556,361	-1,899,856
Personnel expenses	-171,885	-153,886

Depreciation and amortization	-60,847	-54,182
Writedowns	0	-3,414
Depreciation, amortization and writedowns, total	-60,847	-57,596
<u>Other operating expenses</u>	<u>-121,433</u>	<u>-102,649</u>
OPERATING INCOME	71,396	30,543
Financial income and expenses, total	-11,324	-7,518
<u>Share of the losses of associated companies</u>	<u>-1,025</u>	<u>-502</u>
INCOME BEFORE TAXES	59,048	22,523
Income taxes	-17,285	-1,463
<u>Minority interests</u>	<u>-1,946</u>	<u>-406</u>
NET INCOME	39,816	20,654
Earnings per share, EUR	1.31	0.70
Earnings per share, diluted, EUR	1.25	0.67

APPENDIX 2

CONSOLIDATED BALANCE SHEET (IFRS)	Dec. 31, 2004	Dec. 31, 2003
ASSETS, EUR 1,000		
Non-current assets		
Intangible assets		
Intangible rights	6,660	3,028
ADP software	6,626	5,878
Advance payments and construction in progress	4,601	1,962
Goodwill	10,798	10,979
Goodwill on consolidation	15,216	15,099
	<u>43,900</u>	<u>36,946</u>
Tangible assets		
Land and water areas	3,861	2,414
Buildings	55,285	45,282
Machinery and equipment	131,908	88,881
Advance payments and construction in progress	14,745	17,407

	205,799	153,984
Investments		
Shares and equity interests in associated companies	2,748	3,058
Receivables from associated companies	87	137
Other shares and equity interests	11,535	11,666
	14,371	14,861
Long-term receivables		
Deferred tax assets	6,375	11,185
Other loans receivable	7,665	15
	14,039	11,201
Non-current assets, total	278,109	216,992
Current assets		
Inventories		
Raw materials	233,135	198,729
Work in progress	31,509	31,855
Finished goods	40,571	36,138
Advance payments	128	245
	305,343	266,967
Current receivables		
Accounts receivable	250,074	217,604
Prepaid expenses and accruals	34,879	39,121
	284,953	256,724
Cash and equivalents	39,239	63,683
Current assets, total	629,535	587,375
ASSETS, TOTAL	907,645	804,367

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' Equity

Share capital	12,256	12,076
Additional paid-in capital	212,226	209,008
Other reserves	8,354	8,354
Share issue	0	1,361
Translation differences	-2,687	-2,904
Retained earnings	300	6,945
Net income for the year	39,816	20,654
Shareholders' equity, total	270,265	255,495
Minority interests	6,575	5,764

Liabilities

Long-term liabilities		
Subordinated notes	49,678	-
Medium-term notes	25,100	25,092
Loans from financial institutions	3,333	13,931
Loans from pension plans	2,144	2,609
Other debt	1,128	7,805
Deferred tax liability	3,268	5,117
	84,651	54,554
Payments due after one year	-8,074	-5,180
	76,577	49,374
Current liabilities		
Loans from financial institutions	23,777	13,850
Commercial paper program	39,881	4,951
Loans from pension plans	465	465
Advances received	196	3,016
Accounts payable	413,292	376,474
Other current liabilities	7,498	13,672
Accrued expenses	67,585	79,251
Provisions	1,535	2,056
	554,229	493,734
Liabilities, total	630,805	543,108
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	907,645	804,367

APPENDIX 3

CONSOLIDATED CASH FLOW STATEMENT (IFRS) EUR 1,000

	Jan. 1 - Dec. 31, 2004	Jan. 1 - Dec. 31, 2003
Cash Flow from Operating Activities		
Income before extraordinary items	59,048	22,783
Adjustments:		
Scheduled depreciation and amortization	60,847	57,596
Unrealized foreign exchange gains and losses	-10,226	-10,335
Financial income and expenses	8,045	-502
Other adjustments	-15,172	135
Cash flow before change in working capital	102,542	69,678

Change in working capital: *)

Change in non-interest bearing current receivables	-29,157	-44,133
Change in inventories	-56,724	-41,207
Change in non-interest bearing current liabilities	63,555	121,771
Cash flow from operating activities before financial items and taxes	80,216	106,109
Interest and other financial expenses	-11,607	-5,642
Operations-related interest income	366	583
Income taxes paid	-9,040	-952
Cash flow from operating activities	59,935	100,098
Cash Flow from Investing Activities		
Purchases of tangible and intangible assets	-128,414	-74,127
Proceeds from disposal of tangible and intangible assets	10,326	2,462
Acquisitions	-43,247	-46,727
Disposals	21,313	0
Loans made	-253	0
Repayment of loans receivable	4	151
Cash flow from investing activities	-140,270	-118,241
Cash Flow from Financing Activities		
Proceeds from the issuance of shares	2,036	8,099
Change of current debt	39,617	-876
Issuance of long-term debt	49,678	20,017
Repayment of long-term debt	-7,746	-4,796
Dividends paid and other distributions of earnings	-27,299	-12,604
Cash flow from financing activities	56,286	9,841
Change in cash and equivalents	-24,049	-8,302
Cash and equivalents on January 1	63,683	76,065
Effect of foreign exchange rate changes on cash held	-394	-4,079
Cash and equivalents on December 31	39,239	63,684

*) The change in working capital includes the change in sold accounts receivable.

The impact of this change is to weaken cash flow by MEUR 21.0 during the reporting period 1-12/2004 and to improve cash flow by MEUR 63.7 during 1-12/2003.

APPENDIX 4

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

	Share capital	Additional paid-in capital	Other reserves	Share issue	Translation differences	Retained earnings	Total
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BALANCE AT

1 JANUARY, 2004	12,076	209,008	8,354	1,361	-2,904	27,599	255,495
Issue of share capital	180	3,218		-1,361			2,037
Translation differences					216		216
Dividends						-27,299	-27,299
Income profit for the period						39,816	39,816
BALANCE AT							
31 DECEMBER, 2004	12,256	212,226	8,354	0	-2,687	40,116	270,265
BALANCE AT							
1 JANUARY, 2003	11,797	202,550	8,354	0	759	18,741	242,201
Issue of share capital	280	6,458		1,361			8,099
Translation differences					-3,663		-3,663
Dividends						-11,797	-11,797
Income profit for the period						20,654	20,654
BALANCE AT							
31 DECEMBER, 2003	12,076	209,008	8,354	1,361	-2,904	27,599	255,495

APPENDIX 5

SEGMENT REPORTING

Elcoteq has organized its business operations into two main lines of business: Terminal Products and Communications Network Equipment. Elcoteq reports these as its primary segments applying the principles defined in IAS 14 (Segment Reporting). In addition to these business lines, Elcoteq has also had a separate Industrial Electronics business, most of which was divested on April 1, 2004. The remainder held by Elcoteq is consolidated with the company's Communications Network Equipment business area. Segment comparison data for 2003 has been adjusted to correspond with this new structure.

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 is based on where the segment's assets are located.

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 expenses were reduced by two items: the settlement in 2004, MEUR 2.3, of the Shenzhen GKI company's VAT demands for 2001 and 2002, and a MEUR 2.1 reduction in Elcoteq's statutory employment disability pension (TEL) obligation.

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.

Discontinuing Operation

Elcoteq agreed in February 2004 on the sale of its Industrial Electronics business. The divestment was closed, as planned, on April 1, 2004. On this date the assets of the sold Industrial Electronics segment totaled MEUR 43.7 and its liabilities were MEUR 22.5. The assets mainly comprised inventories and accounts receivable.

Operative cash flow after investing activities in the first quarter of 2004 amounted to MEUR 5.2 and capital expenditures were MEUR 0.5. Elcoteq recorded operating profit of MEUR 10.0 on the sale of this business and taxes totaling MEUR 4.3 on this gain.

Business Areas

Terminal Products: 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, wireless phones and set-top boxes.

Communications Network Equipment: This 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 2004, MEUR

Terminal Products	Communications Network Equipment	Discontinuing Operation (Industrial Electronics)	Non-allocated	Group total
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Net sales	2,300.0	621.8	31.9	0.0	2,953.7
Depreciation	41.8	16.1	0.5	2.5	60.8
Operating income	78.2	16.4	13.0	-36.2	71.4
Share of associated companies	0.0	-0.3	0.0	-0.7	-1.0
Assets	530.3	297.7	0.0	79.7	907.6
Investments in associated companies	0.2	1.9	0.0	0.6	2.7
Liabilities	336.4	120.0	0.0	174.4	630.8
Capital expenditures	92.2	31.8	0.5	3.9	128.3
Sold accounts receivable (not included in segment's assets)	124.7	39.4	0.0	0.0	164.0

BUSINESS AREAS 2003, MEUR

	Terminal Products	Communications Network Equipment	Industrial Electronics	Non-allocated	Group total
Net sales	1,779.9	329.8	126.0	0.0	2,235.7
Depreciation	42.9	9.1	2.5	3.0	57.6
Operating income	40.1	8.8	11.5	-29.9	30.5
Share of associated companies	0.0	-0.1	0.0	-0.4	-0.5
Assets	472.7	176.2	42.7	112.8	804.4
Investments in associated companies	0.3	2.3	0.0	0.5	3.1
Liabilities	297.3	95.8	14.4	135.5	543.1
Capital expenditures	49.0	15.6	1.0	2.5	68.1
Sold accounts receivable (not included in segment's assets)	147.1	28.4	9.6	0.0	185.0

Geographical areas

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

Elcoteq revised its geographical organization in November 2004 when it combined the previously separate areas Terminal Products / Europe and Communications Network Equipment / Europe. Elcoteq divested its Industrial Electronics segment on April 1, 2004.

GEOGRAPHICAL AREAS IN 2004, MEUR

	Europe total	Asia- Pacific	Americas	Discontinuing Operation (Industrial Electronics)	Non- allocated	Group total
Net sales	1,843.1	714.1	364.6	31.9	0.0	2,953.7
Assets	529.0	200.5	92.7	0.0	85.5	907.6
Capital expenditures	76.4	28.6	19.1	0.5	3.9	128.3
Sold accounts receivable (not included in segment's assets)	164.0	0.0	0.0	0.0	0.0	164.0
	Terminal Products, Europe		Communications Network Equipment Europe			
Net sales	1 299.3		543.7			
Assets	278.5		250.5			
Capital expenditures	53.1		23.3			
Sold accounts receivable (not included in segment's assets)	124.7		39.4			

GEOGRAPHICAL AREAS IN 2003, MEUR

	Europe total	Asia- Pacific	Americas	Discontinuing Operation (Industrial Electronics)	Non- allocated	Group total
Net sales	1,295.0	698.2	116.5	126.0	0.0	2,235.7
Assets	384.1	199.1	61.6	42.6	117.0	804.4
Capital expenditures	33.7	10.6	9.1	1.0	13.8	68.1
Sold accounts receivable (not included in segment's assets)	171.1	4.3	0.0	9.6		185.0
	Terminal Products, Europe		Communications Network Equipment, Europe			

Net sales	1,001.6	293.4
Assets	229.0	155.1
Capital expenditures	21.5	12.2
Sold accounts receivable (not included in segment's assets)	142.8	28.4

APPENDIX 6

PERSONNEL

The Group had 13,065 (11,044) employees on average during the year, distributed geographically as follows:

	At Dec. 31	At Jan. 1	Change	Average
Finland	817	1,040	-223	957
Brazil	94	-	94	16
Hong Kong	111	59	52	89
India	18	-	18	3
Japan	12	16	-4	15
China	4,406	4,295	111	4,131
Mexico	3,912	1,092	2,820	1,324
Sweden	7	5	2	6
Hungary	2,514	3,241	-727	2,684
Germany	551	494	57	525
Switzerland	-	243	-243	63
USA	81	55	26	70
Russia	227	190	37	210
Estonia	3,399	2,283	1,116	2,972
Total	16,149	13,013	3,136	13,065

On December 31, 2004 the Group employed altogether 19,480 people, of whom 16,149 were on the company's direct payroll.

APPENDIX 7

FIVE YEARS IN FIGURES

	2004	2003	2002	2001	2000
OPERATIONS					
Net sales, MEUR	2,953.7	2,235.7	1,840.2	1,862.5	2,213.5
of which outside Finland, %	86.4	81.0	77.5	76.5	68.5
Gross capital expenditures,					

MEUR	128.3	68.1	78	45.1	125.7
(does not include operating leases)					
Employees, average	13,065	11,044	8,127	9,960	9,630

PROFITABILITY

Operating income before depreciation and amortization (EBITDA), MEUR	132.2	88.1	74.7	29.9	101.2
Operating income, MEUR	71.4	30.5	25.5	-18.4	66.4
as percentage of net sales, %	2.4	1.4	1.4	-1.0	3.0
Income before taxes, MEUR	59.0	22.5	18.6	-30.7	54.4
as percentage of net sales, %	2.0	1.0	1.0	-1.6	2.5
Net income, MEUR	39.8	20.7	16.1	-32.0	37.2
as percentage of net sales, %	1.3	0.9	0.9	-1.7	1.7
Return on equity (ROE), %	15.5	8.2	7.4	-11.7	19.3
Return on investment (ROCE/ROI), %	19.8	10.2	9.2	-3.5	20.4

FINANCIAL RATIOS

Current ratio	1.1	1.2	1.2	1.3	1.3
Solvency, %	30.5	32.6	36.6	39.6	35.1
Gearing	0.4	-0.0	-0.1	0.2	0.5
Interest-bearing liabilities, MEUR	137.4	63.3	42.6	75.8	182.3
Interest-bearing net debt, MEUR	98.2	-0.4	-33.4	39.4	150.5

PER SHARE DATA

Earnings per share (EPS), EUR	1.31	0.70	0.54	-1.08	1.38
Diluted earnings per share [*]), (EPS)	1.25	0.67	-	-	1.33
Shareholders' equity per share, EUR	8.82	8.46	8.40	7.99	9.37
Share price at the end of the year, EUR	17.89	15.98	10.80	10.00	33.50
Dividend per share ^{**}), EUR	0.65	0.90	0.40	0.00	0.38
Payout ratio ^{**}), %	49.6	131.0	73.5	0.0	30.0
Dividend yield ^{**}), %	3.6	5.6	3.7	0.0	1.1
P/E ratio	13.7	22.9	19.7	-9.1	24.4

Adjusted weighted average number of Shares in issue during the period

30,420,473	29,572,826	29,491,652	29,491,373	26,944,809
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Adjusted number of shares in issue at the end of the period

30,640,877	30,190,527	29,491,652	29,491,652	29,488,902
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^{*}) Having adopted IFRS accounting principles, Elcoteq now calculates diluted EPS in accordance with IAS 33 (Earnings Per Share). Calculated applying the previous practice of including the full dilution effect, the figures would have been EUR 0.20 for 2004, EUR 0.62 for 2003, EUR 0.48 for 2002, EUR - for 2001 and EUR 1.33 for 2000.

^{**}) The dividend shown for 2004 represents the Board's proposal to the Annual General Meeting.

Financial statements have been prepared in compliance with the IFRS standards beginning from January 1, 2003. Financial statements 2000-2002 have been prepared in compliance with the Finnish Accounting Act, which came into effect on December 31, 1997.

APPENDIX 8

ASSETS PLEDGED AND CONTINGENT LIABILITIES, EUR 1,000

	CONSOLIDATED		PARENT COMPANY	
	2004	2003	2004	2003
ON BEHALF OF GROUP COMPANIES				
Guarantees			98,091	87,996
ON BEHALF OF OTHERS				
Guarantees	8	168	8	168
LEASING COMMITMENTS				
Operating leases, machinery and equipment (excl. VAT)	37,362	13,222	37,261	12,931
Rental commitments, real estate (excl. VAT)	24,237	20,571	2,732	3,885
DERIVATIVE CONTRACTS				
Foreign currency derivative instruments				
Forward contracts, transaction risk				
Nominal value	227,581	117,157	215,524	108,502
Book value	-4,343	-4,835	-4,624	-4,965
Market value	-4,343	-4,812	-4,624	-5,065
Forward contracts, translation risk				
Nominal value	20,959	36,429	20,959	36,429
Book value	298	394	298	394
Market value	298	394	298	394
Forward contracts, financial risk				
Nominal value	72,109	36,160	72,109	36,160
Book value	83	428	83	428
Market value	83	428	83	428
Foreign currency option contracts				
Nominal value, bought	9,000	1,584	9,000	-
sold	12,000	2,375	12,000	-
Book value, bought	46	0	46	-
sold	-149	0	-149	-
Market value, bought	46	2	46	-
sold	-149	0	-149	-

The forwards have been valued using the market prices and the exchange reference rates of the European Central Bank on the balance sheet date. The fair value of options is the amount at which options could be exchanged if closed on the balance sheet date. The figures include also the closed positions.

APPENDIX 9

QUARTERLY FIGURES INCOME STATEMENT, MEUR

	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004	Q4/ 2003	Q3/ 2003	Q2/ 2003	Q1/ 2003
NET SALES	864.6	828.7	641.9	618.5	721.9	496.1	500.4	517.3
Change in work in progress and finished goods	-23.6	16.7	-3.2	21.3	13.0	5.0	3.8	-15.3
Other operating income	2.0	1.0	12.6	1.2	0.6	0.5	0.7	0.6
Operating expenses	-805.9	-810.6	-617.6	-615.5	-703.6	-480.7	-488.6	-483.5
Depreciation and writedowns	-16.4	-15.9	-14.4	-14.2	-14.9	-14.4	-14.5	-13.8
OPERATING INCOME	20.8	20.0	19.3	11.3	17.0	6.6	1.8	5.2
% of net sales	2.4	2.4	3.0	1.8	2.4	1.3	0.4	1.0
Financial income and expenses	-5.8	-2.5	-2.2	-0.9	-2.7	-1.7	-1.8	-1.3
Share of profits and losses of associates	-0.1	-0.3	-0.3	-0.4	-0.2	-0.1	-0.2	0.0
INCOME BEFORE TAXES AND MINORITY INTERESTS	15.0	17.2	16.8	10.1	14.1	4.8	-0.2	3.9
Income taxes	-2.0	-5.1	-5.7	-4.4	-1.1	3.7	-1.9	-2.1
Minority interests	0.2	-2.2	0.1	-0.1	-0.5	0.1	0.0	0.1
NET INCOME	13.1	10.0	11.2	5.6	12.4	8.5	-2.2	1.9

BALANCE SHEET, MEUR	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004	Q4/ 2003	Q3/ 2003	Q2/ 2003	Q1/ 2003
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ASSETS

Non-current assets								
Intangible assets	43.9	39.5	38.1	37.5	36.9	38.4	42.0	43.0

Tangible assets	205.8	183.6	153.7	156.6	154.0	141.6	135.4	144.9
Investments	14.4	14.5	14.7	14.8	14.9	1.1	1.2	0.8
Long-term receivables	14.0	15.4	15.1	9.1	11.2	10.7	5.9	6.6
Non-current assets, total	278.1	253.0	221.7	218.0	217.0	191.8	184.5	195.4
Current assets								
Inventories	305.3	357.3	268.6	279.4	267.0	200.1	158.9	176.5
Short-term receivables	285.0	320.7	324.9	305.5	256.7	221.0	222.8	222.9
Cash and cash equivalents	39.2	37.4	40.7	18.4	63.7	24.6	44.4	41.3
Current assets, total	629.5	715.4	634.1	603.3	587.4	445.7	426.1	440.6
ASSETS, TOTAL	907.6	968.4	855.8	821.3	804.4	637.5	610.6	636.0

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity								
Share capital	12.3	12.2	12.2	12.2	12.1	11.8	11.8	11.8
Other shareholders' equity	258.0	244.1	234.3	222.8	243.4	224.8	216.9	220.0
Shareholders' equity, total	270.3	256.3	246.5	235.0	255.5	236.6	228.7	231.8
Minority interests	6.6	7.9	5.9	5.9	5.8	8.3	10.2	11.7
Long-term liabilities								
Long-term loans	72.2	34.1	35.3	35.5	36.5	21.8	22.1	22.4
Other long-term debt	4.4	14.8	13.3	14.4	12.9	12.5	10.6	10.3
	76.6	49.0	48.6	50.0	49.4	34.3	32.7	32.7
Current liabilities								
Current loans	64.1	57.6	43.0	90.9	19.3	10.9	46.2	44.4
Other current liabilities	488.6	595.4	509.3	437.8	472.4	346.4	292.0	314.4
Provisions	1.5	2.3	2.6	1.7	2.1	1.0	0.7	0.9
	554.2	655.3	554.9	530.4	493.7	358.2	338.9	359.8
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	907.6	968.4	855.8	821.3	804.4	637.5	610.6	636.0

Personnel on average during the period	13,481	12,865	12,638	13,222	12,864	11,132	10,566	10,210
Gross capital expenditures, MEUR	45.2	46.7	16.5	19.9	22.4	21.8	10.3	13.6
ROI/ROCE from 12 preceding months, %	19.8	21.3	17.2	11.3	10.2	-	-	-
Earnings per share (EPS), EUR	0.43	0.33	0.37	0.18	0.42	0.30	-0.08	0.06
Solvency ratio, %	30.5	27.3	29.6	29.5	32.6	38.4	39.2	38.3

CONSOLIDATED CASH FLOW STATEMENT, MEUR

	Q4/	Q3/	Q2/	Q1/	Q4/	Q3/	Q2/	Q1/
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	2004	2004	2004	2004	2003	2003	2003	2003
Cash flow before change in working capital	22.0	33.5	24.6	22.4	29.2	23.9	3.5	13.1
Change in working capital	24.5	-12.0	52.2	-87.1	26.2	11.0	18.9	-19.6
Financial items and taxes	-13.4	-2.9	-2.7	-1.2	-3.8	0.7	-1.9	-1.1
Cash flow from operating activities	33.1	18.6	74.1	-65.9	51.6	35.6	20.5	-7.6
Cash flow from investing activities	-77.1	-36.2	-2.8	-24.2	-42.1	-19.1	-7.0	-50.0
Cash flow before financing activities	-44.0	-17.6	71.3	-90.1	9.5	16.5	13.5	-57.6

APPENDIX 10

SEGMENT INFORMATION, MEUR

	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004	Q4/ 2003	Q3/ 2003	Q2/ 2003	Q1/ 2003
Net sales								
Terminal Products Communications	688.8	660.0	489.8	461.4	589.3	391.6	389.0	410.0
Network Equipment Industrial	175.9	168.6	152.2	125.1	100.6	73.3	78.7	77.2
Electronics	0.0	0.0	0.0	31.9	32.0	31.2	32.7	30.1
Total	864.6	828.7	641.9	618.5	721.9	496.1	500.4	517.3
Segment's operating income								
Terminal Products Communications	28.4	23.9	10.4	15.5	16.9	8.8	5.1	9.2
Network Equipment Industrial	2.5	1.7	7.4	4.7	5.1	0.3	1.9	1.5
Electronics	-	-	10.0	3.0	3.5	4.8	1.8	1.4
Group's non-allocated expenses / income	-10.2	-5.6	-8.5	-11.9	-8.6	-7.3	-7.0	-6.9
Total	20.8	20.0	19.3	11.3	17.0	6.6	1.8	5.2

NET SALES BY GEOGRAPHICAL AREA, MEUR

	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004	Q4/ 2003	Q3/ 2003	Q2/ 2003	Q1/ 2003
Terminal Products								
Europe	414.8	368.6	261.4	254.5	350.4	229.1	218.4	203.7
CNE* Europe	154.6	145.2	131.8	112.1	89.4	60.9	70.9	72.2

Asia-Pacific	210.2	207.0	137.2	159.7	183.6	153.7	161.7	199.2
Americas	85.0	107.9	111.5	60.2	66.6	21.2	16.6	12.1
IE** Europe	-	-	-	31.9	32.0	31.2	32.7	30.1

CNE* = Communications Network Equipment

IE** = Industrial Electronics