ELCOTEQ SE'S FINANCIAL STATEMENTS BULLETIN JANUARY-DECEMBER 2005

Elcoteq SE's net sales in 2005 rose 43% on the previous year to more than four billion euros. Operating income improved as well, totaling 76.5 million euros (57.3 in 2004). Cash flow for the full year was clearly positive. The main events in Elcoteq's financial year were the opening of new manufacturing plants in India and Russia and the conversion of the company's form into a European company (SE).

Financial Year 2005

- Net sales increased 43% to 4,169.0 million euros (2,921.8)
- Operating income improved 34% on the previous year to 76.5 million euros (57.3)
- Income before taxes was 59.3 million euros (44.9)
- Earnings per share (EPS) were 1.34 euros (1.01)
- Rolling 12-month return on capital employed (ROCE) was 17.6% (19.5%)
- Cash flow after investing activities was 24.4 million euros (-80.3)
- Interest-bearing net debt was 90.3 million euros (98.2)
- The Board proposes a dividend of EUR 0.66 per share

Final Quarter in 2005

- Net sales increased 37% on the same period last year to 1,182.0 million euros (864.6 in Q4/2004 and 1,194.7 in Q3/2005)
- Operating income rose roughly 25% to 25.5 million euros (20.4)
- Income before taxes was 19.7 million euros (14.6)
- Earnings per share (EPS) were 0.48 euros (0.42)
- Cash flow after investing activities was 5.5 million euros (-44.0)

In preparing the financial statements for 2005 Elcoteq SE has applied the recognition and measurement principles of the International Financial Reporting Standards (IFRS), which Elcoteq adopted at the beginning of 2004. The comparison figures for the income statement and earnings per share in the descriptive section are the figures for continuing operations in the same period of 2004 unless otherwise stated. The other comparison figures include the impact of the discontinued operation.

IFRS 2 (Share-Based Payments) and IFRS 5 (Non-Current Assets Available for Sale and Discontinued Operations) were adopted at the beginning of 2005, which has caused changes to the 2004 comparison figures. The changes necessitated by these standards have been applied retrospectively to the 2004 comparison figures in the manner required by the standards. The impacts of the changes on the 2004 income statement are described in the first interim report for 2005.

Market Review

The upward trend in the communications technology end-markets that started towards the end of 2002 continued in 2005. In the same period the market for original design manufacturing (ODM) and electronics manufacturing services (EMS) grew at an average annual rate of roughly 15%. In 2005 the ODM business grew by approximately 25% and the traditional EMS business by around 10%, driven principally by strong demand for mobile phones. According to estimates by market research institutions more than 800 million mobile phones were sold in 2005, which was almost 25% more than in the previous year. The market for communications network equipment grew by some 10% in 2005.

Elcoteq consolidated its position as an EMS provider to communications technology companies in 2005. Elcoteq's market share was about 8%, which makes the company the fourth largest in its field.

Growth in the number of mobile phones is forecast to continue rising in 2006. The largest growth markets are countries in Asia-Pacific and Latin America – India, China, Russia and Brazil, where the number of mobile phone users is growing. The communications network equipment segment is expected to grow by slightly less than 10% in 2006. In the communications technology sector, the ODM and EMS market is forecast to show annual growth of around 10% over the next few years.

Financial Year 2005: Net Sales and Result Improved

Elcoteq's net sales in 2005 rose 43% to 4,169.0 million euros (2,921.8). Operating income was 76.5 million euros (57.3), or 1.8% of net sales. Income before taxes amounted to 59.3 million euros (44.9) and net profit was 41.3 million euros (30.7). Earnings per share showed a clear improvement, standing at 1.34 euros (1.01).

A prominent factor underlying the growth in net sales was continued strong demand for mobile phones. Net sales increased in all geographical areas. Growth was strongest in the Americas, where net sales more than doubled compared to the previous year, due largely to the acquisition of the Thomson business at the end of 2004. Thomson accounted for almost 250 million euros of the Group's net sales in 2005. Net sales in Asia-Pacific rose by some 50% on the previous year, and net sales in Europe by some 30%.

Operating income in 2005 was a distinct improvement on 2004. The operating margin, however, was down on the previous year due to the still weak capacity utilization levels and ramp-up costs of the new manufacturing plants and to changes in the Terminal Products business area, where unit growth of manufactured products was smaller than sales growth as the product mix shifted to products requiring higher-value materials. Despite the reduction in margins, return on capital employed in Terminal Products was good in 2005. The profitability of the Communications Network Equipment business area improved as well, although this segment's operating income and return on capital employed are still not satisfactory.

The Group's net financial expenses amounted to 16.0 million euros (11.3). The increase was especially attributable to a change in the debt structure and to greater average use of the accounts receivable sales programs due to the growth in sales. The addition of subordinated notes to the company's portfolio of financial instruments, coupled with longer loan maturities, strengthen the company's capital structure.

Fourth-Quarter Net Sales and Result

Demand for services during the fourth quarter was on a par with the third quarter. Net sales in the fourth quarter totaled 1,182.0 million euros (864.6 for Q4/2004 and 1,194.7 for Q3/2005). The slight decrease in net sales from the previous quarter arose from lower sales by the Communications Network Equipment business area. Operating income in the fourth quarter amounted to 25.5 million euros (20.4 for Q4/2004 and 25.6 for Q3/2005) and income before taxes was 19.7 million euros (14.6).

The operating income of Terminal Products improved compared to the third quarter due to higher production volumes. The product mix shifted towards products requiring lower-cost materials. The profitability of the Communications Network Equipment business area, on the other hand, weakened clearly owing both to a decline in manufacturing volumes and to an unfavorable product mix.

Financing and Cash Flow

Liquidity was good throughout the period. At the end of December Elcoteq had unused but immediately available credit limits totaling 293.5 million euros (292.4 at the end of Q3/2005 and 289.9 at the end of 2004). There were no open issues of the company's 200 million euro commercial paper program at December 31, 2005 (40.0 million euros at December 31, 2004).

Interest-bearing net debt at the end of December amounted to 90.3 million euros (98.2), and gearing was 0.3 (0.4). The solvency ratio was 26.0% (30.5%). Cash flow from sold accounts receivable totaled 148.8 million euros (213.9 at the end of Q3/2005 and 164.0 at the end of 2004). Return on capital employed was 17.6% (19.5%).

In May Elcoteq issued notes totaling 20 million euros and subordinated notes totaling 10 million euros in two private placements. The terms of the subordinated notes are identical to the subordinated notes issued in December 2004. The subordinated notes mature on December 22, 2011 but the company has the right to redeem the notes prematurely at six-month intervals from December 22, 2009. In September Elcoteq issued subordinated notes in the nominal amount of 50 million euros with a maturity of five years in a private placement issue.

In 2005 cash flow after investing activities was 24.4 million euros (-80.3) and 5.5 million euros (-44.0) in the final quarter. Despite the strong growth in net sales cash flow in 2005 was clearly positive, due to effective working capital management. Average turnover of working capital was roughly one week at the end of the year, which is an outstanding result compared to other companies in this sector. Compared to 2004 the improvement in turnover of working capital was particularly strong in Communications Network Equipment.

Capital Expenditures

Gross capital expenditures on fixed assets in 2005 totaled 123.6 million euros (128.3), or 3.0% of net sales. Depreciation amounted to 78.2 million euros (60.4), or 1.9% of net sales. The largest single investment item was the new manufacturing plant in St. Petersburg, Russia. Other major investment items included the addition of assembly capacity in Europe and Asia-Pacific. Capital expenditures in the fourth quarter totaled 35.4 million euros (45.2).

Elcoteq also increased its manufacturing capacity through operating leases worth roughly 25.2 million euros (35.3) in 2005.

Personnel

At the end of the December the Group employed 19,802 (19,480) people: 869 (817) in Finland and 18,933 (18,663) in other countries. The geographical distribution of the workforce was as follows: Europe 9,984 (10,008), Asia-Pacific 6,086 (5,364) and Americas 3,732 (4,108). The average number of employees directly employed by the company during 2005 was 15,242 (13,065).

Environment

Elcoteq has a certified quality and environmental system covering all its units. The company's environmental management system was updated in 2005 to comply with the requirements of the new ISO

14001:2004 standard. The company's environmental performance is described in more detail in a separate Corporate Responsibility Report to be published in 2006.

Business Area Performance

Elcoteq has two business areas: Terminal Products and Communications Network Equipment. In 2005 net sales of Terminal Products contributed 82.5% (79%) and net sales of Communications Network Equipment 17.5% (21%) of Elcoteq's consolidated net sales.

In 2005 companies within the Nokia and Ericsson groups accounted for altogether 69% (73%) of Elcoteq's net sales. In addition to these companies, Elcoteq's top five customers included Siemens, Sony Ericsson and Thomson.

Terminal Products

Net sales of the Terminal Products business area in 2005 rose on the previous year by approximately 50% to 3,439.0 million euros (2,300.0). The segment's operating income was 95.0 million euros (77.7), or 2.8% of net sales. Net sales in the fourth quarter of the year totaled 999.5 million euros (688.8) and the segment's fourth-quarter operating income was 32.2 million euros (28.3). Underlying the growth in full-year net sales was good demand for mobile phones.

The strategic goal of Elcoteq's Terminal Products business area is to further broaden and balance its customer base. Established customer relationships as well as newer customer accounts, for example with Thomson and RIM, developed well during 2005. Home communications represented a larger share of Terminal Products' net sales than in the previous year. This product group includes set-top boxes and electronics for flat-screen televisions.

Elcoteq estimates that the net sales of its Terminal Products business area will grow in 2006 more rapidly than overall growth in the EMS market.

Communications Network Equipment

Net sales of the Communications Network Equipment business area in 2005 grew 17% on the previous year to 730.1 million euros (621.8) and the segment's operating income was 23.2 million euros (16.1), or 3.2% of net sales. Net sales grew faster than infrastructure market growth. Net sales in the final quarter of 2005 were 182.6 million euros (175.9) and the segment's operating income was 2.9 million euros (2.5).

Elcoteq expects the market share of its Communications Network Equipment business area to strengthen in 2006 and its net sales to grow compared to 2005. Elcoteq's aim is to raise the profitability of Communications Network Equipment and to increase its share of the Group's net sales.

Geographical areas

Elcoteq has three geographical areas (GAs): Europe, Asia-Pacific and Americas.

In 2005 the geographical areas contributed to the Group's net sales as follows: Europe 56% (63%), Asia-Pacific 26% (25%) and Americas 18% (12%).

Europe

Net sales of GA Europe were 2,345.0 million euros (1,843.1).

Elcoteq's new manufacturing plant in St. Petersburg, Russia was completed in September. The plant has a total floor space of approximately 15,000 square meters and it currently employs almost 300 people. The total investment in the plant between 2004 and 2005 amounted to roughly 27 million euros which, among other things, includes the land, the plant's construction and utilities, as well as machinery investments.

Elcoteq sold its subsidiary in Überlingen, Germany, Elcoteq Elektronik GmbH and its manufacturing plant to the German company Rafi GmbH & Co. KG on December 31, 2005. The divested company had an enterprise value of roughly 6 million euros. The sale of the plant did not affect Elcoteq's 2005 result. The plant's net sales in 2005 amounted to approximately 25 million euros.

A new office was opened in Budapest in the spring which functions as the headquarters of Elcoteq's GA Europe.

Asia-Pacific

Net sales of GA Asia-Pacific increased by some 50% to 1,069.4 million euros (714.1). In 2005 Elcoteq expanded its service offering in China by starting to deliver larger product entities.

Elcoteq opened a new manufacturing plant in Bangalore, India, in spring 2005. In India Elcoteq operates in rented premises with a floor space of about 5,500 square meters and at the end of the year the company employed roughly 300 people. The plant caters to the needs of both terminal products and communications network equipment customers.

In the autumn Elcoteq sold the machinery used to manufacture industrial electronics at the Beijing plant, along with the inventory of this business, to Enics Electronics Beijing Limited.

Americas

Net sales of GA Americas more than doubled on the previous year to 754.6 million euros (364.6). The increase was especially due to the acquisition of the Thomson business in Mexico at the end of 2004, which made Elcoteq one of the world's leading manufacturers of set-top boxes.

Decisions of the Annual General Meeting

Elcoteq's Annual General Meeting was held in Helsinki on March 23, 2005. The AGM approved the Board's proposal that the Board be authorized 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. The company's share capital may be increased by at most 2,456,468.80 euros under this authorization. This authorization is in force for one year from the decision of the Meeting, i.e. until March 23, 2006.

The Meeting 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; Mr Antti Piippo, principal owner and founder-shareholder of Elcoteq SE; Mr Henry Sjöman, founder-shareholder of Elcoteq SE; Mr Juha Toivola, MSc, and Mr Jorma Vanhanen, founder-shareholder of

Elcoteq SE. The terms of office of the Board members extend until the end of the following Annual General Meeting. Mr Ahtisaari, Mr Horstia, Mr Kasanen and Mr Toivola are independent Board members.

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

The AGM decided to re-elect the firm of authorized public accountants KPMG Oy Ab under the supervision of principal auditor Mr Mauri Palvi (APA) as the company's auditors.

Extraordinary General Meeting: Elcoteq Becomes a European Company

An extraordinary general meeting was held on September 27, 2005. The EGM decided to convert Elcoteq from a public limited company into a European company (SE, Societas Europaea). Since October 1, 2005 the company's new name has been Elcoteq SE.

Shares and Shareholders

During 2005 altogether 462,700 new A shares were registered as a result of subscriptions under the 2001 stock options scheme. At the end of 2005 the company's share capital totaled 12,441,430.80 euros and there were altogether 31,103,577 shares divided into 20,526,577 Series A shares and 10,577,000 Series K shares. All the K shares are held by the company's three principal owners.

Elcoteq had 11,694 registered shareholders on December 31, 2005. There were a total of 8,382,054 nominee-registered and foreign-registered shares, or 26.95% of the total number of shares and 6.64% of the votes outstanding.

Prospects

Market research institutions forecast annual growth of roughly 10% for the ODM and EMS business in communications technology in the coming years. The same level of growth is also forecast in the end-markets for mobile phones and communications network equipment. The largest growth areas are countries in Asia-Pacific and Latin America, where the number of mobile phone users is growing.

Elcoteq believes that the use of ODM services, particularly in mobile phones, will become more prevalent and demand for this type of services is also growing in communications network equipment. Elcoteq will continue gradual expansion of its service network and will supplement its own expertise through collaboration with various design companies and component suppliers.

Alongside strengthening of the service offering, the Group's key strategic goals will continue to be balancing the customer portfolio and expanding operations into new product areas that support the company's operating model. Home communications is considered one potential growth area.

Elcoteq estimates that its net sales in 2006 will increase faster than the average growth in the EMS market and that operating income will improve compared to the previous year.

Net sales in the first quarter of 2006 are expected to grow compared to the same period last year but to remain below the level in the final quarter of 2005. Operating income is forecast to be slightly below the level in the first quarter last year.

Board's Dividend Proposal

The Board of Directors proposes to the Annual General Meeting on March 23, 2006 that a dividend of 0.66 euros be distributed on the financial year 2005, representing about half of the company's net profit for the year.

Annual General Meeting 2006

Elcoteq's Annual General Meeting in 2006 will be held in Helsinki on March 23. The Nomination Committee of the Board of Directors will propose to the AGM that Board's current members be re-elected. The members have consented to their re-election.

The invitation to the meeting and the agenda of the meeting will be published on March 3, 2006 as a stock exchange release, on the company's website at www.elcoteq.com and in the Finnish newspapers Kauppalehti and lltalehti.

Espoo, Finland
February 8, 2006

Board of Directors

Further information:
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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 Bulsa-Freda Cabinet of the Scandic Hotel Simonkenttä (1st floor), Simonkatu 9, Helsinki, starting at 1.00 pm (EET) on Thursday, February 9, 2006

Web Conference and Call for Investors and Analysts

A web conference and call in English will be held on Thursday, February 9, 2006 starting at 3.30 pm EET (1.30 pm UK time). To participate by phone, please link in to www.elcoteq.com and call +44 20 7162 0125, code Elcoteq.

A recording of the web conference can be heard until February 14, 2006 on +44 20 7031 4064, code 691451.

Elcoteq releases its January-March 2006 interim report at 9.00 am (EET) on April 27, 2006.

CONVERSION RATE

The following conversion rate is used in this financial statements bulletin:
1 EUR = 1.1797 USD

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APPENDIX 1

CONSOLIDATED INCOME STATEMENT (IFRS), EUR 1,000

	Jan. 1- Dec. 31, 2005	Jan. 1- Dec. 31, 2004
NET SALES	**4,169,046**	**2,921,834**
Change in work in progress and finished goods	-11,163	10,563
Other operating income	5,809	5,871
Production materials and services	-3,638,528	-2,538,012
Personnel expenses	-202,596	-163,869
Depreciation and amortization	-78,238	-60,359
Writedowns	-279	-
Depreciation and writedowns, total	-78,517	-60,359
Other operating expenses	-167,565	-118,744
OPERATING INCOME	**76,486**	**57,283**
Financial income, total	4,788	2,957
Financial expenses, total	-20,751	-14,281
Share of the losses of associated companies	-1,178	-1,025
INCOME BEFORE TAXES	**59,346**	**44,935**
Income taxes	-18,442	-12,282
INCOME FROM CONTINUING OPERATIONS	**40,904**	**32,653**
Income from discontinued operation	-	7,911
NET INCOME	**40,904**	**40,563**
ATTRIBUTABLE TO:		
Equity holders of the parent ***)**	41,271	38,617
Minority interests	-367	1,946
	40,904	40,563

Earnings per share calculated on profit attributable
to equity holders of the parent company.

Earnings per share (EPS), continuing operations, EUR	1.34	1.01
Earnings per share (EPS), continuing operations diluted, EUR	1.28	0.96

Earnings per share (EPS), discontinued operations, EUR	-	0.26
Earnings per share (EPS), discontinued operations diluted, EUR	-	0.25

*) Net profit reported by the company.

APPENDIX 2

CONSOLIDATED BALANCE SHEET (IFRS), EUR 1,000

	Dec. 31, 2005	Dec. 31, 2004
ASSETS		
Non-Current Assets		
Intangible assets		
Intangible rights	6,439	6,660
Product development costs	1,889	-
ADP software	7,629	6,626
Advance payments and construction in progress	5,731	4,601
Goodwill	10,615	10,798
Goodwill on consolidation	15,098	15,216
	47,400	43,900
Tangible assets		
Land and water areas	4,150	3,861
Buildings	80,872	55,285
Machinery and equipment	149,627	131,908
Advance payments and construction in progress	10,085	14,745
	244,734	205,799
Investments		
Shares and equity interests in associated companies	2,426	2,748
Receivables from associated companies	262	87
Other shares and equity interests	11,399	11,535
	14,087	14,371
Long-term receivables		
Deferred tax assets	10,010	6,375
Other loans receivable	4	7,665
	10,014	14,039
Non-current assets, total	**316,235**	**278,109**
Current Assets		
Inventories		
Raw materials	270,368	233,135
Work in progress	24,678	31,509
Finished goods	33,304	40,571
Advance payments	12	128
	328,362	305,343

Current receivables		
Accounts receivable	352,713	250,074
Loans receivable	7,976	-
Other receivable	44,312	16,554
Prepaid expenses and accruals	16,441	18,325
	421,442	284,953
Cash and Equivalents	101,351	39,239
Current assets, total	**851,155**	**629,535**
ASSETS, TOTAL	**1,167,390**	**907,645**

SHAREHOLDERS' EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent		
Share capital	12,441	12,256
Additional paid-in capital	215,988	212,226
Other reserves	8,369	8,354
Translation differences	-2,883	-2,687
Retained earnings	21,794	1,499
Net income for the year	41,271	38,617
Equity attributable to equity holders of the parent, total	**296,980**	**270,265**
Minority Interests	6,885	6,575
Total equity	**303,865**	**276,840**
Liabilities		
Long-term liabilities		
Subordinated notes	108,978	49,678
Medium-term notes	39,956	25,100
Loans from financial institutions	-	3,333
Loans from pension plans	1,678	2,144
Other debt	628	1,128
Deferred tax liability	3,062	3,268
	154,302	84,651
Payments due within one year	-702	-8,074
Long-term liabilities, total	153,600	76,577
Current liabilities		
Loans from financial institutions	40,691	23,777
Commercial paper program	-	39,881
Loans from pension plans	465	465
Advances received	216	196
Accounts payable	582,602	413,292
Other current liabilities	11,262	21,011
Accrued expenses	71,909	54,072

Provisions	2,780	1,535
Current liabilities, total	709,925	554,229
Liabilities, total	**863,525**	**630,805**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**1,167,390**	**907,645**

APPENDIX 3

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

	Jan. 1- Dec. 31, 2005	**Jan. 1- Dec. 31, 2004**
Cash Flow from Operating Activities		
Income before taxes	59,345	59,048
Adjustments:		
Scheduled depreciation and amortization	78,517	60,847
Unrealized foreign exchange gains and losses	13,629	-10,226
Other non payment-related income and expenses	831	-
Financial income and expenses	19,439	8,045
Other adjustments	768	-15,172
Cash flow before change in working capital	172,530	102,542
Change in working capital: *)		
Change in non-interest bearing current receivables	-122,088	-29,157
Change in inventories	-9,986	-56,724
Change in non-interest bearing current liabilities	115,222	63,555
Cash flow from operating activities before financial items and taxes	155,677	80,216
Interest and other financial expenses	-16,140	-11,607
Operations-related interest income	2,725	366
Income taxes paid	-14,018	-9,040
Cash flow from operating activities	**128,244**	**59,935**
Cash Flow from Investing Activities		
Purchases of tangible and intangible assets	-126,626	-128,414
Proceeds from disposal of tangible and intangible assets	20,630	10,326
Acquisitions	-	-43,247
Disposals	2,146	21,313
Loans made	-	-253
Repayment of loans receivable	17	4
Cash flow from investing activities	**-103,834**	**-140,270**
Cash Flow from Financing Activities		
Proceeds from the issuance of shares	3,369	2,036
Change of current debt	-25,757	39,617

Issuance of long-term debt	79,529	49,678
Repayment of long-term debt	-4,450	-7,746
Dividends paid and other distributions of earnings	-19,959	-27,299
Cash flow from financing activities	**32,731**	**56,286**
Change in Cash and Equivalents	**57,141**	**-24,049**
Cash and equivalents on January 1	39,239	63,683
Effect of exchange rate changes on cash held	4,972	-394
Cash and equivalents on December 31	**101,351**	**39,239**

*) The change in working capital includes the change in sold accounts receivable.
The impact of this change is to weaken cash flow by 15.2 million euros during the reporting period 1-12/2005 and by 21.0 million euros during 1-12/2004.
The cash flow statement for 2004 includes the discontinued operation (Industrial Electronics).
In 2004 the discontinued operation added MEUR 26.5 to cash flow before financing activities.

APPENDIX 4

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

	Attributable to equity holders of the parent							**Minority Interests**	**Total Equity**
	Share Capital	**Additional Paid-in Capital**	**Other Reser-ves**	**Share Issue**	**Translation Differ-rences**	**Retained Earnings**	**Total**		
BALANCE AT JANUARY 1, 2005	**12,256**	**212,226**	**8,354**	**0**	**-2,687**	**40,116**	**270,265**	**6,575**	**276,840**
Issue of share capital	185	3,184					3,369		3,369
Transfer to translation difference		578			-578	-		-	
Increase in other reserves			15		-15	-		-	
Equity hedge of subsidiaries					-2,602		-2,602		-2,602
Translation differences					2,999		2,999	330	3,329
Share based payments						1,637	1,637		1,637
Ownership change of group companies							-	348	348
Dividends						-19,959	-19,959		-19,959
Net income						41,271	41,271	-367	40,904
BALANCE AT DECEMBER 31, 2005	**12,441**	**215,988**	**8,369**	**0**	**-2,883**	**63,065**	**296,980**	**6,885**	**303,865**

BALANCE AT JANUARY 1, 2004	**12,076**	**209,008**	**8,354**	**1,361**	**-2,904**	**27,599**	**255,495**	**5,764**	**261,259**
Issue of share capital	180	3,218		-1,361			2,037		2,037
Equity hedge of subsidiaries					1,203		1,203		1,203
Translation differences					-986		-986	-1,136	-2,123
Share based payments						1,199	1,199		1,199
Dividends						-27,299	-27,299		-27,299
Net income						38,617	38,617	1,946	40,563
BALANCE AT DECEMBER 31, 2004	**12,256**	**212,226**	**8,354**	**0**	**-2,687**	**40,116**	**270,265**	**6,575**	**276,840**

APPENDIX 5

SEGMENT REPORTING

Elcoteq has organized its business operations into two business areas: 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.

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

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

Accounting Principles

There are no intersegment sales between the primary segments.

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

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

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

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

Non-Allocated Items

Non-allocated expenses in the income statement consist of the expenses of the Group office. Non-allocated expenses were reduced in 2004 by two items: the settlement in 2004 of the Shenzhen GKI company's VAT demands for 2001 and 2002, worth 2.3 million euros, and a reduction in Elcoteq's statutory employment disability pension (TEL) obligation worth 2.1 million euros.

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.

Discontinued Operation

Elcoteq agreed in February 2004 on the divestment 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 43.7 million euros and its liabilities were 22.5 million euros. The assets mainly comprised inventories and accounts receivable. Operative cash flow after investing activities in the first quarter of 2004 amounted to 5.2 million euros and capital expenditures were 0.5 million euros. Elcoteq recorded operating profit of 10.0 million euros on the sale of this business and taxes totaling 4.3 million euros on this gain.

Business Areas

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

Communications Network Equipment 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 2005, MEUR

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

BUSINESS AREAS IN 2004, MEUR

	Terminal Products	Communications Network Equipment	Non-allocated	Continuing Operations, total	Discontinued Operation, (Industrial Electronics)
Net sales	2,300.0	621.8	-	2,921.8	31.9
Depreciation	41.8	16.1	2.5	60.4	0.5
Operating income	77.7	16.3	-36.8	57.3	13.0
Share of associated companies	0.0	-0.3	-0.7	-1.0	-
Assets	530.3	297.7	79.7	907.7	-
Investments in associated companies	0.2	1.9	0.6	2.7	-
Liabilities	336.4	120.0	174.4	630.8	-
Capital expenditures	92.2	31.8	3.9	127.8	0.5
Sold accounts receivable*	124.7	39.4	-	164.0	-

*not included in segment's assets

GEOGRAPHICAL AREAS IN 2005, MEUR

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

	Europe	Asia-Pacific	Americas	Non-allocated	Continuing Operations, total
Net sales	2,345.0	1,069.4	754.6	-	4,169.0
Assets	541.8	291.6	184.2	149.9	1,167.4
Capital expenditures	72.2	37.8	9.5	4.2	123.6
Sold accounts receivable*	132.0	-	16.8	-	148.8

GEOGRAPHICAL AREAS IN 2004, MEUR

	Europe	Asia-Pacific	Americas	Non-allocated	Continuing Operations, total	Diccontinued Operation (Industrial Electronics, Europe)
Net sales	1,843.1	714.1	364.6	-	2,921.8	31.9
Assets	529.0	200.5	92.7	85.5	907.7	-
Capital expenditures	76.4	28.6	19.1	3.9	127.8	0.5
Sold accounts receivable*	164.0	-	-	-	164.0	-

*not included in segment's assets

BREAKDOWN OF NET SALES BY MARKET, MEUR

	2005	2004
Europe	2,857.4	2,008.5
Americas	767.4	380.1
Asia-Pacific	544.3	533.3
	4,169.0	2,921.8

APPENDIX 6

PERSONNEL

The Group had an average of 15,242 (13,065) employees during the year, distributed geographically as follows.

	At Dec. 31	At Jan. 1	Change	Average
Finland	789	817	-28	823
Brazil	204	94	110	205
Hong Kong	52	111	-59	53
India	299	18	281	120
Japan	4	12	-8	10
China	5,255	4,406	849	4,604
Mexico	2,353	3,912	-1,559	2,419
Sweden	7	7	0	7
Germany	419	551	-132	566
Switzerland	8	-	8	5
Hungary	2,523	2,514	9	2,504
USA	103	81	22	92
Russia	281	227	54	248
Estonia	3,454	3,399	55	3,586
Total	**15,751**	**16,149**	**-398**	**15,242**

On December 31, 2005 the Group employed 19,802 people, of whom 15,751 were on Elcoteq's payroll.

APPENDIX 7

FIVE YEARS IN FIGURES

	2005	2004*	2003	2002	2001
OPERATIONS					
Net sales, MEUR	4,169.0	2,921.8	2,235.7	1,840.2	1,862.5
of which outside Finland, %	81.4	86.2	81.0	77.5	76.5
Gross capital expenditures, MEUR	123.6	128.3	68.1	78.0	45.1
(does not include operating leases)					
Employees, average	15,242	13,065	11,044	8,127	9,960
PROFITABILITY					
Operating income before depreciation and amortization (EBITDA), MEUR	155,0	117,6	88,1	47,7	29,9
Operating income, MEUR	76.5	57.3	30.5	25.5	-18.4
as percentage of net sales, %	1.8	2.0	1.4	1.4	-1.0
Income before taxes, MEUR	59.3	44.9	22.5	18.6	-30.7
as percentage of net sales, %	1.4	1.5	1.0	1.0	-1.6
Net income, MEUR ***	41.3	38.6	20.7	16.1	-32.0
as percentage of net sales, %	1.0	1.3	0.9	0.9	-1.7
Return on equity (ROE), %	14.1	15.1	8.2	7.4	-11.7
Return on investment (ROCE/ROI), %	17.6	19.5	10.2	9.2	-3.5
FINANCIAL RATIOS					
Current ratio	1.2	1.1	1.2	1.2	1.3
Solvency, %	26.0	30.5	32.6	36.6	39.6
Gearing	0.3	0.4	-0.0	-0.1	0.2
Interest-bearing liabilities, MEUR	191.7	137.4	63.3	42.6	75.8
Interest-bearing net debt, MEUR	90.3	98.2	-0.4	-33.4	39.4
PER SHARE DATA					
Earnings per share (EPS), EUR	1.34	1.01	0.70	0.54	-1.08
Diluted earnings per share (EPS)	1.28	0.96	0.67	-	-
Shareholders' equity per share***, EUR	9.55	8.82	8.46	8.40	7.99
Share price at the end of the year, EUR	20.15	17.89	15.98	10.80	10.00
Dividend per share **, EUR	0.66	0.65	0.90	0.40	0.00
Payout ratio **, %	49.7	49.6	131.0	73.5	0.0
Dividend yield **, %	3.3	3.6	5.6	3.7	0.0
P/E ratio	15.0	14.1	22.9	19.7	-9.1
Adjusted weighted average number of shares in issue during the period	30,764,705	30,420,473	29,572,826	29,491,652	29,491,373

Adjusted number of shares in issue at the end of the period	31,103,577	30,640,877	30,190,527	29,491,652	29,491,652

* The key figures for the income statement and earnings per share are calculated on continuing operations. Other key figures include the impact of the discontinued operation.
** The dividend in 2005 is the proposal of the Board of Directors to the Annual General Meeting.
*** Attributable to equity holders of the parent company.

Financial statements have been prepared in compliance with the IFRS standards beginning from January 1, 2003. Financial statements 2001-2002 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

	2005	2004
ON BEHALF OF OTHERS		
Guarantees	8	8
LEASING COMMITMENTS		
Operating leases, production machinery (excl. VAT)	45,620	37,362
Rental commitments, real-estate (excl. VAT)	25,898	24,238
DERIVATIVE CONTRACTS		
Foreign currency derivative instruments		
Forward contracts, transaction risk		
Nominal value	378,905	227,581
Market value	-1,358	-4,343
Forward contracts, translation risk		
Nominal value	28,857	20,959
Market value	-129	298
Forward contracts, financial risk		
Nominal value	98,143	72,109
Market value	-996	83
Foreign currency option contracts		
Nominal value, bought	-	9,000
sold	-	12,000
Market value, bought	-	46
sold	-	-149
Interest rate swaps and cross currency swaps		
Nominal value	2,500	-
Market value	-180	-

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.

OTHER COMMITMENTS
In calculating value-added tax for China in 2005, 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. In earlier years the company has received subsequent approval. The risk is therefore estimated to be small and no provision has been made.
The company is not involved in any significant litigation proceedings.

APPENDIX 9

QUARTERLY FIGURES

INCOME STATEMENT, MEUR

	Q4/ 2005	Q3/ 2005	Q2/ 2005	Q1/ 2005	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004
NET SALES	**1,182.0**	**1,194.7**	**982.1**	**810.3**	**864.6**	**828.7**	**641.9**	**586.6**
Change in work in progress and finished goods	2.1	1.7	-9.8	-5.2	-23.6	16.7	-3.2	20.6
Other operating income	1.2	1.1	1.8	1.7	2.0	1.0	1.9	1.0
Operating expenses	-1,137.8	-1,150.5	-940.1	-780.3	-806.2	-810.9	-617.1	-586.3
Depreciation and writedowns	-22.1	-21.4	-18.0	-17.0	-16.4	-15.9	-14.4	-13.7
OPERATING INCOME	**25.5**	**25.6**	**15.9**	**9.5**	**20.4**	**19.7**	**9.1**	**8.1**
% of net sales	2.2	2.1	1.6	1.2	2.4	2.4	1.4	1.4
Financial income and expenses	-5.6	-4.4	-3.2	-2.8	-5.8	-2.5	-2.2	-0.9
Share of profits and losses of associates	-0.2	-0.2	-0.6	-0.2	-0.1	-0.3	-0.3	-0.4
INCOME BEFORE TAXES	**19.7**	**21.0**	**12.1**	**6.5**	**14.6**	**16.9**	**6.5**	**6.8**
Income taxes	-4.6	-7.4	-3.8	-2.7	-2.0	-5.1	-1.5	-3.7
INCOME FROM CONTINUING OPERATIONS	**15.1**	**13.7**	**8.3**	**3.8**	**12.6**	**11.8**	**5.1**	**3.2**
Income from discontinued operations	-	-	-	-	-	-	5.7	2.2
INCOME FOR THE PERIOD	**15.1**	**13.7**	**8.3**	**3.8**	**12.6**	**11.8**	**10.8**	**5.4**

ATTRIBUTABLE TO:								
Equity holders of the parent	14.9	13.7	8.3	4.4	12.8	9.7	10.9	5.3
Minority interests	0.2	0.0	-0.0	-0.6	-0.2	2.2	-0.1	0.1
	15.1	**13.7**	**8.3**	**3.8**	**12.6**	**11.8**	**10.8**	**5.4**

BALANCE SHEET, MEUR

	Q4/ 2005	**Q3/ 2005**	**Q2/ 2005**	**Q1/ 2005**	**Q4/ 2004**	**Q3/ 2004**	**Q2/ 2004**	**Q1/ 2004**
ASSETS								
Non-current Assets								
Intangible assets	47.4	47.5	46.6	43.9	43.9	39.5	38.1	37.5
Tangible assets	244.7	245.4	215.1	206.7	205.8	183.6	153.7	152.3
Investments	14.1	14.1	14.1	14.4	14.4	14.5	14.7	14.8
Long-term receivables	10.0	9.8	16.2	16.5	14.0	15.4	15.1	9.1
Non-current assets, total	316.2	316.8	292.0	281.4	278.1	253.0	221.7	213.7
Current assets								
Inventories	328.4	363.4	323.2	331.5	305.3	357.3	268.6	255.7
Current receivables	421.4	487.5	462.8	388.6	285.0	320.7	324.9	289.8
Cash and cash equivalents	101.4	106.7	60.5	70.2	39.2	37.4	40.7	18.4
Assets classified as held for sale	-	1.7	-	-	-	-	-	43.7
Current assets, total	851.2	959.3	846.5	790.3	629.5	715.4	634.1	607.5
ASSETS, TOTAL	**1,167.4**	**1,276.0**	**1,138.5**	**1,071.7**	**907.6**	**968.4**	**855.8**	**821.3**
SHAREHOLDERS' EQUITY AND LIABILITIES								
Equity attributable to equity holders of the parent								
Share capital	12.4	12.3	12.3	12.3	12.3	12.2	12.2	12.2
Other shareholders' equity	284.5	267.1	252.8	243.3	258.0	244.1	234.3	222.8
Equity attributable to equity holders of the parent, total	297.0	279.4	265.1	255.6	270.3	256.3	246.5	235.0
Minority interests	6.9	7.3	6.9	6.7	6.6	7.9	5.9	5.9
Total equity	303.9	286.7	272.0	262.3	276.8	264.2	252.4	241.0
Long-term liabilities								
Long-term loans	149.9	150.4	101.1	72.3	72.2	34.1	35.3	31.0
Other long-term debt	3.7	4.0	4.2	4.9	4.4	14.8	13.3	14.4
Long-term liabilities, total	153.6	154.3	105.3	77.1	76.6	49.0	48.6	45.4
Current liabilities								
Current loans	41.2	53.4	69.8	135.9	64.1	57.6	43.0	90.9
Other current liabilities	666.0	778.9	686.6	594.3	488.6	595.4	509.3	419.8
Provisions	2.8	2.7	4.8	2.1	1.5	2.3	2.6	1.7
Liabilities classified as held for sale	-	-	-	-	-	-	-	22.5

Current liabilities, total	709.9	835.0	761.2	732.2	554.2	655.3	554.9	534.9
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**1,167.4**	**1,276.0**	**1,138.5**	**1,071.7**	**907.6**	**968.4**	**855.8**	**821.3**
Personnel on average during the period	15,903	15,162	15,030	14,560	13,481	12,865	12,638	13,222
Gross capital expenditure, MEUR	35.4	48.8	17.8	21.6	45.2	46.7	16.5	19.9
ROCE / ROI from 12 preceding months, %	17.6	17.5	17.7	16.8	19.5	21.1	17.1	11.1
Earnings per share (EPS), EUR	0.48	0.44	0.27	0.14	0.42	0.32	0.36*)	0.18*)
Solvency, %	26.0	22.5	23.9	24.5	30.5	27.3	29.6	29.5

*) Includes the discontinued operation.

CONSOLIDATED CASH FLOW STATEMENT, MEUR

	Q4/ 2005	**Q3/ 2005**	**Q2/ 2005**	**Q1/ 2005**	**Q4/ 2004**	**Q3/ 2004**	**Q2/ 2004**	**Q1/ 2004**
Cash flow before change in working capital	47.3	47.1	48.4	29.7	22.0	33.5	24.6	22.4
Change in working capital	-11.4	21.6	26.6	-53.7	24.5	-12.0	52.2	-87.1
Financial items and taxes	-10.3	-8.1	-5.7	-3.3	-13.4	-2.9	-2.7	-1.2
Cash flow from operating activities	25.6	60.6	69.3	-27.3	33.1	18.6	74.1	-65.9
Cash flow from investing activities	-20.1	-47.1	-22.3	-14.3	-77.1	-36.2	-2.8	-24.2
Cash flow before financing activities	5.5	13.5	47.0	-41.6	-44.0	-17.6	71.3	-90.1
Proceeds from the issuance of shares	2.4	0.1	0.1	0.8	0.8	0.2	0.0	1.0
Change of current debt	-12.7	-16.8	-67.3	71.0	-2.0	18.2	-47.9	71.3
Issuance of long-term debt	0.0	49.4	30.2	0.0	49.7	0.0	0.0	0.0
Repayment of long-term debt	-1.1	-0.5	-2.1	-0.7	-2.1	-4.1	-0.3	-1.2
Dividends paid and other distributions of earnings	0.0	0.0	-20.0	0.0	0.0	0.0	-0.9	-26.4
Cash flow from financing activities	-11.5	32.1	-58.9	71.0	46.4	14.3	-49.1	44.7
Change in cash and cash equivalents	-6.1	45.7	-11.9	29.4	2.4	-3.2	22.3	-45.5
Cash and equivalents at the beginning of the period	106.7	60.5	70.2	39.2	37.3	40.7	18.4	63.7
Effect of exchange rate changes on cash held	0.7	0.5	2.3	1.5	-0.4	-0.2	0.0	0.2
Cash and equivalents at the end of period	101.4	106.7	60.5	70.2	39.2	37.3	40.7	18.4

APPENDIX 10

BUSINESS AREAS

	Q4/ 2005	Q3/ 2005	Q2/ 2005	Q1/ 2005	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004
Net sales, MEUR								
Terminal Products	999,5	999,3	795,0	645,2	688,8	660,0	489,8	461,4
Communications Network Equipment	182.6	195.4	187.1	165.1	175.9	168.6	152.2	125.1
Continuing operations, total	1,182.0	1,194.7	982.1	810.3	864.6	828.7	641.9	586.6
Industrial Electronics (discontinued operation)	-	-	-	-	-	-	-	31.9
Total	1,182.0	1,194.7	982.1	810.3	864.6	828.7	641.9	618.5
Segment´s operating income, MEUR								
Terminal Products	32.2	26.6	19.4	16.9	28.3	23.8	10.3	15.4
Communications Network Equipment	2.9	9.7	8.0	2.6	2.5	1.7	7.4	4.7
Group´s non-allocated expenses/income	-9.6	-10.7	-11.5	-10.0	-10.3	-5.8	-8.6	-12.0
Continuing operations, total	25.5	25.6	15.9	9.5	20.4	19.7	9.1	8.1
Industrial Electronics (discontinued operation)	-	-	-	-	-	-	10.0	3.0
Total	25.5	25.6	15.9	9.5	20.4	19.7	19.0	11.1

GEOGRAPHICAL AREAS

	Q4/ 2005	Q3/ 2005	Q2/ 2005	Q1/ 2005	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004
Net Sales, MEUR								
Europe	641.6	686.5	550.9	466.0	569.4	513.8	393.2	366.6
Asia-Pacific	344.7	321.0	226.6	177.1	210.2	207.0	137.2	159.7
Americas	195.8	187.1	204.5	167.2	85.0	107.9	111.5	60.2
Industrial Electronics (discontinued operation)	-	-	-	-	-	-	-	31.9
Total	1,182.0	1,194.7	982.1	810.3	864.6	828.7	641.9	618.5