



# **Elcoteq Network Corporation Company presentation**

**March 2003**

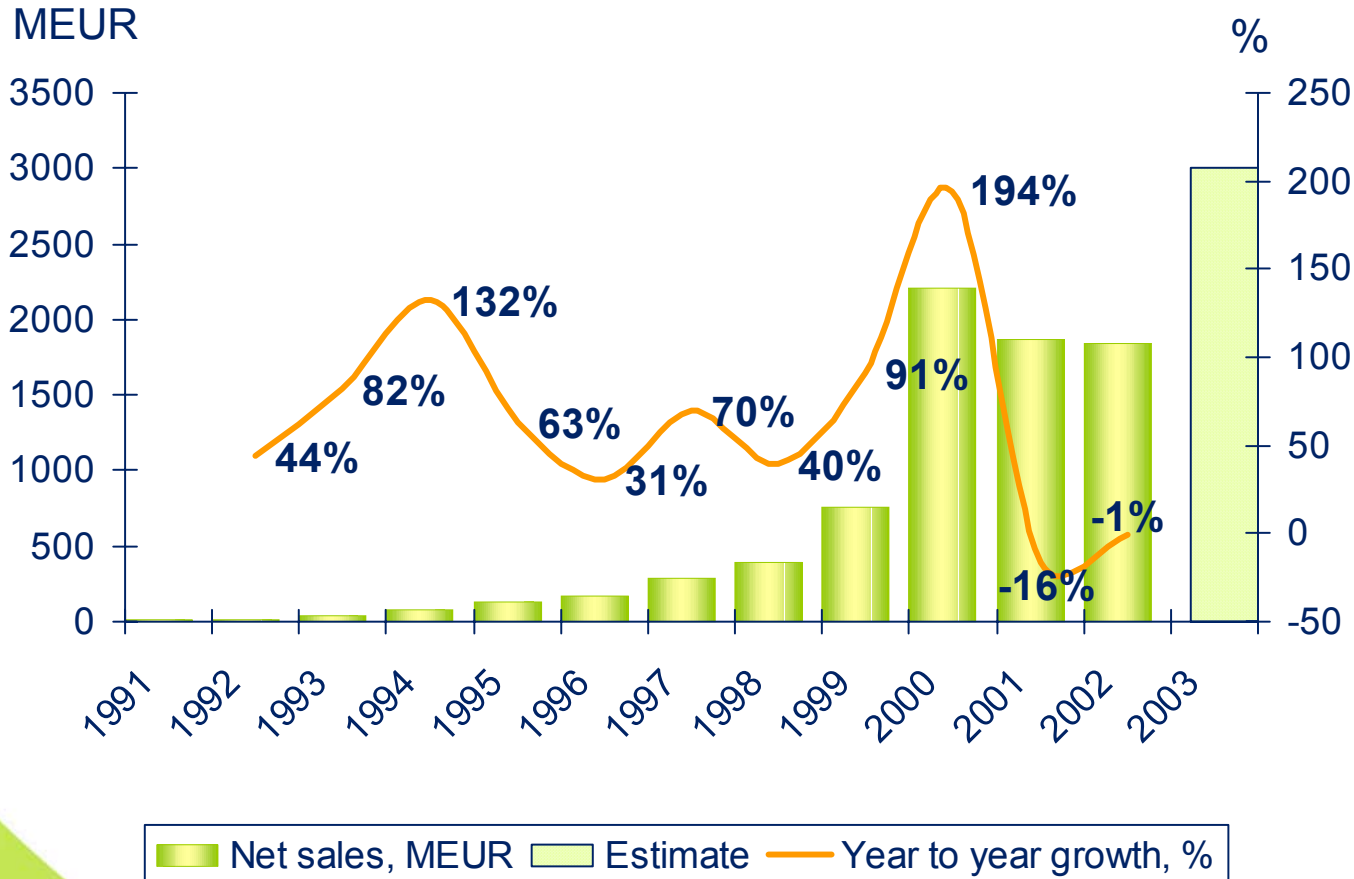


# Elcoteq in brief

- Largest European EMS provider, #6 globally, #3 in wireless communications
- Focus on communications technology products
- Founded in 1984 by Lohja Corporation
- Listed on the Helsinki Exchanges since 1997
- Net sales MEUR 1,840.2 in 2002
- Operations in 12 countries on three continents
- Approx. 10,200 employees
- Total plant floor space 183,500 m<sup>2</sup>



# CAGR of net sales 58% between 1991 and 2002





# Elcoteq's strategy

## Focus on communications technology

### Products

- Terminal products, cellular networks, broadband communications networks and wireless local area networks
- Wider service offering to meet customer needs and demand
  - Specific development areas: design & NPI services, sourcing and repair services

### Customers

- Global, medium size and smaller start-up OEM's

### Company image and brand

- Unique global electronics manufacturing company for communications technology products



# Competitive advantages – Elcoteq's 7 C's

## **Concentration**

- Focus on communications technology products

## **Competence**

- Expertise especially in wireless telecom
- Skilled personnel, high technology competence

## **Co-evolution**

- Superb customer service
- Close co-operation and confidentiality

## **Consistency**

- Consistent plant network, machinery, uniform systems and processes
- Transferability of resources on a global basis

## **Cost-efficiency**

- 100 % of volume capacity in low-cost countries
- Sourcing power through focusing

## **Coverage**

- Global operations network; European origin
- Full service range


## **Continuous improvement**

- Competitive and unique service offering





# Organization

<b>CEO</b> Lasse Kurkilahti <b>GROUP FUNCTIONS:</b> <b>Business Control</b> Teo Ottola <b>Treasury</b> Tuula Hatakka <b>Corp. Development</b> Vesa Keränen <b>Human Resources</b> Riitta Savonlahti <b>Communication</b> Osmo Kammonen <b>Marketing</b> Johan Westermarck <b>Quality</b> Reijo Itkonen <b>Legal affairs</b> Jukka Hakmila	<b>TP*</b> <b>EUROPE</b> Harri Ollila	<b>CNE/IE**</b> <b>EUROPE</b> Jukka Jäämaa	<b>ASIA-PACIFIC</b> Jouni Hartikainen	<b>AMERICAS</b> Douglas Brenner
<b>TERMINAL PRODUCTS</b> Christer Härkönen				
 <b>Operations</b> Reijo Itkonen <b>D/SCM &amp; IM***</b> Panu Kaila				
<b>COMMUNICATIONS NETWORK EQUIPMENT</b> Hannu Keinänen				

\* TP= Terminal Products

\*\* CNE/IE= Communications Network Equipment and Industrial Electronics

\*\*\* D/SCM & IM = Demand and Supply Chain Management and Information Management

# GA Europe

## Two organizations:

- TP Europe
- CNE/IE Europe

## Key figures

- Net sales in 2002 MEUR 1,286.7
- 6,200 employees
- Plant floor-space 111,400 m<sup>2</sup>

## Units

- Volume plants in Tallinn, Estonia; Pécs, Hungary and St. Petersburg, Russia
- NPI Centers in 5 countries
- Elcoteq Design Center





# GA Asia-Pacific



## Key figures

- Net sales in 2002 MEUR 470.6
- 3,400 employees
- Plant floor-space 53,800 m<sup>2</sup>

## Units

- Volume plants in Beijing, Dongguan and Shenzhen, China
- NPI Center in Beijing, China
- Sales and Technical Support Offices in Hong Kong, China; Tokyo, Japan and Seoul, Korea



# GA Americas

## Key figures

- Net sales in 2002 MEUR 82.9
- Approx. 500 employees
- Plant floor-space 18,300 m<sup>2</sup>

## Units

- Monterrey, Mexico: Volume manufacturing and NPI Center
- Dallas, USA: sales office and NPI Center





# Global coverage

## Volume manufacturing

- Tallinn, Estonia
- Pécs, Hungary
- St. Petersburg, Russia
- Beijing, China
- Dongguan, China
- Shenzhen, China
- Monterrey, Mexico

## Desiq&NPI Centers

(incl. low-volume manufacturing)

- Espoo, Lohja, Salo, Turku and Vaasa, Finland
- St. Petersburg, Russia
- Tallinn, Estonia
- Überlingen, Germany
- Baden, Switzerland
- Beijing, China
- Dallas, USA
- Monterrey, Mexico

## Other locations

- Espoo, Finland
- Kista, Sweden
- Hong Kong, China
- Seoul, Korea
- Tokyo, Japan
- Dallas, USA



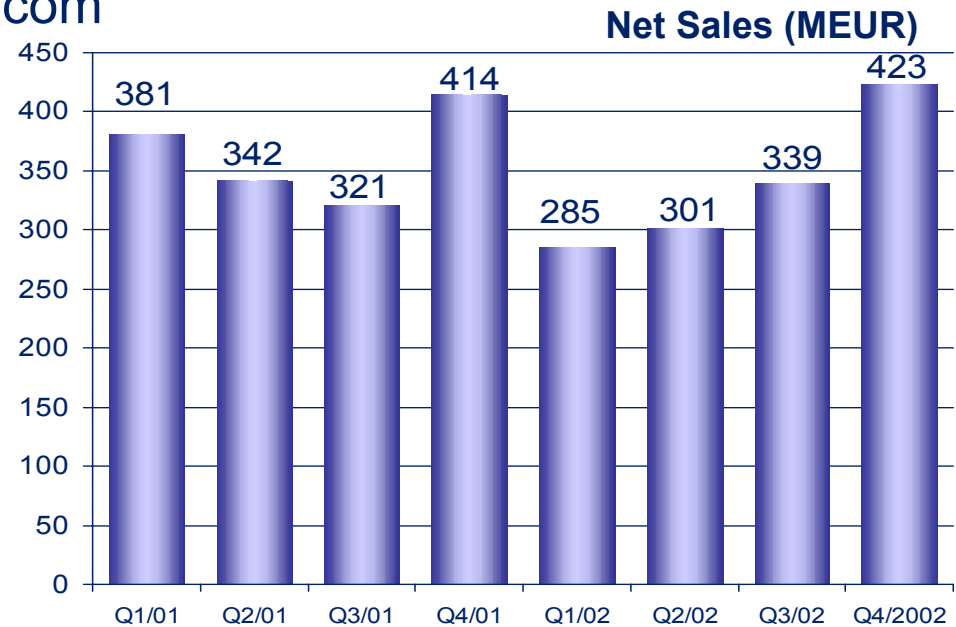


# Global footprint

Plant	Country	Founded/ acquired	Area (m <sup>2</sup> )	Personnel Jan. 2003	Services
<b><u>Europe</u></b>					
Lohja Plants	Finland	1991	14,000	623	NPI Center, low to medium volume production
Vaasa	Finland	1998	3,200	150	NPI Center, low volume production
Tallinn	Estonia	1992	31,000	1,966	NPI Center, high volume production
St.Petersburg	Russia	1997	2,500	181	Medium to high volume production
Pécs	Hungary	1998	46,000	2,608	High volume production, after-sales services
Überlingen	Germany	2000	5,200	186	NPI Center, low to medium volume production
Baden	Switzerland	2001	9,500	267	NPI Center, low to medium volume production
Europe, total			111,400	5,981	
<b><u>Asia-Pacific</u></b>					
Dongguan	China	1999	13,000	880	High volume production
Beijing	China	2000	12,000	899	High volume production, NPI Center
Beijing	China	2003	20,000	696	High-volume production
Shenzhen	China	2003	8,800	934	High-volume production
Hong Kong	China	1999		52	Sales and technical support
Asia-Pacific, total			55,300	3,461	
<b><u>Americas</u></b>					
Monterrey	Mexico	1999	18,300	461	High volume production, NPI Center
Other				296	
<b>Total</b>			<b>183,500</b>	<b>10,199</b>	

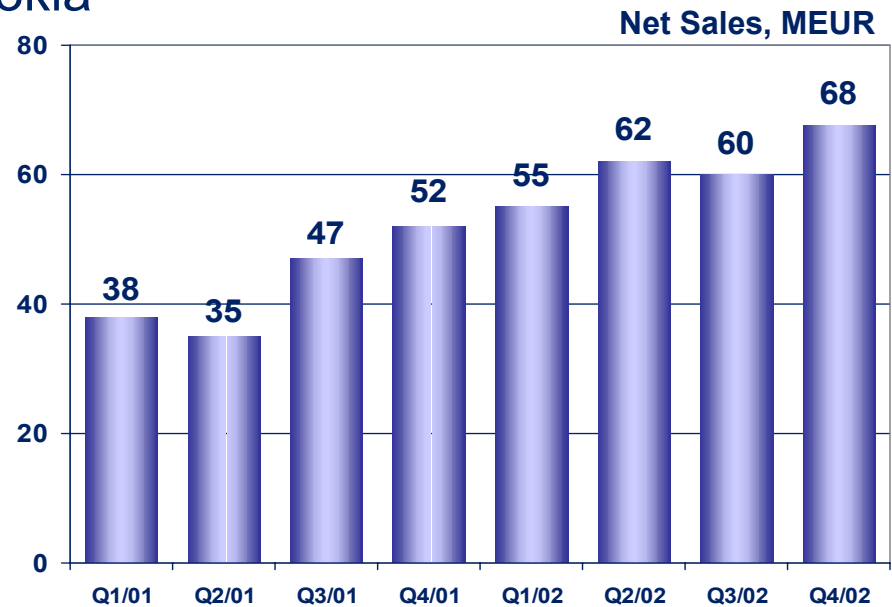
# Terminal Products

- 73% of Elcoteq's net sales in 2002
- Mobile phones and accessories, PDAs, wireless modules, home communication products
- Customers e.g. Ascom, Motorola, Nokia, Philips, Sony-Ericsson, Soutec, Swissvoice, Wavecom

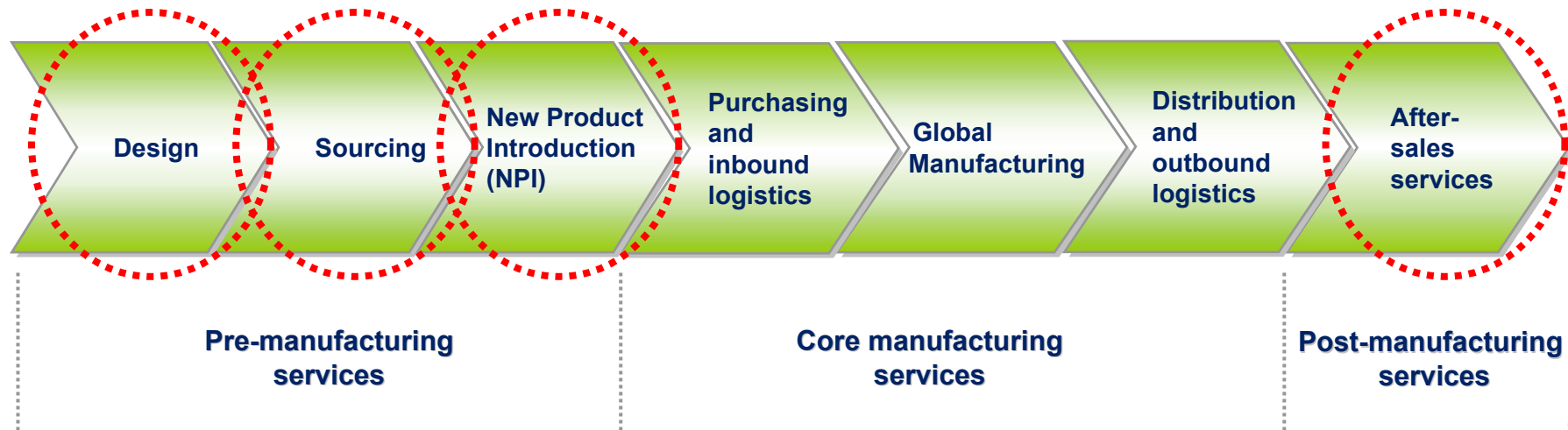


# Communications Network Equipment

- 13% of Elcoteq's net sales in 2002
- Cellular networks, modules, antennas, broadband switches and routers, optical devices, etc.
- Customers e.g. ADC, Allgon, Andrew Corporation, Ericsson, Guangzhou Thinker, LGP, Nokia



# Integrated end-to-end services





# Participation in industry arrangements

- Sufficient financial resources
  - Positive cash flow
  - No net debt
  - Unused credit limits
- Principal owners' willingness to dilute their ownership through a secondary issue if
  - good business rationale
  - promotes EPS growth
  - promotes better valuation
- Principal owners have no plans to sell their shares

# Key financial indicators and targets

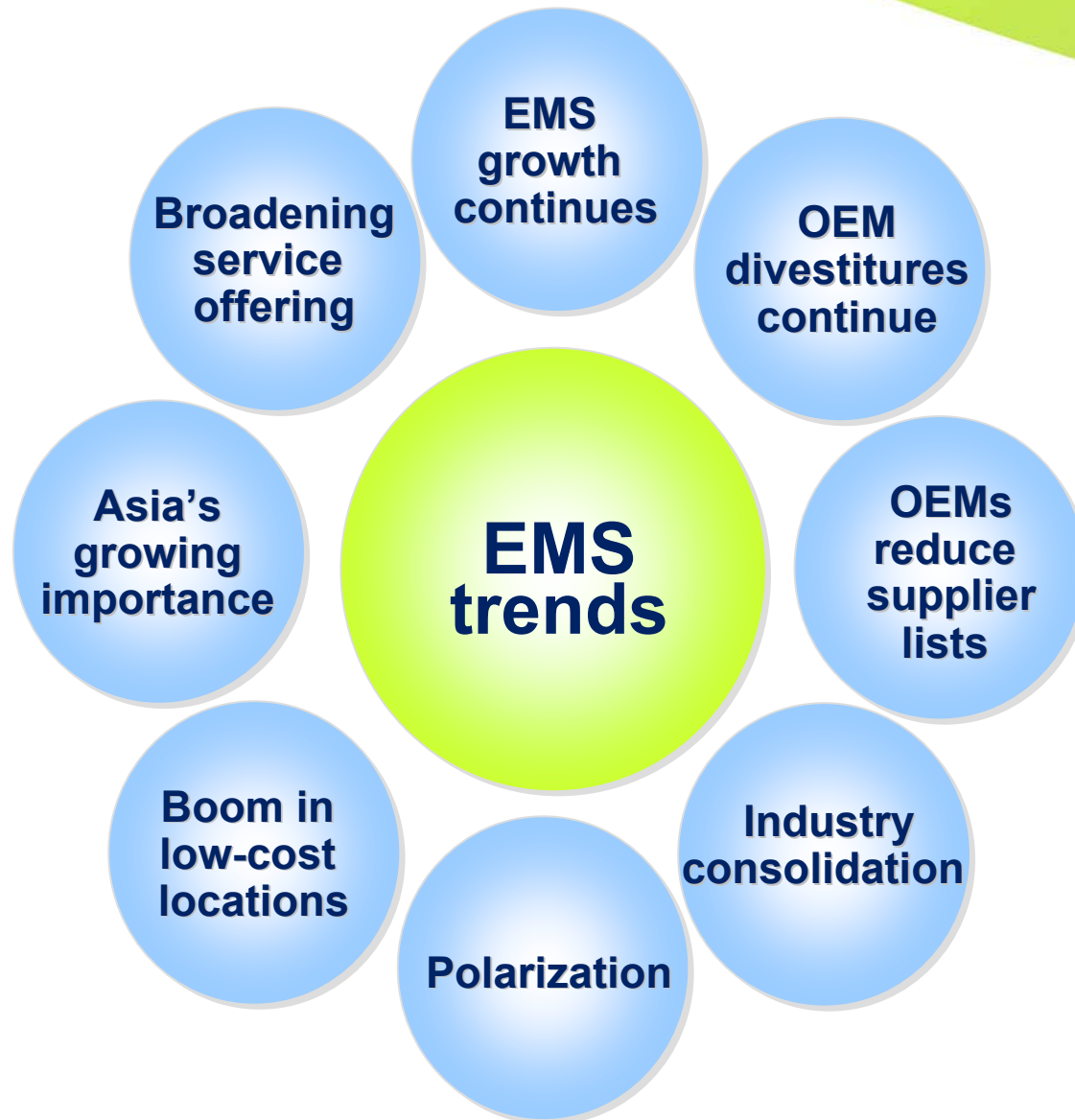
Indicator	Target	Achieved in 2002
EPS	Continuous growth	EUR 0.54
ROCE	> 20%	9.2%
Cash flow	Positive	MEUR 77
Gearing	<1	-0.1

# In a nutshell

- Unique strategy and ambitious goal
  - Back to growth and better profits
- New tight organization model
- Aggressive sales efforts ⇒ new customers
- Wider service portfolio
- Sufficient financial resources
- Active participation in industry arrangements

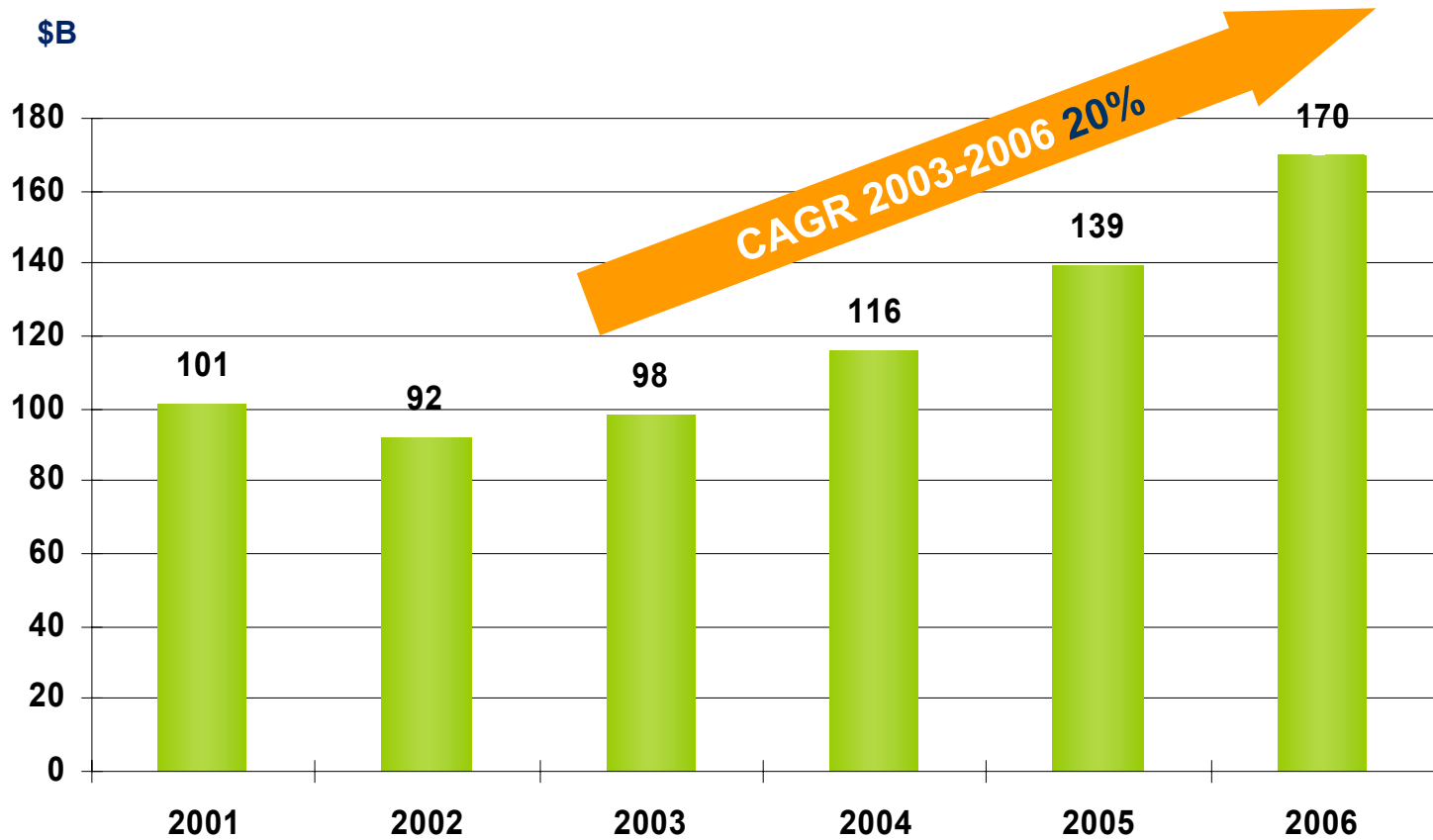


# EMS Industry



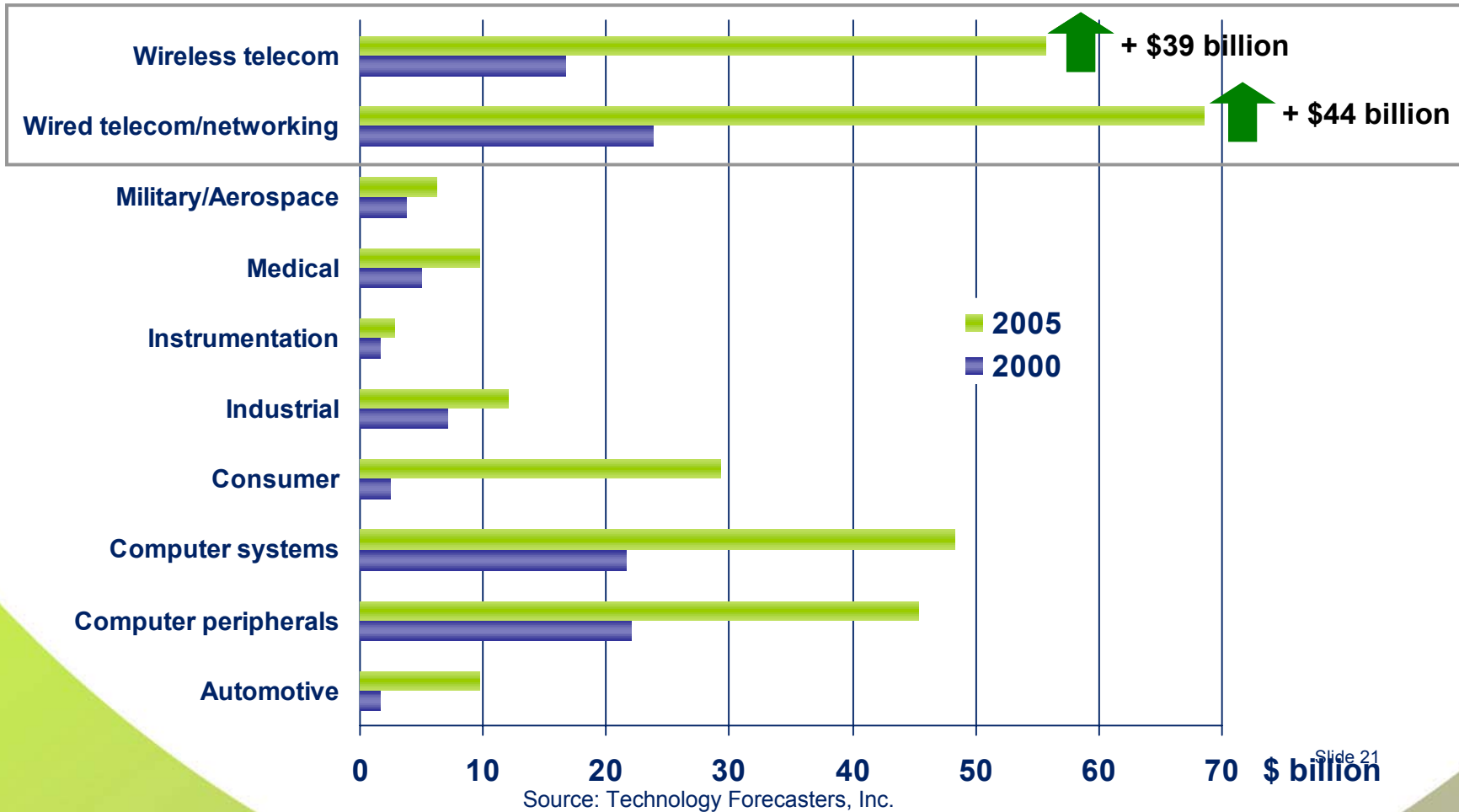


# EMS Industry Size (USD billion)





# EMS revenue growth estimates by industrial segments





# EMS revenues, end 4Q02

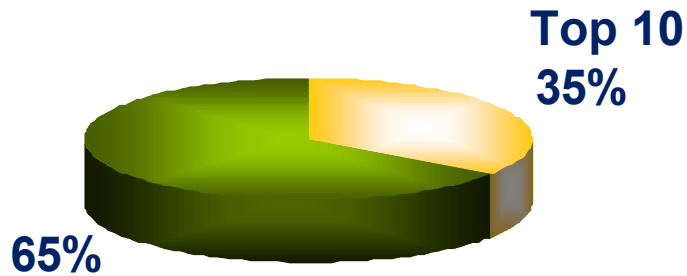
(Trailing 12 months, USD million)

1.	Flextronics	13,615	}	<b>Tier 1: "Mega-EMS"</b>
2.	Solectron	12,261		
3.	Sanmina-SCI*	10,168		
4.	Celestica	8,272		
<hr/>				
5.	Jabil Circuit	3,729		
<hr/>				
6.	Elcoteq Network	1,749	}	<b>Tier 2: "Niche Players"</b>
7.	Benchmark	1,630		
8.	Plexus	889		
9.	MSL	854		
10.	Pemstar	647		



# Top 10 companies' share of total EMS market

**1997**



Total EMS market: \$ 50 billion  
Top 10 companies: \$ 17.5 billion  
Others: \$ 32.5 billion

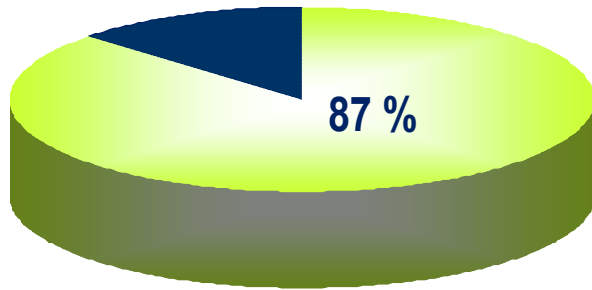
**2001**



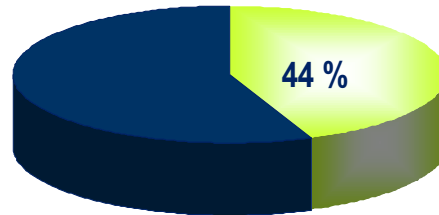
Total EMS market: \$ 104 billion  
Top 10 companies: \$ 70 billion  
Others: \$ 34 billion

# Communications' share of net sales

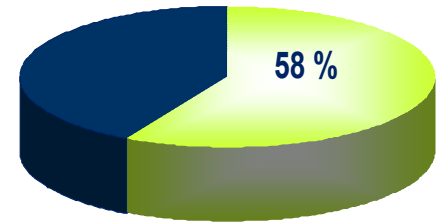
**Elcoteq**



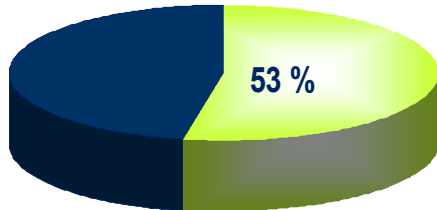
**Celestica**



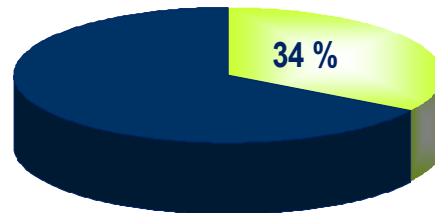
**Flextronics**



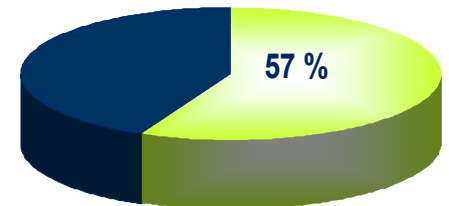
**Jabil Circuit**



**Sanmina-SCI**



**Solectron**



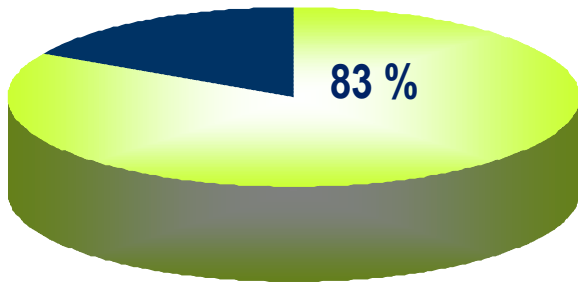
**Latest reported fiscal year**

Sources: Lehman Brothers, Elcoteq

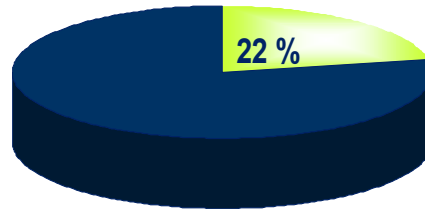


# Capacity by location

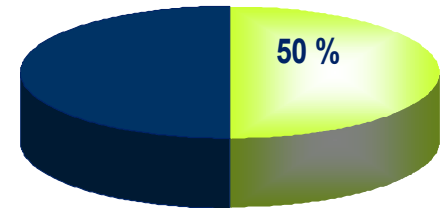
## Elcoteq



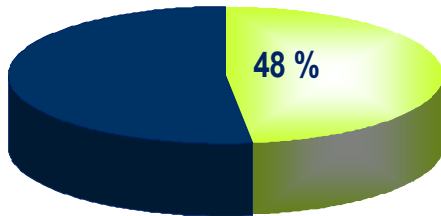
## Celestica



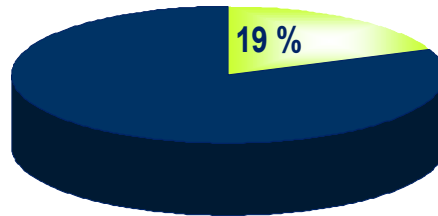
## Flextronics



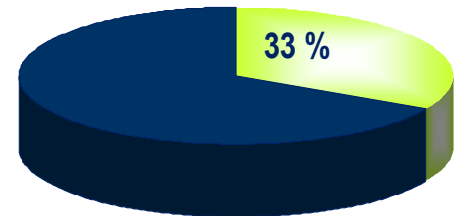
## Jabil Circuit



## Sanmina-SCI



## Solectron



 Low-cost location     High-cost location



# **Financial Statements 2002**

## **Second best result ever**



## 2002 net sales and result

	2002	2001	Change
Net sales, MEUR	<b>1,840.2</b>	1,862.5	-1.2%
Operating profit, MEUR	<b>25.5</b>	-18.4	+43.9 MEUR
Profit before taxes, MEUR	<b>18.6</b>	-30.7	+49.3 MEUR
EPS, EUR	<b>0.54</b>	-1.08	+1.62 EUR
Equity/share, EUR	<b>8.40</b>	7.99	
ROCE (trailing 12 months), %	<b>9.2</b>	-3.5	
Cash flow after investments, MEUR	<b>77</b>	123	

## Key figures in 2002

	<b>2002</b>	2001
Capital employed, MEUR	<b>304</b>	323
Interest-bearing net debt, MEUR	<b>-33.4</b>	39.4
Gross capital expenditure, MEUR	<b>78</b>	45.1
Gearing	<b>-0.1</b>	0.2
Personnel at the end of period	<b>10,176</b>	8,350

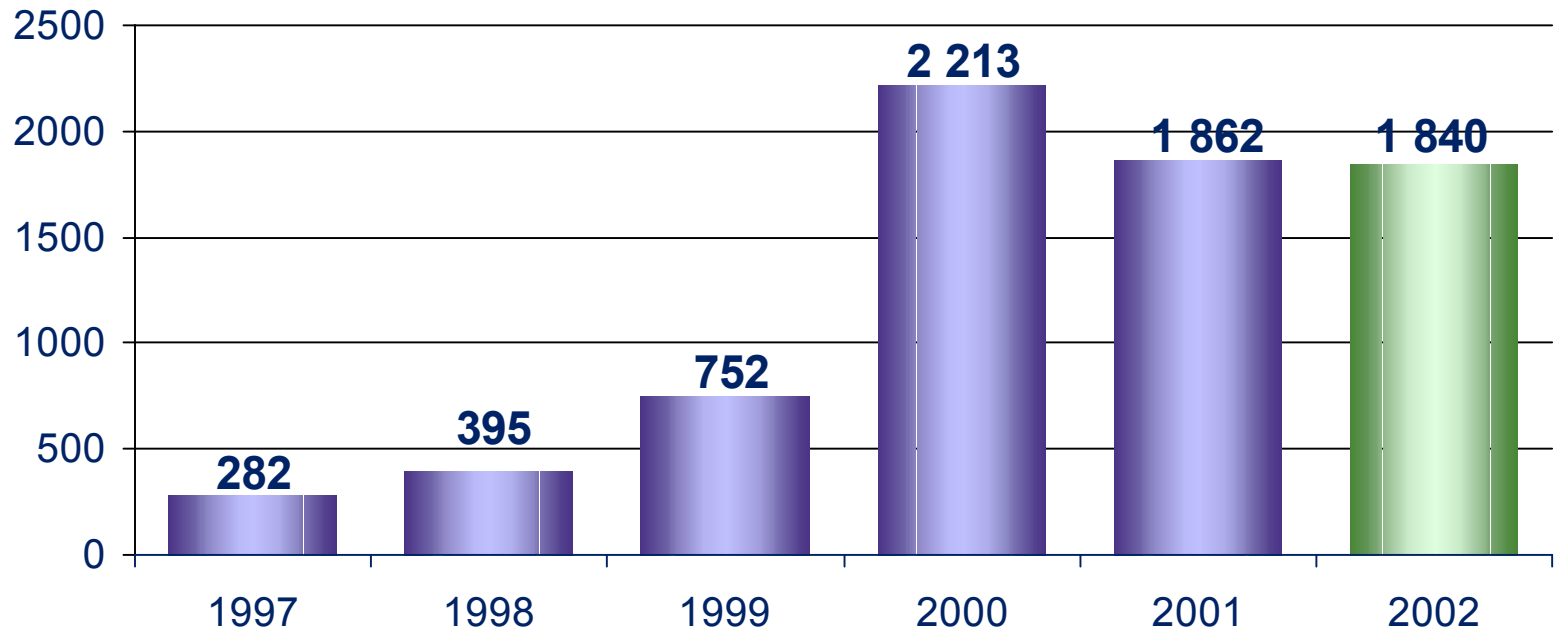


# Prospects 2003

- Elcoteq's principal goals in 2003 are to
  - increase sales
  - expand customer base
  - improve internal efficiency
  - build an even more international base for business
- Full-year net sales are estimated to total about three billion euros and result to improve
- Compared to Q1/2002, first-quarter net sales are expected to increase by roughly one-third and result to improve

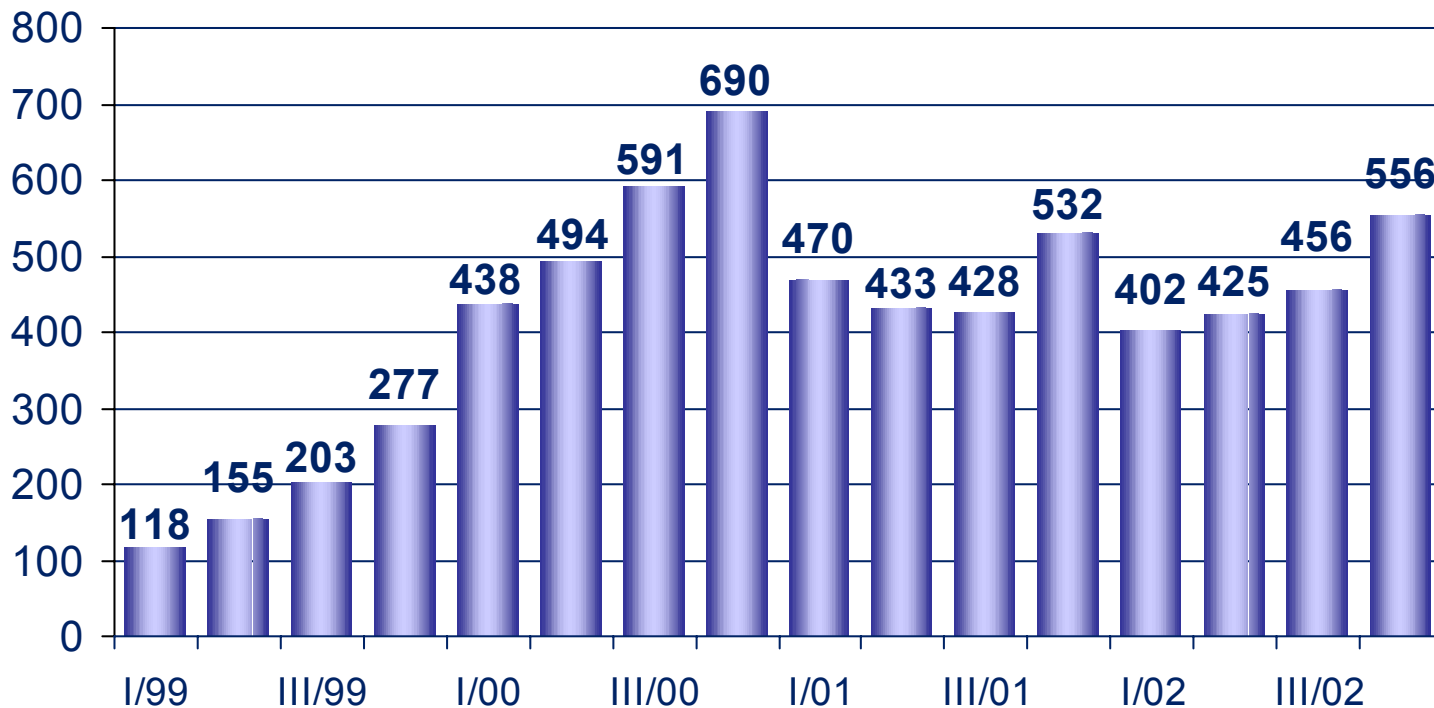
# Net sales

MEUR



# Net sales by quarter

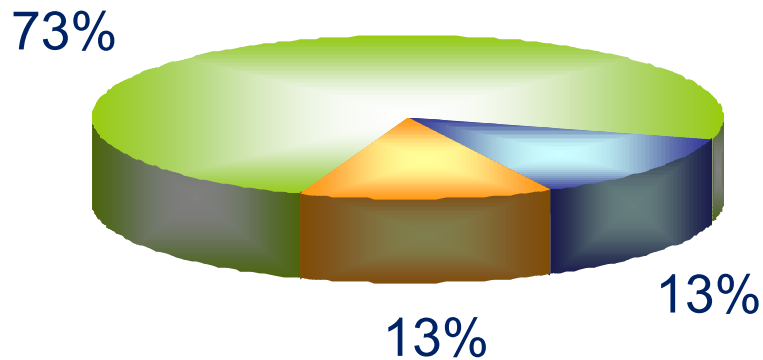
MEUR





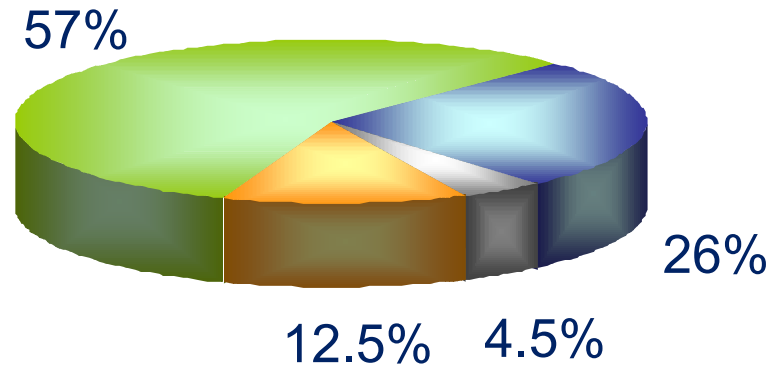
# Net sales in 2002

## By Business Area



- Terminal Products
- Communications Network Equipment
- Industrial Electronics

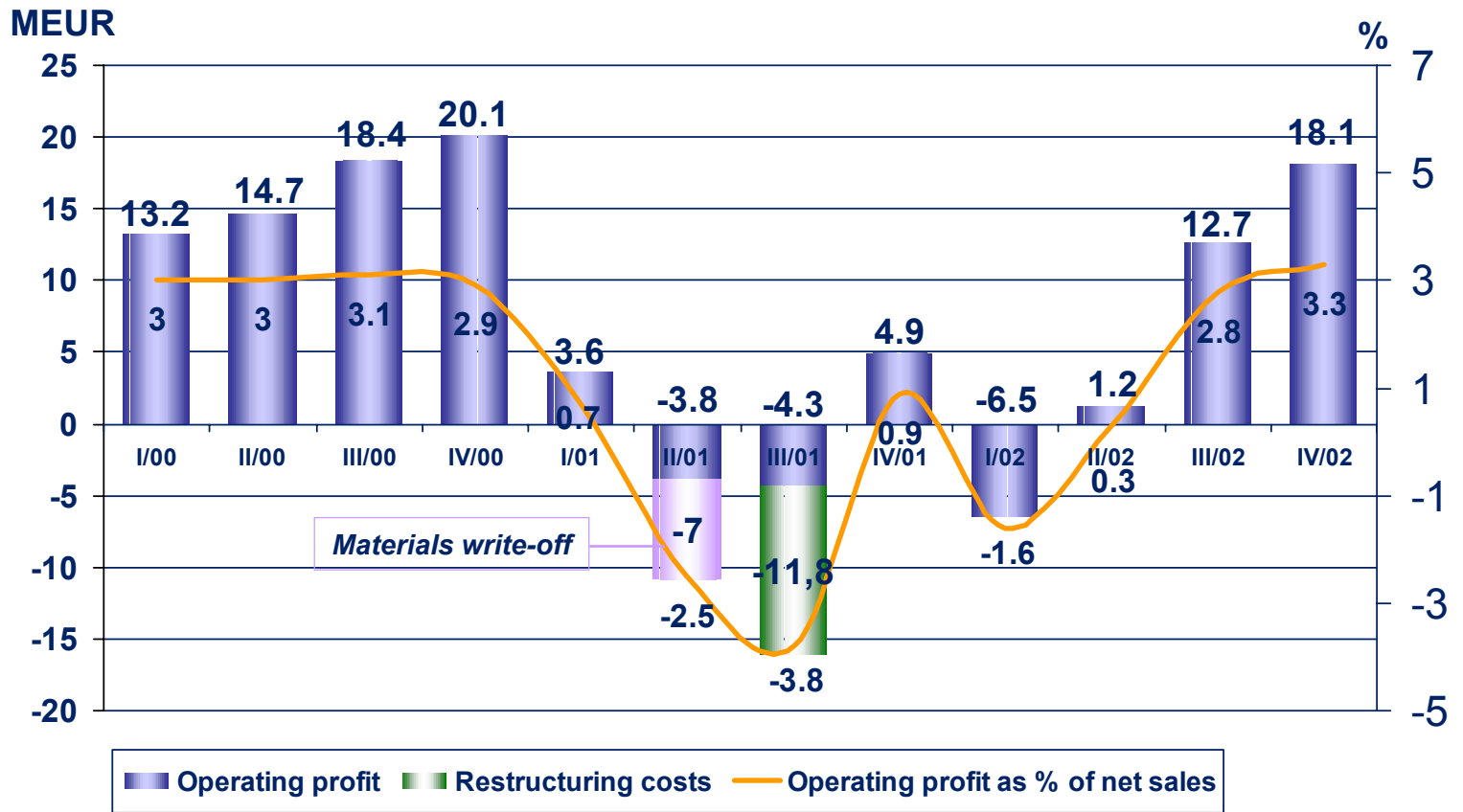
## By Geographical Area



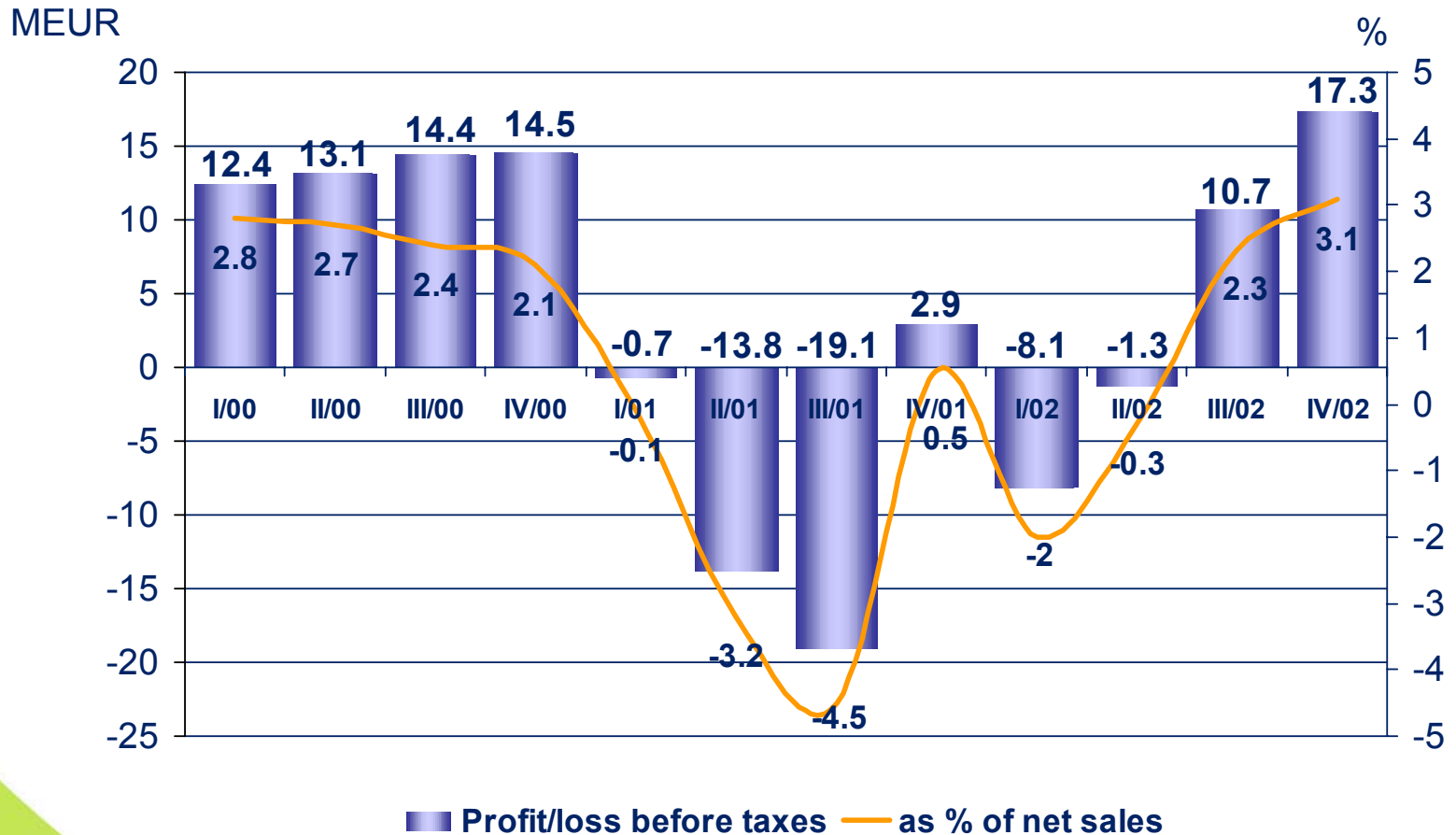
- Europe
- Asia-Pacific
- Americas
- Industrial Electronics, Europe



# Operating profit by quarter

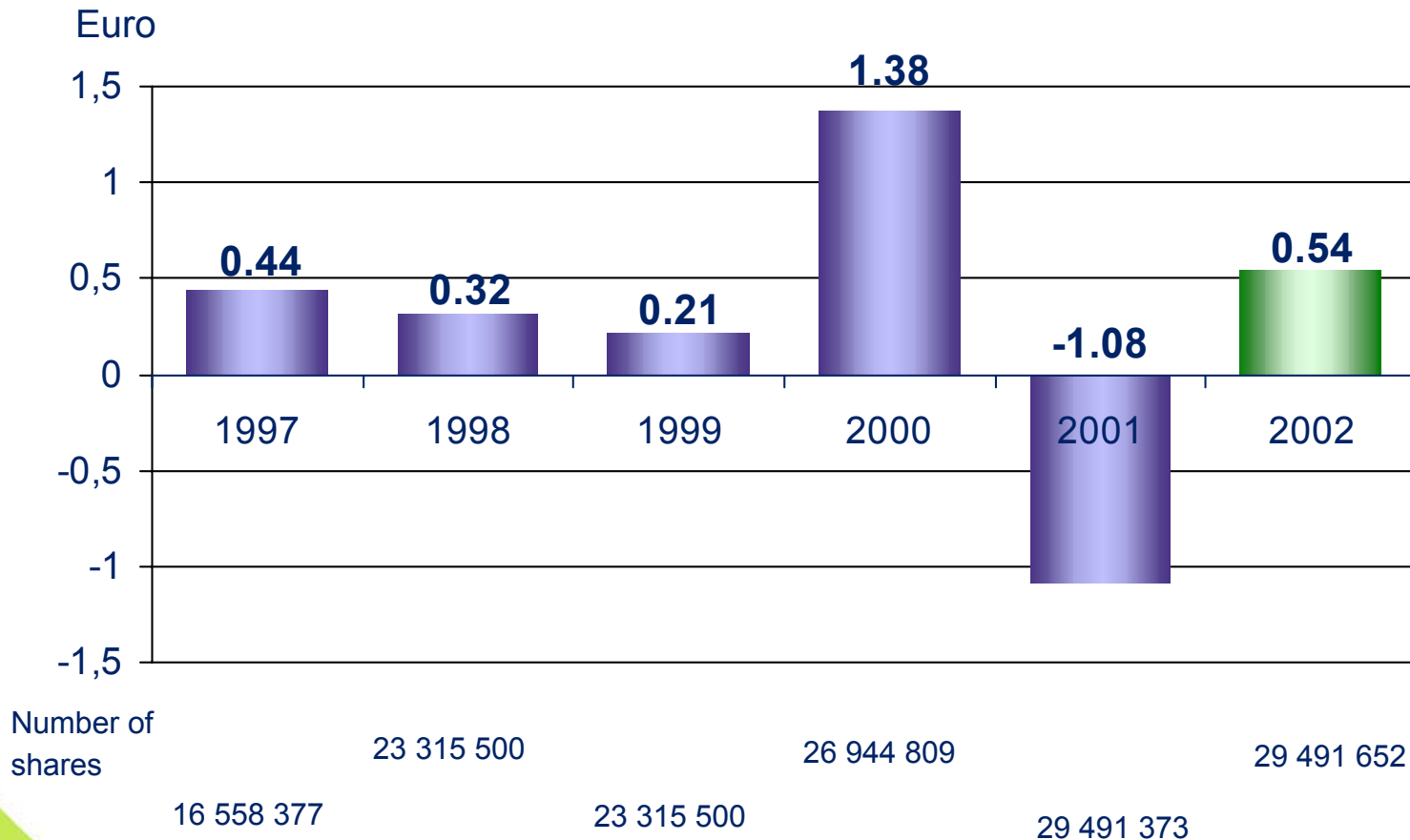


# Profit/loss before taxes by quarter

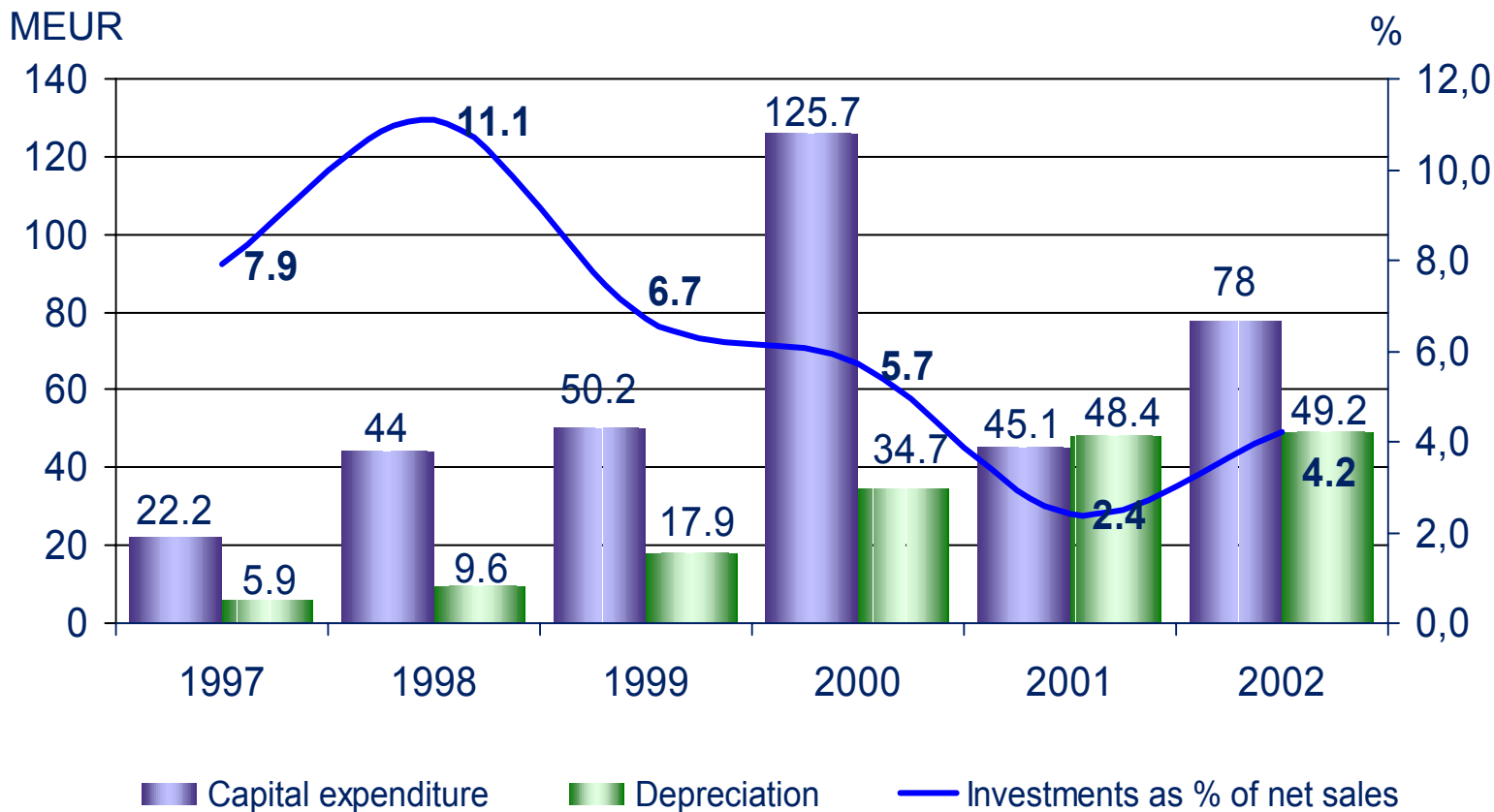




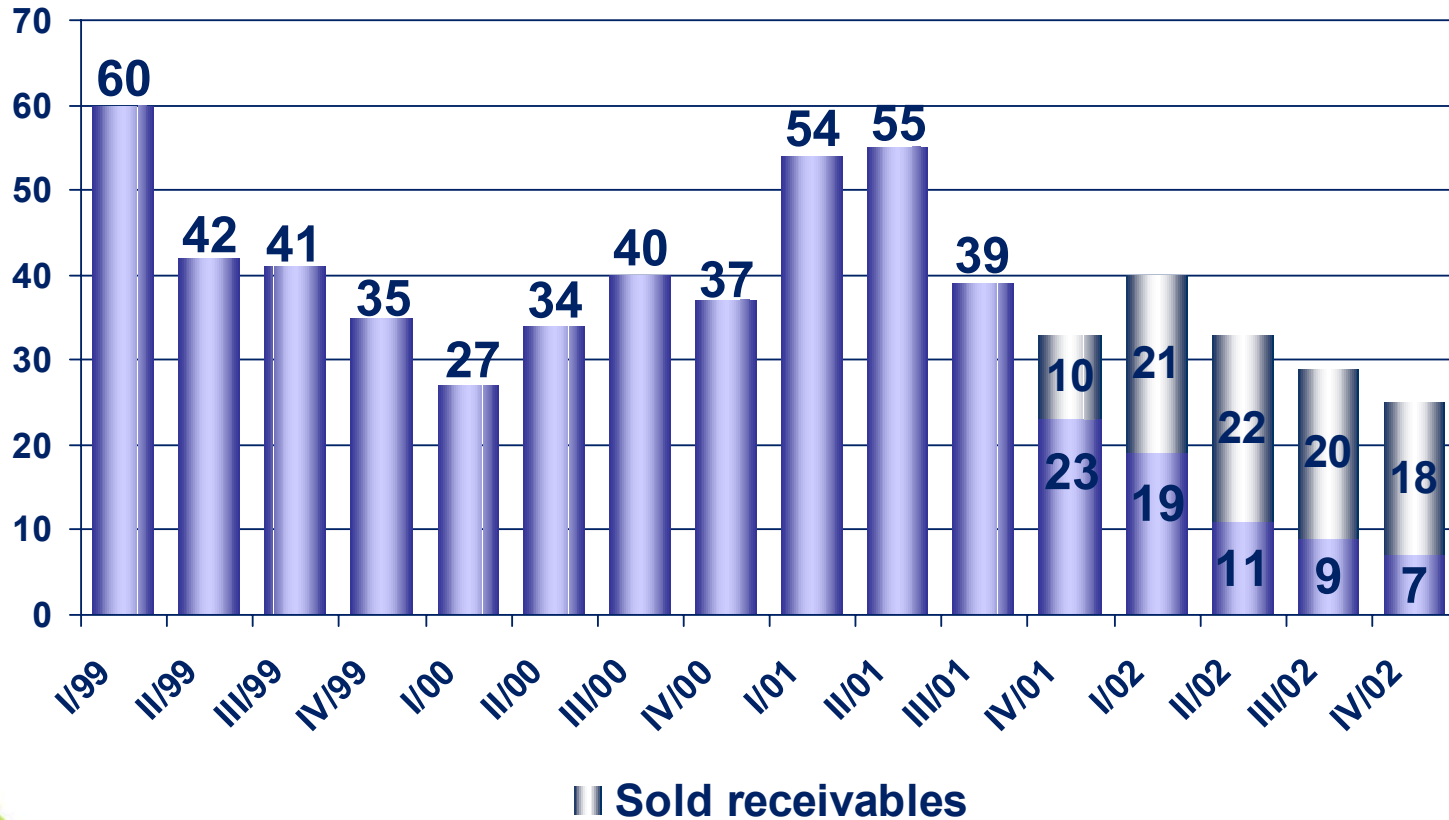
# Earnings per share



# Capital expenditure and depreciation

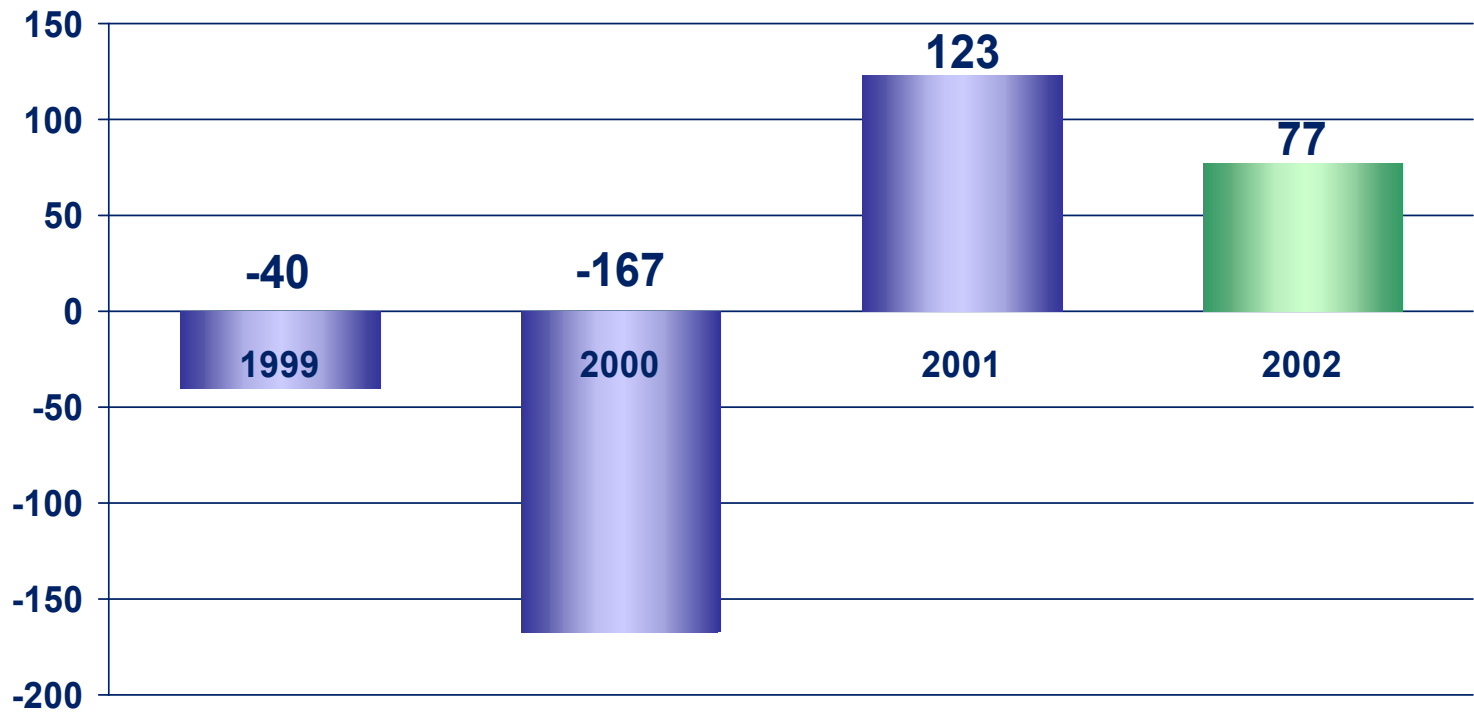


# Average working capital days

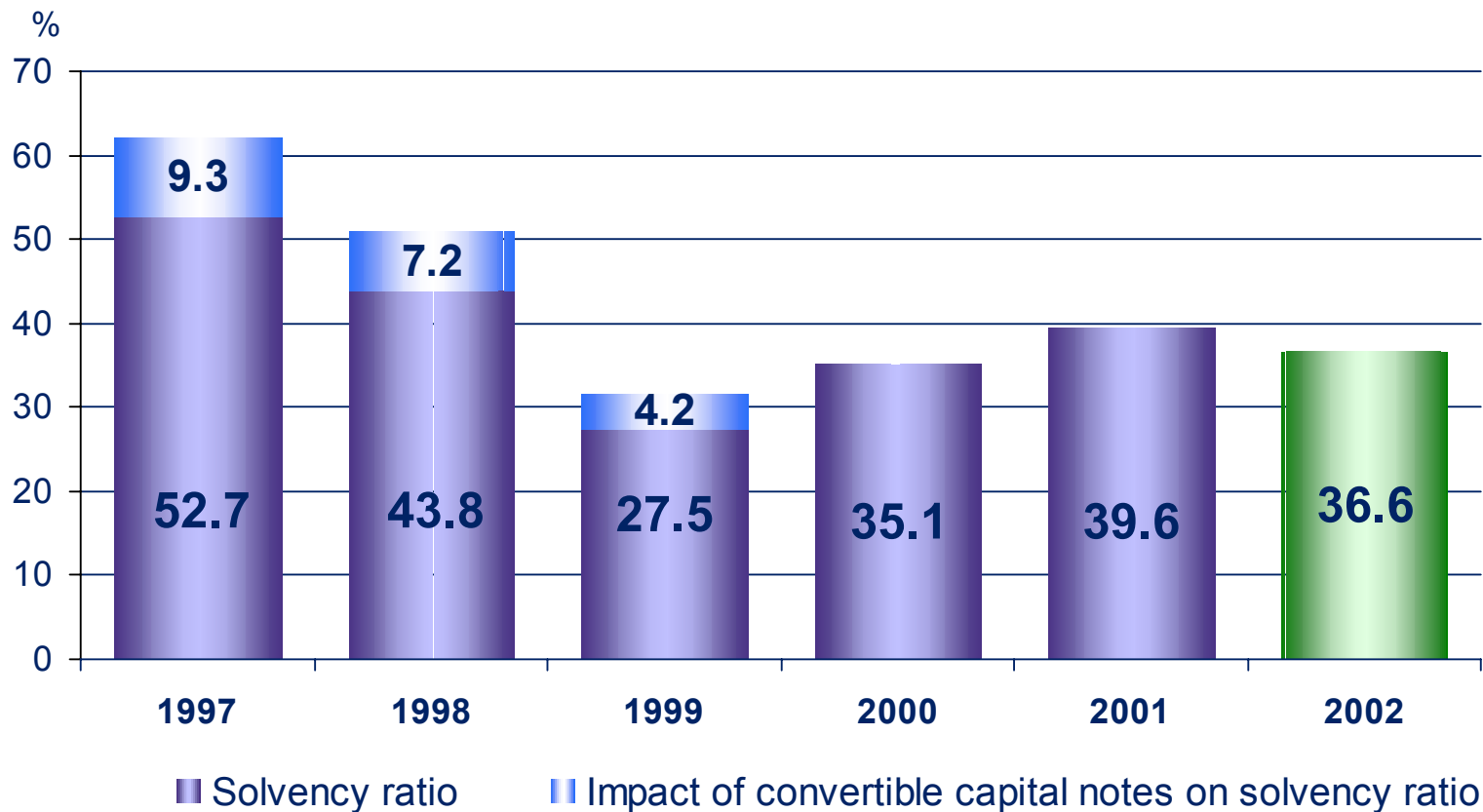


# Cash flow

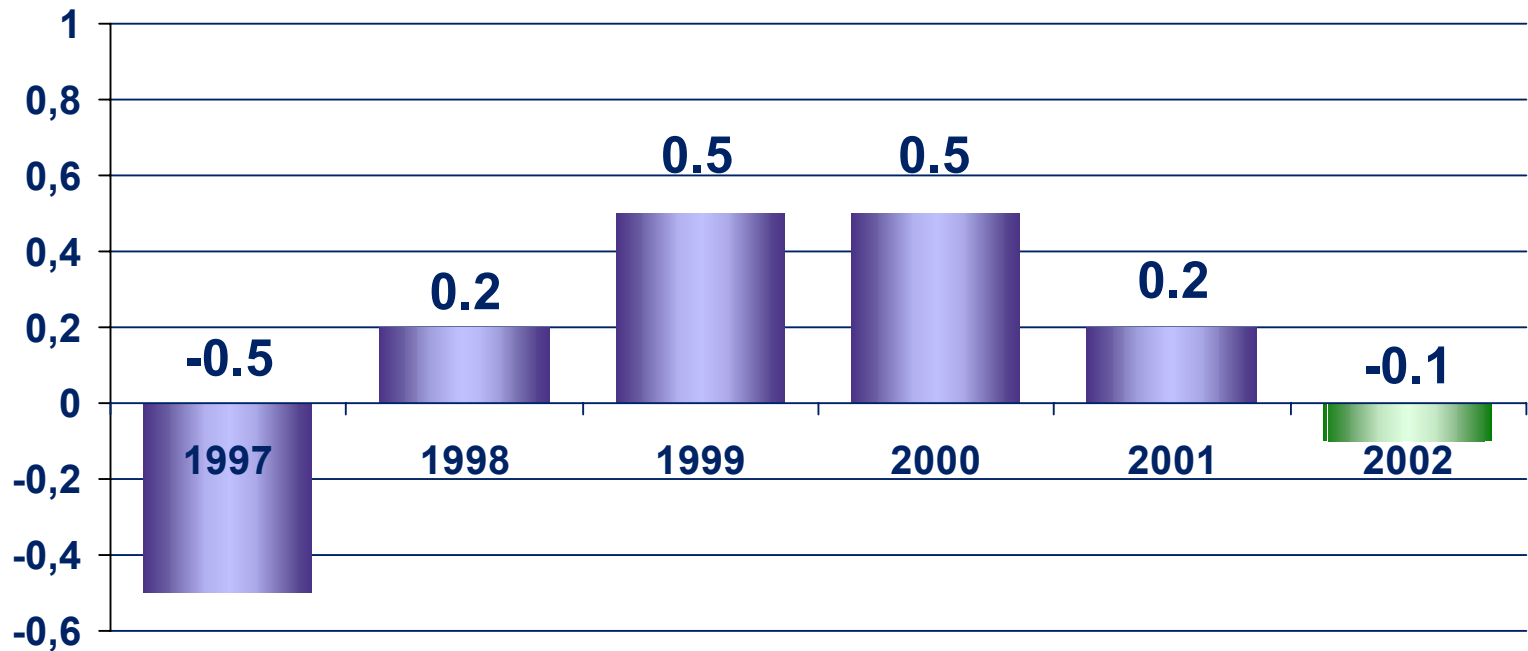
MEUR



# Solvency ratio

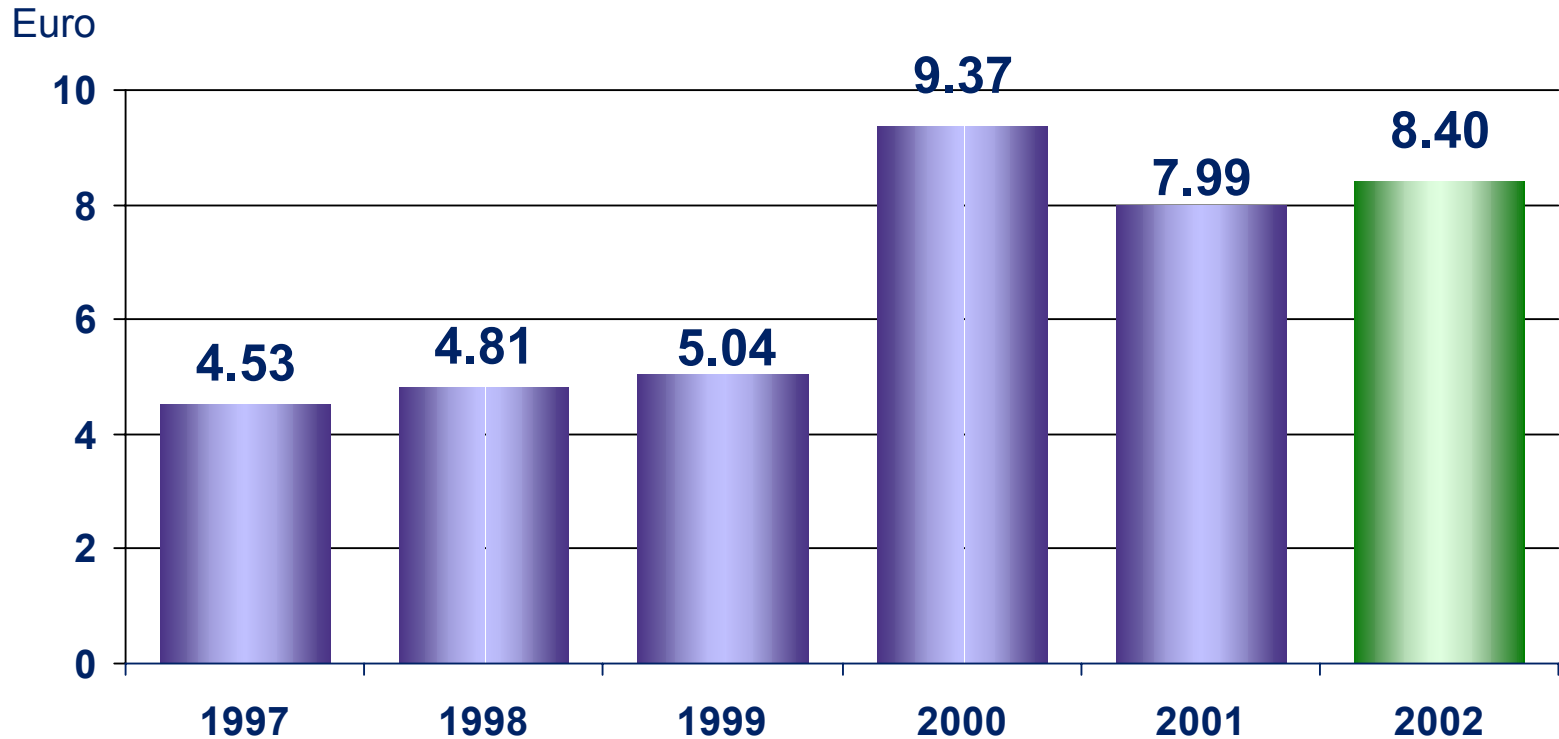


# Gearing



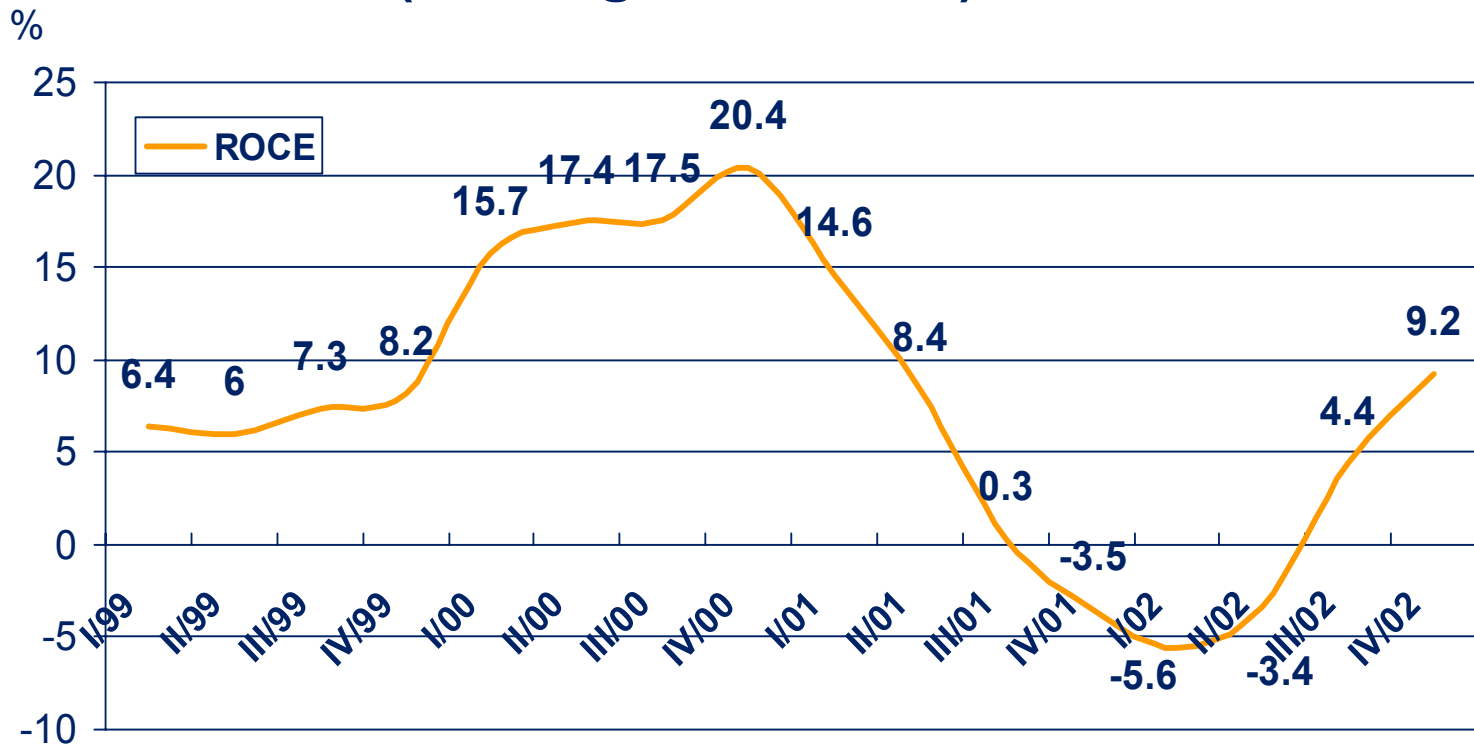


# Equity per share



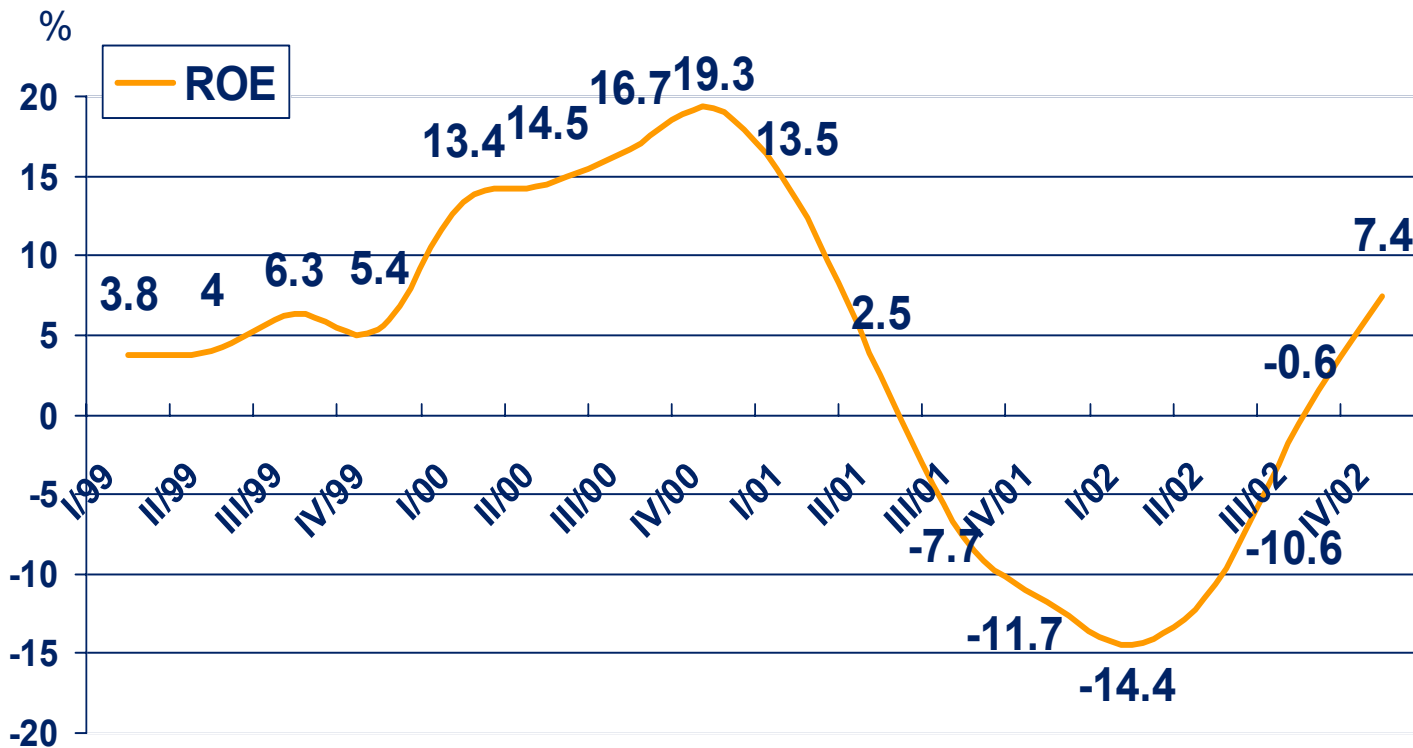


# Return on capital employed (ROCE) (Trailing 12 months)



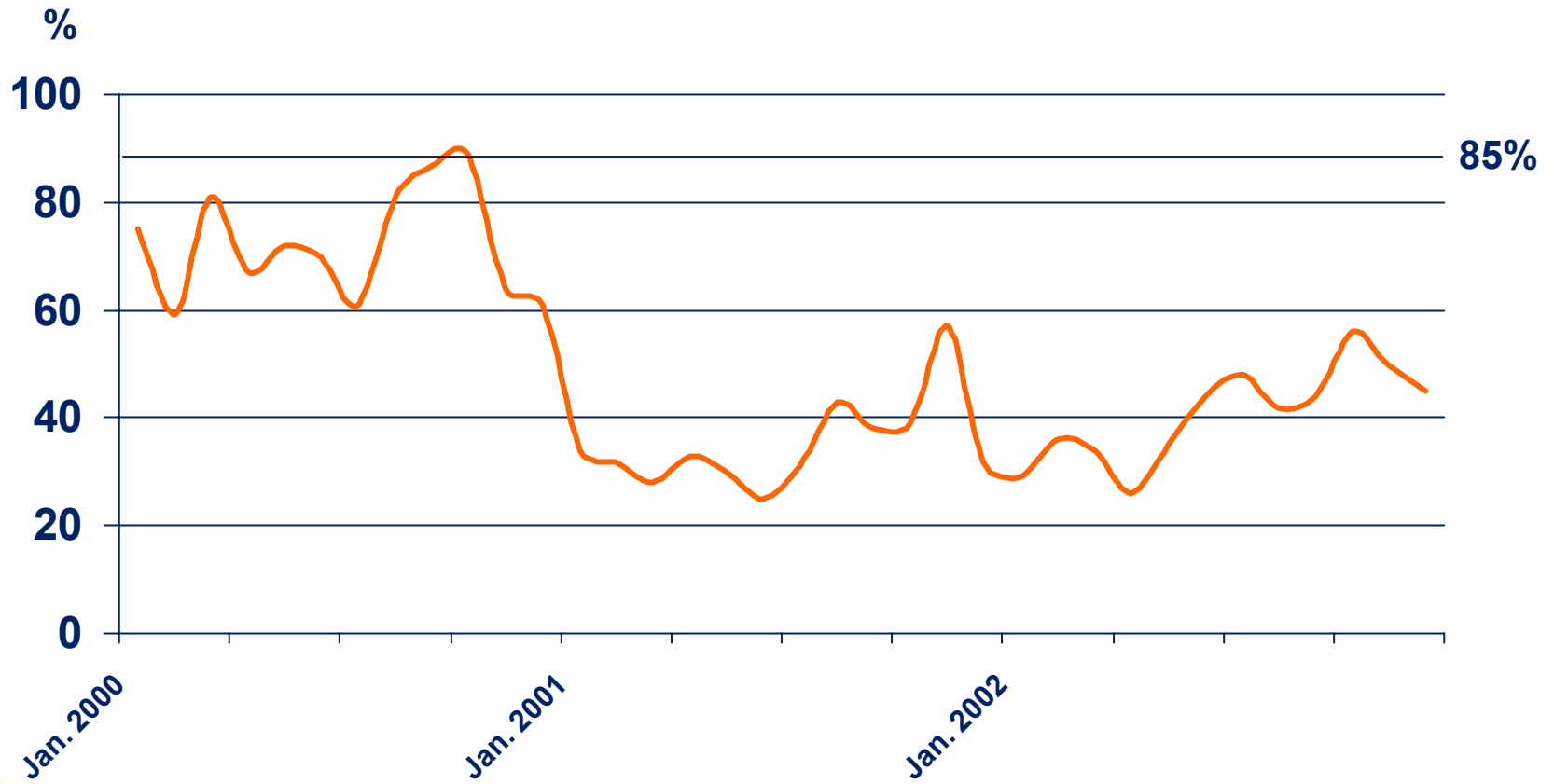


# Return on equity (Trailing 12 months)

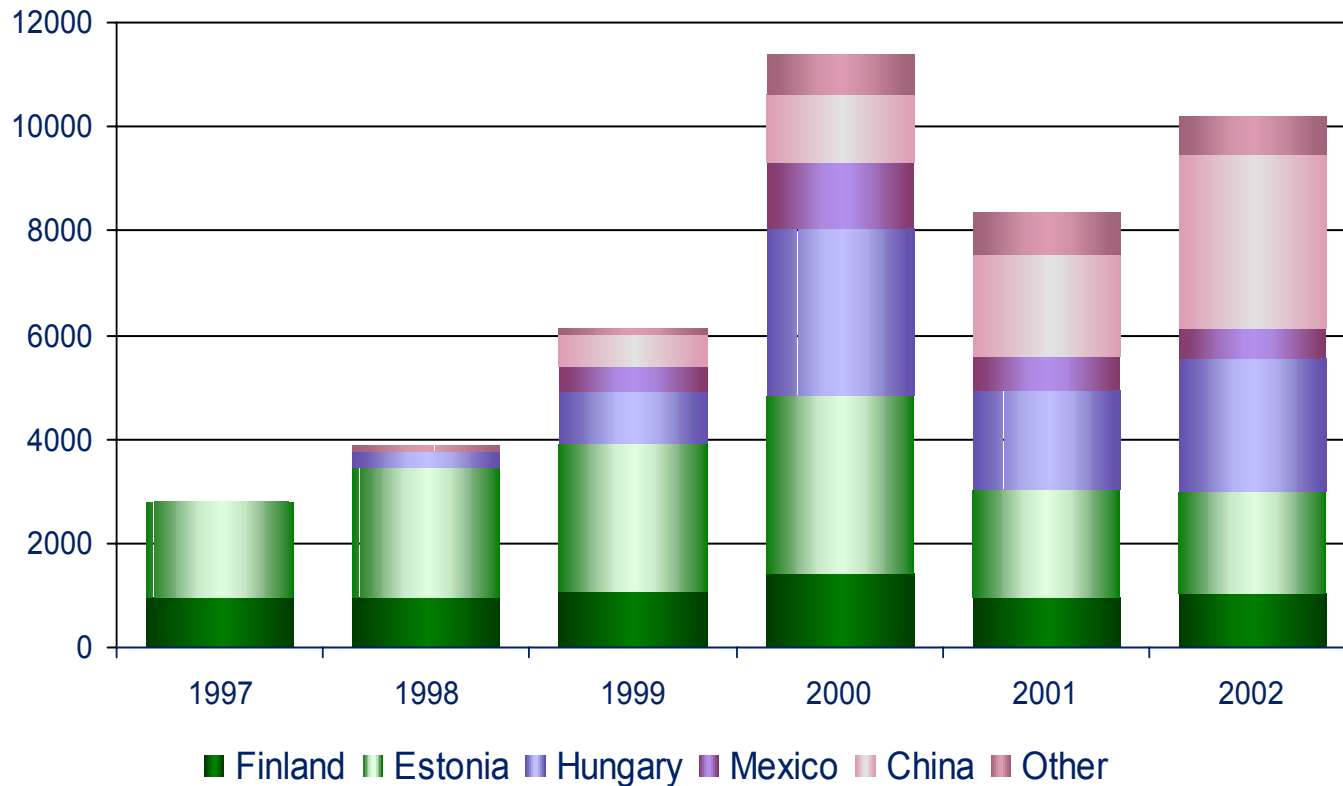




# SMD capacity utilization rate



# Personnel at the end of period





# ***ELCOTEQ***

**World's leading EMS provider to  
communications technology  
customers**