

Elcoteq

Balance sheet not yet an issue - OUTPERFORM

- ▶ Elcoteq reported strong Q1(05) sales and profitability was in line for the seasonally weak Q1. Sales were boosted by Thomson business and strong Terminal Products sales in Europe, and profitability was mainly burdened by business mix with a quite high proportion of components.
- ▶ Elcoteq reiterated its Y/Y growth outlook of EBIT(05e) exceeding EUR71m. Both Q2(05) sales and EBIT should exceed Q1(05).
- ▶ Despite the seasonally weak operating cash flow in Q1(05) (EUR-27m), the gearing of 0.5 is still decent and the balance sheet is still not an issue. The earnings trend is positive and the valuation fair. Therefore we have no reason for changing our positive view on the company.

OUTPERFORM
HIGH RISK

EUR15.4

High/Low (12M)

EUR18.3/13

Sector view: Negative

Research

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IFRS

Key figures (EUR)	2004	2005e	2006e	2007e
Sales (m)	2 954	3 498	3 755	3 976
EBITA (m)	71	70	81	88
Pre-tax profit (m)	59	58	70	78
EPS	1.19	1.24	1.55	1.73
EPS adj.	0.88	1.24	1.55	1.73
Sales growth Y/Y	32%	18%	7%	6%
EPS adj. growth Y/Y	20%	42%	25%	12%
EBITA margin	na	2.0%	2.2%	2.2%
P/E	12.9	12.4	9.9	8.9
P/E adj.	17.6	12.4	9.9	8.9
EV/EBITA	na	9.1	7.8	6.8
P/BV	1.73	1.64	1.48	1.29
Dividend yield	4.2%	2.7%	3.3%	3.7%
FCF yield	-15.7%	-0.6%	4.1%	8.0%

Source : Carnegie Research

Other key figures

No. shares (m)	33.4
Market cap. (EURm)	513
EV (2005e)	639
Avg. daily vol. ('000)	107
Free float	56.2%
ROE adj. (2005e)	15.0%
NIBD / Equity (2005e)	40.9%

What's changed

	From	To
EPS(05e)	EUR1.30	EUR1.24

Share price



Please see disclosures at the back of this report

Performance & valuation

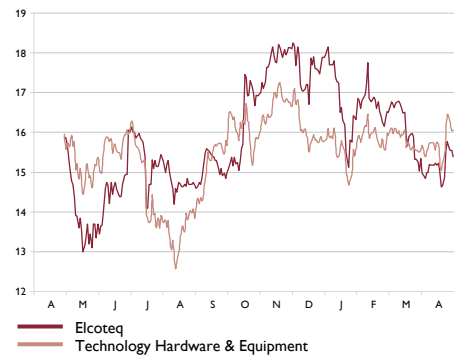
Performance in line with the sector in Q1(05) as dividend of EUR0.65 per share is taken into account

Price relative to market – 1Y



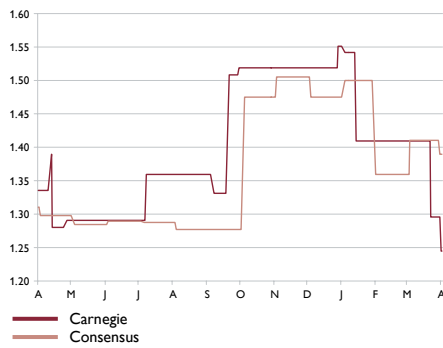
Source: JCF

Price relative to sector – 1Y



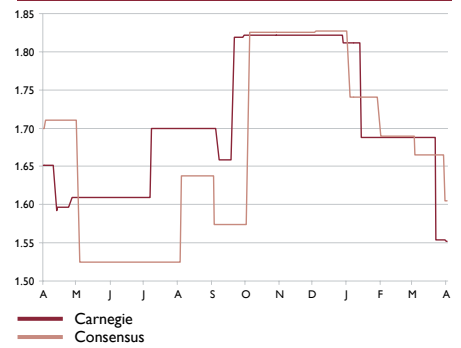
Source: JCF

Adj. EPS expectations – 2005e



Source: Carnegie Research – JCF

Adj. EPS expectations – 2006e



Source: Carnegie Research – JCF

Performance snapshot	1M	3M	12M	YTD
Elcoteq %	0.5	-6.1	-5.0	-14.0
Peer group %	-6.8	-8.7	-7.4	-25.2
Carnegie Tech Hard & Equip %	3.2	4.3	-0.9	1.5
Hex Portfolio %	-3.0	2.8	13.6	3.5
MSCI Nordic %	-1.4	2.7	19.1	-1.4
MSCI Europe %	-2.5	-0.7	12.8	-2.8
S&P 500 %	-2.6	-1.5	-6.7	-0.4
MSCI World %	-1.4	-0.1	-2.6	1.5

Source: JCF

Valuation snapshot	2004	2005e	2006e	2007e
P/E	12.9	12.4	9.9	8.9
P/E adj.	17.6	12.4	9.9	8.9
EV/EBITDA	n.a.	4.8	4.3	3.8
EV/EBITA	n.a.	9.1	7.8	6.8
P/BV	1.73	1.64	1.48	1.29
P/BV ex. GW	1.92	1.81	1.61	1.39
Dividend yield	4.2%	2.7%	3.3%	3.7%
FCF yield	-15.7%	-0.6%	4.1%	8.0%

Source: Carnegie Research

Elcoteq the only company in the Nordic peer group with positive Y/Y earnings trend for 2005

Peer group comparison	Rat.	Curr.	Price	P/E Adj.		P/E bef.GW		EV/EBITA		EBITA	Dividend
				Carnegie		Consensus		Carnegie		Margin	Yield
				05e	06e	05e	06e	05e	06e	06e	05e
Elcoteq	OP	EUR	15.4	12.4	9.9	11.2	9.3	9.1	7.8	2.2%	2.7%
Nolato	U	SEK	48.5	10.0	10.1	11.1	10.9	7.5	7.0	7.6%	3.5%
Perlos	U	EUR	7.4	12.3	10.0	8.9	7.3	9.5	8.1	9.4%	2.7%
Weighted avg.				11.9	10.0			9.0	7.8	3.5%	2.8%

Source: Carnegie Research

No drama in Q1(05)

Elcoteq reported profitability in line with our expectations for the seasonally weak Q1(05e), but at EUR810m sales exceeded our forecast by 15%. Turnover was boosted by business mix with a high proportion of component sell-through. Despite the solid turnover, profitability was 1.2% (we expected 1.0%), which is decent for the seasonally weakest quarter of the year. The Q1(05) operating cash flow of EUR-27m raised eye-browns, but we do not consider the gearing of 0.5 alarming. We therefore do not believe the balance sheet is an issue yet. In any case, it is a factor that we will be monitoring particularly closely for Elcoteq in the near future. Since Q1(05) as in line with expectations, we have no reason to turn more negative on the stock. The earnings trend for this year is attractive and the valuation is fair. Therefore we keep our OUTPERFORM rating.

Report

Strong sales – in line profitability

Elcoteq's Q1(05) sales of EUR810m exceeded our forecast of EUR702m by 15%. The main deviation was from the more favourable development of the acquired Thomson business in Mexico and the good sales in the Terminal Product business in Europe. The business mix was, however, poor in Terminal products, which basically means that, in Q1(05), Elcoteq manufactured more high-end phones with more components. This leads to lower value-add per sold phone, and this is usually visible as lower margin as was the case also in Q1(05) (EBIT margin of 1.2%).

Looking ahead

Despite the new wording of the outlook section of the report, management confirmed that the full-year outlook is intact. The reason for the new phrasing of the outlook is that the comparison has changed due to IFRS reporting. In any case, Elcoteq still expects to reach Y/Y EBIT(05) growth and EBIT above EUR71m. In Q2(05), both sales and EBIT should exceed the level of Q1(05).

Management was confident that turnover and margins in Communications Network Equipment (CNE) would improve in Q2(05) Q/Q. Q1(05) was still affected by both the lower than anticipated Tellabs volumes and one-offs (about EUR-1m) related to writedowns of facilities in Germany.

In Terminal Products the Thomson turnover effect should be somewhat lower in Q2(05) than in Q1(05), but the EUR350m of business with new clients (RIM, Siemens and Vitelcom) should affect Q2(05) to Q4(05) even more than Q1(05).

Changes in estimates

Due to the good revenue intake in Q1(05), we have raised our 2005–07 sales forecast by 2–4%. However, we have lowered our margin forecast slightly due to the higher than expected proportion of component sell-through in Q1(05). Our new adjusted and fully diluted EPS(05e) is EUR1.24 (1.30).

Elcoteq capacity - Estimate for fall(05e)

Country	Size m2	% of total
Finland	8 700	4%
Estonia	42 000	20%
Hungary	46 000	21%
Germany	19 700	9%
Russia	14 700	7%
Europe total	131 100	61%
China, Beijing	19 200	9%
China, Dongguan	13 000	6%
China, Shenzhen	9 300	4%
India, Bangalore	5 500	3%
Asia total	47 000	22%
Mexico	35 300	16%
Brazil, Manaus	1 500	1%
Americas total	36 800	17%
Elcoteq total	214 900	100%

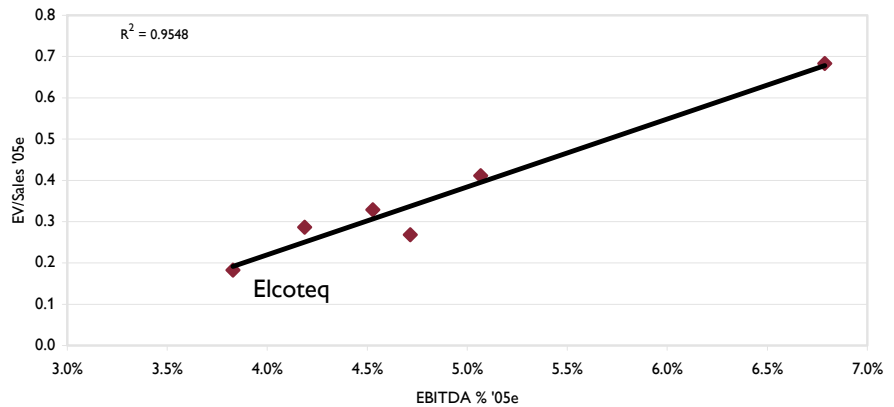
Source: Elcoteq, Carnegie Research

Adjusted EPS(05e) indicating 42% Y/Y growth

Valuation

Elcoteq is the only handset-related telecom equipment subcontractor in our universe with a positive Y/Y EPS(05e) trend mainly because the company struggled in 2004 with issues related to problems with certain clients (e.g. Tellabs) and factory ramp-up costs. From now on the Tellabs problems (lack of volumes) are solved as the contract will be terminated. Factory roll-outs should also start to bear fruit as the Indian factory was inaugurated in April and the Russian factory start to bring in the volumes in H2(05). EPS(05e) growth of 42% and P/E(05e) of 12.4x are therefore too good to ignore and we keep our OUTPERFORM rating for Elcoteq. Our updated DCF-based fair value (WACC of 8.0%) is EUR18.7, which provides 21% upside for the share.

Elcoteq international peers - EV/EBITDA '05e



Source: Carnegie Research

Interim figures

ELCOTEQ

Carnegie estimates EURm	2004				2005			Dev. est.	Q2e	Q3e	Q4e	2004	2005e	Old 2005e	New 2006e	Old 2006e	New 2007e	Old 2007e	New 2007e
	Q1	Q2	Q3	Q4	Q1e	Q1a													
Net Sales	619	642	829	865	702	810	15%	821	914	953	2 954	3 412	3 498	3 622	3 755	3 839	3 976		
EBIT	11.3	19.3	20.0	20.8	6.7	9.5	42%	13.6	22.5	24.4	71.4	72.1	70.0	82.5	81.0	89.4	88.2		
EBIT margin (%)	1.8%	3.0%	2.4%	2.4%	1.0%	1.2%	0.2%	1.7%	2.5%	2.6%	2.4%	2.1%	2.0%	2.3%	2.2%	2.3%	2.2%		
Net financials	-0.9	-2.2	-2.5	-5.7	-2.5	-2.8	12%	-3.0	-2.7	-2.3	-11.3	-10.0	-10.8	-9.8	-10.1	-9.8	-10.1		
PTP	10.0	16.8	17.2	15.0	3.9	6.5	67%	10.4	19.6	21.9	59.0	61.1	58.4	71.7	70.1	79.6	78.1		
Tax	-4.4	-5.7	-5.1	-2.1	-1.0	-2.7	170%	-2.8	-5.3	-5.3	-17.3	-15.9	-16.1	-17.9	-17.5	-19.9	-19.5		
Tax rate (%)	-44%	-34%	-30%	-14%	-26%	-42%	-15.5%	-27%	-27%	-24%	-29%	-26%	-28%	-25%	-25%	-25%	-25%		
Net profit	5.5	11.2	9.8	13.2	2.4	3.8	58%	7.4	14.1	16.3	39.8	43.2	41.5	51.8	51.8	57.8	57.8		
EPS (EUR)	0.18	0.37	0.33	0.43	0.08	0.12	56%	0.24	0.46	0.53	1.31	1.42	1.36	1.70	1.70	1.89	1.89		
EPS (EUR), diluted								0.22	0.42	0.49	1.19	1.30	1.24	1.55	1.55	1.73	1.73		
Adj EPS (EUR), diluted (**)								0.22	0.42	0.49	0.88	1.30	1.24	1.55	1.55	1.73	1.73		
DPS (EUR)											0.65	0.43	0.41	0.51	0.51	0.57	0.57		
Sales EURm	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1e	2005 Q1a	Dev. est.	Q2e	Q3e	Q4e	2004	2005e	Old 2005e	New 2006e	Old 2006e	New 2007e	Old 2007e	New 2007e	
Terminal Products	461	490	660	689	530	645	115	646	740	770	2 300	2 730	2 801	2 868	2 989	3 055	3 192		
Comm. NW Equipm.	125	152	169	176	172	165	-7	175	174	183	622	682	697	754	766	784	784		
Industrial Electr.	32	0	0	0	0	0	0	0	0	0	32	0	0	0	0	0	0		
Group sales	619	642	829	865	702	810	108	821	914	953	2 954	3 412	3 498	3 622	3 755	3 839	3 976		
EBIT EURm	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1e	2005 Q1a	Dev. est.	Q2e	Q3e	Q4e	2004	2005e	Old 2005e	New 2006e	Old 2006e	New 2007e	Old 2007e	New 2007e	
Terminal Products	15.5	10.4	23.9	28.4	14.5	16.9	2.4	16.8	25.9	30.0	78.2	91.6	89.6	92.9	96.2	99.0	102.8		
Comm. NW Equipm.	4.7	7.4	1.7	2.5	2.7	2.6	-0.1	5.8	6.6	6.9	16.4	22.5	21.9	33.6	28.4	34.5	29.0		
Industrial Electr.	3.0	nm	nm	nm	nm	nm	nm	nm	nm	nm	3.0	nm	nm	nm	nm	nm	nm		
One-offs	0.0	10.0	2.3	2.6	0.0	0.0	0.0	0.0	0.0	0.0	14.9	0.0	0.0	0.0	0.0	0.0	0.0		
Group costs	-11.9	-8.5	-7.9	-12.8	-10.5	-10.0	0.5	-9.0	-10.0	-12.5	-41.1	-42.0	-41.5	-44.1	-43.6	-44.1	-43.6		
Group EBIT	11.3	19.3	20.0	20.8	6.7	9.5	2.8	13.6	22.5	24.4	71.4	72.1	70.0	82.5	81.0	89.4	88.2		
EBIT margin	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1e	2005 Q1a	Dev. est.	Q2e	Q3e	Q4e	2004	2005e	Old 2005e	New 2006e	Old 2006e	New 2007e	Old 2007e	New 2007e	
Terminal Products	3.4%	2.1%	3.6%	4.1%	2.7%	2.6%	-0.1%	2.6%	3.5%	3.9%	3.4%	3.4%	3.2%	3.2%	3.2%	3.2%	3.2%		
Comm. NW Equipm.	3.8%	4.9%	1.0%	1.4%	1.5%	1.6%	0.1%	3.3%	3.8%	3.8%	2.6%	3.3%	3.1%	4.5%	3.7%	4.4%	3.7%		
Industrial Electr.	9.4%	nm	nm	nm	nm	nm	nm	nm	nm	nm	9.4%	nm	nm	nm	nm	nm	nm		
Group EBIT margin	1.8%	3.0%	2.4%	2.4%	1.0%	1.2%	0.2%	1.7%	2.5%	2.6%	2.4%	2.1%	2.0%	2.3%	2.2%	2.3%	2.2%		

(* Q2(04) EBIT includes EUR10m gain from sale of IE, Q3(04) EBIT includes EUR2.3m VAT refund, and Q4(04) includes EUR2.6m of reduction of pension obligations
(** Adj EPS excluding the one-offs)

Source: Carnegie Research

Interim figures

ELCOTEQ

Carnegie estimates EURm	2004				2005						Old	New	Old	New	Old	New
	Q1	Q2	Q3	Q4	Q1	Q2e	Q3e	Q4e	2004	2005e	2005e	2006e	2006e	2007e	2007e	
Net Sales	619	642	829	865	810	821	914	953	2 954	3 412	3 498	3 622	3 755	3 839	3 976	
EBIT	11.3	19.3	20.0	20.8	9.5	13.6	22.5	24.4	71.4	72.1	70.0	82.5	81.0	89.4	88.2	
EBIT margin (%)	1.8%	3.0%	2.4%	2.4%	1.2%	1.7%	2.5%	2.6%	2.4%	2.1%	2.0%	2.3%	2.2%	2.3%	2.2%	
Net financials	-0.9	-2.2	-2.5	-5.7	-2.8	-3.0	-2.7	-2.3	-11.3	-10.0	-10.8	-9.8	-10.1	-9.8	-10.1	
PTP	10.0	16.8	17.2	15.0	6.5	10.4	19.6	21.9	59.0	61.1	58.4	71.7	70.1	79.6	78.1	
Tax	-4.4	-5.7	-5.1	-2.1	-2.7	-2.8	-5.3	-5.3	-17.3	-15.9	-16.1	-17.9	-17.5	-19.9	-19.5	
Tax rate (%)	-44%	-34%	-30%	-14%	-42%	-27%	-27%	-24%	-29%	-26%	-28%	-25%	-25%	-25%	-25%	
Net profit	5.5	11.2	9.8	13.2	3.8	7.4	14.1	16.3	39.8	43.2	41.5	51.8	51.8	57.8	57.8	
EPS (EUR)	0.18	0.37	0.33	0.43	0.12	0.24	0.46	0.53	1.31	1.42	1.36	1.70	1.70	1.89	1.89	
EPS (EUR), diluted					0.11	0.22	0.42	0.49	1.19	1.30	1.24	1.55	1.55	1.73	1.73	
Adj EPS (EUR), diluted (**)					0.11	0.22	0.42	0.49	0.88	1.30	1.24	1.55	1.55	1.73	1.73	
DPS (EUR)									0.65	0.43	0.41	0.51	0.51	0.57	0.57	

Sales EURm	2004				2005						Old	New	Old	New	Old	New
	Q1	Q2	Q3	Q4	Q1	Q2e	Q3e	Q4e	2004	2005e	2005e	2006e	2006e	2007e	2007e	
Terminal Products	461	490	660	689	645	646	740	770	2 300	2 730	2 801	2 868	2 989	3 055	3 192	
Comm. NW Equipm.	125	152	169	176	165	175	174	183	622	682	697	754	766	784	784	
Industrial Electr.	32	0	0	0	0	0	0	0	32	0	0	0	0	0	0	
Group sales	619	642	829	865	810	821	914	953	2 954	3 412	3 498	3 622	3 755	3 839	3 976	

EBIT EURm	2004				2005						Old	New	Old	New	Old	New
	Q1	Q2	Q3	Q4	Q1	Q2e	Q3e	Q4e	2004	2005e	2005e	2006e	2006e	2007e	2007e	
Terminal Products	15.5	10.4	23.9	28.4	16.9	16.8	25.9	30.0	78.2	91.6	89.6	92.9	96.2	99.0	102.8	
Comm. NW Equipm.	4.7	7.4	1.7	2.5	2.6	5.8	6.6	6.9	16.4	22.5	21.9	33.6	28.4	34.5	29.0	
Industrial Electr.	3.0	nm	nm	nm	nm	nm	nm	nm	3.0	nm	nm	nm	nm	nm	nm	
One-offs	0.0	10.0	2.3	2.6	0.0	0.0	0.0	0.0	14.9	0.0	0.0	0.0	0.0	0.0	0.0	
Group costs	-11.9	-8.5	-7.9	-12.8	-10.0	-9.0	-10.0	-12.5	-41.1	-42.0	-41.5	-44.1	-43.6	-44.1	-43.6	
Group EBIT	11.3	19.3	20.0	20.8	9.5	13.6	22.5	24.4	71.4	72.1	70.0	82.5	81.0	89.4	88.2	

EBIT margin	2004				2005						Old	New	Old	New	Old	New
	Q1	Q2	Q3	Q4	Q1	Q2e	Q3e	Q4e	2004	2005e	2005e	2006e	2006e	2007e	2007e	
Terminal Products	3.4%	2.1%	3.6%	4.1%	2.6%	2.6%	3.5%	3.9%	3.4%	3.4%	3.2%	3.2%	3.2%	3.2%	3.2%	
Comm. NW Equipm.	3.8%	4.9%	1.0%	1.4%	1.6%	3.3%	3.8%	3.8%	2.6%	3.3%	3.1%	4.5%	3.7%	4.4%	3.7%	
Industrial Electr.	9.4%	nm	nm	nm	nm	nm	nm	nm	9.4%	nm	nm	nm	nm	nm	nm	
Group EBIT margin	1.8%	3.0%	2.4%	2.4%	1.2%	1.7%	2.5%	2.6%	2.4%	2.1%	2.0%	2.3%	2.2%	2.3%	2.2%	

(* Q2(04) EBIT includes EUR10m gain from sale of IE, Q3(04) EBIT includes EUR2.3m

VAT refund, and Q4(04) includes EUR2.6m of reduction of pension obligations

(** Adj EPS excluding the one-offs

Source: Carnegie Research

Financial statements

Profit & loss	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
Sales	395	753	2 214	1 862	1 840	2 236	2 954	3 498	3 755	3 976
COGS	na	na	na	-1 588	-1 557	-1 897	-2 511	-2 973	-3 192	-3 380
Gross profit	na	na	na	274	283	339	443	525	563	596
Other income & costs	-375	-720	-2 112	-244	-208	-251	-311	-391	-415	-438
EBITDA	20	32	101	30	75	88	132	134	148	159
Depreciation PPE	-10	-18	-35	-48	-49	-54	-61	-64	-67	-70
Other amortisation	0	0	0	0	0	0	0	0	0	0
EBITA	10	14	66	-18	26	34	71	70	81	88
GW amortisation & Impairment	0	0	0	0	0	-3	0	0	0	0
EBIT	10	14	66	-18	26	30	71	70	81	88
Net interest	-2	-3	-12	-10	-3	-8	-11	-11	-10	-10
Other financial items	1	-1	0	-3	-3	0	0	0	0	0
Net financial items	-1	-5	-12	-12	-7	-8	-11	-11	-10	-10
Share of earnings in ass. comp.	0	0	0	0	0	0	-1	-1	-1	0
EAFI	9	10	54	-31	19	23	59	58	70	78
Other EO items	0	0	0	0	0	0	na	0	0	0
Pre-tax profit	9	10	54	-31	19	23	59	58	70	78
Taxes	-1	-4	-16	0	0	-2	-17	-16	-18	-20
Post-tax minorities interest	0	-1	-2	-1	-2	0	-2	-1	-1	-1
Net profit	7	5	37	-32	16	21	40	42	52	58
Adj.Net profit	7	5	37	-20	16	24	29	42	52	58
EO items	0	0	0	-12	0	0	na	0	0	0
Tax on EO items	0	0	0	0	0	0	na	0	0	0
Sales growth Y/Y	40.6%	90.7%	194.2%	-15.9%	-1.2%	21.5%	32.1%	18.4%	7.3%	5.9%
EBITA growth Y/Y	-23.7%	39.3%	358.9%	-chg	+chg	31.9%	110.8%	-1.9%	15.7%	8.9%
EBITDA margin	5.1%	4.3%	4.6%	1.6%	4.1%	3.9%	na	3.8%	3.9%	4.0%
EBITA margin	2.6%	1.9%	3.0%	-1.0%	1.4%	1.5%	na	2.0%	2.2%	2.2%
Tax rate	16.8%	35.5%	28.6%	0.6%	0.3%	6.8%	29.3%	27.5%	25.0%	25.0%

Cash flow	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
EBITDA	20	32	101	30	75	88	132	134	148	159
Net financial items	-1	-5	-12	-12	-7	-8	-11	-11	-10	-10
Non cash adjustments	0	0	0	3	-2	0	-22	0	0	0
Change in NWC	-64	-23	-147	157	80	21	-22	-10	-9	-7
Paid taxes	-1	-4	-16	0	0	-2	-17	-16	-18	-20
Operating cash flow (OCF)	-47	2	-73	178	146	100	60	97	112	122
CAPEX PPE	-40	-43	-106	-56	-74	-102	-128	-90	-81	-81
CAPEX other intang. assets	-23	21	106	na	na	na	-13	-11	-9	0
Net cash flow (NCF)	-110	-21	-74	122	73	-2	-82	-3	21	41
Other investments/Divestments	0	0	0	0	0	-29	32	0	0	0
Dividend paid	-1	-1	-3	-11	0	-12	-27	-20	-12	-15
Share issues & buybacks	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Change in LT non-IB liabilities	0	0	0	0	0	4	-5	3	0	0
Decrease in net IB debt	-110	-22	-76	111	73	-39	-82	-20	9	26

Balance sheet	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
Goodwill	4	6	18	2	26	26	26	26	26	26
Other fixed intangible assets	0	0	0	11	19	19	17	19	19	19
PPE	68	91	163	165	148	165	220	245	259	274
Shares & participations	0	2	1	1	1	15	14	15	15	10
Other fixed financial assets	0	0	0	0	0	0	0	0	0	0
Other fixed assets	0	0	0	0	0	0	0	0	0	0
Fixed assets	72	99	182	179	194	226	278	306	320	330
Inventories	67	142	300	178	197	267	305	371	376	398
Receivables	103	177	287	214	235	257	285	337	376	398
Other current assets	20	0	0	3	7	0	0	0	0	0
Cash & cash equivalents	14	21	32	36	76	64	39	11	20	48
Current assets	204	340	620	432	516	587	630	719	771	843
Total assets	275	439	802	611	710	813	907	1 025	1 091	1 173
Shareholders' equity	130	136	276	236	248	255	270	285	317	362
Minorities	0	3	5	6	12	6	7	7	7	7
Sub-ordinated loans	0	0	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	1	3	0	0	0	0	0
Other IB & Non IB provisions	0	0	0	3	1	6	0	0	0	0
LT IB debt	66	95	182	76	43	63	137	130	130	130
LT non-IB liabilities	0	0	0	0	1	5	0	3	3	3
LT liabilities	66	95	182	81	48	74	137	133	133	133
ST IB debt	na	0	12	0	0	0	0	0	0	0
Payables	79	205	327	288	403	475	491	599	633	670
Other ST non-IB liabilities	0	0	0	0	0	0	0	0	0	-1
Current liabilities	79	205	339	288	403	475	491	599	632	669
Total liabilities	275	439	802	611	710	813	907	1 025	1 091	1 173

Source : Carnegie Research

Share data & key ratios

Per share data (EUR)	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
Adj. no. of shares in issue YE (m)	24.86	24.86	29.49	29.49	29.49	30.19	30.42	30.42	30.42	30.42
Diluted no. of Shares YE (m)	24.86	24.86	29.49	29.49	29.49	33.15	33.35	33.35	33.35	33.35
EPS	0.31	0.21	1.26	-1.08	0.54	0.63	1.19	1.24	1.55	1.73
EPS adj.	0.31	0.21	1.26	-0.68	0.55	0.73	0.88	1.24	1.55	1.73
CEPS	0.71	0.97	2.44	0.56	2.21	2.37	3.05	3.18	3.59	3.84
DPS	0.03	0.11	0.38	0.00	0.40	0.90	0.65	0.41	0.51	0.57
BVPS	5.2	5.5	9.4	8.0	8.4	8.5	8.9	9.4	10.4	11.9
BVPS ex. GW	5.1	5.2	8.8	7.9	7.5	7.6	8.0	8.5	9.6	11.0
NAVPS	5.2	5.5	9.4	8.0	8.4	8.5	8.9	9.3	10.4	11.9
NIBDPS	2.10	2.97	5.1	1.33	-1.13	0.16	2.94	3.57	3.30	2.47
Valuation	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
P/E YE	29.6	>50	26.6	neg.	19.8	25.5	15.0	12.4	9.9	8.9
P/E adj. YE	29.6	>50	26.6	neg.	19.6	21.9	20.4	12.4	9.9	8.9
P/E average	31.2	45.6	24.2	neg.	15.3	20.3	13.6	12.4	9.9	8.9
P/E adj. average	31.2	45.2	24.1	neg.	15.2	17.5	18.5	12.4	9.9	8.9
P/CEPS YE	12.9	15.7	13.7	18.0	4.9	6.8	5.9	4.8	4.3	4.0
P/BV YE	1.75	2.77	3.57	1.25	1.29	1.89	2.01	1.64	1.48	1.29
P/BV ex. GW YE	1.81	2.90	3.82	1.26	1.44	2.11	2.23	1.81	1.61	1.39
Dividend yield YE	0.4%	0.7%	1.1%	0.0%	3.7%	5.6%	3.6%	2.7%	3.3%	3.7%
Dividend Payout Ratio	10.8%	51.8%	30.2%	0.0%	73.5%	143.2%	54.4%	32.9%	32.8%	32.8%
EV/EBIT YE	27.0	31.2	17.2	neg.	11.7	17.8	na	9.1	7.8	6.8
EV/EBIT adj. YE	27.0	31.1	17.2	neg.	11.6	16.0	na	9.1	7.8	6.8
EV/EBITDA YE	27.0	31.1	17.2	neg.	11.6	16.0	na	9.1	7.8	6.8
EV/Sales YE	0.7	0.6	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2
EV/EBITDA adj. YE	14.1	13.9	11.3	11.4	4.0	6.1	na	4.8	4.3	3.8
Share price YE	9.20	15.2	33.5	10.0	10.8	16.0	17.9	15.2		
Share price high	12.5	15.2	42.4	31.6	12.0	17.6	20.5	18.2		
Share price low	5.49	7.50	14.1	3.36	4.45	9.95	13.0	14.6		
Share price average	9.72	9.67	30.4	8.07	8.35	12.8	16.2	16.2		
Margins	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
Gross margin	na	na	na	14.7%	15.4%	15.2%	15.0%	15.0%	15.0%	15.0%
EBITDA margin	5.1%	4.3%	4.6%	1.6%	4.1%	3.9%	na	3.8%	3.9%	4.0%
Adj. EBITDA margin	5.1%	4.3%	4.6%	2.2%	4.1%	3.9%	4.0%	3.8%	3.9%	4.0%
EBITA margin	2.6%	1.9%	3.0%	-1.0%	1.4%	1.5%	na	2.0%	2.2%	2.2%
Adj. EBITA margin	2.6%	1.9%	3.0%	-0.3%	1.4%	1.5%	1.9%	2.0%	2.2%	2.2%
Pre-tax margin	2.3%	1.3%	2.5%	-1.6%	1.0%	1.0%	2.0%	1.7%	1.9%	2.0%
Net margin	1.9%	0.7%	1.7%	-1.7%	0.9%	0.9%	1.3%	1.2%	1.4%	1.5%
Adj. net margin	1.9%	0.7%	1.7%	-1.1%	0.9%	1.1%	1.0%	1.2%	1.4%	1.5%
Profitability	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
ROE	5.8%	3.8%	18.0%	-12.5%	6.6%	8.3%	15.1%	15.0%	17.2%	17.0%
Adj. ROE	5.8%	3.8%	18.0%	-7.8%	6.7%	9.6%	11.1%	15.0%	17.2%	17.0%
Adj. ROCE pre-tax	6.5%	6.8%	20.2%	-1.6%	7.6%	11.4%	na	16.6%	18.4%	18.5%
Adj. ROIC aft-tax	7.6%	5.0%	14.5%	-1.8%	10.1%	13.1%	12.8%	13.3%	14.8%	15.2%
Adj. ROA pre-tax	4.8%	4.1%	11.3%	-0.9%	3.6%	4.7%	6.4%	7.2%	7.6%	7.8%
FCF yield	-21.4%	-4.1%	-14.2%	23.4%	13.8%	-0.4%	-15.7%	-0.6%	4.1%	8.0%
Capital eff./Solv.	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
Inventories / Sales	13.3%	13.9%	10.0%	12.8%	10.2%	10.4%	9.7%	9.7%	9.9%	9.7%
Receivables / Sales	17.8%	18.6%	10.5%	13.5%	12.2%	11.0%	9.2%	8.9%	9.5%	9.7%
Payables / Sales	20.0%	27.2%	14.8%	15.5%	21.9%	21.2%	16.6%	17.1%	16.9%	16.9%
NWC / Sales	15.1%	13.6%	8.5%	9.8%	3.6%	1.8%	2.5%	3.0%	3.0%	3.1%
Asset turnover	1.66	2.11	3.57	2.64	2.79	2.94	3.43	3.62	3.55	3.51
Sales / Capital invested	3.45	4.03	6.79	5.14	7.28	9.26	9.50	9.18	9.13	9.16
OCF / Capex	-1.16	0.04	-0.69	3.16	1.99	0.98	0.47	1.09	1.37	1.51
Capex / Sales	10.1%	5.7%	4.8%	3.0%	4.0%	4.6%	4.3%	2.6%	2.2%	2.0%
Capex / Depreciation PPE	4.17	2.41	3.06	1.17	1.50	1.89	2.11	1.40	1.21	1.15
Dividend payout ratio	11%	52%	30%	0%	73%	143%	54%	33%	33%	33%
Equity / Total assets	47%	32%	35%	40%	37%	32%	31%	28%	30%	31%
Net IB debt / Equity	40%	53%	53%	16%	-13%	2%	35%	41%	34%	22%
Net IB debt / EBITDA	2.6	2.3	1.5	1.3	-0.4	0.1	0.7	0.9	0.7	0.5
EBITDA / Net interest	8.1	9.8	8.4	3.1	21.5	11.5	11.7	12.3	14.6	15.6
EBITA / Net interest	4.2	4.4	5.5	n.m.	7.4	4.4	6.3	6.5	8.0	8.7
Balance sheet data	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
Net IB debt	52	74	150	39	-33	5	98	119	110	82
Net working capital (NWC)	91	114	261	104	30	49	100	109	118	125
Capital employed (CE)	196	234	463	318	302	330	414	421	453	498
Capital invested (CI)	163	211	442	282	223	259	363	400	423	445
Enterprise value YE (EV)	281	451	1 143	341	297	541	701	639	630	602

Source : Carnegie Research

Disclosures and disclaimers

The Carnegie Group

Carnegie is an independent Nordic investment bank operating in Securities, Investment Banking and Asset Management & Private Banking. Carnegie provides a wide array of financial products and services to Nordic and international clients from offices in eight countries: Sweden, Denmark, Norway, Finland, Luxembourg, Switzerland, the UK and the US. Carnegie Investment Banking is the leading independent corporate finance advisor in the Nordic countries. Carnegie Asset Management and Private Banking provide financial services including asset management for selected institutions and private investors. The Carnegie Group was listed on the Stockholm Bourse on 1 June 2001.

Ratings and risk assessment structure

Current rating system (as of 10 June 2003)

Stock ratings

Carnegie stock ratings are relative to Carnegie's coverage universe on a Nordic sector basis.

- OP=Outperform The stock is expected to outperform the return on the Carnegie coverage universe of the Nordic Sector over the next 6 months.
- N=Neutral The stock is expected to perform in line with the return on the Carnegie coverage universe of the Nordic Sector over the next 6 months.
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- Negative The sector is expected to underperform the return on the total Nordic market over the next 6 months.

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- UR=Under review The investment rating, if any, has been suspended temporarily.
- UB=Under bid The investment rating, if any, has been suspended temporarily.

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- Low risk Estimated equity beta <0.75
- Medium risk Estimated equity beta 0.75 to 1.25
- High risk Estimated equity beta >1.25

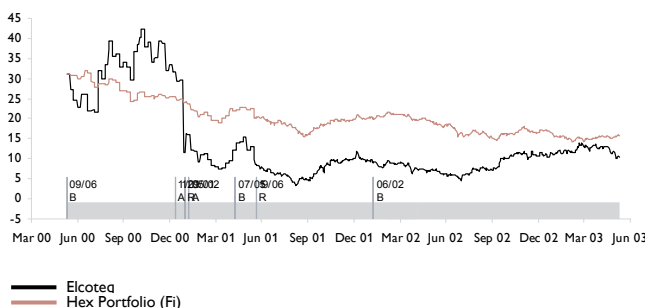
Previous rating system

- SB=Strong buy The stock is expected to provide a return of greater than 20% over the next 6 months.
- B=Buy The stock is expected to provide a return of between 10% and 20% over the next 6 months.
- Acc=Accumulate The stock is expected to provide a return of between 5% and 10% over the next 6 months.
- R=Reduce The stock is expected to provide a return of between 0% and 5% over the next 6 months.
- S=Sell The stock is expected to provide a return of less than 0% over the next 6 months.

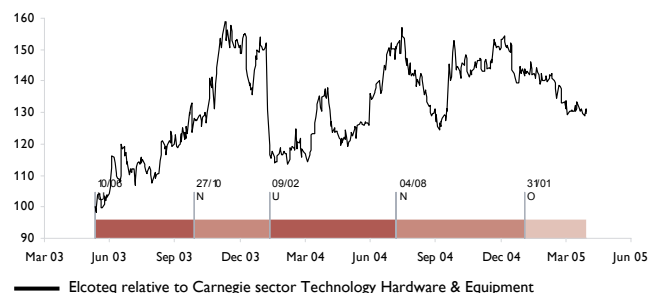
Stock rating distribution for sector Technology Hardware & Equipment

Rating	No. of stocks
Outperform	8
Neutral	12
Underperform	5
Not Rated	0
Under Bid	0
Under Review	0
Total	25

Price and company rating history (ELQAV.HE)
Old rating structure until 9 June 2003



Price relative to sector and company rating history (ELQAV.HE)
New rating structure from 10 June 2003



Source: Carnegie Research

29 April 2005

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Elcoteq Company Summary

Profit & loss	2003	2004	2005e	2006e	2007e
Sales	2 236	2 954	3 498	3 755	3 976
EBITDA	88	132	134	148	159
EBITA	34	71	70	81	88
EBIT	30	71	70	81	88
Pre-tax profit	23	59	58	70	78
Net profit	21	40	42	52	58
EO items	0	na	0	0	0

Balance sheet	2003	2004	2005e	2006e	2007e
Total assets	813	907	1 025	1 091	1 173
Shareholders' equity	255	270	285	317	362
Goodwill	26	26	26	26	26
Net IB debt	5	98	119	110	82

Cash flow	2003	2004	2005e	2006e	2007e
EBITDA	88	132	134	148	159
Operating cash flow	100	60	97	112	122
Net cash flow (NCF)	-2	-82	-3	21	41
Decrease in net IB debt	-39	-82	-20	9	26

Per share data	2003	2004	2005e	2006e	2007e
EPS	0.63	1.19	1.24	1.55	1.73
EPS adj.	0.73	0.88	1.24	1.55	1.73
EPS adj. Growth	33.0%	19.9%	42.0%	24.6%	11.6%
CEPS	2.37	3.05	3.18	3.59	3.84
DPS	0.90	0.65	0.41	0.51	0.57
BVPS ex. GW	7.6	8.0	8.5	9.6	11.0
NIBDPS	0.16	2.94	3.57	3.30	2.47

Ratios	2003	2004	2005e	2006e	2007e
P/E	24.5	12.9	12.4	9.9	8.9
P/E adj.	21.1	17.6	12.4	9.9	8.9
P/BVPS	1.8	1.7	1.6	1.5	1.3
P/BVPS ex. GW	2.0	1.9	1.8	1.6	1.4
P/CEPS	6.5	5.0	4.8	4.3	4.0
EV/Sales	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	6.0	na	4.8	4.3	3.8
EV/EBITA	15.5	na	9.1	7.8	6.8
Dividend yield	5.8%	4.2%	2.7%	3.3%	3.7%
FCF yield	-0.4%	-15.7%	-0.6%	4.1%	8.0%

Company description

Elcoteq provides electronics manufacturing services to original equipment manufacturers (OEMs). Services include consultation on design and manufacturing, materials procurement and management, and the final assembly and testing of technical electronic systems, including the turnkey manufacturing and box building of products. Elcoteq's customer base includes Nokia, Ericsson, Marconi and Tellabs. Elcoteq has expanded rapidly. The company is one of the top 10 ECM manufacturers globally and the largest European EMC company. Elcoteq has manufacturing sites in Finland, Estonia, Russia, Hungary, Mexico and China.

Company miscellaneous

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Major shareholders

	Capital	Votes		Capital	Votes
Antti Piippo	22.8%	44.3%	Tapiola Mutual	1.2%	0.3%
Jorma Vanhanen	10.4%	21.0%	OP-Suomi Kasvu Mu	0.9%	0.2%
Henry Sjöman	10.3%	21.0%	Foreign Shareholders	22.8%	5.5%

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