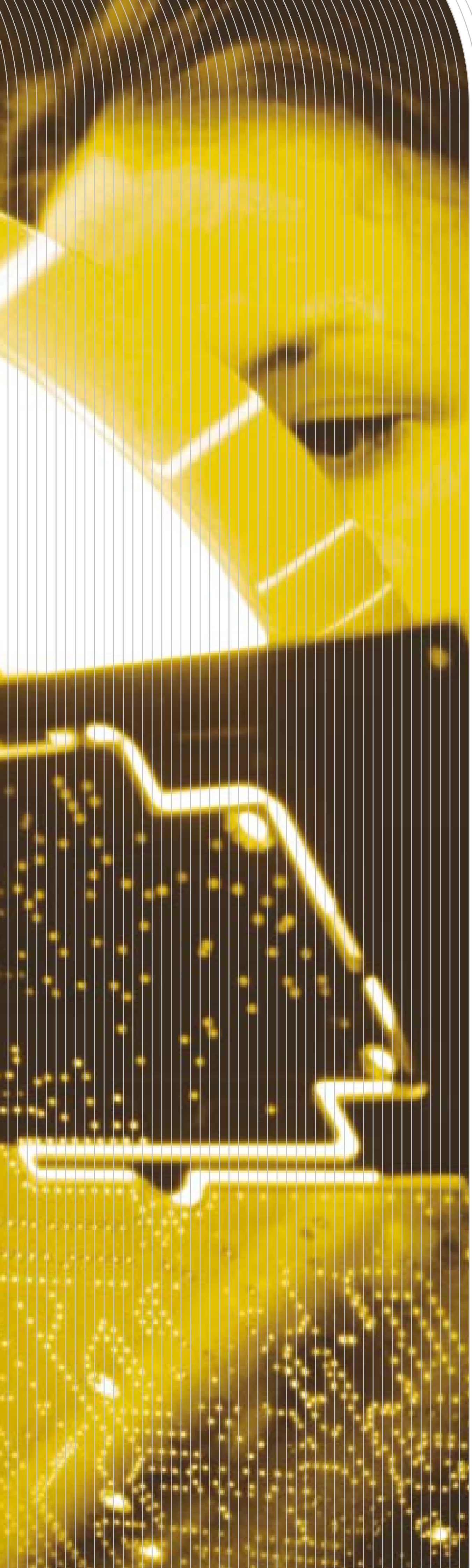


ELCOTEQ

Annual Report 2001

Contents

Annual general meeting and dividends

Annual general meeting

The annual general meeting of Elcoteq Network Corporation shareholders will be held on Wednesday March 20, 2002, commencing at 2.00 p.m. (EET), at the Marina Congress Center in Helsinki, Finland (address: Katajanokanlaituri 6).

Shareholders who have registered themselves in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd no later than March 8, 2002 may attend the AGM. Shareholders wishing to attend the AGM are requested to notify the company no later than 4.00 p.m. (EET) on March 15, 2002, either

- in writing to Elcoteq Network Corporation, Ms Riia Johansson, P.O.Box 8, FIN-02631 Espoo, or
- by telephone to Ms Riia Johansson, +358 10 413 1827, or
- by e-mail to riia.johansson@elcoteq.com.

The following information is required from all shareholders who register to the AGM: name of the shareholder, home address, telephone number and date of birth.

Letters of authorization should arrive at the above address before the period of notification expires.

Dividends

The Board proposes to the annual general meeting that no dividend be distributed on the financial year 2001.

Dividend policy

Elcoteq's dividend policy is based on the assumption that in the rapidly developing and expanding markets shareholders are likely to gain a higher return on their investments if the Group invests its profits primarily in developing its business.

Elcoteq values

Customer satisfaction

We know our customers' needs and respond to them quickly. We consistently deliver the best possible service, expertise, quality, delivery times, and cost efficiency. We keep our promises.

Our customer relationships are based on commitment, mutual trust, openness and co-evolution.

Committed personnel

We respect our colleagues. Initiative, learning, sharing of ideas, and the give and take of responsibility form the basis for the entrepreneurial spirit that is valued at Elcoteq.

Ethical conduct of business

Conducting business with integrity means that we take care of the environment under our influence and always consider and encourage positive developments in our social locality.

Continuous improvement

Our aim is to be a world-class electronics manufacturer. Recognizing the need for change and development makes us continually focus on discovering new methods of improving operations and then implementing them rapidly and with full commitment.

Result orientation

We are committed to our goals and to increasing the value of the company through profitable and successful business practices.

Elcoteq – 10 years of electronics manufacturing services

Elcoteq came into being in 1984 when Lohja Corporation founded a new unit called Lohja Microelectronics to manufacture densely mounted control electronics for flat displays under development at the time. Elcoteq subsequently became an independent company through a management buy-out in 1991 when the company's present three principal owners acquired its shares from Lohja Corporation. This marked the start of Elcoteq's rapid progression from local supplier to global services provider.

Today Elcoteq Network Corporation is the leading European Electronics Manufacturing Services (EMS) company and one of the top ten in the world. It provides engineering and manufacturing services, supply chain management and after-sales services to international high-tech companies. Its customers include a host of world-class equipment manufacturers including ABB, Ericsson, Kone, Nokia and Philips.

Elcoteq's net sales in 2001 totaled MEUR 1,862.5. The Group has approximately 8,350 employees in 11 countries covering three continents. Elcoteq's shares have been listed on the Helsinki Exchanges since 1997.

Strategy

Elcoteq wants to be the best provider of electronics manufacturing services for its selected group of customers. These customers operate in three business areas: Terminal Products, Communications Network Equipment, and Industrial Electronics. Elcoteq's mission is to continuously improve the performance of the value chains in which it participates, through co-evolution with its customers and suppliers.

Elcoteq's strategic strengths have been global plant network in low-cost countries, consistent technologies, processes and systems, co-evolution and focus on the company's core competencies.

Rapid changes in the operating environment and market situation have also required the company to revise its strategy. Elcoteq has begun this task and plans to complete it by summer 2002. The aim is to focus the Group's business operations more precisely on those product and customer segments in which Elcoteq can be the best and most efficient manufacturing services company in the world.

Business areas

Elcoteq operates through three business areas: Terminal Products, Communications Network Equipment, and Industrial Electronics. The largest of these is Terminal Products, which accounted for 78% of consolidated net sales in 2001. This business area's main product group is mobile phones and their accessories although the business area manufactures also other terminal devices such as digital receivers and PDAs (Personal Digital Assistants).

Communications Network Equipment accounted for 9% of Elcoteq's net sales in 2001. This business area produces for example network equipment and modules for base stations and base station controllers, as well as antennas and antenna amplifiers.

The Industrial Electronics business area manufactures electronics for various types of control, regulation and measuring equipment, and electronics for automobile and elevator manufacturers. Industrial Electronics, which serves a number of international companies, contributed 13% of Elcoteq's total net sales in 2001.

A global service provider

Elcoteq's service portfolio covers the main markets of its customers in Europe, Asia and America. The portfolio is based on electronics manufacturing services. Most (80%) of the company's manufacturing capacity and employees are situated in low-cost countries. The volume-manufacturing plants in Russia, Estonia, Hungary, China and Mexico are specialized in large production series. In addition to these, Elcoteq has suitable capacity for small and medium-sized series in Finland, Germany and Switzerland. Elcoteq's manufacturing plant network has a total floor area of approximately 156,000 square meters.

Alongside Elcoteq's mainline manufacturing services the company's NPI (New Product Introduction) centers provide customers of all its business areas with engineering, testing and design-for-manufacturability, supply chain management and after-sales services as well as manufacturing services for small and medium-sized series covering the entire lifecycle of the product. The NPI centers are located in Finland, Sweden, Estonia, Germany, Switzerland, the USA, Japan and Hong Kong.

Key figures

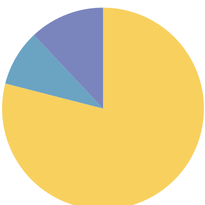
	2001	2000
Net sales, MEUR	1,862	2,213
Operating profit/loss, MEUR	-18.4	66.4
Profit/loss before taxes, MEUR	-30.7	54.4
Return on capital employed (ROCE), %	-3.5	20.4
Earnings per share, EUR	-1.08	1.38
Solvency ratio, %	39.6	35.1
Gross capital expenditure, MEUR	45.1	125.7
Personnel on average	9,960	9,630
Personnel at the end of year	8,350	11,371

Quarterly figures

	Q4 2001	Q3 2001	Q2 2001	Q1 2001	Q4 2000	Q3 2000	Q2 2000	Q1 2000
INCOME STATEMENT, MEUR								
Net sales	531.6	427.7	433.3	469.9	689.8	591.4	494.1	438.2
Change in stock of work in progress and finished goods	-14.7	1.4	-3.0	6.0	-7.0	1.2	12.6	10.6
Other income from operations	4.4	3.9	7.7	11.4	1.2	4.8	1.0	1.5
Operating expenses	-503.8	-424.3	-437.3	-472.5	-651.7	-570.7	-485.4	-430.5
Restructuring costs	0.0	-11.8	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	-12.7	-12.9	-11.6	-11.2	-12.1	-8.3	-7.6	-6.7
Operating profit/loss	4.9	-16.1	-10.8	3.6	20.1	18.4	14.7	13.2
% of net sales	0.9	-3.8	-2.5	0.7	2.9	3.1	3.0	3.0
Financial income and expenses	-2.0	-3.1	-2.9	-4.3	-5.7	-4.1	-1.6	-0.8
Profit/loss before extraordinary items and taxes	2.9	-19.1	-13.8	-0.7	14.5	14.4	13.1	12.4
Income taxes	-2.3	2.6	1.2	-1.3	-3.0	-5.1	-3.8	-3.7
Minority interest	-0.4	-0.5	-0.5	0.0	-1.1	-0.3	-0.4	0.1
Net profit/loss	0.1	-17.0	-13.1	-2.0	10.4	9.1	8.9	8.8
BALANCE SHEET, MEUR								
Fixed assets	178.9	179.7	189.8	189.2	182.2	157.5	124.0	106.6
Current assets								
Inventories	177.8	198.6	253.4	275.1	300.5	335.9	277.6	227.6
Other current assets	254.0	270.8	249.9	366.8	318.7	377.4	318.8	257.0
Assets	610.7	649.1	693.1	831.1	801.4	870.8	720.4	591.3
Share capital	11.8	11.8	11.8	9.9	9.9	9.9	9.7	8.3
Other shareholders' equity	223.9	222.2	242.0	255.2	266.5	257.0	227.5	135.3
Minority interest	6.3	5.6	5.5	4.8	4.6	3.6	3.6	3.2
Provisions	3.1	7.2	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities	38.6	50.9	50.8	52.0	47.7	42.5	28.7	25.8
Short-term liabilities	327.0	351.4	382.9	509.2	472.6	557.8	450.9	418.5
Shareholders' equity and liabilities	610.7	649.1	693.1	831.1	801.4	870.8	720.4	591.3
Personnel on average during the period	8,699	9,409	10,352	11,360	11,121	10,174	9,300	8,080
Gross capital expenditure, MEUR	10.3	7.9	8.4	18.5	38.0	41.9	25.2	20.6
From 12 preceding months ROCE/ROI, %	-3.5	0.3	8.4	14.6	20.4	17.5	17.4	15.7
Earnings per share (EPS), EUR	0.00	-0.58	-0.44	-0.07	0.35	0.31	0.34	0.38
Solvency ratio	39.6	36.9	37.4	32.5	35.1	31.1	33.6	25.1

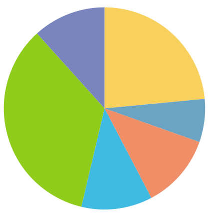
Net sales by business area, MEUR

	2001
Terminal Products	1,457
Communications Network Equipment	171
Industrial Electronics	235



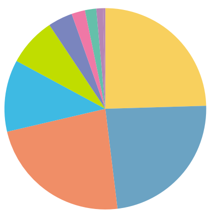
Net sales by region, %

	2001
Finland	23.5
Sweden	6.9
Other EU countries	11.9
Americas	11.4
Asia	34.6
Other regions	11.7



Personnel

	2001
Estonia	2,048
China	1,966
Hungary	1,943
Finland	964
Mexico	648
Switzerland	329
Germany	181
Russia	151
Sweden, Denmark, Poland, USA and Japan	120
Total	**8,350**



Chief Executive's review

At the time of writing I have been Elcoteq's President and CEO for just over two months. The challenge has been an inspiring one. The dynamic nature of the company's business and its position in the markets offer a wealth of opportunities. I am confident that by realigning the company's strategy we will be able to target those opportunities that will help the company exploit its special expertise and become the best in the world in its field. The Elcoteq people I have had the time to meet in Europe, Asia and America have convinced me of their teamwork ability.

Year 2001 brought many changes to Elcoteq. The company was taken off guard by both the general market situation and also by individual customers. If we compare the years 2000 and 2001, the differences are enormous. Almost a decade of vigorous growth peaked in 2000 with a tripling of net sales. As 2001 got under way we were geared up for further brisk growth but the situation changed rapidly during the spring and we were required to adjust to a decline in business volume. From the market side we can easily see two reasons for this: mobile phone sales decreased for the first time, and the expected investments in communications network systems did not materialize.

The termination, as planned, of PC monitor manufacturing at the end of 2000, coupled with changes in Elcoteq's mobile phone manufacturing in Europe in early 2001, appeared to suggest that roughly one-third of Elcoteq's net sales in 2000 would not be realized in 2001. Despite the difficult market conditions we nonetheless succeeded in gaining replacement business from both existing and new customers, since net sales in 2001 were only just over 15% down on the previous year.

Adjustments throughout the year

Elcoteq responded rapidly to the change in demand. We began to adjust capacity in the spring, and when the second half of the year did not seem to offer any improvement, we continued with further adjustment measures to the year end. These applied to the floor space, machinery and equipment of our manufacturing plants and also, unfortunately, to many Elcoteq employees.

Yet all of Elcoteq's major competitors were forced to streamline operations as well, reducing personnel, closing entire plants and moving production to low-cost countries. Compared to its competitors, Elcoteq adjusted rapidly and at substantially lower cost. In this respect Elcoteq's strategy and global manufacturing network demonstrated their flexibility and resilience in the face of tough market conditions.

More targeted organization, better services

We revised the Group's operating model in 2001. The aim was to improve customer service and the company's response capabilities, in order to meet the special demands of the customers of our three business areas more effectively. At the same time we also improved coordination between our manufacturing plants.

A second important achievement was to start building the global service network, complementary to our manufacturing network, which we built up between 1998 and 2000. We are now building a continuously expanding and already almost as global network of New Product Introduction Centers. These NPI Centers' task is to provide assistance in product industrialization, the manufacture of test series and small and medium-sized series, material and supplier selection, material procurement, and upgrading and repairing products. By offering such services the NPI centers also play an important role in acquiring new projects and customers for Elcoteq's manufacturing plants.

We have also begun renewing our materials management and logistics organization because it is precisely the availability, efficiency, smoothness and expertise of these services that are critical to electronics manufacturing services companies. Elcoteq supplements its global materials purchasing power with the services offered by selected local suppliers.

Developing our service networks and organizational renewal will be key priorities during the spring of 2002 as well.

Profits before growth

In 2001 Elcoteq moved from a world of continuous steady growth to a period of unsteady growth. Given the scale of the changes, the company must reform in equal measure. In the short term this will mean preferring profits to growth. Once we have stabilized our performance, growth will once again become a priority.

Our primary goal in 2002 is to match costs to sales. It is imperative that we restore the company to profitability. Additionally we need to concentrate on intensifying sales and obtaining new customers. This is a tough challenge: after a period of sustained high growth we must be able to redirect our resources to active sales and to broadening our customer base, both locally and globally.

Our most important task during 2002 is to formulate a strategy for Elcoteq that will steer the Group back to strong growth in profitability and net sales. We are already engaged on this task and our aim is to focus our business operations more precisely on those areas in which Elcoteq is capable of becoming the best and most efficient electronics manufacturing services provider in the world. We intend to have our redefined strategy complete and ready for launching by the summer of 2002.

Work, in my view, should be exciting and also fun. Elcoteq has offered me both right from the beginning. We must ensure that all our employees experience the same during 2002, restoring the company to profitability as rapidly as possible. Finally, as I thank our employees, customers, suppliers, financiers and shareholders for the year behind us, I invite you all to work alongside us as we develop our operations during 2002.

Espoo, February 2002

Lasse Kurkilahti
President and CEO

Services

Elcoteq offers its customers a wide portfolio of services that covers the entire lifecycle of their products. The portfolio comprises engineering, testing and design-for-manufacturability services, supply chain management and logistics, manufacturing services, and after-sales services. Elcoteq provides these services to the customers of all its business areas through its network of high-volume manufacturing plants and NPI (New Product Introduction) Centers.

Elcoteq always tailors its services to the customer's products. In industrial electronics where product lifecycles are long, for example, it is essential that Elcoteq is able to manage the product throughout its lifecycle from design-for-manufacturability to after-sales services. In certain cases Elcoteq must be able to provide these services for several decades.

NPI Centers

Elcoteq's NPI Centers are located in Finland, Sweden, Estonia, Germany, Switzerland, the USA, Japan and Hong Kong. The tasks assigned to these centers range from normal customer service and sales to manufacturing and after-sales services. At its broadest the NPI Center takes responsibility for the following functions:

- Design-for-manufacturability
- Engineering services
- Manufacturing of small and medium series
- After-sales services
- Sales, purchasing and sourcing
- Customer service.

Some NPI Centers are currently responsible for selling Elcoteq's services and for purchasing materials and components but in the future all NPI Centers will expand their capabilities to cover engineering and design-for-manufacturability as well.

Plant network

Elcoteq has built up a cost-efficient global network of manufacturing plants that operate in parallel with its NPI Centers. Most (80%) of Elcoteq's manufacturing capacity is sited in low-cost countries: Estonia, Russia, Hungary, China and Mexico. The company currently has eight plants in these countries. In addition to these the company has four plants in Europe specializing in small and medium series production; these plants operate in conjunction with the NPI Centers.

Service range

Electronics manufacturers are increasingly outsourcing functions with EMS providers. Elcoteq has started to expand and globalize its range of value-adding services including engineering, industrialization and new product introduction (NPI), supply chain management and after-sales. In supply chain management Elcoteq has strengthened networking among its customers and other partners.

Engineering Services comprise pre-manufacturing and development services. These help customers to engineer their products for optimized manufacturability by providing expert advice on the specification and choice of suitable mounting and interconnection methods, testing and tooling alternatives and product materials. Elcoteq either works as part of the customer's own engineering team or takes responsibility for the entire engineering and development project. Elcoteq also has access to a wide network of outside research and development organizations.

Manufacturing Services are the core of Elcoteq's service portfolio. They include end product assembly, the manufacture of large series, prototype production, the manufacture and assembly of microelectronic components, and electromechanical assembly. Elcoteq's globally uniform manufacturing and operating processes ensure that a customer's products can be manufactured simultaneously on three continents if required.

Supply Chain Management comprises material management and logistical services. These cover component and material purchasing, sourcing, plant logistics, forwarding and transport, and distribution of the end products. In most projects Elcoteq agrees with the customer on the materials, components and mechanical parts it purchases; it also handles the packing and delivery of assembled and tested products directly to the customer's manufacturing and distribution chain.

After-Sales Services consist of product analyses, service and upgrades, maintenance and repair, spare parts and logistical services. Elcoteq offers its customers these services regardless of where the customer's product was originally manufactured.

PLANT	SERVICES	QUALITY AND ENVIRONMENTAL MANAGEMENT CERTIFICATES	AREA, M²
Lohja, Finland	Low to medium-volume production, NPI prototype line, NPI Center	ISO 9002, ISO 14001	14,000
Vaasa, Finland	Low-volume production, NPI Center	ISO 9002, ISO 14001	3,200
Tallinn plants, Estonia	Medium to high-volume production, NPI Center	ISO 9002, ISO 14001	31,000
Pécs plants, Hungary	High-volume production, after-sales services	ISO 9002, QS 9000, ISO 14001	46,000
Monterrey, Mexico	High-volume production	ISO 9002, ISO 14001, QS 9000	18,300
St. Petersburg, Russia	Medium to high-volume production	ISO 9002, ISO 14001	2,500
Baden, Switzerland	Low to medium-volume production, NPI Center	ISO 9001, ISO 14001	9,500
Überlingen, Germany	Low to medium-volume production, NPI Center	ISO 9002, ISO 14001	5,200
Dongguan, China	High-volume production	ISO 9002, ISO 14001	13,000
Beijing, China	High-volume production	ISO 9002	12,000
Hong Kong, China	NPI Center	ISO 9002	1,500
Total			156,200

Elcoteq's units

● Volume manufacturing
● NPI Center

1. Espoo, Group Office
2. Lohja ●
3. Vaasa ●
4. Stockholm ●
5. Tallinn ●
6. St. Petersburg ●
7. Pécs ●
8. Überlingen ●
9. Baden ●
10. Monterrey ●
11. Dallas ●
12. Dongguan ●
13. Beijing ●
14. Hong Kong ●
15. Tokyo ●

Terminal Products

The Terminal Products business area offers its customers electronics manufacturing services for consumer products. Its service range covers the entire lifecycle of its customers' products from product engineering services to after-sales. Terminal Products is Elcoteq's largest business area: its net sales in 2001 totaled MEUR 1,457 (MEUR 1,663), 78% of Group net sales.

Customers and products

The product groups manufactured by Terminal Products include mobile phones and their accessories, PDAs (Personal Digital Assistants), wireless terminals, and digital home communication products such as set-top boxes. Most of these are produced at Elcoteq's high-volume plants in Estonia, Hungary, Mexico and China.

Having worked for years with Ericsson and Nokia, the world's largest mobile phone manufacturers, Elcoteq is now well equipped to offer its services to other companies in this sector. The business area's customer portfolio today includes several other major international corporations such as Ascom, Motorola, Philips and Sony-Ericsson, in addition to Ericsson and Nokia. Terminal Products is working resolutely and diligently to broaden its customer base on all continents. In particular the interest now being shown by Japanese companies in outsourcing of manufacturing is creating new opportunities.

Growth in mobile phones declined

Growth in the mobile phone markets leveled off and for the first time demand declined during 2001, leading to a reduction in demand for manufacturing services. Furthermore the loss of Ericsson mobile phone manufacture in Europe to a competitor in January 2001 created challenging new conditions for Elcoteq. Construction of new capacity was halted and existing capacity was adjusted to the new situation. Sales and the search for new customers were intensified, while relations with existing customers were reinforced. After a particularly quiet first nine months Terminal Products' fourth-quarter sales were good. The business area's efforts to gain new key accounts likewise produced results in the final quarter as contracts were concluded with corporations including Ascom, New Horizon and Swissvoice.

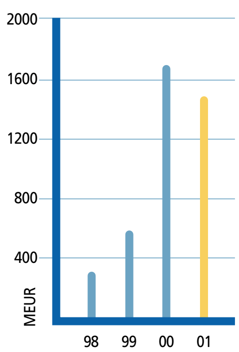
During the past two years Elcoteq has built up a network of NPI Centers to support its high-volume manufacturing plants. The role of the services these NPI Centers can offer has become even more important than before also in the Terminal Products business area. Buying in engineering and industrialization services from a specialized partner – Elcoteq – frees customers to concentrate on their core business operations.

Prospects for 2002

Following the halt to growth in the mobile phone markets in 2001 the attitude remains one of waiting. Growth expectations for mobile phones are high for the second half of 2002 and especially for the final quarter. Equipment manufacturers have announced the launch of new-generation mobile phones with multimedia features in the autumn. For Elcoteq this broadening of product portfolio will mean a possibility to increase sales of engineering, industrialization and manufacturing services.

Development of the mobile phone market in China during 2002 will have a significant impact on Elcoteq's operations. Elcoteq already has a strong presence in China and the company is currently planning new manufacturing capacity. However, engineering and design-for-manufacturability services will be needed to a greater extent in the future if the company is to meet local demand. Elcoteq's existing capacity in Europe and America is sufficient to meet current demand.

Net sales in 1998-2001



Communications Network Equipment

The Communications Network Equipment business area serves system integrators and OEM companies for whom Elcoteq manufactures wireless data and communication systems, subsystems and modules requiring special expertise. Base station and base station controller modules and plug-in units for mobile base stations, tower top amplifiers and antennas for GSM and 3G networks are all examples of products that need specific knowhow in radio frequency technology. The company is able to offer its broad range of services through the network of NPI Centers and manufacturing plants on three continents. Elcoteq also works closely with many local material, service and equipment suppliers, which enables the company to manufacture its customers' products more cost-efficiently and to a greater degree of completion.

Communications Network Equipment's net sales increased in 2001 almost 20% on the previous year to MEUR 171 (MEUR 143), approximately 9% of Elcoteq's total net sales.

Customer relations strengthened

Although the business area's growth targets were not reached in 2001 Communications Network Equipment now has the critical size necessary to execute also very large communication network equipment orders placed by its customers. Thanks to the division of Elcoteq's operations into three business areas in 2001, also the customers of Communications Network Equipment business area now receive considerably closer attention and better service than before. Elcoteq, likewise, is able to anticipate their needs more effectively and customer satisfaction has risen as a result. During 2001 Elcoteq clearly improved its position as a key supplier to its long-term customers as well as gaining several new key accounts.

The business area's largest customers in 2001 were Ericsson and Nokia. Other customers included Allgon, Remec and Andrew Corporation. Elcoteq began manufacturing base station antennas and RF cables for the latter in 2001.

Growth below expectations

Communications Network Equipment had a financially challenging year in 2001. At the beginning of 2001 Elcoteq forecast that this business area's net sales would at least double compared to the previous year. However, when operators' investments in communication networks fell well below expectations Elcoteq adjusted its capacity in line with demand. The company halted construction of new capacity in Poland and concentrated activities in Estonia on just one plant.

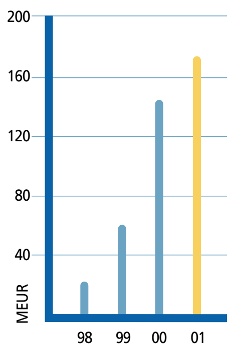
Developing knowhow receives constant attention

For several years Elcoteq has developed its knowhow in testing design, manufacture, final testing and delivery of products requiring radio frequency and digital signal processing. Developing these areas of competence continues to receive high priority, added to which Elcoteq is now able to offer equipment repair and spare parts services. The acquisition of Nokia's hardware repair center for communications network equipment in Finland at the end of 2001 represented a major step in Elcoteq's plan to broaden its service portfolio to cover the entire lifecycle of system products.

Prospects for 2002

The low level of investment in communication networks evident among telecom operators postponed the rapid growth forecast for 2001. Although it is difficult to forecast the exact timing of these investments, Elcoteq believes that for the second year in succession its Communications Network Equipment business area will grow faster than this sector on average.

Net sales in 1998-2001



Industrial Electronics

Industrial Electronics caters primarily to the needs of international electronics and automobile manufacturers. This business area's net sales in 2001 totaled MEUR 235 (MEUR 98), or 13% of the Group's consolidated net sales. With growth of almost 140% during the year Industrial Electronics showed by far the most vigorous growth among Elcoteq's business areas during 2001.

Customers and products

Customers of Industrial Electronics comprise companies in the process and automation industry, the automobile industry, and the medical, energy and transport sectors. Elcoteq's largest customers in this business are ABB, Bombardier, Kone, Philips, Vaisala and Viterra. The business area also serves many fast-track and technically demanding local customers.

Industrial Electronics offers a wide-ranging portfolio of products: Elcoteq's industrial electronics plants produce thousands of different products every year from electronic control, regulation and measuring devices to electronics for automobiles, trains and elevators, as well as hands-free equipment for automobiles and remote metering devices. Production series in industrial electronics are typically small, ranging from a few hundred to some tens of thousands of products a year – considerably smaller than for example in Terminal Products, where series often total hundreds of thousands and even millions of products. Process flexibility is therefore of paramount importance in the manufacture of industrial electronics.

The lifecycle of industrial electronics products is generally long, sometimes spanning even 20-30 years, and for this reason Elcoteq must ensure it can provide repair and spare parts services long into the future. Design services are integral to this business area's service portfolio. Many customers of industrial electronics have little or no specialist expertise in electronics manufacturing and therefore rely on Elcoteq's in-depth knowhow in engineering and testing, and the selection and purchasing of components. Elcoteq's NPI Center in Baden, for example, employs more than 100 professional engineers.

Net sales raised by acquisition

The main reason for the substantial increase in net sales was the acquisition in February 2001 of ABB's electronics manufacturing unit in Baden, Switzerland, which put the business area into the position of ABB's preferred global supplier. At the same time the two companies concluded a multi-year manufacturing and service agreement under which Elcoteq will provide ABB with various technology, manufacturing, industrialization and after-sales services. In March 2001 Industrial Electronics acquired Adtranz Schweiz's mechanical engineering unit, adding expertise in R&D and design-for-manufacturability in Baden, Switzerland. Roughly half of the Baden unit's net sales is derived from customers outside the ABB Group.

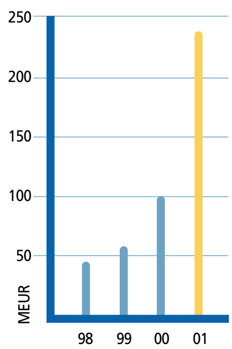
In November Elcoteq and KONE renewed their partnership agreement, bringing the two companies into substantially closer collaboration. They also agreed that Elcoteq should manufacture the electronics for the new-generation KONE MonoSpace elevators.

Prospects for 2002

Growth is expected to remain steady in the industrial electronics markets, which will therefore stay largely immune to the strong fluctuations in demand typical of almost all other segments of the electronics industry. The long lifecycles of industrial electronics products will guarantee continued demand well into the future, while outsourcing will increase in this sector as well.

Elcoteq still manufactures most of its industrial electronics products in Europe. The company plans to make the scope of its Industrial Electronics business area's services global. Elcoteq is also engaged in an active effort to attract new customers in America, Asia and Europe. In 2002 Elcoteq's Industrial Electronics aims to grow at the average growth rate among EMS companies.

Net sales in 1998-2001



Human resources and organization

In human resource management Elcoteq's priorities are correct resource allocation within the organization, developing inspiring leadership and dialogue, and building the management tools, processes and systems necessary for effective management of human resources. These priorities were even further emphasized during 2001 when the company was required to adjust its operations and personnel to a decline in demand. The number of employees in the Group fell during 2001 from almost 11,500 at the end of the previous year to 8,350.

Rapid changes in the marketplace also put new demands on HR management in Elcoteq: correct resource allocation no longer meant continuous recruitment but rather ensuring that the right skills and competences remained in the organization despite the personnel reductions. In this situation it was crucial to set appropriate targets and monitor results both at the corporate and individual employee levels. Accordingly Elcoteq intensified the processes related to internal job rotation and appraisal discussions during 2001. The company also started a project focusing on competence management and re-specified Elcoteq's key competence areas.

The Competence Group activities were continued during 2001. This involves the transfer of expertise, knowledge and best practices throughout the organization. In Competence Groups experts in a particular discipline from different parts of the company meet to discuss best practices, exchange information and develop operational processes together.

Elcoteq continued varied and intensive collaboration with universities and other educational institutions during 2001. Company employees in many countries participated in ongoing professional training programs at universities and colleges. In Hungary, for example, Elcoteq's Pécs plant runs its own training fund which supports personnel attending local professional courses. In China Elcoteq started co-operation with four universities and in Russia training and collaboration was started with St. Petersburg Technical University and the Institute of International Leadership under the EuroRussia project. In Finland Elcoteq is involved in several 1-2 year technology development projects, one of which is with the Technical University of Helsinki. The company has also engaged itself in the Partnership Program of the Helsinki School of Economics and Business Administration since the beginning of 2002.

Adjustment program

Elcoteq started an adjustment program in the summer of 2001 to bring its operations and costs into line with the deteriorating market conditions. The program's measures applied to all activities and units in the company. The number of employees was reduced by about 1,500 during the autumn. This was in addition to a reduction of about 1,500 employees in the spring following the termination of mobile phone manufacture for Ericsson in Europe. The largest personnel reductions were made in Hungary, Estonia and Mexico.

Production capacity has been focused increasingly on low-cost countries. In higher cost countries, such as Finland and Germany, the company decided to concentrate in the future on providing NPI services. This change meant a one-third reduction in personnel at both locations. In Poland Elcoteq's decision to move production from the Wroclaw plant to its plants in Hungary reduced the number of employees by about 240. Despite these personnel reductions Elcoteq has remained well able to serve its customers.

Growth continued in Asia

In China the number of employees rose as organic growth in business volumes continued. Elcoteq's manufacturing plants in China had altogether almost 2,000 employees at the end of 2001, as against approximately 1,400 one year earlier. In Switzerland an acquisition added about 300 employees to the number of personnel.

Internal training programs

The company started up a new Leadership training program during 2001 to foster leadership and teamwork skills. The first pilot session was held in Monterrey, Mexico, in January, 2001 followed by similar sessions in all the company's other business units. Implementation of the program will continue during 2002.

Corporate Induction Training was continued in the spring of 2001. Under this scheme new key employees are given induction training in the company's key processes, business areas, operating model, strategies and values.

Incentive schemes

Anticipating future challenges and achieving the company's targets require employees to make a continuous effort, to work hard and to commit themselves to the company's operating methods and values. Elcoteq's Annual General Meeting in spring 2001 approved the issue of new stock options as part of the company's incentive scheme for key employees. The scheme covers approximately 310 Elcoteq people.

In addition to its two stock option schemes Elcoteq also operates other incentive programs linked, for example, to the company's financial performance and production targets. In 2002 Elcoteq will also place high priority on developing its remuneration policy and procedures to support and motivate personnel in their efforts to ensure profitability and achieve the company's strategic goals.

Organization

Elcoteq revised its operating model in 2001 to enable the company to respond more effectively to the needs of its markets and customers. The company divided its operations according to customer groups into three business areas: Terminal Products, Communications Network Equipment, and Industrial Electronics. The product line organization of the manufacturing plants was unchanged because it is central to the provision of Elcoteq's services. The main objectives of the renewal were to bring Elcoteq closer to its customers, to increase flexibility and to make decision-making faster by bringing it closer to the plants.

Challenges in 2002

The year 2001 sprang a number of surprises for Elcoteq that prevented the company from carrying through all the projects planned for the year. It was decided, for example, to postpone the employee survey and its related value revision process that were planned to be carried out in 2001. The purpose of this survey, which will be conducted in all Elcoteq units during the spring 2002, is to establish employees' experience and impressions of the current state of affairs in the company. The results of the survey will be used to target development projects on the right issues and to ensure that every Elcoteq employee has the opportunity to have a say in the development of his or her work and working environment.

Environmental management

Elcoteq's Environmental Policy defines the principles and objectives of environmental management in the company. These principles commit Elcoteq to environmental responsibility in all its activities. Elcoteq also recognizes its responsibility for the environmental impacts of the products it manufactures throughout the value chain. Legislation sets minimum standards of environmental protection on Elcoteq's manufacturing plants and represents a starting point for continuous improvement. However, as an EMS company Elcoteq operates as an integral part of its customers' value chain and therefore the most significant requirements related to the environmental impact of Elcoteq's activities come directly from the customers.

Environmental management systems

Elcoteq's policy is that all its manufacturing plants independently manage the environmental impacts of their operations by means of a certified environmental management system. Nine of Elcoteq's plants had ISO 14001 certification at the end of 2001, bringing approximately 85% of all Elcoteq employees within the scope of environmental management systems. In 2001 Det Norske Veritas granted environmental certificates to Elcoteq's plants in Helsinki, Finland (now part of the Lohja NPI Center), Überlingen, Germany and St. Petersburg, Russia. The St. Petersburg plant is among the first companies in Russia to gain ISO 14001 certification.

Environmental protection at the plants

The operations of Elcoteq's manufacturing plants complied with the Group's Environmental Policy during 2001. The units reported no damage or incidents that caused significant environmental impacts and the company is not aware of any infringements to its operating permits.

Environmental issues are given consideration at all stages of production at the plants. The main areas of focus are waste management, packing, energy consumption, and the safe and economical use of materials in the manufacturing processes.

Environmental issues in the supply chain

Managing environmental impacts in the electronics industry requires active participation by the entire value chain in order to ensure sustainable development and for this reason Elcoteq has integrated environmental issues into the quality assurance it applies to its suppliers. Environmental issues are considered at all stages of Elcoteq's quality assurance process and in this context environmental management became an integral part of Elcoteq's co-operation with its suppliers during 2001.

Besides working with its suppliers in environmental issues, Elcoteq has also paid attention to the environmental aspects of transportation. In 2001 Elcoteq, together with its key transport partners, studied the environmental impacts of transportation of components and materials to three of Elcoteq's manufacturing plants in Europe by road. This study will be continued with the object of identifying the key environmental issues related to Elcoteq's transportation operations and to establish what influence the company is able to exert in this context.

Research and community involvement

During 2001 Elcoteq was involved in a number of research and development projects with universities and research institutions aimed at protecting the environment. Examples include projects related to the development of a lead-free soldering process, and to studies of the environmental impacts of the supply chain and materials in the electronics industry.

Elcoteq also collaborates with local stakeholder groups. In Lohja, Finland, for instance, Elcoteq has for a number of years worked alongside the city of Lohja and other companies and associations in an "environmental cluster" focusing on local environmental matters.

Monitoring and reporting

Elcoteq is continuously enhancing its ability to evaluate and report on its environmental performance. A Group-wide database of environmental information was introduced during 2001. Its purpose is to support the environmental management systems of the business units and the setting of environmental targets. It also functions as a tool for monitoring and reporting on environmental performance throughout the Group. With introduction of the new reporting system Elcoteq now measures 25 environmental parameters. These are used by the company to improve global monitoring of its environmental performance. Further development of Elcoteq's environmental indicators and reporting system will ensure that environmental information is shared efficiently to customers, personnel and other stakeholders. Elcoteq's own website is one of the company's main channels of communication on environmental matters.

Quality management

Quality management at Elcoteq is aimed at developing and maintaining the company's processes, systems and performance to world-class levels. A simultaneous priority is to achieve a globally consistent quality approach and tools to ensure that Elcoteq's customers and partners receive high-quality services at all Elcoteq plants regardless of their operating environment. Consistent functions and processes also make it possible to target resources, personnel and services rapidly and flexibly as the needs of Elcoteq's business require.

Continuous improvement

During 2000 and 2001 Elcoteq applied globally two kinds of assessment based on benchmarking, one of which focused on plant management and the other on the manufacturing processes themselves. The assessments are used to compare Elcoteq's management practices and business performance against world-class best practices and performance. The owners of the processes and functions use the assessment results to continuously improve the operations in order to reach the set targets. The best practices revealed by the assessments are distributed to Elcoteq's other units by Competence Groups set up to cover different areas of expertise. The 2001 assessments showed that significant improvements had been achieved in Elcoteq's operations compared to the previous year.

Internal quality award

Elcoteq launched an internal Quality Award in 2001 to encourage all its units to develop their systems and processes to world-class levels. The competition is based on the criteria of the European Foundation of Quality Management to the extent applicable to Elcoteq's global operations. At the same time these criteria reflect the main development priorities stipulated in Elcoteq's business plan.

The chosen assessment categories were customer satisfaction, management practices and business performance at the plants, manufacturing processes, implementation and development of globally consistent operating procedures, savings achieved through Six Sigma and definition of the competence matrix, its assessment and utilization in the business units. The results of the competition will be released during the spring of 2002. The exemplary practices of the winning organization will be deployed elsewhere in the company.

Quality systems

Elcoteq's global policies and operating principles are set out in the Elcoteq Manual. The systems employed at all Elcoteq sites are required to comply with the Manual's instructions and all plants are required to have at least ISO 9000 certification.

Audits based on the Manual's stipulations were performed at all Elcoteq's plants during 2001. Their purpose was to establish that the plants' operating principles and guidelines were up to date and to determine how they were applied in practice. The audits were also carried out to identify and distribute best practices throughout the company.

At the end of 2001 all Elcoteq plants had ISO 9000 certification: one had ISO 9001 certification and the rest ISO 9002 certification. Two plants are also QS 9000-certified.

Six Sigma

Further Six Sigma training was given during 2001 and the company formed a global network of Black Belt experts operating in Europe, Asia and America. Black Belt experts supervise projects and help the organization to measure the right parameters in the right way and analyze the data collected.

Six Sigma is a method for optimizing processes and working methods in order to minimize the occurrence of errors or defects. The goals are to improve customer satisfaction, operational efficiency and financial performance. Using this method, Elcoteq ensures that its business processes and services are efficient and first-class, and that they fulfill customers' needs.

Elcoteq also employs Six Sigma in its relations with its customers and suppliers, where the method acts as a common language for all parties. Six Sigma, in other words, is not simply an internal process of improvement; by ensuring that data is systematically collected and analyzed it enables all parties in the value chain to exploit this data when developing their own products, processes and operations.

EMS market review: Demand for EMS dipped – future expectations remain unchanged

The year 2001 was quite exceptional in the history of the electronics manufacturing services (EMS) industry as, for the first time, demand declined from the previous year. Technology Forecasters Inc. (TFI), an American market research company specializing in the EMS business, estimated the size of this industry in 2001 to be almost USD 104 billion, or roughly 2% lower than one year earlier. Future expectations, however, remained very bright with TFI estimating average growth of 29% a year over the next four years. Growth is being driven in particular by accelerating demand for communications network electronics alongside continuous outsourcing of production and services by electronic equipment manufacturers.

Rate of growth gains pace

The main driver of demand for electronics manufacturing services used to be the insufficiency of manufacturing capacity among electronic equipment manufacturers during peaks in demand. The nature of the EMS business has changed over the past few years, however, as electronics companies have tended to concentrate on their core businesses, outsourcing the manufacturing function to EMS specialists. EMS companies have since taken responsibility for many other services as well. As their service portfolios broaden, outsourcing becomes increasingly prevalent and end-user markets expand in volume, the pace of growth in the EMS business will accelerate in the years ahead.

Divestments continue

Besides manufacturing and various support services, outsourcing contracts with electronics manufacturers increasingly require EMS companies to take over entire manufacturing plants and production staff. The largest such divestments have covered as many as ten manufacturing plants and thousands of employees.

Number of EMS partners is declining

In the past couple of years many major electronics companies have announced cuts in their supply chains. In practice this has reduced the number of EMS partners in the market from several dozen to a few global operators. Concentration of orders has encouraged preferred EMS companies to broaden their service portfolios and expand their manufacturing plant networks in all markets.

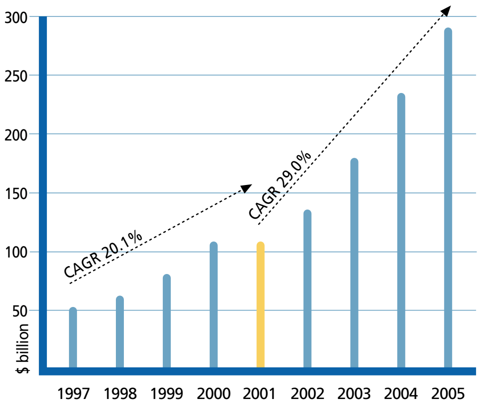
Further consolidation

The number of corporate acquisitions in the EMS sector has risen year by year. Concurrent with this trend the size of the companies acquired and the significance of these acquisitions have growth appreciably. A few years ago the large EMS players bought mainly small or medium-sized competitors but in 2001 the industry saw many mergers between companies ranked among the ten largest in the world. Vigorous consolidation is expected to continue in the years ahead with candidates for acquisition including both small and large EMS companies as well as many others offering various support services.

Polarization in the EMS field

The supremacy of the largest EMS companies over their smaller competitors was already visible in 1997 when the ten largest represented more than one-third of total global sales of electronics manufacturing services. Consolidation over the years, together with a continuous expansion in the scope of customer agreements, has led to an ever clearer polarization among companies in the EMS sector. In 2001 the ten largest EMS players commanded two-thirds of global EMS manufacturing volumes and indeed the sector is more clearly than ever becoming split between global operators and smaller niche service providers.

Size and growth forecasts for the EMS industry 1997-2005



Source: Technology Forecasters, Inc.

Manufacturing in low-cost countries

As competition grows in intensity EMS companies have substantially downscaled their costs. The clearest evidence of this is the transfer of manufacturing operations to low-cost countries in Eastern Europe and Asia, notably China.

Service portfolios expand

EMS companies have expanded their services to cover the entire lifecycle of the products they manufacture in response to concentration by customer companies on their core businesses. In addition to assembly, the traditional EMS business, customers are now increasingly being offered value-added services such as engineering, prototyping, service and maintenance, and also component, circuit board, mechanical and cable manufacturing.

Asia grows in significance

China's share of the global electronics manufacturing market is increasing continuously and some estimates suggest that in 2005 one in five electronic products will be made there. For EMS companies China is even more important because the country already contributes more than 30% of total EMS sales and this share is expected to grow further in the years ahead.

The most significant change for the EMS business as a whole is the change in outsourcing policy among Japanese electronics companies. Having until now manufactured almost everything themselves, the Japanese have started to transfer manufacturing and also manufacturing plants to EMS companies. In the years ahead the EMS companies can expect to sign major outsourcing agreements with the Japanese companies.

As a new competitor group, ODM companies, most of which are based in Taiwan and Hong Kong, have rapidly emerged alongside EMS companies in the competition for consumer electronics, especially mobile phones, and communications network equipment manufacturing. EMS companies have responded to this challenge by increasing their design capabilities and building new capacity in Asia.

Elcoteq's position in the EMS markets

In 2001 Elcoteq was the sixth largest EMS manufacturer in the world in terms of sales. Such a position, combined with strong knowhow and experience in the manufacture of electronics for communications products, puts the company on a solid platform for rapid growth in the years ahead.

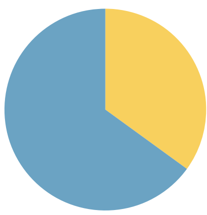
Elcoteq has continuously expanded its service portfolio in line with customer demand. Examples include the increase of engineering services and the inauguration of new NPI Centers in several countries, as well as the acquisition of a repair center from Nokia Networks in Finland at the end of 2001.

Concentrating operations in larger units and moving production to low-cost countries have raised Elcoteq's competitiveness. Asia has grown in importance recently as an area for development of manufacturing and business operations. Elcoteq has two manufacturing plants in China: in Beijing and Dongguan, and the company plans to build a third plant in the Xingwang Industrial Park in Beijing.

Top 10 companies' share of the total EMS market

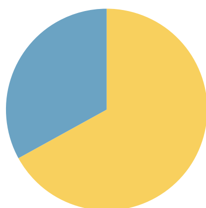
1997

Total EMS market	$ 50 billion
Top 10	35%
Others	65%



2001

Total EMS market	$ 104 billion
Top 10	67%
Others	33%



Formulas for the calculation of financial ratios

Return on equity (ROE) =	(Profit before extraordinary items – taxes) x 100 / Shareholders' equity + minority interests, average of figures at beginning and end of year
Return on investment (ROI/ROCE) =	(Profit before extraordinary items + interest and other financial expenses) x 100 / Total assets – non-interest-bearing liabilities, average of figures at beginning and end of year
Current ratio =	Current assets / Current liabilities
Solvency 1 =	(Shareholders' equity + minority interests) x 100 / Total assets – advance payments received
Solvency 2 =	(Shareholders' equity + convertible capital notes + minority interests) x 100 / Total assets – advance payments received
Gearing 1 =	Interest-bearing liabilities – cash and cash equivalents / Shareholders' equity + minority interests
Gearing 2 =	Interest-bearing liabilities – convertible capital notes – cash and cash equivalents / Shareholders' equity + convertible capital notes + minority interests
Earnings per share (EPS) =	Profit before extraordinary items – taxes – minority interests / Adjusted average number of shares during the period
Shareholders' equity per share =	Shareholders' equity / Adjusted number of shares at the end of the period
Dividend per share =	Dividends paid for the fiscal year / Adjusted number of shares at the end of the period
Pay-out ratio =	Dividends paid for the fiscal year x 100 / Profit before taxes – income taxes – minority interests
Dividend yield =	Dividend per share x 100 / Average share price at the end of the period
P/E ratio =	Average share price at the end of the period / Earnings per share (EPS)
Return on investment (ROI/ROCE) from 12 preceding months =	(Profit before extraordinary items + interest and other financial expenses) x 100 / Total assets – non-interest-bearing liabilities, average of figures at beginning and end of the period

In the following formulas the convertible capital notes are included in interest-bearing liabilities and not in shareholders' equity.

Five years in figures

		2001	2000	1999	1998	1997
OPERATIONS						
Net sales	MEUR	1,862.5	2,213.5	752.5	394.6	282.3
of which outside Finland	%	76.5	68.5	80.3	64.7	77.8
Gross capital expenditure	MEUR	45.1	125.7	50.2	44.0	22.2
(excludes operating leases)						
Personnel on average during the year		9,960	9,630	4,733	3,085	2,593
PROFITABILITY						
Operating profit/loss	MEUR	-18.4	66.4	14.5	10.4	13.6
as percentage of net sales	%	-1.0	3.0	1.9	2.6	4.8
Profit/loss before taxes	MEUR	-30.7	54.4	9.8	8.7	9.6
as percentage of net sales	%	-1.6	2.5	1.3	2.2	3.4
Net profit/loss	MEUR	-32.0	37.2	5.0	7.1	7.3
as percentage of net sales	%	-1.7	1.7	0.7	1.8	2.6
Return on equity (ROE)	%	-11.7	19.3	5.4	6.6	12.1
Return on investment (ROI/ROCE)	%	-3.5	20.4	8.2	8.1	14.1
FINANCIAL RATIOS						
Current ratio		1.3	1.3	1.2	1.7	2.6
Solvency 1	%	39.6	35.1	27.5	43.8	52.7
Solvency 2	%	39.6	35.1	31.7	51.0	62.0
Gearing 1		0.2	0.5	0.7	0.4	-0.4
Gearing 2		0.2	0.5	0.5	0.2	-0.5
Interest-bearing liabilities	MEUR	75.8	182.3	89.3	44.3	26.8
Interest-bearing net debt	MEUR	39.4	150.5	68.8	30.6	-60.2
PER SHARE DATA						
Earnings per share (EPS) *)	EUR	-1.08	1.38	0.21	0.32	0.44
Diluted earnings per share (EPS)		-0.99	1.33			
Shareholders' equity per share	EUR	7.99	9.37	5.04	4.81	4.53
Diluted shareholders' equity per share		7.11	9.07			
Dividend per share **)	EUR	0.00	0.38	0.11	0.03	0.03
Pay-out ratio **)	%	0.0	30.0	51.0	11.0	10.7
Dividend yield **)	%	0.0	1.1	0.7	0.4	0.3
P/E ratio		-9.1	24.4	72.0	30.1	26.1
Share price						
* lowest	EUR	3.30	13.00	7.07	5.21	10.76
* highest	EUR	34.90	43.00	15.90	14.30	12.78
* average	EUR	11.92	30.26	9.42	9.46	11.85
* at the end of the year	EUR	10.00	33.50	15.20	9.25	11.52
Market capitalization						
* A share	MEUR	189.1	633.5	193.6	117.8	146.8
* K share	MEUR	105.8	354.3	160.8	97.8	121.9
* Total	MEUR	294.9	987.9	354.4	215.7	268.6
Market capitalization for both share series have been calculated using closing share price at the end of the year.						
Trading of shares						
* Number of shares traded	Shares	39,324,316	31,957,599	10,706,930	12,508,204	889,992
* As percentage of all A shares	%	207.9	169.0	84.1	98.2	7.0
Adjusted weighted average number of shares during the period	Shares	29,491,373	26,944,809	23,315,500	23,315,500	16,558,377
Adjusted number of shares at the end of the period	Shares	29,491,652	29,488,902	23,315,500	23,315,500	23,315,500

**) The diluted profit for the period/share (EPS) has not been presented for 1997-1999 since it has been higher than the undiluted EPS because of interest expenses arising from convertible capital notes.*
***) The dividend for the financial year 2001 is the Board's proposal to the Annual General Meeting.*

Since 1998 the financial statements have been prepared in compliance with the Finnish Accounting Act, which came into force on December 31,1997. The financial statements and key ratios for 1997 have been adjusted correspondingly.

Report by the Board of Directors
January 1 – December 31, 2001

The markets in 2001

The halting of growth in the mobile phone and communications network markets required the industry, which had anticipated continuing growth, to take streamlining measures. At the same time competition intensified considerably and only very few of the strongest corporations in the entire electronics sector were able to maintain a good level of profitability.

The difficult market conditions accelerated outsourcing of manufacturing operations with electronics companies in many cases selling their entire production function to their electronics manufacturing services (EMS) partners. Most of these new outsourcing projects went to the largest and most international EMS companies, which further polarized the EMS business between large international players and small local niche companies.

Despite the modest growth in the degree of outsourcing the electronics manufacturing services industry in fact shrank in volume approximately 2% during 2001 as manufacturing volumes were hit by weaker than expected demand for end products.

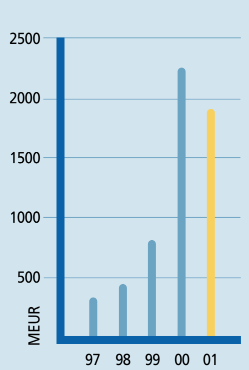
Elcoteq's growth expectations not reached

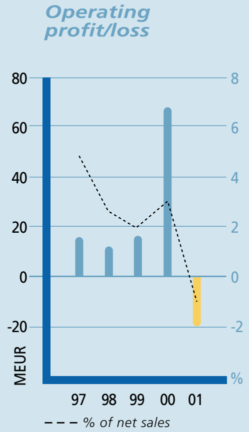
Elcoteq's net sales in 2001 totaled MEUR 1,862.5 (MEUR 2,213.5 in 2000), i.e. 15.8% down on the previous year. There were two principal reasons for the decrease. The first was Ericsson's decision in January 2001 to cease manufacturing mobile phones in Europe and to sell its manufacturing plants to a competitor of Elcoteq. This meant the termination of mobile phone production for Ericsson at Elcoteq's plant in Estonia during the first quarter and at its plant in Hungary during the second quarter. In 2000 manufacturing of Ericsson mobile phones at Elcoteq's plants in Europe accounted for almost 30% of Elcoteq's net sales. In 2001 this figure dropped to below 5%. The second reason behind the reduction in Elcoteq's net sales was the termination of PC monitor manufacturing for Nokia, as planned, at the end of 2000. In 2000 this activity represented over 10% of Elcoteq's net sales. Hence Elcoteq's net sales in 2001 were entirely missing operations that accounted for roughly one-third of its net sales in 2000.

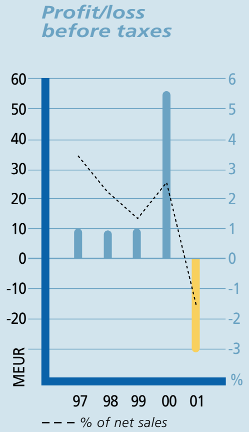
As the year 2001 got under way Elcoteq's plans were still built around rapid growth in net sales of as much as 50%. This was based on well-grounded expectations of growth in outsourcing and manufacturing volumes related to both mobile phone manufacturing and, in particular, to the manufacture of communications network equipment.

In the former case, mobile phones, the expected growth was based both on general forecasts of market growth and on agreements already concluded with customers. In October 2000, for example, Elcoteq had agreed with Ericsson that Elcoteq's plants in Estonia and Hungary should handle the bulk of Ericsson's mobile phone manufacturing. Ericsson's unexpected decision in January 2001, described above, undercut these expectations. All in all net sales of the Terminal Products business area, which manufactures mainly mobile phones, fell approximately 12% in 2001 to MEUR 1,456.9 (MEUR 1,662.5). The considerable reduction in manufacturing volume in Europe was offset by marked growth in China.

Growth expectations were even higher in communications network systems than in mobile phones. Elcoteq had negotiated a stronger supplier position for itself with two leading communications network equipment manufacturers, Ericsson and Nokia. Manufacturers and analysts in this field, moreover, forecast that telecoms operators would begin heavy investments during 2001 to build third-generation mobile phone networks. Investments by operators were postponed indefinitely, however, and Elcoteq's sales in this business area did not grow anything like as expected even though the company saw its Communications Network Equipment's net sales







increase almost 20% to MEUR 170.9 (MEUR 142.9).

In Industrial Electronics, Elcoteq reached its net sales target for 2001; this business area's net sales rose almost 140% from MEUR 98 in the previous year to MEUR 234.8. The main contributing factor was the acquisition of an industrial electronics manufacturing unit from ABB in Switzerland at the beginning of 2001. Operations also developed well with other industrial electronics customers. In October, for example, Elcoteq made a new partnership agreement with Finnish elevator manufacturer Kone bringing both companies into much closer collaboration as Elcoteq became Kone's preferred electronics supplier.

Elcoteq's largest customers in 2001 were companies belonging to the ABB, Ericsson, Kone, Nokia and Philips groups. Companies in the Ericsson and Nokia groups accounted for 85% (92%) of Elcoteq's net sales. In 2001 Elcoteq gained several new customers like Andrew Corporation in the USA. These agreements did not include the acquisition of customers' manufacturing plants and therefore co-operation began with small manufacturing volumes.

Fourth-quarter result

Demand strengthened considerably during the fourth quarter compared to the previous quarter. Christmas sales caused an appreciable increase in production volumes.

Net sales in the final quarter totaled MEUR 531.6 (MEUR 689.8). This exceeds the company's target of MEUR 500 and also represented a 24% increase in net sales on the previous quarter's figure of MEUR 427.7. The result of operations in the quarter was, as forecast, positive, an operating profit of MEUR 4.9 compared to an operating loss of MEUR -16.1 in the third quarter. The pretax profit was MEUR 2.9 (MEUR 14.5). Earnings per share in the fourth quarter were 0.00 euros (0.35 euros in Q4/2000).

Management of working capital was excellent despite the sharp increase in net sales. A further reduction in inventories was evident in the fourth quarter by approximately MEUR 20.8 and cash flow was MEUR 58 positive.

Net sales and performance in 2001

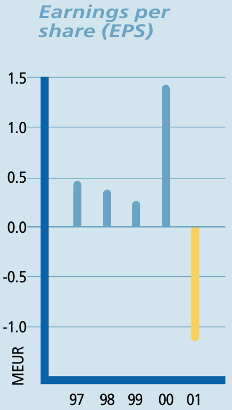
Elcoteq's net sales in 2001 totaled MEUR 1,862.5 (MEUR 2,213.5) and the company posted an operating loss of MEUR -18.4 (MEUR 66.4). The operating loss included non-recurring costs amounting to MEUR -18.8. Of this figure, a single write-off of MEUR 7 was entered in the second quarter on material liabilities arising from the sharp slowdown in business volume, and MEUR 11.8 was recorded in the third quarter as costs arising from the adjustment program. The operating loss also included MEUR 27 in other income from operations, most of which consisted of compensation for materials and unused reserved capacity.

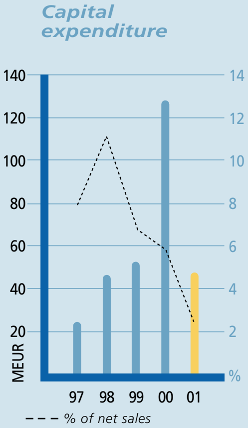
Elcoteq recorded a pretax loss of MEUR -30.7 (MEUR 54.4) and a loss after taxes and minority interest totaling MEUR -32.0 (MEUR 37.2). Elcoteq's balance sheet remained strong and totaled MEUR 610.7 at the year end. The balance sheet was considerably lighter than the figure at the close of the previous year, MEUR 801.4, largely because of lower inventories. Inventories at the end of December amounted to MEUR 177.7 (MEUR 300.5 one year earlier and MEUR 198.6 at the end of September).

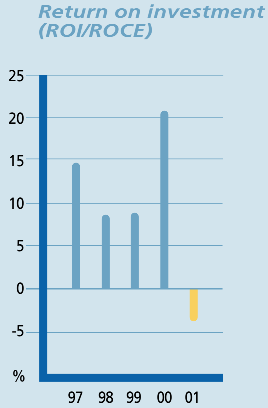
Capital expenditure

Gross capital expenditure totaled 2.4% of net sales or MEUR 45.1 (MEUR 125.7) and depreciation amounted to MEUR 48.4 (MEUR 34.7). The largest focus of investment was China. Other investments included the acquisition of the electronics unit in Baden, Switzerland, and a repair center for communications network equipment from Nokia Networks in Finland.

At the beginning of November Elcoteq's Board of Directors decided to build a new manufacturing plant in the Xing-







wang Industrial Park in Beijing, China. The plant, now under design, will manufacture mobile phone electronics.

Financing

The Group's liquidity remained strong throughout the year. The solvency ratio was 39.6% (35.1%) at the end of the period. Interest-bearing net debt at the end of December totaled MEUR 39.4 (MEUR 150.5) and the company had MEUR 157.8 in unused credit lines. Interest-bearing debt carried average interest of 4.5% at the end of the period.

The strongly positive cash flow (MEUR 123), mainly the result of released working capital, enabled the company to reduce its loan principal. In addition to the reduction in inventories, attributable to improved material turnover, the company also sold accounts receivable to certain financial institutions. Sold accounts receivable totaled MEUR 81.2 (MEUR 46.9) at the year end and are not included in the balance sheet.

Elcoteq signed an agreement with a syndicate of five banks for a MEUR 105 revolving credit facility in March 2001. This was used to refinance earlier revolving credit facilities and for general corporate purposes.

Adjustment program

In response to the reduction in demand Elcoteq initiated an adjustment program aimed at achieving annual savings of MEUR 16. The savings will be fully evident during 2002. The program's measures affect all parts of the company.

A central element of the adjustment program was the release of working capital, mentioned above. Management of the company's working capital processes was made more efficient.

The program included the decision to move production from the plant in Poland to Hungary. It was decided to convert the plants in Überlingen, Germany, and Lohja, Finland, to providing engineering and new product introduction services. Production capacity was reduced substantially in Estonia, Hungary and Mexico.

The adjustment program resulted in non-recurring costs totaling MEUR 11.8 for the Group. These costs, recorded in the third quarter, related to capacity reductions and restructuring, personnel reductions and the withdrawal from Poland.

Three business areas

Elcoteq reorganized its operations around three business areas at the beginning of 2001 in order to serve all these areas' customers more effectively. The business areas are: Terminal Products, Communications Network Equipment and Industrial Electronics.

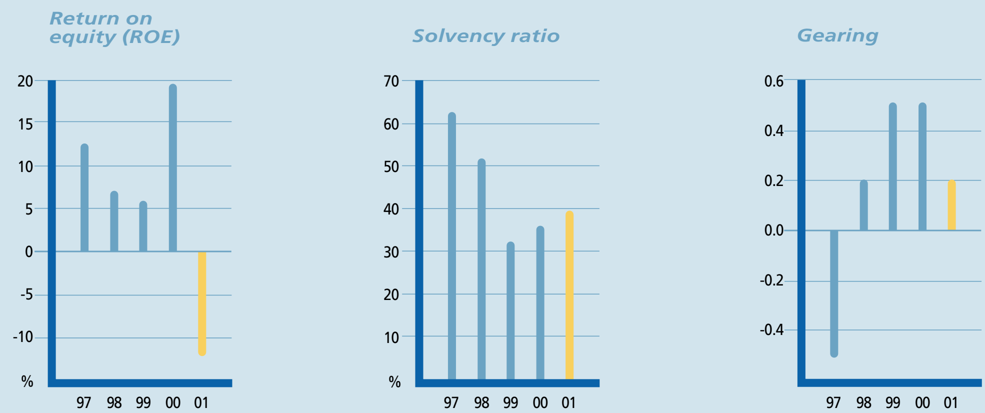
The Annual General Meeting

Elcoteq's Annual General Meeting was held on March 14, 2001. The Meeting authorized the Board for one year to float one or several convertible bond loans and/or to issue stock options and/or to decide on raising the share capital in one or more installments through a rights issue. At most 5,898,330 new Series A shares may be subscribed under this authorization. The Meeting also authorized the Board to purchase at most 1,474,582 of the company's own Series A shares in one or more installments. At the same time the Board was authorized to dispose of the same number of shares on specific terms. None of the authorizations has been exercised.

The Meeting approved the Board's proposal to issue new stock options to key employees in Elcoteq Network Group and to a wholly owned subsidiary of Elcoteq Network Corporation. The stock option scheme was implemented and based on these warrants the total number of Series A shares could increase by 2,685,000.

Board of Directors and President

Elcoteq Network Corporation's Annual General Meeting on March 14, 2001 re-elected the following persons to the Board



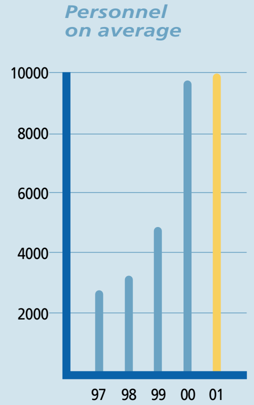
of Directors: President Martti Ahtisaari; Mr Heikki Horstia, Vice President, Treasurer of Wärtsilä Corporation; Mr Antti Piippo, Chairman of the Board of Elcoteq Network Corporation; Mr Henry Sjöman, Group Vice President, Elcoteq Network Corporation; Mr Juha Toivola, MSc; and Mr Jorma Vanhanen, Group Vice President, Elcoteq Network Corporation. Mr Eero Kasanen, Rector of the Helsinki School of Economics and Business Administration, was elected to the Board as a new member. The Board elected as its chairman Mr Antti Piippo who at the end of August temporarily handed over his responsibilities in this capacity owing to events in his private life. Since then the Board has been chaired by its deputy chairman Mr Juha Toivola.

Mr Tuomo Lähdesmäki, the President since 1997, resigned on August 3, 2001 and his place was taken temporarily by Mr Hannu Bergholm, MSc (Econ.). Mr Bergholm's term ended on November 30, 2001 with the appointment of Mr Lasse Kurkilahti, BSc (Econ.), as President and CEO of the company.

Shares and shareholders

Elcoteq's Annual General Meeting on March 14, 2001 decided to amend the Articles of Association with respect to the company's share capital and nominal share value owing to the adoption of the euro. The nominal value of the company's Series A and K shares was changed to 0.4 euros per share. The company's share capital now totals 11,796,660.80 euros. The company had altogether 29,491,652 shares at the end of 2001: the number of Series A shares totaled 18,914,652 and the number of Series K shares 10,577,000.

According to the share register on December 28, 2001 the company had 12,947 registered shareholders. There were altogether 7,068,153 nominee-registered or foreign-registered shares, representing 24% of the shares and 5.7% of the total voting power at general meetings.



The auditors

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

Personnel

Elcoteq's personnel decreased by approximately 3,000 during 2001. The largest reductions took place in Estonia and Hungary, and the largest increase was in China. At the end of December 2001 the Group had altogether 8,350 (11,371) employees: 964 in Finland and 7,386 in other countries. The average number of employees during 2001 was 9,960 (9,630).

Prospects

Economic uncertainty is still prevalent in most business sectors. Visibility to market trends remains poor and for these reasons it is difficult for the company to estimate its prospects accurately.

Based on the current outlook Elcoteq's first-quarter net sales will remain clearly below the previous quarter's net sales and its result will be a loss. A primary goal is to increase sales and achieve a substantial improvement in profitability during the latter part of 2002.

Changes in the operating environment will require not only adjustment measures but also reformulation of Elcoteq's strategy. The aim is to exploit and further develop the company's existing manufacturing network and expertise so that Elcoteq's services provide a sustainable competitive advantage to selected customer groups.

Board's dividend proposal

The Board proposes to the Annual General Meeting that no dividend be distributed on the financial year 2001.

Helsinki, February 4, 2002
Board of Directors

Consolidated income statement

INCOME STATEMENT, EUR 1,000	Note	Jan. 1- Dec. 31 2001	Jan. 1- Dec. 31 2000
NET SALES	1	**1,862,490**	**2,213,537**
Change in stock of work in progress and finished goods		-10,305	17,439
Other income from operations	2	27,382	8,509
Production materials and services			
Materials and supplies			
Purchases during period		-1,450,462	-2,070,789
Change in inventories	3	-137,611	117,819
Materials and supplies, total		-1,588,073	-1,952,970
External services		-830	-4,712
		-1,588,903	-1,957,683
Personnel expenses	4		
Wages, salaries and fees		-109,868	-85,944
Indirect personnel expenses			
Pension costs		-11,877	-9,765
Other indirect personnel costs		-17,710	-12,193
		-139,455	-107,902
Depreciation and writedowns	5		
Depreciation according to plan		-48,194	-34,629
Amortization of goodwill on consolidation		-180	-78
		-48,374	-34,707
Other operating expenses	6	-109,484	-72,748
Restructuring costs	7	-11,794	-
OPERATING PROFIT/LOSS		**-18,443**	**66,445**
Financial income and expenses			
Financial income			
Exchange gains		2,754	1,579
Other financial income		1,920	2,358
		4,675	3,937
Financial expenses			
Interest expenses		-9,909	-11,202
Exchange losses		-2,547	-1,909
Other financial expenses		-4,494	-2,876
		-16,951	-15,987
Financial income and expenses, total		-12,276	-12,051
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		**-30,718**	**54,394**
Extraordinary items		-	-
PROFIT/LOSS BEFORE TAXES		**-30,718**	**54,394**
Income taxes			
Income taxes for the financial year		-1,794	-17,025
Income taxes for prior years		-342	-344
Other direct taxes		-626	-171
Change in deferred tax liability	10	2,931	1,979
Income taxes, total		169	-15,562
Minority interests		-1,434	-1,669
NET PROFIT/LOSS FOR THE FINANCIAL YEAR		**-31,984**	**37,163**

Consolidated cash flow statement

CASH FLOW STATEMENT, EUR 1,000	Jan. 1- Dec. 31 2001	Jan. 1- Dec. 31 2000
Cash flow from operating activities		
Profit/loss before extraordinary items	-30,718	54,394
Adjustments:		
Depreciation according to plan	48,374	34,707
Unrealized exchange gains and losses	-2,106	-711
Other income and expenses with no payment	-	-3
Financial income and expenses	10,087	9,687
Other adjustments	-1,412	-222
Cash flow before change in working capital	24,224	97,852
Change in working capital:		
Change in interest-free short-term receivables	90,026	-68,954
Change in inventories	151,630	-135,944
Change in interest-free short-term debt	-61,563	73,271
Cash flow from operating activities before financial items and taxes	204,318	-33,776
Interest paid and payments of other financial expenses	-14,160	-14,078
Dividends received from business operations	50	28
Other financial income from business operations	1,503	2,358
Income taxes paid	-1,401	-13,053
Cash flow from operating activities	**190,309**	**-58,521**
Cash flow from investing activities		
Investments in tangible and intangible assets	-43,856	-109,568
Proceeds from sale of tangible and intangible assets	3,126	7,462
Acquisition of subsidiary, net of cash acquired	-26,431	-7,904
Loans granted	-2	-
Repayments of loan receivables	245	1,805
Change in minority interest	-	-
Cash flow from investing activities	**-66,918**	**-108,205**
Cash flow from financing activities		
Proceeds from the issue of shares	29	104,451
Proceeds from other shareholders' equity	-	-29
Withdrawals of short-term debt	-1,831	57,689
Repayments of short-term debt	-107,399	-7,746
Withdrawals of long-term debt	3,659	25,786
Repayments of long-term debt	-3,202	-431
Dividends paid and other distribution of profits	-11,160	-3,077
Cash flow from financing activities	**-119,903**	**176,644**
Change in cash and cash equivalents	**3,488**	**9,918**
Cash and cash equivalents on January 1	**31,810**	**20,492**
Effect of exchange rate fluctuations on cash held	**1,134**	**1,399**
Cash and cash equivalents on December 31	**36,432**	**31,810**

Consolidated balance sheet

ASSETS, EUR 1,000	Note	Dec. 31, 2001	Dec. 31, 2000
Fixed assets	11		
Intangible assets			
Intangible rights		364	73
Other long-term expenditure		24,199	17,011
Advance payments		138	368
Goodwill on consolidation		467	321
		25,168	17,773
Tangible assets			
Land and water		2,436	2,413
Buildings		30,429	32,013
Machinery and equipment		116,867	125,276
Advance payments and construction in progress		3,416	3,734
		153,148	163,435
Investments	12		
Shares and holdings in associated companies		37	39
Receivables from associated companies		87	87
Other shares and holdings		491	845
		615	972
Fixed assets, total		**178,931**	**182,180**
Current assets			
Inventories	13		
Raw materials		142,459	265,597
Work in progress		14,697	18,280
Finished goods		20,325	16,606
Advance payments		266	16
		177,748	300,498
Long-term receivables			
Deferred tax assets	14	3,206	1,081
Other loans receivable		18	261
		3,223	1,342
Short-term receivables			
Accounts receivable	16	194,374	239,363
Prepaid expenses and accruals	17	19,957	46,171
		214,331	285,534
Cash and cash equivalents		36,432	31,810
Current assets, total		**431,735**	**619,184**
ASSETS, TOTAL		**610,666**	**801,364**

Consolidated balance sheet

SHAREHOLDERS' EQUITY AND LIABILITIES, EUR 1,000	Note	Dec. 31, 2001	Dec. 31, 2000
Shareholders' equity	18		
Share capital		11,797	9,919
Share premium account		202,550	202,523
Other reserves		8,326	94
Translation difference		4,966	2,701
Retained earnings		40,063	24,043
Net profit/loss for the financial year		-31,984	37,163
Shareholders' equity, total		**235,719**	**276,443**
Minority interests		**6,284**	**4,568**
Provisions			
Restructuring provision	19	3,100	25
Provisions, total		**3,100**	**25**
Liabilities	20		
Long-term liabilities			
Bonds		-	2,523
Medium-term capital notes		21,941	21,941
Loans from financial institutions		24,376	20,579
Pension loans		3,536	4,215
Other debt		137	130
Deferred tax liability	13	1,177	1,971
		51,168	51,360
Payments due within one year		-12,565	-3,676
		38,603	47,684
Short-term liabilities			
Loans from financial institutions		23,325	42,632
Commercial paper programs		15,767	94,970
Pension loans		27	14
Advances received		2	-
Accounts payable		239,620	295,670
Other short-term liabilities		12,049	8,525
Accrued expenses	21	36,169	30,833
		326,960	472,644
Liabilities, total		**365,563**	**520,328**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**610,666**	**801,364**

Parent company income statement

INCOME STATEMENT, EUR 1,000	Note	Jan. 1-Dec. 31 2001	Jan. 1-Dec. 31 2000
NET SALES	1	**931,220**	**1,495,155**
Change in stock of work			
in progress and finished goods		-2,378	8,249
Other income from operations	2	48,607	18,438
Production materials and services			
Materials and supplies			
Purchases during period		-682,064	-1,430,999
Change in inventories	3	-121,773	114,431
Materials and supplies, total		-803,837	-1,316,568
External services		-88,182	-61,763
		-892,019	-1,378,331
Personnel expenses	4		
Wages, salaries and fees		-36,818	-34,353
Indirect personnel expenses			
Pension costs		-6,669	-5,003
Other indirect employer costs		-4,737	-3,366
		-48,224	-42,722
Depreciation and writedowns	5		
Depreciation according to plan		-15,774	-14,226
Writedowns		-24,500	-8,409
		-40,274	-22,636
Other operating expenses	6	-38,376	-31,260
Restructurings costs	7	-2,695	-
OPERATING PROFIT/LOSS		**-44,138**	**46,894**
Financial income and expenses	8		
Financial income			
Interest income on long-term investments			
Group companies		1,250	756
Other interest and financial income			
Group companies		15,754	6,493
Exchange gains		1,938	1,063
Other financial income		1,064	1,483
		20,005	9,796
Financial expenses			
Interest and financial expenses			
to Group companies		-117	-108
Interest expenses		-7,125	-10,204
Exchange losses		-2,321	-681
Other financial expenses		-4,218	-2,780
		-13,782	-13,772
Financial income and expenses, total		6,224	-3,977
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		**-37,914**	**42,917**
Extraordinary income			
Group contributions received		133	-
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**-37,781**	**42,917**
Appropriations			
Change in depreciation difference		5,085	3,785
Income taxes	9	-853	-15,795
NET PROFIT/LOSS FOR THE FINANCIAL YEAR		**-33,549**	**30,907**

Parent company cash flow statement

CASH FLOW STATEMENT, EUR 1,000	Jan. 1-Dec. 31 2001	Jan. 1-Dec. 31 2000
Cash flow from operating activities		
Profit/loss before extraordinary items	-37,914	42,917
Adjustments:		
Depreciation according to plan	40,274	14,226
Unrealized exchange gains and losses	2,321	602
Other income and expenses with no payment	133	-
Financial income and expenses	-4,226	8,172
Other adjustmens	595	-124
Cash flow before change in working capital	**1,183**	**65,793**
Change in working capital:		
Change in interest-free short-term receivables	103,524	-49,166
Change in inventories	125,400	-122,680
Change in interest-free short-term debt	-77,815	57,800
Cash flow from operating activities before financial items and taxes	152,292	-48,253
Interest paid and payments of other financial expenses	-11,954	-11,549
Dividends received from business operations	50	1,178
Interests received from business operations	4,501	4,090
Income taxes paid	-77	-11,571
Cash flow from operating activities	**144,812**	**-66,105**
Cash flow from investing activities		
Investments in tangible and intangible assets	-16,186	-57,615
Proceeds from sale of tangible and intangible assets	6,510	8,250
Acquisition of subsidiary, net of cash acquired	-18,362	-7,904
Loans granted	-3,325	-40,339
Repayments of loan receivables	5,044	585
Cash flow from investing activities	**-26,319**	**-97,024**
Cash flow from financing activities		
Proceeds from the issue of shares	-	104,451
Proceeds from other shareholders' equity	-	29
Withdrawals of short-term debt	8,902	89,627
Repayments of short-term debt	-96,203	-36,820
Withdrawals of long-term debt	-	10,000
Repayments of long-term debt	-12,522	-1,068
Dividends paid and other distribution of profits	-11,160	-2,549
Cash flow from financing activities	**-110,983**	**163,670**
Change in cash and cash equivalents	**7,510**	**541**
Cash and cash equivalents on Jan. 1	**1,111**	**569**
Cash and cash equivalents on Dec. 31	**8,621**	**1,111**

Parent company balance sheet

ASSETS, EUR 1,000	Note	Dec. 31 2001	Dec. 31 2000
Fixed assets	11		
Intangible assets			
Intangible rights		39	45
Other long-term expenditure		7,444	6,266
Advance payments		124	350
		7,606	6,662
Tangible assets			
Land and water		1,108	1,108
Buildings		2,597	2,560
Machinery and equipment		23,183	37,954
Advance payments and construction in progress		1,953	2,274
		28,841	43,896
Investments	12		
Shares and holdings in Group companies		60,027	63,164
Receivables from Group companies		4,115	-
Shares in associated companies		64	64
Receivables from associated companies		87	87
Other shares and holdings		343	702
		64,636	64,018
Fixed assets, total		**101,083**	**114,575**
Current assets			
Inventories	13		
Raw materials		89,457	216,924
Work in progress		6,483	13,819
Finished goods		13,812	4,410
		109,753	235,153
Long-term receivables			
Loan receivables from Group companies	15	22,398	23,374
Other loan receivables		1,790	2,534
		24,188	25,907
Short-term receivables			
Accounts receivable	16	69,071	155,131
Receivables from Group companies			
Accounts receivable		21,924	10,761
Loan receivables		55,238	59,985
Other receivables		-	54
Accrued income		10,675	4
Prepaid expenses and accruals	17	5,121	29,582
		162,029	255,517
Cash and cash equivalents		8,621	1,111
Current assets, total		**304,591**	**517,688**
ASSETS, TOTAL		**405,674**	**632,263**

SHAREHOLDERS' EQUITY AND LIABILITIES, EUR 1,000	Note	Dec. 31 2001	Dec. 31 2000
Shareholders' equity	18		
Share capital		11,797	9,919
Share premium account		202,550	202,523
Share issue reserves		-	29
Retained earnings		34,718	16,848
Net profit/loss for the financial period		-33,549	30,907
Shareholders' equity, total		**215,516**	**260,226**
Accumulated appropriations			
Depreciation difference		1,691	6,776
Accumulated appropriations, total		**1,691**	**6,776**
Provisions			
Restructuring provision	19	1,211	-
Provisions total		**1,211**	**-**
Liabilities	20		
Long-term liabilities			
Bonds		-	2,523
Medium-term capital notes		21,941	21,941
Loans from financial institutions		105	531
Pension loans		3,536	4,208
Other debt		113	113
		25,696	29,316
Payments due within one year		-12,565	-3,663
		13,131	25,653
Short-term liabilities			
Loans from financial institutions		12,538	20,649
Commercial paper programs		15,767	94,970
Pension loans		27	14
Accounts payable		99,090	171,643
Debt to Group companies			
Accounts payable		32,573	32,569
Other short-term liabilities		1,973	3,023
Accrued expenses		1,055	1
Other short-term liabilities		987	1,553
Accrued expenses	21	10,115	15,188
		174,124	339,608
Liabilities, total		**187,255**	**365,262**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**405,674**	**632,263**

Accounting principles

General principles

The financial statements of Elcoteq Network Corporation and the consolidated financial statements are prepared in accordance with the requirements of the Finnish Accounting Act and other Finnish regulations ("Finnish GAAP").

The preparation of the financial statements in conformity with generally accepted accounting principles in Finland requires management to make certain estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on the latest available information, actual results could differ from them.

Principles of consolidation

The consolidated financial statements include the accounts of the parent company, Elcoteq Network Corporation, and each of those companies in which it owns directly or indirectly over 50% of the voting rights. The results of subsidiaries acquired or established during the period are included in the consolidated financial statements from the date of acquisition or establishment. Subsidiaries are consolidated using the acquisition cost method of accounting. The difference between the acquisition cost of a subsidiary and its shareholders' equity at the time of acquisition is allocated to the subsidiary's fixed assets to the extent that the fair value of the subsidiary's assets at that time exceeded the book value. Items allocated to fixed assets are depreciated according to plan for the underlying asset. The rest of the difference is entered as goodwill on consolidation and amortized on a straight-line basis. All intercompany transactions, receivables, payables and internal margins are eliminated as part of the consolidation process.

The Group's share of profits and losses in associated companies (20-50% of the shares and voting rights) is included in the consolidated income statement in accordance with the equity method of accounting. The Group's share of post-acquisition retained profits and losses is reported as part of investments in associated companies in the consolidated balance sheet.

Minority interests in the results and equity of the subsidiaries are shown as separate items in the consolidated income statement and balance sheet.

Further details on the companies consolidated in the Group's financial statements are given under Note 12, Shares and Holdings.

Foreign Group companies

All items in the income statements of foreign subsidiaries are translated into euros at the average exchange rates for the accounting period calculated from the official monthly average rates published by the European Central Bank. The balance sheets of foreign Group companies are translated into euros at the European Central Bank's average rates of exchange ruling at the year end. Differences resulting from the translation of income statement items at the average rate and the balance sheet items at the closing rate are taken to shareholders' equity in the Group accounts. Exchange differences arising from the application of the acquisition cost method are recorded under shareholders' equity likewise.

Revenue recognition

Revenue from the sale of goods and services is recognized when all significant risks associated with the relevant goods or services are transferred to the buyer and no significant uncertainties remain regarding their payment, associated costs or possible return of goods. Net sales comprises gross invoicing less cash discounts and exchange rate gains/ losses related to sales.

Foreign currency

Realized transactions in foreign currencies in the income statement are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the accounting period the foreign currency receivables and liabilities are valued at the average rates of exchange published by European Central Bank on the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to corresponding items. Foreign exchange gains and losses associated with financing are entered under financial income and expenses.

Elcoteq hedges its major foreign currency exposure. Its currency exposure related to normal business operations is hedged using mainly forward foreign exchange contracts which mature in under four months. The company also employs currency options. All significant currency risks related to loans raised in foreign currencies are hedged using derivative contracts. Hedging related to normal business operations and financial items is valued at the average rates of exchange on the balance sheet date. The exchange differences arising from derivative contracts related to balance sheet items at the balance sheet date are normally entered in the income statement. However, when derivative contracts are made to hedge translation risks associated with the shareholders' equity of subsidiaries (the equity hedging method), the foreign exchange differences are taken to net translation differences under equity in the balance sheet. Interest payable or receivable on foreign exchange contracts related to interest-bearing items is deferred in the income statement and balance sheet and recognized over the life of the underlying financial instrument. Foreign exchange gains and losses on derivative contracts made to hedge off-balance-sheet items are entered in the income statement at the same time as the hedged cash flow is recognized. The nominal values, book values and market values of the derivative contracts at the balance sheet date are shown in Note 23 on page 44.

Fixed assets

Fixed assets are stated at the original acquisition cost less accumulated depreciation according to plan. The planned depreciation is recorded on a straight-line basis over the expected economic lives of the assets. Land and water are not depreciated. Gains and losses on the disposal of fixed assets are included in operating profit/loss.

If the estimated accumulated income from the fixed asset or investment is permanently lower than the residual cost, the difference is entered as a writedown under expenses.

The expected economic lives of the fixed assets in the Group are as follows:

Intangible assets	10 years
Other long-term expenditure	3-5 years
Goodwill	5 years
Buildings	25 years
Materials in buildings	15 years
Machinery and equipment in buildings	10 years
Other machinery and equipment	3-5 years

Inventories

Inventories are stated at the lower of either the costs arising from acquisition and manufacturing or their net realizable value calculated on an "average cost" basis which, owing to the rapid turnover of the products, is closely equivalent to the FIFO principle. The cost of finished goods and work in progress includes variable material costs, wages and salary costs, social costs, subcontracting costs and other variable costs, as well as a part of the fixed costs of the production departments. Inventories are shown net of deductions for obsolete and slow-moving inventories.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term investments.

Leasing

Since 2000 fixed assets acquired with financing leases have been capitalized to assets in the consolidated balance sheet and depreciated over their economic lifetime. Similarly, liabilities related to these acquisitions are shown as long-term loans from financial institutions.

The company had no equipment acquired using finance leases on December 31, 2001. Rental payments under operating leases are entered as rentals under other operating expenses.

Research and development costs

Research and development costs are expensed in the financial period during which they are incurred.

Pension costs

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. In Finland, Elcoteq has arranged pension benefits through third-party pension insurance companies. Pension insurance costs are included in personnel expenses in the consolidated financial statements.

In addition to the statutory pension benefits, the company's President and certain members of the Board of Directors are entitled under an additional pension scheme to retire at the age of 60 years instead of the normal 65 years. Also, certain employees are granted full pension benefits with fewer years of service than are normally required. These additional pension benefits are arranged through third-party pension insurance companies. Elcoteq has also made provisions to cover all known pension commitments for disability and unemployment.

Grants

In certain countries, public bodies provide financial support primarily to cover certain research and development costs. Financial support of this nature is entered under other income from operations.

Extraordinary income

The extraordinary income presented in the income statement of the parent company consists of group contributions from the Finnish subsidiaries. In the consolidated financial statements intragroup contributions received and given are eliminated.

Income taxes

Income taxes are based on the results of Group companies and are calculated in accordance with the local tax rules in each country. Income taxes comprise the taxes paid during the reporting period as well as tax adjustments for previous periods. Income taxes also include the net change in deferred tax liabilities and assets.

A deferred tax liability or asset has been determined for all temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes in all Group companies and also for differences arising in consolidation. The tax rate used to separate deferred tax liabilities and assets is the official tax rate in each country confirmed on the balance sheet date for the following fiscal period.

Deferred tax assets are entered in the balance sheet at their estimated realizable amounts, whereas deferred tax liabilities are recorded in full.

Share issue expenses

The fees paid to the managers of the share issues completed during 2000 are recorded by deducting the fees directly from the share premium account, less taxes, bypassing the income statement. However, the fees paid to the managers are nevertheless deducted when calculating distributable funds. Out-of-pocket expenses arising from the share issues are entered under other financial expenses in the income statement.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

Figures in thousands of euro

All figures denominated in euros in the notes to the financial statements are given in thousands (EUR 1,000) unless otherwise stated.

1. INFORMATION BY MARKETS

Geographical areas	GROUP 2001	GROUP 2000	PARENT COMPANY 2001	PARENT COMPANY 2000
Net sales, MEUR				
Finland	438.4	698.1	437.3	474.6
Sweden	127.5	710.0	123.7	710.0
Other EU countries	222.5	245.7	177.0	241.7
Americas	211.3	247.8	23.2	16.9
Asia	644.1	233.9	14.6	5.0
Other areas	218.7	78.1	155.4	46.9
Total	1,862.5	2,213.5	931.2	1,495.1

Personnel

The Group had 9,960 (9,630) employees on average during the year, distributed geographically as follows:	At Jan. 1	At Dec. 31	Change	Average
Finland	1,416	964	-452	1,228
Hong Kong	94	102	8	104
Japan	12	12	-	12
China	1,316	1,864	548	1,667
Mexico	1,253	648	-605	869
Poland	180	90	-90	200
Sweden	-	2	2	0
Germany	275	181	-94	243
Switzerland	5	329	324	316
Denmark	3	1	-2	3
Hungary	3,219	1,943	-1,276	2,460
USA	10	15	5	14
Russia	162	151	-11	159
Estonia	3,426	2,048	-1,378	2,685
Total	11,371	8,350	-3,021	9,960

2. OTHER INCOME FROM OPERATIONS

Other income from operations, MEUR 27.4, mainly comprises compensation paid on materials and reserved but unused capacity, as well as capital gains on the sale of fixed assets. In 2000 the main items under other income from operations, MEUR 8.5, were insurance indemnities, rental income, research and development grants, and gains on the sale of fixed assets.

3. WRITEOFF OF NON-CURRENT ITEMS

Elcoteq recorded a writeoff of approximately MEUR 7 on non-current materials in the second quarter. This need arose because, owing to errors in the supply chain, Elcoteq remained responsible for some of the material orders made for growth that failed to materialize.

4. WAGES, SALARIES AND OTHER PERSONNEL EXPENSES, EUR 1,000

	GROUP 2001	GROUP 2000	PARENT COMPANY 2001	PARENT COMPANY 2000
Personnel expenses				
Wages, salaries and fringe benefits				
Salaries and fringe benefits to Board members and presidents of Group companies	1,709	970	1,450	654
Other wages, salaries and fringe benefits	108,649	85,416	35,756	34,021
Total	110,358	86,386	37,206	34,676
Fringe benefits	-490	-442	-388	-323
	109,868	85,944	36,818	34,353
Indirect personnel expenses				
Pensions costs	11,877	9,765	6,669	5,003
Other indirect employer costs	17,710	12,193	4,737	3,366
Total	29,587	21,958	11,406	8,369
Personnel expenses in the Income Statement	139,455	107,902	48,224	42,722

5. DEPRECIATION, EUR 1,000

	GROUP		PARENT COMPANY	
Depreciation according to plan comprises the following:	**2001**	**2000**	**2001**	**2000**
Intangible rights	22	31	7	11
Goodwill	180	78	-	-
Other long-term expenditure	5,399	2,907	3,253	1,807
Buildings	1,930	2,572	173	146
Machinery and equipment	39,286	29,120	12,341	12,262
Total	46,817	34,707	15,774	14,226
Writedowns on shares in subsidiaries	-	-	21,500	8,409
Writedowns on receivables from Group companies	-	-	3,000	-
Writedowns on machinery and equipment	1,557	-	-	-
Depreciation and writedowns total	48,374	34,707	40,274	22,635

Elcoteq Network Corporation has entered writedowns on shares in subsidiaries and also on receivables from subsidiaries under Investments. Elcoteq Deutschland GmbH, likewise, entered a writedown on the shares of its wholly owned subsidiary Elcoteq Elektronik GmbH. These writedowns have no effect on taxes for the year, nor are they included in deferred tax assets.

6. OTHER OPERATING EXPENSES, EUR 1,000

	GROUP		PARENT COMPANY	
Other operating expenses for the Group and Parent Company comprise the following main items:	**2001**	**2000**	**2001**	**2000**
Other personnel expenses	6,855	5,242	2,102	1,681
Rental expenses	29,086	13,217	11,941	6,929
Transportation	7,979	8,509	3,680	4,100
Energy expenses	4,835	3,794	827	763
Office expenses	6,816	6,351	1,694	1,702
Traveling, marketing and representation expenses	9,041	10,345	4,031	4,434
Insurances	3,319	1,701	1,989	782
External services	23,304	13,881	10,015	8,824
Other operating expenses	18,249	9,708	2,097	2,045
Total	109,484	72,748	38,376	31,260

7. RESTRUCTURING COSTS

Restructuring costs totaling MEUR 11.8 were entered in the third-quarter accounts as a result of the adjustment program started in summer 2001. The costs are non-recurring and result from adjustments to capacity and personnel. The bulk of the costs relate to the manufacturing plant in Poland but significant costs were also incurred by restructuring in Finland, Estonia and Germany.

8. FINANCIAL INCOME AND EXPENSES, EUR 1,000

	PARENT COMPANY	
Intragroup financial income and expenses	**2001**	**2000**
Financial income		
Interest income from long-term investments	1,250	756
Dividend income	11,000	1,150
Interest income from short-term investments	4,754	5,343
	17,004	7,250
Financial expenses		
Interest expenses	-117	-108
Financial income and expenses total, net	16,887	7,142

9. PARENT COMPANY'S INCOME TAXES, EUR 1,000

	PARENT COMPANY 2001	2000
Income taxes for the financial year	-	-15,795
Income taxes for prior years	-303	-
Other direct taxes	-550	-
Total	-853	-15,795

Other direct taxes for the year 2001 consist of tax withheld at source on dividends paid by a foreign subsidiary.

10. CHANGE IN DEFERRED TAX ASSETS/LIABILITIES, EUR 1,000

	GROUP 2001	2000
From depreciation difference	1,475	1,098
From consolidations	35	298
From carry-forward losses	2,090	590
From temporary differences in taxation	-669	-7
Total	2,931	1,979

11. FIXED ASSETS, EUR 1,000

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Intangible assets				
Intangible rights				
Acquisition cost, Jan. 1	181	153	134	129
Increases, Jan. 1 - Dec. 31	334	52	-	5
Decreases, Jan. 1 - Dec. 31	-19	-25	-	-
Translation difference	-	1	-	-
Acquisition cost, Dec. 31	496	181	134	134
Accum. depreciation acc. to plan, Jan. 1	-108	-86	-88	-77
Accum. depreciation acc. to plan in decreases	-2	9	-	-
Depreciation according to plan, Jan. 1 - Dec. 31	-22	-31	-7	-11
Book value, Dec. 31	364	73	39	45
Other long-term expenditure				
Acquisition cost, Jan. 1	22,375	7,961	10,327	6,397
Increases, Jan. 1 - Dec. 31	12,901	15,346	4,559	3,930
Decreases, Jan. 1 - Dec. 31	-576	-1,074	-172	-
Translation difference	202	142	-	-
Acquisition cost, Dec. 31	34,902	22,375	14,714	10,327
Accum. depreciation acc. to plan, Jan. 1	-5,364	-2,725	-4,061	-2,254
Accum. depreciation acc. to plan in decreases	110	321	44	-
Translation difference	-50	-2	-	-
Depreciation according to plan, Jan. 1 - Dec. 31	-5,399	-2,958	-3,253	-1,807
Book value, Dec. 31	24,199	17,011	7,444	6,266
Advance payments				
Advance payments, Jan. 1	368	299	350	299
Increases, Jan. 1 - Dec. 31	1,960	368	1,959	350
Decreases, Jan. 1 - Dec. 31	-2,190	-299	-2,185	-299
Advance payments, Dec. 31	138	368	124	350

	GROUP 2001	2000	PARENT COMPANY 2001	2000
Consolidated goodwill				
Acquisition cost, Jan. 1	823	614	-	-
Increases, Jan. 1 - Dec. 31	326	209	-	-
Acquisition cost, Dec. 31	1,149	823	-	-
Accum. depreciation acc. to plan, Jan. 1	-502	-424	-	-
Depreciation according to plan, Jan. 1 - Dec. 31	-180	-78	-	-
Book value, Dec. 31	467	321	-	-
Tangible assets				
Land and water				
Acquisition cost, Jan. 1	2,413	1,158	1,108	198
Increases, Jan. 1 - Dec. 31	-	1,276	-	910
Decreases, Jan. 1 - Dec. 31	-2	-22	-	-
Translation difference	25	-	-	-
Book value, Dec. 31	2,436	2,413	1,108	1,108
Buildings				
Acquisition cost, Jan. 1	37,385	22,898	3,282	2,732
Increases, Jan. 1 - Dec. 31	256	15,466	209	549
Decreases, Jan. 1 - Dec. 31	-371	-1,053	-	-
Translation difference	367	75	-	-
Acquisition cost, Dec. 31	37,637	37,385	3,491	3,282
Accum. depreciation acc. to plan, Jan. 1	-5,372	-3,187	-721	-575
Accum. depreciation acc. to plan in decreases	154	167	-	-
Translation difference	-60	-6	-	-
Depreciation according to plan, Jan. 1 - Dec. 31	-1,930	-2,346	-173	-146
Book value, Dec. 31	30,429	32,013	2,597	2,560
Machinery and equipment				
Acquisition cost, Jan. 1	194,948	101,506	62,084	54,123
Increases, Jan. 1 - Dec. 31	39,919	100,791	3,593	16,210
Decreases, Jan. 1 - Dec. 31	-12,920	-8,919	-7,404	-8,249
Translation difference	3,000	1,570	-	-
Acquisition cost, Dec. 31	224,947	194,948	58,273	62,084
Accum. depreciation acc. to plan, Jan. 1	-69,673	-32,739	-24,129	-11,867
Accum. depreciation acc. to plan in decreases	3,286	2,696	1,380	601
Translation difference	-850	-187	-	-
Depreciation according to plan, Jan. 1 - Dec. 31	-39,286	-39,443	-12,341	-12,863
Writedowns, Jan. 1 - Dec. 31	-1,557	-	-	-
Book value, Dec. 31	116,867	125,276	23,183	37,954
Advance payments and construction in progress				
Advance payments and construction in progress, Jan. 1	3,734	893	2,274	168
Increases, Jan. 1 - Dec. 31	25,795	44,888	8,270	2,274
Decreases, Jan. 1 - Dec. 31	-26,122	-42,051	-8,591	-168
Translation difference	9	4	-	-
Advance payments, Dec. 31	3,416	3,734	1,953	2,274

Investments	GROUP 2001	2000	PARENT COMPANY 2001	2000
Shares and holdings in Group companies				
Shares, Jan. 1			71,574	26,527
Increases, Jan. 1 - Dec. 31			18,363	45,046
Acquisition cost, Dec. 31			89,937	71,574
Accumulated writedowns, Jan. 1			-8,409	-
Writedowns, Jan. 1 - Dec. 31			-21,500	-8,409
Book value, Dec. 31			60,027	63,164
Receivables from Group companies *)				
Receivables, Jan. 1			-	-
Increases, Jan. 1 - Dec. 31			7,115	-
Acquisition cost, Dec. 31			7,115	-
Accumulated writedowns, Jan. 1			-	-
Writedowns			-3,000	-
Book value, Dec. 31			4,115	-
Shares in associated companies				
Shares, Jan. 1	39	41	64	64
Share of losses of associated companies, Jan. 1 - Dec. 31	-2	-2	-	-
Book value, Dec. 31	37	39	64	64
Receivables from associated companies				
Receivables, Jan. 1	87	87	87	87
Increases, Jan. 1 - Dec. 31	-	-	-	-
Book value, Dec. 31	87	87	87	87
Other shares and holdings				
Shares, Jan. 1	845	2,232	702	583
Increases, Jan. 1 - Dec. 31	4	187	-	120
Decreases, Jan. 1 - Dec. 31	-358	-1,573	-359	-1
Book value, Dec. 31	491	845	343	702
Accumulated depreciation difference				
Buildings			-630	-637
Machinery and equipment			-1,061	-6,140
Total			-1,691	-6,776
Summary of fixed assets				
Acquisition cost, Jan. 1	259,010	136,563	149,275	90,753
Increases, Jan. 1 - Dec. 31	53,740	133,327	26,724	66,771
Decreases, Jan. 1 - Dec. 31	-14,248	-12,668	-7,935	-8,249
Translation difference	3,594	1,788	-	-
Acquisition cost, Dec. 31	302,096	259,010	168,064	149,275
Accum. depreciation acc. to plan, Jan. 1	-81,019	-39,162	-37,408	-14,773
Accum. depreciation acc. to plan in decreases	3,548	3,194	1,424	601
Depreciation according to plan and writedowns, Jan. 1 - Dec. 31	-48,374	-44,856	-40,275	-23,237
Translation difference	-960	-195	-	-
Book value, Dec. 31	175,291	177,991	91,804	111,863
Advance payments and construction in progress	3,554	4,102	2,077	2,624
Loan receivables	87	87	7,202	87
Book value, Dec. 31	178,932	182,180	101,083	114,575

*) Receivables from Group companies include a non-interest-bearing receivable, MEUR 4.1, from Elcoteq Elektronik GmbH, which will only be repaid in the event that Elcoteq Elektronik has distributable funds.

12. SHARES AND HOLDINGS

	Share capital	Group holding, %	Parent Company holding, %	Book value, EUR 1,000
Group companies				
Elcoteq Lohja Oy, Lohja, Finland	168,000 EUR	100	100	168
Elcoteq Helsinki Oy, Helsinki, Finland	168,000 EUR	100	100	814
AS Elcoteq Tallinn, Tallinn, Estonia	20,500,000 EEK	100	100	1,776
Beijing Elcoteq Electronics Co. Ltd., Beijing, China	124,173,000 CNY	100	100	16,186
Dongguan Elcoteq Electronics Co. Ltd., Dongguan, China	115,811,500 CNY	70	70	3,705
Elcoteq AG, Baden, Switzerland	9,100,000 CHF	100	100	6,078
Elcoteq Asia Ltd, Hong Kong, China	8,600,000 HKD	100	100	994
Elcoteq Inc., Dallas, USA	34,801,000 USD	100	100	12,708
Elcoteq JSC, St. Petersburg, Russia	7,009,415.50 RUR	100	100	277
Elcoteq Elektronik GmbH, Überlingen, Germany	4,627,186.23 EUR	100	-	2,500
Elcoteq Deutschland GmbH, Karlsruhe, Germany	6,442,277.70 EUR	100	100	2,742
Elcoteq Hungary Electronics Ltd., Pécs, Hungary	6,000,000 EUR	100	100	9,846
*) Elcoteq Investment Sp. Z.o.o., Wroclaw, Poland	4,000 PLN	100	-	1
Elcoteq Japan Co. Ltd, Tokyo, Japan	10,000,000 JPY	100	100	73
Elcoteq Network Malaysia SDN BHD, Johor Bahru, Malaysia	500,000 MYR	100	100	110
Elcoteq Poland Sp. Z.o.o., Wroclaw, Poland	5,577,500 PLN	100	100	42
Elcoteq S.A. de C.V., Monterrey, Mexico	554,800 USD	100	100	475
*) Elcoteq Sweden Ab, Stockholm, Sweden	200,000 SEK	100	100	22
Immolease Kereskedelmi Kft., Pécs, Hungary	790,000,000 HUF	100	100	2,997
Kiinteistöosakeyhtiö Salon Joensuunkatu 13, Salo, Finland	201,000 EUR	100	100	1,016
				62,530

*)This company is not consolidated. The Polish company is non-operational. The Swedish company was under establishment on December 31, 2001.

	Share capital	Group holding, %	Parent Company holding, %	Book value, EUR 1,000
Associated companies				
Nilistit Oy, Helsinki	960,000 FIM	33	33	64
Other shares and holdings owned by the Parent Company				
Kiinteistö Oy Lohjan Piiharju	1,000,000 FIM	10	10	17
Other shares				326
				343
Other shares and holdings owned by subsidiaries				125
Other shares and holdings, total				**468**

13. INVENTORIES

The change in the parent company's inventories calculated from the balance sheet does not correspond to the change in inventories in the income statement because part of the Polish non-current materials are entered under restructuring costs.

14. DEFERRED TAX LIABILITIES AND ASSETS, EUR 1,000

	GROUP 2001	2000
Deferred tax assets		
From deductable temporary differences	2,855	765
From consolidations	351	316
	3,206	1,081
Deferred tax liabilities		
From appropriations	490	1,954
From temporary differences in taxation	669	-
From consolidations	18	18
	1,177	1,971

15. LOAN RECEIVABLES FROM GROUP COMPANIES

The parent company's loan receivables from Group companies include a MEUR 3.3 receivable from property company Kiinteistö Oy Salon Joensuunkatu that so far is interest-free and does not require repayment.

16. ACCOUNTS RECEIVABLE

Accounts receivable in 2001, MEUR 194.4 (2000: MEUR 239.4), do not include accounts receivable totaling MEUR 81.2 (2000: MEUR 46.9) sold to financial institutions. Sales of these accounts receivable are ongoing and do not include a repayment obligation. The costs of selling accounts receivable are entered under other financial expenses in the 2001 accounts.

17. PREPAID EXPENSES AND ACCRUALS, EUR 1,000

Prepaid expenses and accruals for the Group and Parent Company comprise the following main items:

	GROUP		PARENT COMPANY	
	2001	**2000**	**2001**	**2000**
Contributions	84	84	84	84
Advance rental payments	406	670	289	267
Advance statutory personnel costs	57	220	-	-
Management fees related to loans	66	13	66	13
Value-added taxes	6,508	36,596	1,745	24,747
Withholding taxes	501	611	501	611
Income taxes	1,569	257	880	-
Other items	10,766	7,720	1,556	3,861
Total	19,957	46,171	5,121	29,582

18. SHAREHOLDERS' EQUITY, EUR 1,000

	GROUP		PARENT COMPANY	
	2001	**2000**	**2001**	**2000**
Share capital				
Share capital, Jan. 1	9,919	7,843	9,919	7,843
Convertible capital notes converted into shares, March 31	-	460	-	460
Share issue, May 31	-	1,278	-	1,278
Share issue, June 8	-	111	-	111
Share issue, September 7	-	179	-	179
Shares subscribed with "A" warrants	1*	48	1*	48
Conversion of share capital in euros, transfer from retained earnings, April 24	1,876	-	1,876	-
Share capital, Dec. 31	11,797	9,919	11,797	9,919
Share premium account				
Share premium account, Jan. 1	202,523	81,647	202,523	81,647
Issue premium	27*	120,875	27*	120,875
Share premium account, Dec. 31	202,550	202,523	202,550	202,523
Other funds				
Other funds, Jan. 1	94	95	29	-
Change in reserve fund / Pécs	1,804	-30	-	-
Increase in reserve fund / St. Petersburg	49	-	-	-
Increase in reserve fund / Dongguan	6,408	-	-	-
Change in share issue fund	-29	29	-29	29
Other funds, Dec. 31	8,326	94	-	29
Translation difference				
Translation difference, Jan. 1	2,701	1,238	-	-
Increase in translation difference	2,265	1,463	-	-
Translation difference, Dec. 31	4,966	2,701	-	-

*) Shares were subscribed in 2000, but the registration was made in 2001.

	GROUP 2001	2000	PARENT COMPANY 2001	2000
Retained earnings				
Retained earnings, Jan. 1	61,206	26,645	47,755	19,397
Dividend payment	-11,160	-2,602	-11,160	-2,549
Transfer to share capital in euro conversion	-1,877	-	-1,877	-
Transfers to reserve fund	-8,106	-	-	-
Retained earnings, Dec. 31	40,063	24,043	34,718	16,848
Profit/loss for the year	**-31,984**	**37,163**	**-33,549**	**30,907**
Convertible capital notes				
Convertible capital notes, Jan. 1	-	18,501	-	18,501
Decrease in convertible capital notes	-	-18,501	-	-18,501
Convertible capital notes, Dec. 31	-	-	-	-
Shareholders' equity, total	**235,719**	**276,443**	**215,516**	**260,226**

DISTRIBUTABLE FUNDS IN SHAREHOLDERS' EQUITY ON DEC. 31, EUR 1,000	GROUP 2001	2000	PARENT COMPANY 2001	2000
Retained earnings	40,063	24,043	34,718	16,848
Profit/loss for the year	-31,984	37,163	-33,549	30,907
Share issue costs booked to share premium account	-2,433	-2,433	-2,433	-2,433
Share of accumulated depreciation difference recorded in shareholders' equity	-1,201	-4,811	-	-
Distributable funds in shareholders' equity	4,445	53,962	-1,264	45,322

THE PARENT COMPANY'S SHARE CAPITAL IS DIVIDED INTO THE FOLLOWING SHARE SERIES	2001 shares	2001 1,000 EUR	2000 shares	2000 1,000 EUR
Series A (1 vote / share)	18,914,652	7,566	18,911,902	6,362
Series K (10 votes / share)	10,577,000	4,231	10,577,000	3,558
Total	29,491,652	11,797	29,488,902	9,919

19. PROVISIONS

Provisions comprise only a provision for restructuring costs arising from streamlining of capacity and personnel, principally in Finland, Poland and Estonia.

20. LIABILITIES, EUR 1,000

	GROUP 2001	2000	PARENT COMPANY 2001	2000
Long-term liabilities				
Interest-bearing				
Bonds	-	2,523	-	2,523
Medium-term capital notes	21,941	21,941	21,941	21,941
Loans from financial institutions	23,893	19,802	105	531
Pension loans	3,536	4,215	3,536	4,208
Other long-term liabilities	137	130	113	113
Total	49,508	48,612	25,695	29,316
Payments due within one year	-12,565	-3,676	-12,565	-3,663
Interest-bearing, total	36,943	44,936	13,131	25,653

	GROUP 2001	2000	PARENT COMPANY 2001	2000
Interest-free				
Loans from financial institutions	483	778	-	-
Deferred tax liability	1,177	1,971	-	-
Interest-free, total	1,660	2,749	-	-
Long-term liabilities, total	38,603	47,684	13,131	25,653
Short-term liabilities				
Interest-bearing				
Loans from financial institutions	23,049	42,375	12,538	20,649
Commercial papers	15,767	94,970	15,767	94,970
Pension loans	27	14	27	14
Interest-bearing, total	38,843	137,358	28,332	115,632
Interest-free				
Accounts payable	239,620	295,670	99,090	171,643
Accrued expenses	36,169	30,833	10,115	15,188
Debt to Group companies	-	-	35,601	35,592
Loans from financial institutions	276	257	-	-
Advances received	2	-	-	-
Other short-term liabilities	12,049	8,525	987	1,553
Interest-free, total	288,117	335,286	145,793	223,976
Short-term liabilities, total	326,960	472,644	174,124	339,608
Interest-bearing liabilities	75,786	182,294	41,463	141,285
Interest-free liabilities	289,777	338,035	145,793	223,976
Liabitilies, total	365,563	520,328	187,255	365,262

Medium-term capital notes

In December 1998 Elcoteq Network Corporation issued a FIM 52 million (MEUR 8.7) bond, the first under its FIM 300 million (MEUR 50.5) medium-term note (MTN) program. The period of the bond runs from December 7, 1998 to December 7, 2002. It carries a fixed coupon rate of 4.60%. The bond is listed on the Helsinki Exchanges and recorded as 190 / 271 / 98 in the bond register maintained by the Financial Supervision Authority of Finland. The bond is unsecured.

In October 1999 Elcoteq Network Corporation issued a 50 million EEK private placement medium-term bond running from October 25, 1999 to October 25, 2002 and carrying a fixed coupon rate of 8.25%. The bond is unsecured.

In September 2000 Elcoteq Network Corporation issued a MEUR 10 private placement medium-term bond running from September 29, 2000 to September 29, 2003. The bond interest is based on a 6-month EURIBOR plus a premium of 0.75%.

Pension loans

Elcoteq has obtained FIM-denominated financing from certain pension insurance companies. The repayment schedules and interest rates of such loans are regulated by Finnish law. Principal on the loans granted before January 1, 1996 is payable in annual installments equal to 7% of the outstanding balance. The principal amount of the loans raised after January 1, 1996 is payable in equal annual installments over terms of 1-10 years. The interest rate on pension loans is 3.85-5.75%.

Loans from financial institutions

Loans from financial institutions have maturity dates ranging from 2002 to 2005 and their interest rates are based primarily on a 3 or 6-month market rate, plus a premium varying from 0.25% to 0.8%.

Commercial paper programs

Elcoteq Network Corporation has a MEUR 100 commercial paper program. At the balance sheet date MEUR 16 of this program was in use over rolling 1-4 month periods.

Other long-term liabilities

In late 1996 AS Elcoteq Tallinn entered into a USD 7.7 million credit agreement with International Finance Corporation (IFC) to finance the expansion of Elcoteq's manufacturing plant in Tallinn, Estonia. The principal on this loan is payable in ten equal semi-annual installments starting in 1998 and bears interest at a rate of LIBOR plus 2.65%. The loan is secured by a mortgage on the Tallinn property and a USD 1.2 million guarantee from Elcoteq Network Corporation.

Elcoteq Network Corporation has entered into a swap agreement with a Finnish bank to manage foreign currency and interest exposure related to the IFC loan, which effectively converts the loan into a euro-denominated EURIBOR interest rate loan.

In 2000 Beijing Elcoteq Electronics Co., Ltd. entered into a USD 6 million credit agreement with Finnfund to finance investments at the Beijing manufacturing plant. This loan has a maturity of maximum five years. USD 5.2 million of the principal had been withdrawn at the balance sheet date and this will mature in 2003. The loan carries interest of LIBOR plus 2%.

Revolving lines of credit

In March 2001 the company signed a MEUR 105 Revolving Credit facility with a syndicate of five banks with which it refinanced two earlier revolving credit loans. The facility totals MEUR 105 at the beginning of the loan period but diminishes towards the end of the agreement. The loan has a maturity of five years and carries variable interest of EURIBOR +1.15%. Elcoteq Network Corporation has the right to cancel the credit facility permanently. The loan is unsecured. The loan's issue costs were entered under expenses in 2001.

Long-term liabilities maturing after five years or later, EUR 1,000	**GROUP 2001**	**2000**	**PARENT COMPANY 2001**	**2000**
Pension loans	1,215	3,784	1,215	3,784

21. ACCRUED EXPENSES, EUR 1,000

The Group's and Parent Company's accrued expenses comprise the following main items:	**GROUP 2001**	**2000**	**PARENT COMPANY 2001**	**2000**
Wages and salaries	3,055	2,537	306	398
Holiday pay	4,663	5,052	3,817	4,014
Other indirect employer costs	3,790	3,966	1,933	2,845
Interest	429	1,350	380	1,214
Value-added taxes	3,650	5,942	26	-
Income taxes	1,882	3,110	189	3,238
Exchange rate periodizations of forward contracts	1,364	2,849	1,364	2,849
Transportation expenses	677	297	-	-
Group companies	-	-	1,055	1
Rents of machinery and equipment	6,176	-	-	-
Other items	10,483	5,730	2,100	629
Total	36,169	30,833	11,170	15,189

22. LEASING CONTRACTS, EUR 1,000

The Group has leased equipment under operating leases. No significant new operating lease contracts were made during 2001.

The future minimum lease payments under operating leases for machinery and equipment are as follows:

	GROUP Dec. 31, 2001	**PARENT COMPANY Dec. 31, 2001**
2002	6,857	6,857
2003	6,608	6,608
2004	2,814	2,814
2005	34	34
2006	-	-
Total	16,314	16,314

The rental expenses with respect to operating leases for machinery and equipment amounted to MEUR 8.3 for the year ending on December 31, 2001 and MEUR 3.8 for the year ending on December 31, 2000.

The rental expenses with respect to finance leases for machinery and equipment amounted to MEUR 0.3 for the year ending on December 31, 2001 and MEUR 0.5 for the year ending on December 31, 2000. The remaining finance lease contracts were repurchased for MEUR 0.03. No new finance lease contracts were made during 2001.

Elcoteq has leased a manufacturing facility from the real estate company Kiinteistö Oy Piiharju under a long-term rental agreement. Elcoteq has the option, at any time, to acquire the facility at a purchase price specified in the agreement. On December 31, 2001 this price was approximately MEUR 2.3.

Elcoteq Network Corporation has a 10% shareholding in Kiinteistö Oy Piiharju. The City of Lohja, which owns 90% of the real estate company, has financed the purchase of the facility. According to the shareholders' agreement between Elcoteq Network Corporation and the City of Lohja, Elcoteq Network Corporation is obligated to provide any necessary financing to the real estate company. The rental expenses with respect to the lease of the manufacturing facility were MEUR 0.75 during 2001 and MEUR 0.56 during 2000.

The values of the assets owned through finance lease contracts and entered under assets in the balance sheet are as follows:

Buildings	4,993
Machinery and equipment	-
Total	4,993

Loans from financial institutions in the consolidated balance sheet at December 31, 2001 do not include finance lease liabilities. A loan receivable of MEUR 1.8 from Kiinteistö Oy Piiharju was eliminated against long-term debt.

23. ASSETS PLEDGED AND CONTINGENT LIABILITIES, EUR 1,000	GROUP 2001	2000	PARENT COMPANY 2001	2000
FOR OWN LIABILITIES				
Mortgages on real estate				
Loans from credit institutions	1,275	3,562	84	252
Mortgages	9,293	9,293	252	252
Mortgages on moveable assets				
Loans from credit institutions	-	118	-	118
Mortgages for other loans	4,541	6,728	4,541	6,728
Other pledges given as collateral				
Mortgages on moveable assets	336	2,018	336	2,018
ON BEHALF OF GROUP COMPANIES				
Guarantees	-	-	164,062	149,328
ON BEHALF OF OTHERS				
Guarantees	486	725	486	725
LEASING COMMITMENTS				
Operating lease, machinery and equipment (excl. VAT)	16,342	27,437	16,342	27,437
Finance lease, machinery and equipment (excl. VAT)	-	146	-	146
Rental commitments, properties (excl. VAT)	27,010	21,047	6,003	3,618
DERIVATIVE CONTRACTS				
Foreign currency derivative instruments				
Foreign currency forward contracts				
Nominal value	163,720	272,715	143,175	245,479
Book value	-1,472	-3,424	-1,210	-3,412
Market value	-1,349	-2,448	-1,084	-2,586
Foreign currency option contracts				
Nominal value	24,949	20,536	18,958	11,033
Book value	-296	94	66	300
Market value	-296	177	66	384
Interest rate derivative instruments				
Nominal value	145,387	-	145,387	-
Book value	-71	-	-71	-
Market value	-235	-	-235	-
Interest rate and foreign exchange swap contracts				
Nominal value	1,747	3,310	1,747	3,310
Book value	557	962	-	-
Market value	568	962	568	962

The market value shows the realizable amount at which the instrument could be exchanged in a current transaction between willing parties if these instruments were closed off at the balance sheet date. The realizable amount also includes accrued interest.

OTHER COMMITMENTS

In calculating the value added tax for China Elcoteq has applied a method that has so far not received the written approval of the tax authorities. Should this approval not be forthcoming, the effect would be to reduce Elcoteq's result substantially. Elcoteq has estimated the risk to be minor and has provisioned this estimated risk.

Board's proposal to the annual general meeting

The Board of Directors bases its annual dividend proposal on the company's dividend policy, the Group's performance and its development needs.

The Group's distributable funds on the balance sheet date totaled EUR 4,445,609. The parent company recorded a net loss of EUR -33,549,029 for the year. Retained earnings from previous years, adjusted for share issue costs entered in the share premium account, totaled EUR 32,284,971. Therefore the parent company does not have distributable funds.

The Board will propose to the annual general meeting that the parent company's net loss for the year of EUR -33,549,029 be carried forward to the retained earnings account and that no dividend be paid.

Helsinki, February 4, 2002

Juha Toivola Chairman of the Board	Martti Ahtisaari	Heikki Horstia
Eero Kasanen	Henry Sjöman	Jorma Vanhanen
Lasse Kurkilahti President and CEO		

Auditors' report to the shareholders of Elcoteq Network Corporation

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of Elcoteq Network Corporation for the year ended December 31, 2001. The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements, showing a loss of EUR 31.984 thousand in the consolidated income statement and a loss of EUR 33,549,029.12 in the parent company income statement, have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the loss is in compliance with the Finnish Companies Act.

Helsinki, February 11, 2002

KPMG WIDERI OY AB

Birger Haglund
Authorized Public Accountant in Finland





Financial risk management

The financial risks associated with Elcoteq's international operations are managed in accordance with the company's risk management policy, which aims to hedge against all significant financial exposures. The main responsibility for funding operations and risk management lies with the parent company's Treasury department.

Foreign exchange risk

Most of the company's cash flow, receivables and short-term liabilities are denominated in currencies other than the euro and therefore fluctuations in rates of exchange may have a significant impact on the company's financial results. These transaction risks are hedged by product pricing (the Open Book Calculation method) which takes account of foreign exchange risks. This method also covers exchange rates at the time of pricing in addition to component, raw material and manufacturing costs. It therefore provides a good foundation for the hedging required by the company's volume forecasts.

Since customer pricing is typically agreed for three-month intervals, no long-term items are included in the company's transaction position. The net currency exposure at the time of pricing is hedged using forward exchange contracts with a validity of at most four months. Currency options are also used. The level of hedging is monitored throughout the pricing period. Co-operation between the Treasury department and the company's business areas plays an important role as volume forecasts become more precise.

At the date of closing, the company had some translation exposures with respect to foreign subsidiaries. The currency exposure of these items is estimated to be insignificant. All significant risks attached to loans denominated in foreign currencies were hedged using derivative contracts. The company addresses its Economic Exposure by concentrating most of its manufacturing services in countries with a cost level low enough to confer a substantial and lasting competitive edge.

The exchange rate differences arising from valuation of the derivative contracts on the balance sheet date are as a rule entered in the income statement. In the consolidated accounts, however, these items are entered in the balance sheet after netting the translation differences of shareholders' equity when derivative contracts are made to hedge the translation exposure associated with the shareholders' equity of foreign subsidiaries. The interest derived from hedging instruments for interest-bearing items is periodized in both the income statement and the balance sheet according to the duration of time. Exchange rate differences of derivative contracts used to hedge off-balance-sheet items are charged to the income statement simultaneously with hedged cash flow. The nominal values, book values and current values of the derivative contracts at the date of closing are shown in Note 23 to the financial statements on page 44.

Other financial risks

Other financial risks to which the company's business is exposed include interest, liquidity and counterparty risks. The release of working capital and fall in euro interest rates reduced the company's net financial expenses during the second quarter of 2001 and thereafter. All in all, however, financial expenses remained at the same level as in 2000. Interest rate options are the main instrument used to manage interest risks.

Liquidity risk is measured by liquidity risk reports based on cash flow estimates and managed by ensuring the adequacy of funding resources with a reasonable safety margin for the forecast liquidity position. Liquidity risk is often the consequence of another risk that disrupts business operations. These risks are managed in different areas of the company's operations.

Counterparty risk is incurred through both financial and commercial activities. The company limits its counterparty risk exposure by operating with partners that have a first-class credit status. No significant counterparty risks were recorded in the Group companies during the year 2001, nor did receivables contain any significant items regarded as uncertain on the closing date.

Adoption of the euro

The euro was adopted as the company's reporting and accounting currency in November 2001.

Shares and shareholders

Elcoteq Network Corporation's A shares are quoted on the HEX Helsinki Exchanges and they are incorporated in the book-entry securities system maintained by the Finnish Central Securities Depository Ltd. Elcoteq's company code on the Helsinki Exchanges is ELQ and the trading code for the A shares is ELQAV. Elcoteq shares are traded in lots of 50.

Share series and share capital

Elcoteq has two classes of shares, Series A and Series K. Each Elcoteq A share carries one vote and each K share ten votes at general shareholder's meetings. Both share series carry the same dividend rights.

The Articles of Association stipulate that the number of K shares may not be increased. All K shares are held by Mr Antti Piippo, Mr Henry Sjöman and Mr Jorma Vanhanen. They owned the whole company before its Initial Public Offering and their holdings of K shares have not changed since.

Elcoteq's Annual General Meeting on March 14, 2001 decided to restate the nominal value of the company's share in euros by raising the nominal value of the shares in both series to EUR 0.40. The share capital was raised accordingly by EUR 1,876,381.20. The nominal value of the shares before this action was FIM 2.0 per share (EUR 0.34). At the close of 2001 there were 18,914,652 A shares and 10,577,000 K shares, making a total of 29,491,652 Elcoteq shares. Hence the company's registered share capital at the close of the financial period was EUR 11,796,660.80. Elcoteq does not own its own shares.

Board authorizations

Elcoteq's Annual General Meeting was held on March 14, 2001. The Meeting authorized the Board for one year to float one or several convertible bond loans and/or to issue stock options and/or to decide on raising the share capital in one or more installments through a rights issue. At most 5,898,330 new Series A shares may be subscribed under this authorization. The Meeting also authorized the Board to purchase at most 1,474,582 of the company's own Series A shares in one or more installments. At the same time the Board was authorized to dispose of the same number of shares on specific terms. None of the authorizations has been exercised.

Bonds with warrants 1997

In the fall of 1997 the company offered bonds with warrants in the amount of FIM 1,125,000. The loan principal was repaid to subscribers in October 2000 as required by the bond's terms and conditions. The bond warrants (A-C) entitle their holders to subscribe for at most 1,125,000 A shares. The subscription period for the A warrants (30%) began on September 1, 2000 and for the B warrants (30%) on September 1, 2001. The subscription period for the C warrants (40%) will begin on September 1, 2002. In all three cases the subscription period will end on January 1, 2004. By the end of 2000 146,700 new A shares had been subscribed based on these warrants. No new subscriptions were made during 2001.

Based on the warrants so far unexercised at the end of 2001, the current 90 subscribers may subscribe for at most 978,300 new A shares for EUR 10.4 per share.

Stock options for key employees 2001

The Annual General Meeting on March 14, 2001 approved the Board of Director's proposal to issue stock options to key employees of the Group and to a wholly owned Elcoteq subsidiary. Altogether 2,685,000 warrants were issued entitling their holders to subscribe for at most 2,685,000 new Series A shares. Under this option scheme at most 537,000 new Series A shares may be subscribed annually for five successive years starting on April 1, 2002. The subscription period for all warrants ends on April 30, 2007. The share subscription price

Possible impact of unexercised option rights on Elcoteq's share capital on December 31, 2001

	Shares number	Shares %	Share capital euro	Votes %
Management options 1997	+978,300	+3.32	+391,320	+0.78
Option scheme 2001	+2,685,000	+9.10	+1,074,000	+2.15
Total	**+3,663,300**	**+12.42**	**+1,465,320**	**+2.93**

If all the above mentioned and hitherto unexercised subscription rights were exercised, Elcoteq would have altogether 33,154,952 shares and altogether 128,347,952 votes in Elcoteq.

for all warrants is EUR 9.14. At the end of 2001 this stock option scheme covered 310 employees.

The terms and conditions of the 1997 bonds with warrants and 2001 stock option scheme can be found on the company's website at www.elcoteq.com.

Board of Directors' and President's holdings

At the end of 2001 the members of the company's Board of Directors and the President owned altogether 3,009,500 A shares and 10,577,000 K shares, corresponding to 46.1% of the total number of shares and 87.2% of the voting rights.

The President and the members of the Board, excluding the three principal owners, hold altogether 145,500 of the warrants attached to the bonds with warrants issued to company executives in the fall of 1997. Furthermore, the President owns 150,000 warrants under the 2001 stock options scheme. Based on these warrants, the President and Board members may subscribe for at most 295,500 new A shares, which would represent 1.0% of the share capital and 0.24% of the voting rights after subscription. After this, the members of the Board and the President would jointly hold 41.9% of the total number of shares and 85% of the voting rights if all other warrants were exercised.

Market capitalization

The market capitalization of Elcoteq's share capital at the end of 2001 was MEUR 295 (MEUR 988). The market capitalization is calculated by multiplying all the A and K shares by the final share quotation, EUR 10.00, in 2001.

Shareholders

Elcoteq had 12,947 registered shareholders at the end of 2001. There were altogether 7,068,153 nominee-registered or foreign-registered A shares, i.e. 24.0% of the shares and 5.7% of the voting rights.

The free float is 15,911,152 shares, i.e. 53.9% of the shares, of which 44.4% were nominee-registered or held by registered foreign companies.

Taxation value of Elcoteq shares

The confirmed Finnish taxation value of Elcoteq's Series A share in 2001 was EUR 6.79 per share.

Share prices and trading

The price of Elcoteq's A share at the beginning of 2001 was EUR 32.70. The share price in the final deal of the year on December 28, 2001, was EUR 10.00. The highest price on the Helsinki Exchanges during the year was EUR 34.90 and the lowest was EUR 3.30. The average price was EUR 11.92.

Altogether 39,324,316 Elcoteq shares were traded during the year for a total price of EUR 469 million.

Per share data and share trading figures are shown with the company's financial ratios on page 21.

In the tables describing types of owners and distribution of shares, each share entry is considered to be independent. Holdings belonging to the same group or sphere of influence are not combined. The tables below are based on the share register at Dec. 28, 2001.

Distribution of shares

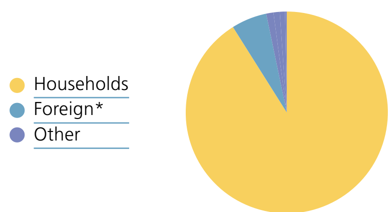
No. of shares	Owners	% of votes
1-100	5,055	0.28
101-1,000	6,848	2.10
1,001-10,000	961	2.00
10,001-100,000	67	1.62
100,001-	16	94.0

Figures include nominee-registered shareholders

Types of owners

Sector	Number of shares	% of votes
Households	18,343,762	91.06
Foreign*	7,068,153	5.67
Financial and insurance institutions	1,444,924	1.16
Public entities	1,251,859	1.00
Corporations	1,064,801	0.85
Non-profit organizations	318,153	0.26

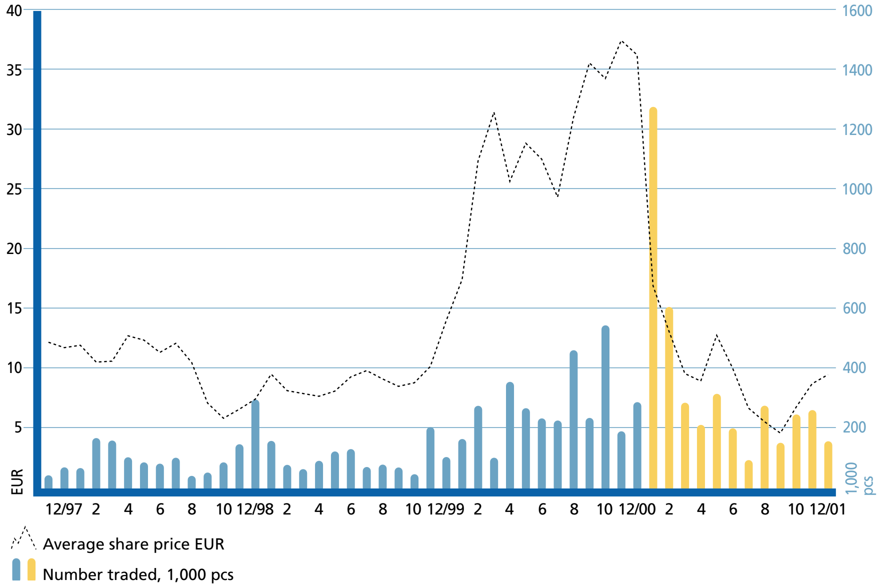
** Figures include nominee-registered shareholders*



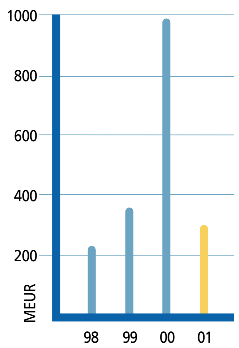
Largest shareholders, Dec. 28, 2001

	A shares	K shares	% of shares	% of votes
1. Piippo Antti	1,586,970	5,411,000	23.73	44.67
2. Sjöman Henry	815,765	2,583,000	11.50	21.37
3. Vanhanen Jorma	600,765	2,583,000	10.79	21.20
4. The Local Government Pensions Insitution	719,759		2.44	0.58
5. Royal Skandia Life Assurance Ltd	186,850		0.63	0.15
6. Gyllenberg Small Firm Fund	133,790		0.45	0.11
7. Nordea Securities Oyj	122,600		0.42	0.10
8. LEL Labor Pension Fund	119,950		0.41	0.10
9. Finnish National Fund for Research and Development, SITRA	119,650		0.41	0.10
10. Alfred Berg Small Cap Investment Fund	107,900		0.37	0.09
10 largest shareholders, total	4,513,999	10,577,000	51.15	88.47

Trading price and volume of Elcoteq's A shares November 26, 1997 – December 28, 2001



Market capitalization 1998 – 2001



Corporate governance

Elcoteq applies the guidelines for the administration of public limited companies prepared jointly by the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

Board of Directors

Responsibility for the management of the company and appropriate organization of its operations lies with the Board of Directors, which is elected by the Annual General Meeting for one year at a time. The Board comprises at least four and at most eight members. The Board elects a chairman and a deputy chairman from among its members. In 2001 the Board had seven members.

In addition to the tasks required by Finnish legislation and Elcoteq's articles of association, the Board is also responsible for confirming the company's strategy, for approving its budget, and for deciding on major investments and donations to good causes. The Board meets as required, normally about 15-20 times a year. In 2001 the Board held 16 meetings.

Mr Antti Piippo withdrew from active participation in the Board's activities from the end of August 2001 and since then his responsibilities on the Board and its committees have been carried by Mr Juha Toivola, Deputy Chairman of the Board.

Review and Compensation Committee

The Board of Directors has appointed a Review and Compensation Committee from among its members to supervise certain aspects of the company's operations, to report to the Board on its findings and to submit proposals. The Committee is chaired by the Chairman of the Board, and its members are Mr Martti Ahtisaari and Mr Heikki Horstia and Mr Antti Piippo (until August 26, 2001).

The term of office of the Committee is the same as for the Board of Directors. The Committee's tasks also include analyzing the annual and interim financial statements, establishing the sufficiency of the external and internal audits, and evaluating the company's risk exposure. The Committee approves the remuneration policies applied to the company's top management. It also ensures that the remuneration scheme promotes the company's long-term goals.

Working Committee

The Board of Directors has also appointed a Working Committee from among its members to prepare issues for consideration by the Board and to supervise implementation of the development programs approved by the Board. The Working Committee reports to the Board of Directors. This Committee is chaired by the Chairman of the Board and its members are Mr Antti Piippo (until August 26, 2001), Mr Henry Sjöman, Mr Jorma Vanhanen and the President of the company.

President

The Board of Directors appoints the President of the company. The main terms and conditions of the President's employment contract are set out in a written contract. The President is responsible for the operative management of the company as required by the provisions of the Finnish Companies Act and in accordance with the instructions and authority of the Board of Directors. The company's President since 1997, Tuomo Lähdesmäki, MSc (Eng.), MBA, resigned on August 3, 2001 and the Board appointed Mr Hannu Bergholm, MSc (Econ.), as his interim successor. Mr Bergholm held this position until the end of November. Mr Lasse Kurkilahti BSc (Econ.), who was appointed President and CEO by the Board on November 14, 2001 took up his new post on December 1, 2001.

Remuneration

Elcoteq's Annual General Meeting on March 14, 2001 decided that, with the exception of the company's three principal owners, the members of the Board of Directors should be paid an annual fee of EUR 25,228.19 (FIM 150,000), 60% of which would be paid in cash and 40% in the form of shares. The company's three principal owners, all Board members, are employed full-time by the company and are paid a monthly salary. The salaries, fees and benefits in kind paid to the members of the Board of Directors and the Presidents in 2001 totaled EUR 1,449,799.27. This figure includes a higher than usual amount of salaries due to the changes of president during 2001.

Insider matters

On March 1, 2000 the company adopted a set of Insider Rules corresponding to the guidelines recommended by the Helsinki Exchanges and endorsed by the Board of Directors. Personnel are trained in matters covered by these Insider Rules.

The company's statutory list of insiders comprises the members of the Board of Directors, the President and the auditor. Other permanent insiders are the members of the Elcoteq Management Team, individuals who regularly attend the Elcoteq Management Team's meetings, and the Company Secretary. The company also maintains insider registers for specific projects.

Board of Directors

President **Martti Ahtisaari**

born 1937, President of the Republic of Finland 1994-2000, has been a member of Elcoteq's Board of Directors since 2000. Before his election as President, Mr Ahtisaari forged a prestigious career as a diplomat, working for both Finland's Ministry for Foreign Affairs and for the United Nations. Between 1965-1972, he held various posts in the Bureau for Technical Co-operation of Finland's Ministry for Foreign Affairs and as Ambassador of Finland to the United Republic of Tanzania and was also accredited to Zambia, Somalia and Mozambique between 1973-1976. Between 1977-1994 he was Under-Secretary of State in charge of International Development Co-operation in the Ministry for Foreign Affairs, Under-Secretary General for Administration and Management in the United Nations, Special Representative of the UN Secretary General for Namibia, and Secretary of State in the Ministry for Foreign Affairs. After leaving office, Mr Ahtisaari has held positions in a number of international organizations, including Co-Chairman of the EastWest Institute, and Chairman of the International Crisis Group and War-Torn Societies Project International. He has also worked as an independent inspector of the IRA's arms dumps, and as a member of the committee assessing the Austrian government's human rights record. He also holds honorary doctorates from a number of universities. Mr Ahtisaari holds 1,250 Elcoteq A shares and 5,250 bonds with warrants entitling him to subscribe for at most 5,250 new A shares.

Heikki Horstia

BSc (Econ.), born 1950, has been a member of the Company's Board of Directors since 1991. He is Vice President, Treasurer of Wärtsilä Corporation. Mr Horstia has had a career in the financial management of industrial enterprises since 1976, and has occupied management and board positions in the electronics industry since 1983. He holds 2,250 Elcoteq A shares and 7,500 bonds with warrants, entitling him to subscribe for at most 7,500 new A shares.

Eero Kasanen

DBA, born 1952, Rector of Helsinki School of Economics and Business Administration and Professor of Finance, has been a member of Elcoteq's Board of Directors since 2001. He is a member of the Board of Directors of Kesko, Kaleva Mutual Insurance Company, Conventum Rahastoyhtiö Oy, the Foundation of the OKOBANK Group, the Finnish National Theatre, the Emil Aaltonen Foundation and Finnfund, and Chairman of the Board of Directors of the Helsinki School of Economics and Business Administration Holding Ltd. Mr Kasanen holds 1,250 Elcoteq A shares and 5,250 bonds with warrants, entitling him to subscribe for at most 5,250 new A shares.

Antti Piippo

BSc (Eng.), born 1947, Founder and Principal Shareholder has been the Chairman of the Board of Directors since the company was founded in 1991. Mr Piippo has held several management positions in the electronics industry since 1971, including periods as Director of Consumer Electronics with Aspo Oy (1971-1984) and Lohja Corporation (1984-1991). Mr Piippo has held, and continues to hold, various non-executive roles in several other companies and industrial organizations. He is one of Elcoteq's principal shareholders, holding 1,586,970 Elcoteq A shares and 5,411,000 K shares, representing 23.7% of the company's shares and 44.7% of the voting rights.

Henry Sjöman

BSc (Eng.), born 1950, has been a member of the company's Board of Directors since the management buy-out in 1991. Mr Sjöman has worked in the electronics industry since 1974, and has held various management positions with the company and its predecessors since 1984. He is one of the principal shareholders, holding 815,765 Elcoteq A shares and 2,583,000 K shares, representing 11.5% of the company's shares and 21.4% of the voting rights.

Juha Toivola
MSc, born 1947, has been a non-executive member of the company's Board of Directors since 1997. He has 30 years of experience of Finnish and international industrial corporations and the insurance sector. He has worked for Fiskars Corporation (1971-1995), most recently as Deputy to the President. Between 1996 and 2001 he was Managing Director of Industrial Insurance Company Ltd and Deputy Managing Director of Sampo Group. Mr Toivola holds positions of trust on the boards of several companies. His board memberships include Fiskars Corporation and Partek Corporation, and he is Chairman of the Supervisory Board of Radiolinja Oy Ab. He is also the Chairman of the Board of several other companies. Mr Toivola holds 1,250 Elcoteq Series A shares and 7,500 bonds with warrants, entitling him to subscribe for at most 7,500 new A shares.

Jorma Vanhanen
MSc (Eng.), born 1959, has been a member of the company's Board of Directors since the management buy-out in 1991. Mr Vanhanen has held various management positions in the company and its predecessors since 1985. He is one of the principal shareholders, holding 600,765 Elcoteq A shares and 2,583,000 K shares, representing 10.8% of the company's shares and 21.2% of the voting rights.

The Board of Directors of Elcoteq Network Corporation: Standing (from left) Henry Sjöman, Martti Ahtisaari, Jorma Vanhanen, Eero Kasanen and Heikki Horstia. In front: Juha Toivola and Antti Piippo.

Elcoteq Management Team

President and CEO

Lasse Kurkilahti, BSc (Econ.), born 1948, joined the company as President and CEO on December 1, 2001. His previous positions include President of Nokian Tyres plc (1988-2000) and President of Raisio Group (2000-2001). Mr Kurkilahti is also Chairman of the Boards of Fintra and Fountain Park Oy and Deputy Chairman of the Board of Jippii Group Corporation. He also sits on the Boards of Lassila & Tikanoja Plc and Fortum Corporation and is a member of the Finnish section of the International Chamber of Commerce. Mr Kurkilahti holds 120,000 warrants under the 1997 bonds with warrants and 150,000 warrants under the 2001 stock option scheme. He owns no Elcoteq shares.

Other members of the Management Team

Jouni Hartikainen, born 1961, MSc (Eng.)
Group Vice President, Business Development, Asia
Joined the company in 2000
Member of the Management Team since 2000
Number of Elcoteq shares: -
Number of warrants: 1997: 10,000; 2001: 75,000

Tuula Hatakka, born 1963, MSc (Econ.)
Group Vice President, Group Treasurer
Joined the company in 2000
Member of the Management Team since 2002
Number of Elcoteq shares: 50
Number of warrants: 1997: 7,500 ; 2001: 40,000

Christer Härkönen, born 1957, MSc (Eng.)
Group Vice President, Terminal Products
Joined the company in 1996
Member of the Management Team since 1996
Number of Elcoteq shares: 80
Number of warrants: 1997: 51,900; 2001: 75,000

Reijo Itkonen, born 1949, Technician
Group Vice President, Group Operations
Joined the company in 1997
Member of the Management Team since 1999
Number of Elcoteq shares: 150
Number of warrants: 1997: 19,500; 2001: 75,000

Jukka Jäämaa, born 1965, LSc (Eng.)
Group Vice President, Industrial Electronics
Joined the company in 1998
Member of the Management Team since 1998
Number of Elcoteq shares: -
Number of warrants: 1997: 15,750; 2001: 75,000

Panu Kaila, born 1955, BSc (Eng.)
Group Vice President, Sourcing and Demand/Supply Chain Management
Joined the company in 2000
Member of the Management Team since 2002
Number of Elcoteq shares: -
Number of warrants: 1997: 7,500; 2001: 50,000

Osmo Kammonen, born 1959, LLM
Group Vice President, Communications and Investor Relations
Joined the company in 1996
Member of the Management Team since 1996
Number of Elcoteq shares: 500
Number of warrants: 1997: 50,500; 2001: 40,000

Hannu Keinänen, born 1969, MSc (Eng.)
Group Vice President, Communications Network Equipment
Joined the company in 1998
Member of the Management Team since 2002
Number of Elcoteq shares: -
Number of warrants: 1997: 7,500; 2001: 50,000

Vesa Keränen, born 1970, MSc (Eng.)
Group Vice President, Corporate Development
Joined the company in 1997
Member of the Management Team since 2001
Number of Elcoteq shares: -
Number of warrants: 1997: 10,000; 2001: 40,000

Markku Leinonen, born 1957, MSc (Eng.)
Group Vice President, Manufacturing Technologies
Joined the company in 1997
Member of the Management Team since 2000
Number of Elcoteq shares: 400
Number of warrants: 1997: 12,500; 2001: 40,000

Teo Ottola, born 1968, MSc (Econ. and Bus. Admin.)
Group Vice President, Group Controller
Joined the company in 1996
Member of the Management Team since 2000
Number of Elcoteq shares: 580
Number of warrants: 1997: 8,000; 2001: 40,000

Ilkka Pouttu, born 1955, Dipl. Bus. Studies, Diploma in International Marketing, Fintra
Group Vice President, Business Development, Americas
Joined the company in 1997
Member of the Management Team since 1997
Number of Elcoteq shares: 100
Number of warrants: 1997: 57,500; 2001: 40,000

Riitta Savonlahti, born 1964, MSc (Econ. and Bus. Admin.)
Group Vice President, Human Resources
Joined the company in December 2001
Member of the Management Team since December 2001
Number of Elcoteq shares: -
Number of warrants: 1997: 4,000; 2001: 40,000

Main events 2001

January

Preliminary information on Elcoteq's financial statements and new forecast for 2001

Elcoteq's net sales in 2000 grew as forecast and almost tripled on the previous year's figure. The operating profit rose more than four times and represented roughly 3% of net sales. In view of the announcement by Ericsson concerning the restructuring of Ericsson's mobile phone operations, Elcoteq's previous contract with Ericsson calling for a significant increase in mobile phone production volumes at Elcoteq's European EMS plants in Hungary and Estonia will not materialize. (Jan. 26)

Elcoteq's and Ericsson's co-operation continues

Elcoteq and Ericsson agreed upon continuing and increasing their close manufacturing co-operation. Elcoteq will take a substantially larger role in providing electronics manufacturing services for Ericsson's mobile systems products. (Jan. 31)

February

Financial Statements 2000

Net sales almost tripled to MEUR 2 213.5 (MEUR 752.5). Operating profit quadrupled to MEUR 66.4 (MEUR 14.5). EPS increased six-fold to EUR 1.38 (EUR 0.21). Return on capital employed 20.4% (8.2%). The Board's dividend proposal was FIM 2.25, i.e. approx. EUR 0.38 per share (FIM 0.65 i.e. approx. EUR 0.11). (Feb. 2)

Impacts of change in Elcoteq's and Ericsson's business relationship

Elcoteq and Ericsson renegotiated their business relationship and agreed to gradually shift the emphasis from mobile phones to mobile systems. In Hungary Elcoteq started negotiations to reduce the number of employees by about 800 people and in Tallinn, Estonia Elcoteq started negotiations with a view to reducing the workforce by about 600 people. (Feb. 2)

Elcoteq acquires ABB Electronics unit in Switzerland

Elcoteq acquired ABB's Swiss electronics manufacturing unit, located in Baden, Switzerland. With annual sales of MEUR 70 the Baden unit will nearly double Elcoteq's industrial electronics business in 2001, and more than double the business between Elcoteq and ABB. (Feb. 5)

Board's proposals to the Annual General Meeting

Elcoteq's Board of Directors proposed to the Annual General Meeting on March 14, 2001 that the AGM decides on initiating a new stock options scheme, authorizes the Board to raise the share capital through a rights issue, authorizes the Board to purchase and dispose of the Company's own shares, and restates the share capital in euros. The Board also proposed that Elcoteq's share capital and the nominal value of the shares be restated in euros. Furthermore, the Board proposed that the Articles of Association applying to the share capital and nominal value of the shares be amended to correspond with the said euro changes and the provisions of the Finnish Companies Act. (Feb. 14)

March

Elcoteq will merge Helsinki and Lohja plants

Following negotiations with representatives of personnel at Elcoteq's manufacturing plant in Helsinki, Finland the company decided to move the plant's manufacturing operations and jobs to its manufacturing plants in Lohja. (March 9)

Fidelity's holding in Elcoteq exceeds 5%

Elcoteq received an announcement from Fidelity International Limited to the effect that the total holding of shares in Elcoteq owned directly or indirectly by Fidelity and its subsidiary had risen to over 5% of Elcoteq's share capital. According to the announcement Fidelity owned 1,573,950 Elcoteq shares, which represents 5.34% of Elcoteq's total share capital and 1.26% of the votes. (March 12)

Eero Kasanen joins Elcoteq's Board

Elcoteq's three principal shareholders proposed to the Annual General Meeting on March 14, 2001 that Mr Eero Kasanen, Rector of Helsinki School of Economics and Business Administration, be elected to the company's Board of Directors. (March 13)

MEUR 105 credit facility

Elcoteq signed an agreement with a syndicate of five banks for a MEUR 105 multi-currency revolving credit facility. Under the terms of the loan agreement Elcoteq is able to draw funds up to the agreed credit limit to refinance its two existing revolving credit facilities and for general corporate purposes. (March 14)

Decisions of the Annual General Meeting

Elcoteq's Annual General Meeting on March 14, 2001 approved the financial statements for 2000 and discharged the company's Board of Directors and President from liability for the financial year. The Meeting approved the Board's dividend proposal of FIM 2.25 per share (approx. EUR 0.38). Mr Eero Kasanen, Rector of the Helsinki School of Economics and Business Administration, was elected to the Board as a new member. The Meeting made its decisions unanimously. (March 14)

Elcoteq acquires mechanical engineering unit of Adtranz Schweiz

Elcoteq acquired the mechanical engineering unit of Adtranz Schweiz, which designs electronics for e.g. trains. The unit, which has nine employees, was made part of Elcoteq's industrial electronics manufacturing plant in Baden, Switzerland. (March 20)

Elcoteq to manufacture Cellport Systems' hands-free system

Elcoteq entered into a multi-year agreement with Boulder, Colo.-based Cellport Systems to manufacture the company's patented universal hands-free system for mobile phones. Elcoteq's Monterrey, Mexico facility is the sole manufacturer of the Cellport 3000 hand-free system. (March 28)

April

Elcoteq becomes preferred global supplier for Ericsson

Elcoteq and Ericsson agreed on long-term cooperation whereby Elcoteq will supply existing and new products for Ericsson Mobile Communications Systems. This agreement will substantially increase Elcoteq's supplier role to Ericsson within that area, and Elcoteq will become a preferred global supplier for certain Ericsson products. (April 27)

May

The Board of Directors approved distribution of warrants

The Board of Directors approved the distribution of the warrants directed to the key employees of the Elcoteq Network Group and to the wholly-owned subsidiary of Elcoteq Network Corporation, Elcoteq Lohja Oy, issued by the Annual General Meeting. (May 4)

Elcoteq to manufacture Andrew's base station antennas in Tallinn, Estonia

Elcoteq and Andrew Corporation (Illinois, USA) signed an agreement concerning the manufacture of Andrew's PerforMax(TM) base station antennas and HELIAX cable assemblies in Elcoteq's Tallinn plant in Estonia. (May 4)

Interim report January – March 2001

Net sales up 9.5% to MEUR 481.3 (MEUR 439.7). Operating profit MEUR 3.6 (MEUR 13.2). Return on capital employed 14.6% (15.7%). (May 4)

Elcoteq requested the police to investigate alleged theft at its Tallinn plant in Estonia

Elcoteq lodged a request with the Estonian criminal police to investigate three alleged cases of theft. The company suspected that a small quantity of materials related to the manufacture of mobile phones had been stolen from the Tallinn plant. (May 29)

June

Q2 result weaker than forecast

Elcoteq announced that its result for April-June will be weaker than first-quarter result and therefore a clear loss. The deterioration in profitability between April and June was the result of weaker than expected demand, the costs arising from unused capacity, and write-offs of non-current inventory. (June 18)

Employee negotiations at the Lohja plants

Elcoteq initiated employee negotiations at its Lohja plants in Finland with the aim of finding ways to adapt the plants' operations to the present level of demand. (June 26)

July

Elcoteq to strengthen customer relations and NPI services in Europe

Elcoteq's new Customer Relations and Engineering Services Center started its operations in the Stockholm area in Sweden first with sales functions and rapidly increasing its activities into wider service offering. At the same time Elcoteq decided to strengthen and expand its service offering for Continental European customers. The Überlingen plant in Germany will increase customer relationship and new product introduction skills and it will work in close cooperation with Elcoteq's Baden, Switzerland plant, already strong in these services. (July 11)

August

Interim Report January-June 2001

Net sales totaled MEUR 922.3 (MEUR 934.8 one year earlier). The operating loss was MEUR -7.3 (MEUR 27.9) and the loss before extraordinary items and taxes was MEUR -14.5 (MEUR 25.5), EPS EUR -0.51 (EUR 0.72). Cash flow became positive, totaling MEUR 43.8 (MEUR -104.2). (August 3)

Elcoteq's President resigns

Elcoteq's president, Mr Tuomo Lähdesmäki, resigned from the company on August 3, 2001. Mr Hannu Bergholm, MSc (Econ.), was appointed interim president of the company as of the same day. Elcoteq's Board of Directors began immediately the search for a new president. (August 3)

Lohja Plants to become NPI Center

Elcoteq decided to change the role of its Lohja plants from manufacturing high-volume series to acting as an Engineering Services and New Product Introduction (NPI) Center focusing increasingly on working alongside the product development teams of Elcoteq's customers and continuing their work. After this change the number of production employees at Lohja was reduced from about 650 to a little more than 400 and office staff from almost 200 to about 140. Elcoteq also started negotiations with personnel representatives at Überlingen in Germany. It was decided that the German plants will assume the same emphasis on Engineering Services as the Lohja plants. Similarly, this also meant reducing personnel by about 90 people. (Aug. 20)

Chairman Antti Piippo refrains from Board work

Due to the events in his private life Elcoteq's Chairman of the Board Mr Antti Piippo has decided to refrain from the Board work for the time being. During Mr Piippo's absence

Deputy Chairman of the Board Mr Juha Toivola will substitute Mr Piippo. (Aug. 26)

Details of Elcoteq's adjustment program specified

Elcoteq specified the content and schedule of its adjustment program started during the summer. The company estimated that the program will achieve annual savings of approx. MEUR 16. The savings the program generates will have their full impact on the company's performance from the beginning of 2002. Main items in the adjustment program were: shifting production capacity further to low-cost countries close to customers' markets, capacity reductions and cost cutting measures. (Aug. 27)

October

Elcoteq and Nokia Networks to expand cooperation on repair center operations

Elcoteq and Nokia Networks expanded their cooperation to cover repair center operations. Elcoteq is responsible for the maintenance and repair of Nokia Networks' communications network equipment including microwave radio links, modules for base station controllers and mobile switches, as well as broadband modems. A total of 23 experts in Nokia's Hardware Repair Centre in Finland joined Elcoteq in November. (Oct. 23)

November

New plant in Beijing

Elcoteq announced that it will build a new, 11,000 square meter manufacturing plant in Beijing, China. The plant will be located at the Xingwang industrial park which, headed by Nokia, is emerging as a large cluster for the manufacture of communications electronics and a center of high technology. The new Elcoteq plant will employ an estimated 1,200 people. Production ramp-up is expected to take place during Q1 in 2003. The investment cost of the plant is approx. MEUR 16. The plant will manufacture electronic subassemblies for mobile phones for both Nokia and other customers of Elcoteq. (Nov. 2)

Interim report January – September 2001

Nine-month net sales totaled MEUR 1,354 (1-9/2000: MEUR 1,531). Operating profit excluding costs of adjustment program was MEUR -11.5 (MEUR 46.3). Pretax profit was MEUR -33.6 (MEUR 39.9), EPS EUR -1.09 (EUR 1.03). Net cash flow was MEUR 65.5 positive (MEUR -184.1). (Nov. 2)

Elcoteq and KONE forge closer co-operation

Elcoteq and KONE renewed their partnership agreement bringing the two companies into significantly closer co-operation. The companies also agreed that Elcoteq will manufacture the electronics for new-generation KONE MonoSpace elevators. (Nov. 7)

Employee negotiations at Group Office

As part of company's adjustment program started in summer 2001 Elcoteq initiated employee negotiations at its Group Office with the aim of finding ways to adapt operations to lower demand. The estimated adjustment need called for cutting some 30 jobs. (Nov. 14)

Lasse Kurkilahti appointed new President and CEO

Elcoteq's Board of Directors appointed Mr Lasse Kurkilahti, BSc (Econ.), as the new President and Chief Executive Officer of Elcoteq as from December 1, 2001 onwards. (Nov. 14)

Employee negotiations at Group Office completed

Employee negotiations at the Group office were completed on December 13. The negotiations were initiated in mid-November as part of Elcoteq's group-wide program to adjust operations to lower demand. In November Elcoteq estimated that some 30 jobs out of 230 would have to be cut from the Group Office to meet adjustment program's targets. As an outcome of the process this number became smaller: Elcoteq cut 20 jobs from its Group Office. (Dec. 13)

Elcoteq's press releases are posted in full on the company's website www.elcoteq.com

Investor relations at Elcoteq

Elcoteq's Investor Relations function aims to provide information about the company's activities, financial position and goals in a timely, open and accurate manner, enabling the markets to form a true and fair view of Elcoteq as an investment prospect.

Investor relations are the responsibility of Mr Osmo Kammonen, Group Vice President, Communications and IR (tel. +358 10 413 1406 or osmo.kammonen@elcoteq.com), and Ms Reeta Kaukiainen, Manager, IR (tel. +358 10 413 1742 or reeta.kaukiainen@elcoteq.com).

The company's Internet home pages, www.elcoteq.com, contain further information on Elcoteq as an investment prospect.

Financial publications in 2002

Elcoteq's annual and interim reports are published in Finnish and English. The company's annual report, interim reports and press releases are published on the Internet at www.elcoteq.com.

In 2002 the interim reports will be published as follows:

- January – March, on Friday April 26, 2002
- January – June, on Thursday August 1, 2002
- January – September, on Thursday October 24, 2002

To order these publications, please address your request to Elcoteq Network Corporation, Ms Riitta Kemppainen, P.O. Box 8, FIN-02631 Espoo, or by e-mail to info@elcoteq.com. These publications can also be ordered at our website.

Investor meetings

Elcoteq arranges conferences in Finland for analysts, investors and financial journalists on publication of its interim and full-year reports. These conferences provide participants with the opportunity to hear the company's views and to address questions to its top management.

The company regularly meets investors in Europe and the USA as well as taking part in various seminars arranged for investors. Finnish and foreign analysts and investors also visit the company's management at Elcoteq's own premises.

These meetings provide a forum for discussing Elcoteq's strategies, financial performance and prospects based on information published by the company. News on Elcoteq which could materially affect its share price is published by Elcoteq in the form of stock exchange bulletins, which are also distributed to the principal media and published on the company's website.

Private investors are invited to meet the company's representatives at the Sijoitus-Invest exhibition in Helsinki in autumn 2002.

Silent period

Elcoteq observes a 'silent period' from the closing of its interim or annual accounts to the date on which its results are made public; during this period the company's representatives do not meet investors or comment on its results.

The following investment analysts monitor Elcoteq as an investment prospect:

ABG Sundal Collier	Marion Björkstén	+44 20 7905 5611	marion.bjorksten@abgsc.co.uk
Alfred Berg Finland Oyj Abp	Robert Sergelius	+358 9 228 321	robert.sergelius@alfredberg.fi
Nordea Securities	Jussi Uskola	+358 9 3694 9433	jussi.uskola@nordeasecurities.com
D. Carnegie AB, Finland Branch	Anna Väänänen	+358 9 61 871 236	anna.vaananen@carnegie.fi
Conventum Securities Ltd	Esa Mangeloja		esa.mangeloja@conventum.fi
Crédit Agricole Indosuez Cheuvreux	Jan Kaijala	+358 9 6969 2969	jkaijala@indocdv.com
Danske Securities	Petri Arjama	+358 9 7514 5333	petri.arjama@danskesecurities.com
Danske Securities	Daniel Ward	+358 9 7514 5331	daniel.ward@danskesecurities.com
Deutsche Bank AG	Pontus Grönlund	+358 9 2525 250	pontus.gronlund@db.com
Enskilda Securities, Helsinki Branch	Johan Lindh	+358 9 6162 8726	johan.lindh@enskilda.fi
Evli Bank Plc	Jari Honko	+358 9 476 690	
FIM Securities Ltd	Pasi Pitkäjärvi	+358 9 6134 6307	pasi.pitkajarvi@fim.com
Handelsbanken Securities	Jari Wallasvaara	+358 10 444 11	jari.wallasvaara@handelsbanken.fi
Impivaara Securities Ltd	Jeffery Roberts	+44 20 7284 3937	impivaara@pomor.com
Mandatum Stockbrokers Ltd	Janne Uski	+358 10 236 4711	janne.uski@mandatum.fi
Merrill Lynch	Ian Rennardson	+44 20 7996 4748	ian_rennardson@ml.com
Opstock Oy	Jarkko Nikkanen	+358 9 404 56	jarkko.nikkanen@oko.fi

Elcoteq takes no responsibility for any evaluations or recommendations published by the analysts.

Contact information

EUROPE

FINLAND

Elcoteq Network Corporation
Group office
Sinimäentie 8B, P.O.Box 8
FIN-02631 Espoo, Finland
Tel. +358 10 41 311
Fax +358 10 413 1209
e-mail: info@elcoteq.com

Elcoteq Network Corporation
Lohja office
Länsi-Louhenkatu 31, P.O. Box 47
FIN-08101 Lohja, Finland
Tel. +358 10 41 311
Fax +358 10 413 1210

Elcoteq Network Corporation
Lohja plant and NPI Center
Gunnarlankatu 5, P.O. Box 47
FIN-08101 Lohja, Finland
Tel. +358 10 41 311
Fax +358 10 413 1310

Elcoteq Network Corporation
Vaasa plant and NPI Center
Virtaviiva 9 E, P.O. Box 840
FIN-65101 Vaasa, Finland
Tel. +358 10 413 4100
Fax +358 10 413 4111

SWEDEN

Elcoteq Sweden AB
Kista office
P.O. Box 1218
S-16428 Kista, Sweden
Tel. +46 8 632 9490
Fax +46 8 632 9499

ESTONIA

AS Elcoteq Tallinn
Tallinn plants and NPI Center
Peterburi tee 67 A
EE-11415 Tallinn, Estonia
Tel. +372 6065 100
Fax +37 6065 200

RUSSIA

Elcoteq JSC
St. Petersburg plant
Ul. Domostroitelnaya 16
RU-194292 St. Petersburg, Russia
Tel. +7 812 118 4525
Fax +7 812 118 4524

GERMANY

Elcoteq AG
Baden plant and NPI Center
Austrasse
CH-5300 Turgi, Switzerland
Tel. +41 56 299 4433
Fax +41 56 299 2005

Elcoteq Elektronik GmbH
Überlingen plant and
NPI Center
Rengoldshauser Str. 17a
D-88662 Überlingen, Germany
Tel. +49 7551 8000 131
Fax. +49 7551 8000 149

HUNGARY

Elcoteq Hungary Ltd.
Szilva plant
Szilva utca 1-3
HU-7632 Pécs, Hungary
Tel. +36 72 509 100
Fax +36 72 450 501

Elcoteq Hungary Electronics Ltd.
Finn plant
Finn utca 3
HU-7630 Pécs, Hungary
Tel. +36 72 509 100
Fax +36 72 509 105

AMERICAS

USA

Elcoteq, Inc.
Dallas office
6565 N. MacArthur Blvd.
Suite 250
Irving, TX 75039, USA
Tel. +1 972 401 9995
Fax +1 972 401 9606

MEXICO

Elcoteq S.A. de C.V.
Monterrey plant
Ave. Stiva # 400
Parque Industrial Stiva
C.P. 66600 Apodaca
N.L. Mexico
Tel. +52 8 156 7600
Fax +52 8 156 7606

ASIA

CHINA

Beijing Elcoteq Electronics Co. Ltd.
Beijing plant
No. 6 Long Qing Street,
Beijing Economic Technological
Development Area
Beijing 100176, China
Tel. +86 10 6787 2288
Fax +86 10 6788 9660

Dongguan
Elcoteq Electronics Co. Ltd.
Dongguan plant
No. 84 Zhongli Road,
Huangcun High Technology
Development District,
Dongguan Municipality,
Guangdong Province,
523077 China
Tel. +86 769 240 8801
Fax +86 769 240 8802

Elcoteq Asia Ltd
Hong Kong NPI Center
Unit 10/F
Yuen Long Trading Centre
33 Wang Yip Street West
Yuen Long, N.T.
Hong Kong
Tel. +852 2442 0628
Fax +852 2442 0870

JAPAN

Elcoteq Japan Co., Ltd.
Tokyo office
Ohno-Takanawa Blgd. 4F
2-21-38 Takanawa
Minato-ku, Tokyo, 108-0074 Japan
Tel. +81 3 5475 6001
Fax +81 3 5475 6005

VAT Reg. No, FI 08610516
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ELCOTEQ

Elcoteq Network Corporation
Group Office
Sinimäentie 8B
P.O.Box 8
FIN-02631 Espoo
Finland
Tel. +358 10 41 311
Fax +358 10 413 1209
www.elcoteq.com