ELCOTEQ

Annual Report 2003

The Year 2003

Net sales rose and profitability improved. *The Group's net sales in 2003 totaled MEUR 2,235.7 (MEUR 1,840.2) and the operating income was MEUR 30.5 (MEUR 25.5).* ***The service offering was expanded strongly.*** *The co-operation agreement with Cellon strengthened Elcoteq's mobile phone design capabilities. In the USA, Elcoteq enhanced its new product introduction services by acquiring NPRC and 20% of ISIS Surface Mounting.* ***Elcoteq extended its customer base*** *through acquisitions and organic growth. New customers include Marconi, NEC, Siemens, Strix Systems and Tellabs.*

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Annual General Meeting

The Annual General Meeting of Elcoteq Network Corporation shareholders will be held on Wednesday March 17, 2004, commencing at 2.00 p.m. (EET), in the Ball Room of the Scandic Hotel Continental, Mannerheimintie 46-48, Helsinki, Finland.

Shareholders who have registered themselves in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd on March 5, 2004 may attend the Annual General Meeting.

Registration

Shareholders wishing to attend the AGM are requested to notify the company no later than 4.00 p.m. (EET) on March 12, 2004 by telephone on +358 10 413 1827/Ms Riia Johansson-Rouvinen, by telefax on +358 10 413 1804, by e-mail to riia.johansson-rouvinen@elcoteq.com, or in writing to Elcoteq Network Corporation, Ms Riia Johansson-Rouvinen, P.O. Box 8, FI-02631 Espoo, Finland. Registration by mail and letters of authorization should arrive at the above address before the notification period expires.

All shareholders registering to attend the AGM are required to provide their name, address, telephone number and date of birth.

Dividend Proposal

The Board proposes to the Annual General Meeting that a dividend of EUR 0.90 be distributed on the financial year 2003. The dividend approved by the AGM will be paid to shareholders registered in the Elcoteq shareholder register maintained by the Finnish Central Securities Depository Ltd on the record date.
The dividend record date is March 22, 2004.
The dividend payment date is March 29, 2004.

Elcoteq in Brief

Elcoteq Network Corporation is an electronics manufacturing services (EMS) company focusing on communications technology products and customers. Elcoteq provides design, NPI (New Product Introduction), sourcing, manufacturing, supply chain management and after-sales services for the whole lifecycle of its customers' products. Elcoteq ranks among the world's leading EMS providers and is clearly the largest European company in its field.

Elcoteq's net sales in 2003 totaled MEUR 2,235.7 (MEUR 1,840.2). The Group operates in 12 countries on three continents and has approximately 13,000 employees.

Elcoteq has two business areas: Terminal Products and Communications Network Equipment. In 2003 Terminal Products contributed 80% to Group net sales and Communications Network Equipment roughly 12%. Geographically, the Group's net sales were derived as follows: Terminal Products Europe 45%, Communications Network Equipment/Industrial Electronics Europe 19%, Asia-Pacific 31%, and Americas 5%.

Focus on Communications Technology

Elcoteq's strategy is to focus on communications technology products, and in particular on wireless communications technology. The company's aim is to offer customers in this segment the most comprehensive range of services, and through this to expand its customer base. Elcoteq's largest customers are companies belonging to the Nokia and Ericsson groups.

The principal product group of Terminal Products is mobile phones, their modules and accessories but the product range also includes other terminal devices such as digital receivers and PDAs. Net sales of Terminal Products in 2003 totaled MEUR 1,779.9 (MEUR 1,348.9).

Communications Network Equipment's customers are primarily suppliers of mobile phone networks, wireless local area networks (WLANs) and broadband networks. Net sales of Communications Network Equipment in 2003 totaled MEUR 260.3 (MEUR 243.9). This business area's net sales are expected to grow significantly during 2004 as a result of acquisitions made during the latter half of 2003.

Industrial Electronics' net sales totaled MEUR 195.5 (MEUR 247.4) in 2003.

Service Offering

Elcoteq provides a comprehensive range of services to its customers from design to after-sales covering the entire lifecycle of its customers' products. The company has a global network of new product introduction centers and manufacturing plants. Elcoteq Design Center, which is specialized in design services for mobile phones, operates in Finland and Russia. Elcoteq also provides after-sales services.

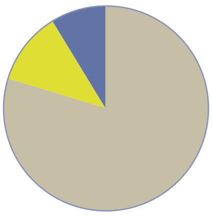
In 2003 Elcoteq particularly strengthened its design and NPI capabilities with acquisitions in the USA, the signing of a co-operation agreement with Cellon, the world's leading independent designer of mobile terminals, and the establishment of a new NPI center in Pécs, Hungary. The company further boosted its expertise as a manufacturer of communications network products by acquiring Marconi's electronics manufacturing in Offenburg, Germany, and the manufacturing operations of Tellabs International in Finland.

All Elcoteq's volume manufacturing plants are located in low-cost countries: Estonia, Russia, Hungary, China and Mexico. With globally consistent machinery, equipment, manufacturing processes and operating procedures Elcoteq is able, for example, to relocate product manufacturing from one plant to another fast and efficiently.

Elcoteq also has capacity in Finland, Germany and Switzerland suitable for producing small and medium-sized series. Elcoteq's manufacturing plants have an aggregate floor area of 198,700 square meters.

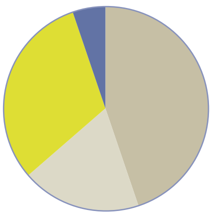
Net Sales by Business Area, %

	2003
Terminal Products	79.6
Communications Network Equipment	11.6
Industrial Electronics	8.7



Net Sales by Geographical Area, %

	2003
Terminal Products, Europe	44.8
Communications Network Equipment/ Industrial Electronics, Europe	18.8
Asia-Pacific	31.2
Americas	5.2



Key Figures

	2003	2002
Net sales, MEUR	2,235.7	1,840.2
Operating income, MEUR	30.5	25.5
Income before taxes, MEUR	22.8	18.6
Earnings per share (EPS), EUR	0.70	0.54
Return on investment (ROI/ROCE), %	10.4	9.2
Solvency ratio, %	33.4	36.6
Gross capital expenditures, MEUR	68.1	78.0
Personnel at year end	13,013	10,176

Quarterly Figures

INCOME STATEMENT, MEUR	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
NET SALES	721.9	496.1	500.4	517.3	556.4	456.1	425.2	402.3
Change in stock of work in progress and finished goods	13.0	5.0	3.8	-15.3	5.7	8.7	-6.7	3.5
Other income from operations	0.6	0.5	0.7	0.6	1.5	0.8	0.5	1.1
Operating expenses	-703.7	-480.7	-488.7	-483.4	-532.9	-441.1	-405.9	-400.7
Depreciation, amortization and writedowns	-14.9	-14.4	-14.5	-13.8	-12.6	-11.9	-11.9	-12.6
OPERATING INCOME	16.9	6.6	1.7	5.3	18.1	12.7	1.2	-6.5
% of net sales	2.3	1.3	0.3	1.0	3.3	2.8	0.3	-1.6
Financial income and expenses	-2.7	-1.5	-2.0	-1.5	-0.8	-2.0	-2.5	-1.6
INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	14.2	5.1	-0.3	3.8	17.3	10.7	-1.3	-8.1
Income taxes	-1.2	3.6	-1.9	-2.0	3.0	-2.9	-0.7	0.5
Minority interests	-0.5	0.1	0.0	0.1	-0.7	-1.4	-0.4	0.0
NET INCOME	12.5	8.8	-2.3	1.8	19.6	6.4	-2.4	-7.6
BALANCE SHEET, MEUR								
ASSETS								
Fixed assets								
Intangible assets	42.9	46.0	46.9	48.1	45.8	20.9	10,8	11,8
Tangible assets	148.0	134.0	130.5	139.6	147.6	139.5	144,6	157,8
Investments	14.9	1.1	1.2	0.8	0.8	0.8	0,9	0,7
Fixed assets, total	205.8	181.1	178.6	188.6	194.2	161.2	156,3	170,3
Current assets								
Inventories	267.0	200.1	158.9	176.5	197.5	180.4	152.2	169.2
Long-term receivables	9.3	8.8	4.0	4.8	6.9	1.7	5.1	4.3
Short-term receivables	256.7	221.0	222.6	222.8	235.2	176.9	161.2	173.5
Cash and cash equivalents	63.7	24.6	44.4	41.3	76.1	101.7	100.8	75.7
Current assets, total	596.7	454.5	429.9	445.4	515.7	460.7	419.3	422.8
ASSETS, TOTAL	802.5	635.6	608.5	634.0	709.8	621.9	575.6	593.1
SHAREHOLDERS' EQUITY AND LIABILITIES								
Shareholders' equity								
Share capital	12.1	11.8	11.8	11.8	11.8	11.8	11.8	11.8
Other shareholders' equity	248.8	230.1	222.0	225.3	235.8	217.7	210.7	216.5
Shareholders' equity, total	260.9	241.9	233.8	237.1	247.6	229.5	222.5	228.3
Minority interests	5.8	8.3	10.2	11.7	12.2	5.5	6.0	6.3
Provisions	2.1	1.0	0.7	0.9	1.4	3.3	2.0	2.6
Liabilities								
Long-term liabilities								
Long-term loans	36.5	21.8	22.1	22.4	22.7	36.5	37.5	35.4
Other long-term debt	5.7	5.3	3.5	3.0	2.9	1.2	1.3	1.3
	42.1	27.1	25.6	25.4	25.5	37.7	38.8	36.7
Current liabilities								
Current loans	19.3	10.9	46.2	44.4	20.5	34.8	31.4	37.6
Other current liabilities	472.4	346.4	292.0	314.4	402.6	311.1	274.8	281.7
	491.7	357.2	338.2	358.9	423.1	345.9	306.3	319.2
Liabilities, total	533.8	384.3	363.8	384.3	448.6	383.6	345.1	355.9
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	802.5	635.6	608.5	634.0	709.8	621.9	575.6	593.1
Personnel on average	12,864	11,132	10,566	10,210	8,734	7,781	7,731	8,020
Gross capital expenditures, MEUR	22.4	21.8	10.3	13.6	51.7	16.7	5.7	3.9
ROI/ROCE from 12 preceding months, %	10.4	11.3	13.0	12.7	9.2	4.4	-3.4	-5.6
Earnings per share (EPS), EUR	0.42	0.30	-0.08	0.06	0.66	0.22	-0.08	-0.26
Solvency ratio, %	33.4	39.4	40.1	39.3	36.6	37.8	39.7	39.6
NET SALES BY GEOGRAPHICAL AREA								
TP* Europe	350.4	229.1	218.4	203.7	289.6	225.0	188.5	156.6
Asia-Pacific	183.6	153.7	161.7	199.2	129.5	115.3	104.5	121.3
Americas	66.6	21.2	16.6	12.1	20.1	15.5	21.3	26.0
CNE/IE** Europe	121.4	92.1	103.6	102.3	117.3	100.4	110.9	98.4

* Terminal Procucts
** Communications Network Equipment / Industrial Electronics

NET SALES BY BUSINESS AREA	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Terminal Products	589.4	391.6	388.9	410.0	423.3	339.3	300.7	285.6
Communications Network Equipment	84.2	60.2	60.8	55.1	67.6	59.5	61.9	54.9

Strategy

Profitable Growth

We are targeting profitable growth both organically and through acquisitions. We wish to be so competitive that our growth is not dependent on market trends. That way we serve the interests of our shareholders, customers and other stakeholders.

Focus on Communications Technology

We wish to be the world's best EMS provider to communications technology customers. We concentrate on terminal products, cellular networks, broadband networks and wireless local area networks. We are at our strongest when manufacturing these products.

Wide Service Range

We wish to provide a full range of services that fulfills our customers' needs. In particular we are developing design and NPI services, sourcing, and after-sales services to meet demand and the evolving needs of our customers.

Balanced Customer Base

We are expanding our customer base by attracting new customers especially among global and medium-sized companies. This also enables us to assess our own knowhow, balance our operations and spread our risks.

Values

- Customer satisfaction
- Committed personnel
- Ethical conduct of business
- Continuous improvement
- Result orientation

Key Financial Targets

- Continuous growth of EPS
- Return on investment (ROI/ROCE) from preceding 12 months > 20%
- Positive cash flow
- Gearing < 1

Competitive Advantages – Elcoteq's 7 Cs

Concentration

- Focus on communications technology products: both terminal products and communications network equipment

Competence

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

Co-evolution

- Superb customer service
- Confidentiality and close co-operation

Consistency

- Globally consistent plant network, standardized machinery, uniform systems and processes to enable superior time-to-market
- Transferability of skills, technologies, products, assets and human resources on a global basis

Cost-efficiency

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

Coverage

- Global operations
- Full service range from design to after-sales

Continuous Development

- Continuously competitive service offering

We are targeting profitable growth *both organically and through acquisitions. We wish to be so competitive that our growth is not dependent on market trends.*

Once again we have set ourselves high goals *but I am confident we can reach them. Elcoteq has a good strategy, strong experience and expertise, and promising prospects. We have an outstanding foundation for future development.*

Chief Executive's Review

Dear Reader,

Many unpredictable factors affected the world economy during 2003 including the SARS epidemic, the war in Iraq, and changes in the dollar-euro exchange rate. In our fast-changing world corporations must be able to respond effectively to surprising challenges. I am happy to say that in Elcoteq we succeeded in this task rather well.

During 2003 we paid particular attention in Elcoteq to broadening our service portfolio. In the field of mobile phone design, we expanded the Elcoteq Design Center's operations and concluded a co-operation agreement with Cellon International, combining a globally significant communications technology EMS company with the world's largest independent wireless design and development house. Moreover, we reinforced our new product introduction (NPI) capabilities through both acquisitions and organic growth.

Our major projects in the Asia-Pacific region during 2003 included the integration of the GKI companies, acquired at the end of 2002. This work will continue during 2004. We now have four manufacturing plants and more than 4,300 employees in China. Capacity utilization in the Americas improved markedly during the year and we have also expanded our operations in Europe.

We gained several important new customers during 2003, which particularly strengthened our communications network equipment business. We will continue to work actively to win more new customers; indeed, one of the cornerstones of our strategy is to improve the balance of our customer portfolio. Our customer base in Communications Network Equipment is better balanced than in Terminal Products. Especially in Terminal Products we still need to intensify our sales efforts further. However, our ability to succeed in this task has improved significantly thanks to our expanded service range.

In 2004 we will continue to resolutely pursue our communications technology strategy. We want to be the world's leading EMS provider to communications technology customers. This requires us not only to keep our sights sharply focused on communications technology but also to enhance our capabilities still further. In particular, we will be developing our product design and NPI services. As we enhance our service portfolio and broaden our customer base, we must of course ensure that our profit-making ability improves as well.

Elcoteq has a global network of manufacturing plants and NPI centers, but we are constantly looking out for new opportunities to expand. There are interesting prospects in Europe, Americas and Asia-Pacific. Expansion will take place through both acquisitions and organic growth. At the same time we will make every effort to offer customers better service through co-operation agreements and alliances with other world-class communications technology corporations. A good example of this is the agreement with Cellon.

I began as President and CEO of Elcoteq in January 2004. My new job is both interesting and challenging. On the other hand I already know the company, its people and its operating environment, so I am well aware of Elcoteq's opportunities. Once again we have set ourselves high goals but I am confident we can reach them. Elcoteq has a good strategy, strong experience and expertise, and promising prospects. We have an excellent foundation for future development.

Achieving outstanding results in difficult conditions requires the will to fight, as well as flexibility and a determined commitment to reach the goals we have set. At the same time co-operation must be smooth, both internally and with all our external stakeholders.

I want to extend my warm thanks to all Elcoteq employees, customers, suppliers, shareholders and other business partners for 2003. I hope our co-operation will continue to be as fruitful and successful in 2004!

Espoo, February 2004

Jouni Hartikainen
President and CEO

Elcoteq's Services

Elcoteq offers its customers a broad range of services covering the entire lifecycle of their products. Although most of the company's operations are still closely related to product manufacture, value-added services are continuously assuming greater importance for the company. Customers are increasingly willing to outsource also the design of their products as well as sourcing and new product introduction (NPI).

Design and NPI Services

Elcoteq has provided design services for mobile phone companies since August 2002 when the Elcoteq Design Center was established in Salo, Finland. This unit also operates in Turku, Finland and in St. Petersburg, Russia, and it has roughly 130 employees. Besides providing mobile phone product design services, the center also sources and develops the technologies required in mobile phone design.

In 2003 Elcoteq signed a co-operation agreement with Cellon, the world's largest independent wireless design and development house, at the same time becoming Cellon's preferred EMS partner. With almost 700 employees, Cellon has design centers in France and China. The agreement broadens the range of design services Elcoteq can offer and strengthens Elcoteq's opportunities to expand its customer base and improve the capacity utilization of its manufacturing plants.

The stage following product design is industrialization, or new product introduction. Elcoteq has NPI centers in Europe, Asia and Americas specialized in this work. Their role includes designing the automation lines as well as production and testing tools for the manufacturing plants and making the product prototypes. Elcoteq's NPI centers work closely with product designers and the manufacturing plants to ensure that new products are brought to market rapidly to maximize their profit-making potential.

Elcoteq expanded its NPI network during 2003 both organically and through acquisitions. A new NPI center was set up in Pécs, Hungary. In America the network was strengthened by acquisitions. Early in the year Elcoteq acquired NPRC in Dallas renaming it Elcoteq, NPI Dallas. In the autumn Elcoteq took a 20% stake in the ISIS Surface Mounting in California. These acquisitions also expanded Elcoteq's customer base in Americas.

Sourcing and Supply Chain Management

Elcoteq also considerably developed its sourcing and supply chain management capabilities in 2003. This organization's tasks include selecting suppliers, evaluating alternative components, sourcing and purchasing components, and the quality management and logistics functions related to these tasks. Elcoteq only works with selected key suppliers in order to offer service that is as cost-efficient and technically sound as possible. In addition to sourcing, Elcoteq also helps its customers manage and develop their own supply chains.

Core Business still EMS

Elcoteq still derives most of its net sales from manufacturing services. The company has volume manufacturing capacity in Europe, Asia and Americas supplemented by several smaller manufacturing units in Europe. Small series and prototypes are often manufactured in the NPI centers. The aggregate floor area of all Elcoteq's manufacturing plants is 198,700 square meters. Its largest plants are in Estonia, Hungary, China and Mexico.

At the end of 2002 the company took a 70% holding in two GKI companies which were added to Elcoteq's manufacturing plant network on January 1, 2003. Elcoteq's plants in China have a total floor area of 49,800 square meters and approximately 4,300 employees.

After-Sales Services

The after-sales services Elcoteq offers its customers include product upgrades and repair, product analyses, spare parts supply and logistics services. These services are supplied to mobile phone and communications network customers in all geographical areas.

Comprehensive Lifecycle Services

__We wish to provide a full range of services__ that fulfills our customers' needs. In particular we are developing design and NPI services, sourcing, and after-sales services.

Geographical Areas

During 2003 Elcoteq's operations were organized geographically into four areas. These were Terminal Products Europe, Communications Network Equipment and Industrial Electronics Europe, Asia-Pacific, and Americas.

The Group derives most of its net sales from Europe. Aggregate net sales in this area totaled MEUR 1,421.0 (MEUR 1,286.7). This comprised MEUR 1,001.6 (MEUR 859.7) from Terminal Products, and MEUR 419.4 (MEUR 427.0) from Communications Network Equipment and Industrial Electronics. Net sales from Asia-Pacific amounted to MEUR 698.2 (MEUR 470.6) and from the Americas MEUR 116.5 (MEUR 82.9).

Europe Strong

Europe's share of Elcoteq's consolidated net sales was almost 64% in 2003. Sales of terminal products gained strength towards the end of the year, which was evident in good capacity utilization at Elcoteq's European manufacturing plants especially during the final quarter. In Europe Elcoteq manufactures terminal products in Estonia, Hungary and Russia. The company's plants in Finland, Germany and Switzerland concentrate on communications network equipment and industrial electronics. Elcoteq also has a plant in Tallinn, Estonia specializing in communications network equipment.

Net sales from Terminal Products Europe increased mainly through stronger and broader co-operation with existing customers.

On the communications network equipment side, Elcoteq concluded a number of significant new EMS contracts. The company acquired Marconi's electronics manufacturing operation in Offenburg, Germany, becoming at the same time Marconi's preferred EMS partner for fixed wireless access products and associated technologies. Elcoteq also began manufacturing parts for Siemens GSM base stations, and signed a co-operation agreement with Tellabs under which Elcoteq took over Tellabs International's manufacturing operation in Espoo, Finland, and became Tellabs International's preferred supplier. Elcoteq manufactures digital optical cross-connection products and broadband access systems for Tellabs. In December Elcoteq signed an agreement with KATHREIN-Werke KG in Germany covering the manufacture of GSM and UMTS related subsystems at Elcoteq's Pécs plant in Hungary. These new accounts are expected to have a significant impact especially on the net sales and result of Elcoteq's Communications Network Equipment business area in 2004.

Challenges in Asia-Pacific

As 2003 got under way Elcoteq was looking forward to major growth in its Asia-Pacific area and particularly in China. The GKI acquisition on the last day of 2002 was expected to raise Elcoteq's net sales in Asia-Pacific considerably.

The SARS epidemic in the spring of 2003, coupled with changes in the dollar-euro exchange rate, intense competition, and a severe drop in the prices of certain components in China, all affected Elcoteq's net sales negatively and the company was thus unable to reach its sales targets that were set at the start of the year. The SARS epidemic hampered both the integration of the GKI companies and efforts to gain new customers. Net sales of the GKI companies in 2003 totaled MEUR 296, which was substantially below the estimate at the start of the year.

After the challenging spring months operations gradually began to return to normal as the autumn was reached and Elcoteq's sales efforts to new customers started to bring results. In China Elcoteq gained both Chinese and other Asian mobile phone accounts. The customer base also broadened on the communications network equipment front, where the company concluded EMS contracts with one large Chinese and one European equipment manufacturer.

In Asia-Pacific Elcoteq has manufacturing plants in Beijing, northern China, and in Shenzhen and Dongguan in southern China. These plants cover an aggregate floor area of approximately 50,000 square meters, or roughly 25% of Elcoteq's total manufacturing floor space. In addition to manufacturing capacity Elcoteq also has an NPI (new product introduction) center in Beijing, as well as sales and technical support units in Hong Kong, China, in Tokyo, Japan, and in Seoul, South Korea.

Capacity Utilization Improved in Americas

Net sales in Americas area increased 40% in 2003 compared to the previous year owing to both acquisitions and organic growth. This was reflected in better capacity utilization at the Mexico plant where manufacturing load in the final quarter of 2003 was almost three times higher than in the same period in 2002. The number of employees at the Mexico plant increased by 550 during the year.

Elcoteq gave particularly high priority during the year to strengthening its NPI capabilities in the Americas. In March the company acquired NPRC, an NPI services provider in Texas, and in the autumn took a 20 per cent holding in the Californian company ISIS Surface Mounting. ISIS, with roughly 100 employees, has strong expertise in radio frequency and communication infrastructure technology, where both ISIS and NPRC have their main customers. Acquisitions form part of Elcoteq's strategy to place NPI centers close to its customers but high-volume manufacture takes place at the company's plants in low-cost countries.

During 2003 Elcoteq started providing after-sales services to mobile phone customers from its plant in Mexico.

Elcoteq Locations

Area and Location	Activities and Services	Floor Space, m²
EUROPE		
Espoo, Finland	Group office, sales and technical support	
Espoo, Finland	Espoo Plant* (communications network equipment)	4,000
Espoo and Lohja, Finland	NPI center Finland, after-sales services	14,000
Vaasa, Finland	Plant, NPI center (industrial electronics)	3,900
Salo and Turku, Finland	Elcoteq Design center	
Kista, Sweden	Sales and technical support	
Tallinn plants, Estonia	Volume production, NPI center	31,000
Pécs plants, Hungary	Volume production, NPI center, after-sales services	46,000
Offenburg, Germany	NPI center	14,500
Überlingen, Germany	NPI center	5,200
Baden, Switzerland	NPI center (industrial electronics)	9,500
St. Petersburg, Russia	Volume production, NPI center	2,500
St. Petersburg, Russia	Elcoteq Design center	
Europe, total		130,600
ASIA-PACIFIC		
Beijing plants, China	Volume production, NPI center	28,000
Dongguan, China	Volume production	13,000
Shenzhen, China	Volume production	8,800
Hong Kong, China	Sales and technical support	
Seoul, South Korea	Sales and technical support	
Tokyo, Japan	Sales and technical support	
Asia-Pacific, total		49,800
AMERICAS		
Dallas, USA	Sales and technical support	
Dallas, USA	NPI center	
Monterrey, Mexico	Volume production, NPI center, after-sales services	18,300
Americas, total		18,300
TOTAL		198,700

* Production will be re-located during autumn 2004.

We wish to be ***the world's leading EMS provider to communications technology customers****. We concentrate on terminal products, cellular networks, broadband networks and wireless local area networks.*

Terminal Products

Elcoteq's Terminal Products business area designs and manufactures products that represent the latest developments in wireless communications technology. These products are manufactured at Elcoteq's high-volume plants in Europe, Asia and the Americas, and most are marketed globally. The product groups of Terminal Products are mobile phones and accessories, wireless modules and digital devices.

2003 in Review

The Terminal Products business area generated MEUR 1,779.9 (MEUR 1,348.9) in net sales during 2003, which represented approximately 80% (73%) of the Group's net sales and a growth of 32% on the previous year.

In 2003 Terminal Products succeeded in strengthening the company's position as a leading global outsourcing partner to communications technology customers. In all quarters of the year the business area's net sales were higher than in the corresponding periods one year earlier.

Europe and Asia continued to be the business area's strongest markets in terms of net sales. In Europe Elcoteq's sales of terminal products developed largely as expected except for the third quarter, when sales volume exceeded the previous year's level only barely. Despite clear growth, sales of terminal products in Asia-Pacific did not match the company's expectations. The SARS epidemic had a negative impact on Elcoteq's sales in China and, partly for this reason, the GKI companies, acquired at the end of 2002, failed to reach their targets. Other important reasons include the substantial weakening of the US dollar against the euro, and consequently the dollar-linked Chinese renmimbi which is used by Elcoteq as an invoicing currency, as well as a larger than expected fall in material prices.

In the Americas, Elcoteq's sustained sales efforts brought results and in the final quarter sales in this region grew strongly.

In addition to gaining ten new accounts Elcoteq raised its net sales in particular with Philips, and Sony Ericsson. Co-operation with Nokia was extended to all areas in the product's lifecycle.

Expanding Service Offering

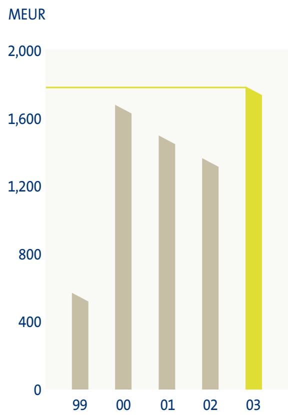
Terminal Products provides its customers with services covering the entire value chain of their products. In 2003 Elcoteq gave special emphasis to developing and selling its product design services. The company signed a co-operation agreement with the world's largest independent wireless terminal designer Cellon, developed the operations of the Elcoteq Design Center, and strengthened its after-sales services to mobile phone customers. Elcoteq also opened an NPI center in Pécs, Hungary.

Prospects in 2004

The mobile phone market is estimated to grow by some 10% in 2004, while outsourcing of manufacturing is forecast to increase as well. For these reasons Elcoteq expects its Terminal Products sales to continue growing in 2004.

Growing markets such as Russia, India and Brazil are interesting areas for electronics manufacturing services and Elcoteq is studying the possibilities of starting operations also in these regions. The Terminal Products business area has also set significant growth targets in North America.

Terminal Products
Net Sales in 1999–2003



Communications Network Equipment

Customers of the Communications Network Equipment (CNE) business area are manufacturers of mobile phone networks, wireless local area networks (WLANs) and broadband networks. Elcoteq's manufacturing services for these customers cover base station and base station controller modules, plug-in units for mobile base stations, tower top amplifiers, base station antennas, routers for broadband networks, and microwave links.

Stronger Market Share

At the start of 2003 Elcoteq estimated that its infrastructure business would grow faster than the communications technology sector in general. The business area's net sales in 2003 rose 7% on the previous year, totaling MEUR 260.3 (MEUR 243.9), which represented roughly 12% (13%) of the Group's consolidated net sales.

The business area has focused on raising its market share and broadening its customer base. The main achievements during 2003 were the acquisition of Marconi's microwave link manufacturing operation in Germany, a manufacturing agreement with Tellabs International covering digital optical cross-connection products and broadband access systems for communications networks, and an agreement with Siemens on manufacturing services for base stations. These agreements are expected to raise the business area's net sales in 2004 by approximately MEUR 200.

Customer Base

Elcoteq's existing and potential customers in the communications network market can be divided into two categories. The first includes manufacturers of total systems. The other comprises suppliers of subsystems for these manufacturers.

Elcoteq's largest customers in this field are Ericsson, Nokia, Siemens and Tellabs with others including Andrew Corporation, KATHREIN-Werke KG and LGP Allgon. In 2003 Elcoteq also began collaboration with the German company LANCOM and Strix Systems in America. The last two are an important step for Elcoteq in the field of WLANs.

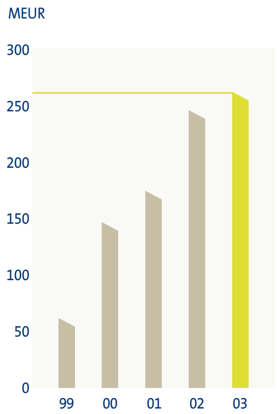
Prospects in 2004

Although the outlook in the communications network market in 2004 is better than in the previous year, market trends are still difficult to forecast. The continuous growth of both wireless and fixed line communications will be evidenced by increasing investments and by rising demand among both systems-level equipment manufacturers and suppliers of subsystems.

Action taken by Elcoteq to broaden its customer base has created a strong foundation for growth in its Communications Network Equipment business area. Elcoteq believes that the business area will further increase its market share during 2004 and that its net sales will be substantially higher than one year earlier.

Communications Network Equipment

Net Sales in 1999–2003



We are expanding our customer base *by attracting new customers especially among global and medium-sized companies.*

Human Resources

Management of human resources in Elcoteq during 2003 gave strong emphasis to employee satisfaction, personal development, and the re-allocation of human resources following the introduction of Elcoteq's revised organization at the beginning of 2003.

Personnel increased during the year from about 10,600 to over 13,000 persons. The largest increases were made at the manufacturing plants in Beijing, China, in Pécs, Hungary and in Monterrey, Mexico, where the number of employees grew by nearly 2,000. The Marconi acquisition in Germany in November added over 300 employees to the company's total workforce.

Employee Satisfaction

Elcoteq once again conducted an employee survey in spring 2003 to establish employees' opinions and experience of the working atmosphere in the company, and its management and Elcoteq's image as an employer. Its purpose was also to map the company's strengths and areas for development. Questionnaires were sent to all employees in February in their own languages.
The return rate was roughly 70% of the total workforce.

The survey showed that the company had achieved clear improvements in many areas compared to the previous year. Elcoteq's strengths were felt to be the Group's recent development, sufficient flow of information, its modern approach, service-mindedness and competitive efficiency. Employees also gave high marks to the company's openness and especially to the strategy meetings for personnel held in all the units and hosted by the company's top management. Clear areas for development, according to respondents, were general management at all levels and the need to make work more challenging.

Rewarding Employees and Performance Appraisal Discussions

Special priority was given during 2003 to re-assessing the level of difficulty of work tasks in order to ensure the internal fairness and external competitiveness of Elcoteq's employee remuneration system. Improvements during the year included taking greater account of the needs of different units, teams and individuals, and integrating their performance to the Group's common strategic and business objectives.

Elcoteq renewed the way it conducts its performance appraisal discussions during 2003, giving greater emphasis to wellbeing at work and to achieving a balance between work and free time. Special emphasis was given to drawing up personal development plans.

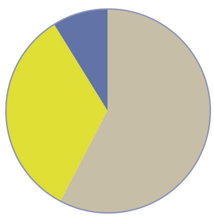
Personal Development

Elcoteq supports all efforts to create an atmosphere that encourages personal learning and participation, an atmosphere in which continuous improvement of working methods is a natural part of everyone's working day.

Personal development in Elcoteq is based on the company's strategy and business needs at all organizational levels. In this context, two global development programs were started in Elcoteq during 2003, one of which focused on top management and the other on the management of the manufacturing plants to ensure the availability of critical resources in the future. A global development program for sales personnel will be started in 2004.

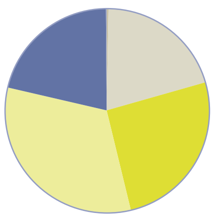
Personnel by Geographies, %

	2003
Europe	57.6
Asia-Pacific	33.6
Americas	8.8



Levels of Education

	2003
No grade school	38
Grade school	2,642
High school	3,333
Vocational education	4,218
Professional qualification or university degree	2,766
Doctoral degree	16
Total	13,013



Corporate Responsibility

Elcoteq's corporate responsibility policy was completed in 2003. This policy is based on the company's values and it covers the three areas of corporate responsibility – economic, social and environmental. Elcoteq's policy also seeks to meet the varying requirements of its stakeholders.

Several teams in Elcoteq worked on the content of its corporate responsibility policy during the year. The company also examined the availability of information in its own organization that would meet the indicators used in corporate responsibility reporting. Elcoteq has based its reporting procedures on the Global Reporting Initiative (GRI) guidelines.

Elcoteq's corporate responsibility policy will be introduced to the company's employees and other stakeholders during 2004. Elcoteq also plans to publish its first independent corporate responsibility report in 2004.

Internal and External Reviews

Elcoteq's manufacturing plants were audited during 2003 according to the SA8000 social accountability standard and the requirements expressed by customers. The results of these audits showed that Elcoteq's plants for the most part fulfilled these requirements. The main area for improvement was in the documentation of operating procedures. Each plant will use the results to draw up a plan and schedule for meeting the SA8000 requirements during 2004.

Certain Elcoteq customers have also carried out social responsibility audits at Elcoteq plants including Tallinn plant in Estonia and the Dongguan plant in China. These audits have yielded excellent results.

In a health and safety competition organized by Technology Industries of Finland, Elcoteq's Lohja and Vaasa plants ranked among the top seven companies.

Elcoteq Accepted for SRI Index

Elcoteq was selected for membership of the new Kempen/SNS Smallcap SRI (Socially Responsible Investment) Europe index in September 2003. Membership is granted only to companies that meet the index's stringent criteria on business ethics, human resources and the environment. In 2003 approximately 16% of the companies evaluated were judged acceptable.

Environmental Responsibility

Elcoteq updated its environmental policy at the end of 2003 to correspond to the company's expanded service portfolio and new stipulations presented by EU legislation. Design and NPI services set new challenges for Elcoteq. Moreover, the EU's integrated product policy has shifted the emphasis from management of site-specific environmental impacts to minimizing the environmental impacts of products throughout their lifecycle.

Anticipating New Directives

Elcoteq has also concentrated on preparing for forthcoming EU directives in its internal R&D projects. These concern the recycling of electrical and electronics products, the restriction of hazardous substances used in products, and observing the lifecycle impacts of energy-consuming products in product design. These directives have already set new demands, especially concerning the collection and management of product-specific environmental information. However, these demands do not create the need for significant new investments.

Elcoteq is a member of several environmental networks operating in the electrical and electronics sector, and the company also participates in a number of research and development projects. AWARENESS is a project initiated by the Federation of the Finnish Electrical and Electronics Industry (SET) to anticipate the requirements set by EU environmental directives on producers of electrical and electronic equipment. The project's aim is to develop recycling systems for electronic waste. Similarly, a work group set up by KOTEL (Co-operation for Better Electronics, a Finnish co-operative body for electronics research and development) focuses on establishing the requirements of new EU directives on the management of the materials and processes employed in electrical and electronics products and their lifecycle environmental impacts.

During 2003 Elcoteq gave emphasis to developing environmentally sound product design processes and tools, and to arranging environmental training. The key aspects of environmentally sound product design are the control of banned and restricted substances, improvements to the recyclability of products, and minimizing energy consumption and material volumes.

Elcoteq has developed a software tool and database for managing information on the material composition and recyclability of its products and components. One use for this information is to draw up ecoprofiles of products. Elcoteq is also continuously assessing the capabilities of its suppliers to meet new environmental requirements.

Lead-Free Manufacturing

The company further developed its lead-free manufacturing process during 2003 and at the same time the process became more product-specific. Lead-free manufacturing is already in use in volume production in several Elcoteq plants. The easy transfer to this manufacturing method was clear proof of the efficient development of the process.

Environmental Management

All Elcoteq's manufacturing plants, and also the Group organization, have ISO 14001 environmental certification. The Elcoteq Design Center and the NPI center in Tallinn were ISO 14001 certified in 2003.

Elcoteq's manufacturing plants are independently responsible for environmental management of their local operations in accordance with their own environmental programs. Central areas of priority are waste handling, packaging, energy consumption, and the safe handling of materials and substances used in their production processes.

Elcoteq's Monterrey plant in Mexico was granted the Nuevo Leon state's annual ecological award in September 2003. This award is conferred on people and organizations that have demonstrated commitment to environmental responsibility.

In the electronics industry managing environmental impacts requires the active involvement of all parties in the value chain throughout the lifecycle of the products. Elcoteq, likewise, has made environmental management an integral part of its co-operation with its suppliers. In 2003 the company focused on establishing how well its component suppliers are prepared for meeting the requirements of the new EU directives.

Environmental Indicators

Elcoteq monitors environmental indicators on a quarterly basis to measure and assess environmental management at its plants, the consumption of natural resources, waste management and indirect environmental impacts. More detailed information on Elcoteq's management of environmental issues and the environmental indicators it uses is given on the company's website and in the corporate social responsibility report to be published in 2004.

Quality Management

Elcoteq's quality policy and corporate values commit the company to continuously improving and developing its operating procedures, processes and systems, thereby enhancing its competitiveness and that of its customers. Quality is integral to Elcoteq's entire organization and all its processes.

In 2003 Elcoteq launched a product development process which incorporates quality management of products and operations. The company also unified the operations, processes and quality indicators of the NPI network in order to integrate the product development and NPI functions into the company's global network of manufacturing plants.

Continuous Improvement

Elcoteq globally assesses improvements in the performance of its units using benchmarking methods and indicators based on best practices. Carried out since 2000, these assessments, coupled with feedback gained directly from customers, show that Elcoteq has achieved significant improvements every year. During 2003 applications of these methods were also extended to the company's product design activities.

Sharing and utilization of best practices is a key element in Elcoteq's policy of continuous improvement as this helps the company maintain globally consistent and efficient practices. For this purpose the company has introduced a process for analyzing best practices, for deciding on their global application and for monitoring their implementation.

Six Sigma

Elcoteq develops its processes and operations using Six Sigma, a method that enables the company to systematically minimize the occurrence of errors and defects. The goal is to ensure that the company's business processes and services are efficient and first-class, and that they fulfill customers' needs.

Six Sigma training in 2003 focused on training Champions at senior management level and strengthening the network of Black Belts in the manufacturing sites and NPI centers.

Elcoteq Design Center adopted the Six Sigma methods as well, to enable the uniformity of its product design, material choices and manufacturing processes. The investments made by Elcoteq in Six Sigma training have generated a many times greater return through improved efficiency and reduced errors.

Black Belt experts manage projects and help the organization to measure and analyze the right parameters and achieve improvements in working methods and performance. Six Sigma Champions are responsible for ensuring that projects focus on solving the problems of key importance to Elcoteq's operations.

Elcoteq's first Master Black Belts qualified in 2003. Their tasks include training new Black Belt experts in different geographical areas and managing wider-ranging Six Sigma projects such as those dealing with several manufacturing plants, customers or suppliers at a time.

Quality Management Systems

Elcoteq's global operating procedures and business processes are ISO 9001:2000 and ISO 14001 certified.

In 2003 Elcoteq Design Center's management system was granted ISO 9001:2000 and ISO 14001 certification. The plants in Hungary and Mexico also received ISO/TS 16949 certification since communications technology is increasingly being used by the automotive industry.

Elcoteq's ISO 9001:2000 and ISO 14001 certificates will be upgraded in early 2004 so that all units have the same certification.

Quality Awards

Elcoteq arranges internal quality competitions annually to encourage its units to develop their operations and processes. The winner in 2002 was the Dongguan manufacturing plant in China. The 2003 winner will be announced in the spring of 2004.

Elcoteq plants also participate in national quality competitions. In 2003 the company's Monterrey plant in Mexico won the Quality Award of the state of Nuevo Leon, Mexico.

The EMS Market: Return to Growth

2003 was a positive year for the electronics manufacturing services (EMS) market. The downturn of the previous two years was over and this sector even saw modest growth. The total value of the EMS market in 2003, according to the research institute IDC, was approximately US 92 billion. At the same time the original design manufacturing (ODM) market had a total value of some US 25 billion. Communications technology manufacturing services accounted for about 30% of both the EMS and ODM markets.

Eventful Year for Mobile Phones

Market conditions in mobile phones, the market segment of most importance to Elcoteq, varied considerably during the year. The first quarter, traditionally quiet, was more lively than usual. This trend could become permanent because Asia's share of global mobile phone sales could grow to almost 40% by 2006, according to the research institute Gartner, and in that region the peak season is not Christmas but January and February.

The second quarter of 2003, by contrast, was exceptionally quiet owing to the SARS epidemic and the war in Iraq. That was followed by unusually strong third and fourth quarters and Gartner estimates that a record number of roughly 510 million phones were sold in 2003 due to the buoyant final months of the year. In monetary terms the mobile phone market was, according to Gartner, worth around US 97 billion in 2003.

Bright Year for WLAN and 3G

Sales of communication networks contracted in 2003 but not as heavily as one year earlier. The investment bank UBS Warburg estimates that the sales value of network equipment in 2003 was US 117 billion, or 9% less than in the previous year.

However, the communication networks market did offer positive developments. In particular, sales of WLANs (Wireless Local Area Networks), broadband access equipment, and third-generation WCDMA (Wideband Code Division Multiple Access) mobile phone networks showed clear growth compared to 2002.

M&As Spell Increased Activity in EMS Sector

A large number of mergers and acquisitions were made during the second half of 2003, a sure sign that EMS companies are preparing for forthcoming growth. Consolidation continues: in 1999 the ten largest EMS companies held 42% of the market whereas in 2003 this share had risen to 70%. UBS Warburg believes this figure could rise to as high as 74% by 2005.

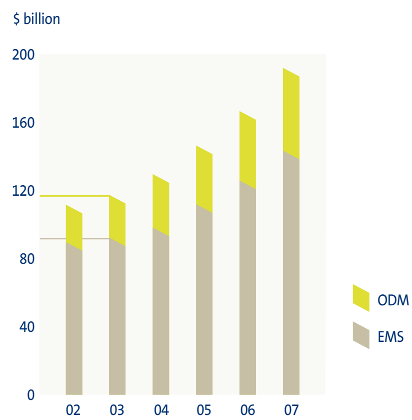
Recent mergers and acquisitions, however, have been small compared with the major mergers seen in earlier years. EMS companies have mainly been broadening their service ranges and expertise by acquiring or forging alliances with small specialized companies. Several equipment manufacturers also made further production cuts by outsourcing manufacturing to EMS providers.

Continuing to pursue its communications technology strategy, Elcoteq was one of the most active EMS companies in terms of acquisitions. During the year Elcoteq increased its communications know-how with the acquisition of Marconi's microwave link manufacturing operation in Germany and Tellabs International's manufacturing operations in Finland. Elcoteq also acquired a minority holding in the world's leading independent mobile phone design company Cellon. In the USA Elcoteq broadened its NPI services with acquisitions.

Broad Service Portfolio Is Decisive

OEMs nowadays expect their partners to have a global manufacturing network, a broad range of services and, most notably, design capabilities. In practice all the mobile phone outsourcing

EMS Market Development Between 2002 and 2007



Source: IDC, 2003

agreements announced in 2003 included design, NPI and after-sales in addition to manufacturing. Outsourcing agreements will also increasingly include sourcing – the vendor approval and the purchase of components by EMS companies under their own agreements.

EMS companies have responded to these growing customer demands by expanding their service portfolios to include product development and design, which has clouded the division between EMS and ODM companies. However, OEMs most often choose as their partners global companies with whom they have worked in the past and which have sufficient financial resources for managing their projects. This puts EMS companies with design capabilities in a strong position in the market.

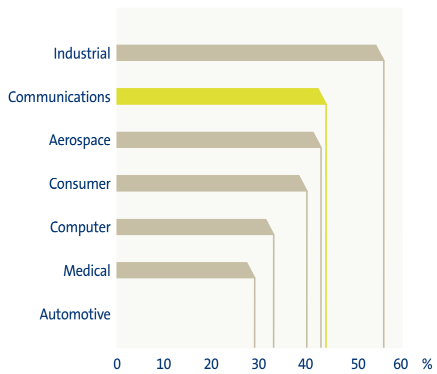
The reason behind the outsourcing of product design is the increasing commercial availability of mobile phone technology. Companies can now acquire the rights to mobile phone product platforms and use them to design new products for their customers. In 2003 Elcoteq chose Motorola's Innovative Convergence(TM) i.200 and i.250 product platforms to develop its customers' advanced wireless handsets for delivery of voice and high-speed data services. The company also signed an agreement with Nokia on co-operation in Series 60 smartphone software design.

Growth Again in the Years Ahead

The research institute IDC expects the entire EMS sector to show annual growth of 10% over the next four years and the same figure applies to electronics manufacturing services for communications technology products. These estimates are based on expected growth in the end-product markets and on a further increase in outsourcing.

Gartner estimates that in 2004 global mobile phone volumes will rise 10% from the previous year. UBS Warburg, on the other hand, expects the network equipment market to grow roughly 5% a year. A survey of the EMS market conducted by the investment bank Merrill Lynch indicates that outsourcing agreements made by OEMs will be increasingly broad in scope. Outsourcing of design and manufacturing of communications technology products is growing faster than the average for the sector: of the communications technology companies interviewed in the survey, as many as 44% planned to increase outsourcing of manufacturing during the following two years.

Percentage of OEMs Planning to Increase Outsourcing, by Market Segments



Source: Merrill Lynch, 2003

Report by the Board of Directors January 1 – December 31, 2003

After several years of waiting, the communications electronics market once again took an upward swing during the final quarter of 2003 and similarly Elcoteq's net sales showed clear growth. The favorable improvement in sales in the final quarter raised the Group's net sales for 2003 to MEUR 2,235.7, up 21% on the previous year. This meant that Elcoteq reached the net sales target announced in conjunction with its nine-month results although the figure was clearly lower than the full-year net sales target set at the start of the year.

The Group's operating income improved compared to the previous year, as the company forecast. However, investments to enhance the company's future capabilities, to broaden its service offering and to strengthen its organization raised fixed costs and thus depressed profit growth, a trend that was most evident during the final quarter.

Market Trends

Global sales of mobile phones during 2003 rose by approximately 15%. The business volume of Elcoteq's Terminal Products grew 32% during the same period. The communications network equipment market, however, contracted by approximately 10% compared to the previous year. By contrast, net sales of Elcoteq's Communications Network Equipment business area increased by roughly 7%.

Structural changes took place in the electronics manufacturing services market. The electronics industry has extended the scope of outsourcing extremely fast from pure manufacturing to the front end of the value chain, product design. Demand for maintenance and repair services has risen at the same time. These trends were visible in all Elcoteq's three geographical areas: Europe, Asia-Pacific and Americas. Accordingly, broadening the company's range of services is one of the cornerstones of Elcoteq's current strategy, revised in 2002. The other key features of the strategy are concentration on communications technology products and customers, and expanding the customer portfolio in this area. In 2003 all these aspects of the revised strategy reflected the growing needs of Elcoteq's customers.

Service Portfolio and Customer Partnerships Developed

Elcoteq focused in 2003 on expanding its service range and expertise. Particularly high priority was given to design and new product introduction (NPI) services. The company's NPI centers in Finland and Estonia were strengthened and co-operation between them was intensified. A new NPI center was established in Hungary, while in the USA the company reinforced its NPI capabilities through acquisitions: an NPI center called NPRC in Dallas, and a 20% holding in ISIS Surface Mounting in California. Elcoteq's design capabilities were improved by strengthening the Elcoteq Design Center in Finland. Elcoteq also forged a strategic alliance with Cellon, the world's leading independent mobile phone design and development company, through a co-operation agreement and a minority holding in Cellon.

Expansion of the NPI and design network especially increased Elcoteq's expertise and service capabilities in mobile phones. Furthermore, Elcoteq boosted its know-how in communications network equipment by acquiring Marconi's microwave links manufacturing operation in Germany as well as a Tellabs International's manufacturing operation in Finland producing, among other things, optical cross-connection devices.

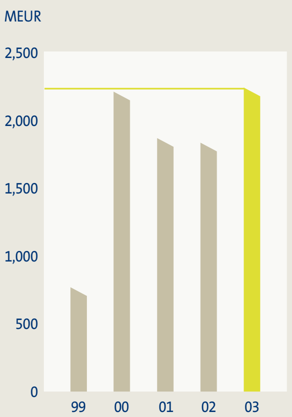
Sales and marketing, which were intensified in 2002, generated a good 20 new customer accounts for Elcoteq during 2003. New accounts included KATHREIN-Werke KG, LANCOM, Marconi, NEC, Siemens, Strix Systems and Tellabs. Most of the new account agreements were concluded in the second half of the year.

Profits Improved in 2003

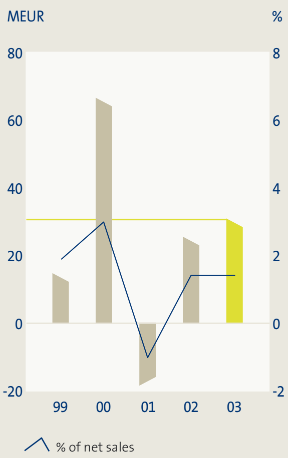
Elcoteq's net sales in 2003 rose 21% to MEUR 2,235.7 (MEUR 1,840.2). Operating income totaled MEUR 30.5 (MEUR 25.5). Pretax income was MEUR 22.8 (MEUR 18.6) and income after taxes and minority interest was MEUR 20.8 (MEUR 16.1). Earnings per share (EPS) were EUR 0.70 (EUR 0.54).

Net sales growth was hampered during spring 2003 by the SARS epidemic in China, unsettled economic conditions arising from the Iraq war, the weakening of the US dollar against the euro, a significant fall in the prices of certain components especially in Asia, and a slower than expected increase in the number of new customers. A further factor affecting operating conditions in China was extremely intense competition on prices aris-

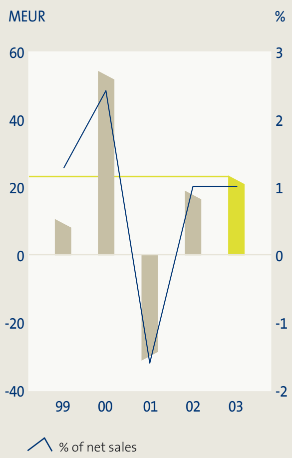
Net Sales



Operating Income



Income before Taxes



ing from overcapacity in electronics manufacturing services.

Net sales of the GKI companies acquired at the end of 2002 amounted to MEUR 296 and the impact of the manufacturing operation acquired from Marconi in October on Elcoteq's net sales in 2003 totaled MEUR 12. The weakening of the US dollar against the euro, coupled with other exchange rate changes, reduced Elcoteq's net sales by more than MEUR 150 compared to 2002 exchange rates. Net income in 2003 was not significantly affected by the changes in exchange rates.

Elcoteq entered writedowns on fixed assets totaling approximately MEUR 3.4 during 2003. This was the result of writedowns of product development costs capitalized to Elcoteq Design Center's balance sheet in conjunction with the acquisition of the Benefon R&D unit in 2002.

The Group's net financial expenses were MEUR 7.7 (MEUR 7.0). Their share of net sales was 0.34% (0.38%) as the effect from declining interest rates was bigger than the effect caused by growth in working capital.

The Group's taxes in 2003 were reduced by the writedowns of subsidiary shares and by a loss on structural changes in the USA. The aggregate impact of these factors was to reduce taxes by over MEUR 9.

Fourth-Quarter Result

Demand strengthened substantially during the fourth quarter compared to the earlier quarters in the year. Fourth-quarter net sales totaled MEUR 721.9 (MEUR 556.4), up 46% on the previous quarter's total of MEUR 496.1. Operating income in the fourth quarter amounted to MEUR 16.9 (MEUR 6.6 in Q3/2003 and MEUR 18.1 in Q4/2002) and income before taxes was MEUR 14.2 (MEUR 17.3). The impact of exchange rate changes on fourth-quarter net sales compared to net sales in Q4/2002 calculated at the exchange rates prevailing then was MEUR 36. Capital expenditure during the fourth quarter amounted to MEUR 22.4 (51.7).

Profitability compared to the previous period was affected both by lower margins and by a clear increase in fixed costs arising from organizational development and the expansion of Elcoteq's service portfolio. Moreover, operating income was weakened by a writedown of approx. MEUR 1.4 on fixed assets in the Elcoteq Design Center.

Financing and Cash Flow

The Group's liquidity remained very good throughout the year. Interest-bearing net debt at the end of December totaled MEUR -7.6 (MEUR -33.4) so gearing was negative, -0.0 (-0.1). The solvency ratio was 33.4% (36.6%) and the balance sheet total was MEUR 802.5 (MEUR 709.8). Acquisitions during the fourth quarter increased the balance sheet by approximately MEUR 80, which reduced the solvency ratio by approximately three percentage points. The balance sheet items related to the acquisition of the Tellabs manufacturing operation are included in the balance sheet at December 31, 2003 but the effect of this acquisition on the income statement will be visible in 2004. The acquisition price will be paid during 2004 in several installments.

Proceeds from sold accounts receivable rose to MEUR 185 (MEUR 121.4) due to an increase in the securitization and other sales limits related to these receivables; in December the company raised the maximum limit of its accounts receivable securitization program to MEUR 200 (MEUR 130). Selling accounts receivable gives the company a flexible and cost-effective tool for managing the balance sheet alongside its MEUR 100 commercial paper program and credit lines. At the end of December the company had unused but immediately available credit limits totaling MEUR 168.8 (MEUR 167.1), which included a MEUR 105 committed syndicated credit limit.

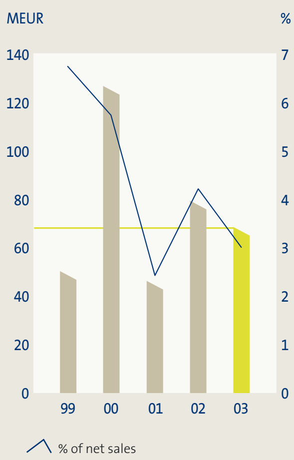
The Group's year 2003 cash flow after investing activities was MEUR -18 (MEUR 77) and during the fourth quarter MEUR 9.5 (MEUR 6.0).

Capital Expenditures

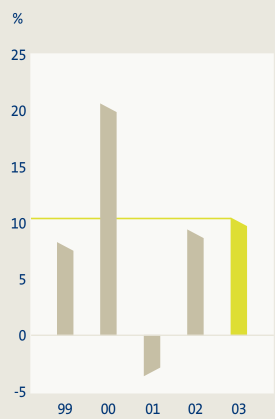
Gross capital expenditures on fixed assets represented 3.0% of net sales or MEUR 68.1 (MEUR 78.0) and depreciation was MEUR 57.6 (MEUR 49.2). The largest investment items were new production lines at the plants in Hungary, China and Mexico, the acquisition of manufacturing operations from Marconi and Tellabs, and the minority holdings taken in Cellon and ISIS. Owing to strengthened demand Elcoteq decided at the end of the year to almost double the size of its second manufacturing plant in Tallinn with an expansion totaling almost 9,000 square meters. This plant, opened in 2001, concentrates on communications network equipment.

Earnings per Share (EPS)

Capital Expenditures



Return on Investment (ROI/ROCE)



Adoption of IFRS Accounting Principles

The European Union requires all public limited corporations listed in the EU to adopt International Financial Reporting Standards (IFRS) no later than 2005. Elcoteq Network Corporation starts reporting according to IFRS/IAS from the beginning of 2004. Since Elcoteq has already applied IFRS standards for several years within the limits permitted by Finnish accounting legislation and other pertinent regulations governing the preparation of financial statements, the adoption of IFRS in the company will have no significant impact on the Group's profits, balance sheet or shareholders' equity. The changes to shareholders' equity under IFRS include the requirement to use the actuarial valuation method when calculating the assets and liabilities arising from defined benefit pension schemes in the balance sheet.

Elcoteq has organized its operations primarily around two business areas: Terminal Products and Communications Network Equipment. The company also has a separate Industrial Electronics function. In 2004 Elcoteq will report these business areas in its IFRS reports as its primary segments and, in addition to net sales, provide other information on them including operating income.

Personnel

Elcoteq's total workforce increased by 2,837 employees during the year owing to improved sales and acquisitions. The largest personnel increases took place in China, Hungary, Mexico, Germany and Estonia. At the end of December the company had 13,013 (10,176) employees: 1,040 (1,021) in Finland and 11,973 (9,155) in other countries. The average number of employees during 2003 was 11,044 (8,127).

Business Area Performance

Net sales of the Terminal Products business area, which primarily manufactures mobile phone products, represented 80% (73%) or MEUR 1,779.9 (MEUR 1,348.9) of the Group's consolidated net sales in 2003. Most of this came from the company's European plants but China and Mexico grew in importance towards the end of the year. Elcoteq expects further growth in its Terminal Products business during 2004.

In its Communications Network Equipment business, Elcoteq recorded only marginal growth as this market contracted. Growth was only 7% compared to 40% in the previous year. Net sales amounted to MEUR 260.3 (MEUR 243.9), which represented 12% (13%) of the Group's total. Elcoteq made several acquisitions and manufacturing agreements during the latter half of the year, the impact of which will be visible in Elcoteq's 2004 net sales and result. Elcoteq believes that its market share in this sector will continue to strengthen during 2004 and that net sales will show substantial growth on the previous year.

Elcoteq's largest customers in 2003 were companies within the Nokia and Ericsson groups and accounted for 78% (83%) of Elcoteq's net sales. This figure does not include business activities with Sony Ericsson.

Net sales from industrial electronics in 2003 amounted to MEUR 195.5 (MEUR 247.4) or 9% (13%) of the Group's total. In the summer Elcoteq incorporated its industrial electronics companies in Finland under a new company called Elcoteq Finland Oy.

Geographical Areas (GAs)

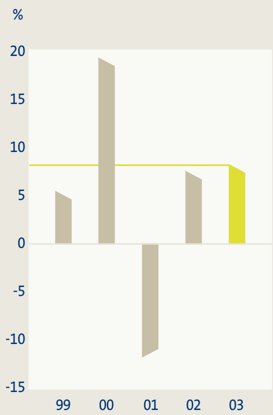
GA Europe's net sales in 2003 totaled MEUR 1,421.0 (MEUR 1,286.7). Net sales from Terminal Products/Europe were MEUR 1,001.6 (MEUR 859.7). The aggregate net sales of Communications Network Equipment and Industrial Electronics/Europe were MEUR 419.4 (MEUR 427). Net sales for GA Asia-Pacific totaled MEUR 698.2 (MEUR 470.6) and for GA Americas MEUR 116.5 (MEUR 82.9). The Elcoteq companies in the NAFTA area will be moved to a separate holding company in order to improve the efficiency of Elcoteq's operations in the Americas.

The Annual General Meeting

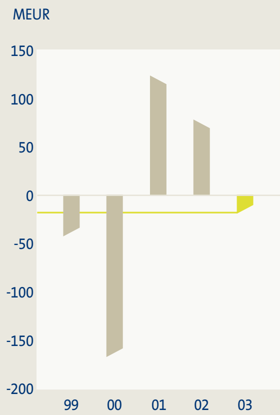
Elcoteq's Annual General Meeting was held on March 26, 2003. The meeting authorized the Board for one year to float one or several convertible bond loans and/or to issue stock options and/or to raise the share capital in one or several installments through a rights issue by at most 5,898,330 new Series A shares. This authorization has not been exercised.

Elcoteq's Annual General Meeting in March gave the Board of Directors and CEO the task of assessing if the company would

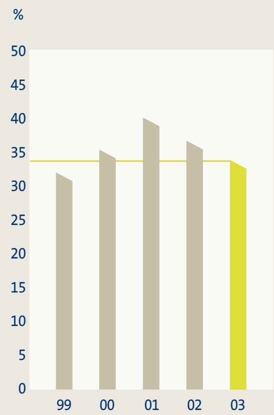
Return on Equity (ROE)



Cash Flow after Investing Activities



Solvency Ratio



gain any competitive benefit by changing the locations of its share listing, management or company domicile. The Board of Directors considered the conclusions of this work in December. The analysis indicated that with respect to the stock exchange listing there is no immediate need to list Elcoteq shares on other exchanges than the Helsinki Exchanges. With respect to the location of the company's head office and corporate functions, the Board assigned the company's executive management the task of examining this issue further. Accordingly, the Board will present a report to the AGM based on which the meeting will be able to review the possibility of changing Elcoteq into a European Company, or Societas Europaea (SE).

The Board of Directors

The Annual General Meeting elected seven members to the Board of Directors. These are President Martti Ahtisaari; Mr Heikki Horstia, Vice President, Treasurer, Wärtsilä Corporation; Dr Eero Kasanen, Rector of the Helsinki School of Economics and Business Administration; Mr Antti Piippo; Mr Henry Sjöman; Mr Juha Toivola, MSc; and Mr Jorma Vanhanen. The term of office of the Board members extends until the end of the AGM following their election.

The Board elected Mr Antti Piippo as its chairman and Mr Juha Toivola as its deputy chairman.

The company's Working and Nomination Committee will propose to the Annual General Meeting on March 17, 2004 that the current members of the Board of Directors be re-elected.

The President and CEO

Elcoteq's President and CEO, Mr Lasse Kurkilahti, announced at the end of November that he would resign from the company to join another company. The new President and CEO, appointed with effect from January 1, 2004, is Mr Jouni Hartikainen, MSc. (Eng.), previously President, Asia-Pacific. At the same time the Board appointed an Executive Vice President for the company, choosing for this position Mr Jukka Jäämaa, LSc. (Eng.), previously President, Communications Network Equipment and Industrial Electronics/Europe, also with effect from January 1, 2004.

The Auditor

The Annual General Meeting in 2003 reappointed the firm of public authorized accountants KPMG Wideri Oy Ab as the company's auditors under the supervision of principal auditor Mauri Palvi, APA.

Shares and Shareholders

The company had altogether 30,190,527 shares at the end of 2003: 19,613,527 A shares and 10,577,000 K shares.

Altogether 698,875 new A shares were registered during 2003 pursuant to options under the 1997 bond with warrants to company executives.

According to the share register on December 31, 2003 the company had 11,939 registered shareholders. There were altogether 7,584,474 nominee-registered or foreign-registered shareholders representing 25.1% of the shares and 6.0% of the total voting power at general meetings.

Prospects

Elcoteq's main markets, terminal products and communications network equipment, began to grow at the end of 2003. This gives a good foundation for the company's business development despite intense competition in Asia-Pacific and growing competition also in Europe and America.

Elcoteq's primary targets during 2004 are to further increase sales and the number of new customers, and to enhance internal efficiency. Implementation of Elcoteq's strategy – concentration on communications technology products and customers – will be continued.

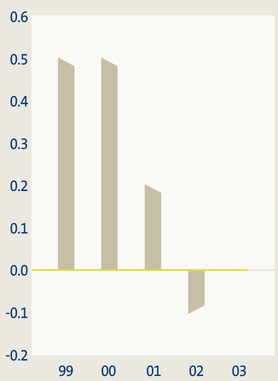
Net sales and earnings per share are forecast to continue growing during 2004 as a result of the acquisitions made in 2003 and organic growth. Due to the seasonal fluctuations typical of the company's business, first-quarter net sales in 2004 will remain clearly below net sales in the final quarter of 2003. However, the first-quarter operating income is expected to be slightly positive.

The Board's Dividend Proposal

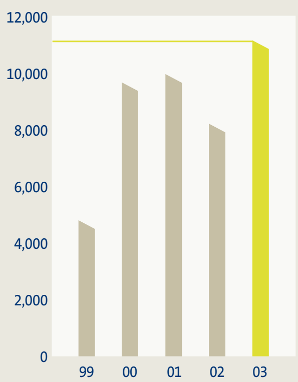
The Board of Directors proposes to the Annual General Meeting on March 17, 2004 payment of a dividend of EUR 0.90 per share on the financial year 2003, representing approximately 130% of the company's net income.

Espoo, February 5, 2004
Board of Directors

Gearing



Personnel on Average



Consolidated Income Statement

INCOME STATEMENT, EUR 1,000	Note	Jan.1- Dec. 31 2003	Jan. 1- Dec. 31 2002
NET SALES	1	**2,235,668**	**1,840,214**
Change in work in progress and finished goods		6,500	11,218
Other operating income	3	2,362	3,936
Production materials and services			
Materials and supplies			
Purchases during the year		-1,937,884	-1,546,861
Change in raw materials		40,988	-10,461
Materials and supplies		-1,896,896	-1,557,322
External services		-2,960	-1,032
		-1,899,856	-1,558,354
Personnel expenses	4		
Wages, salaries and fees		-123,755	-107,152
Indirect personnel expenses			
Pension expenses		-11,134	-8,085
Other indirect personnel expenses		-18,594	-14,017
		-153,483	-129,254
Depreciation, amortization and writedowns	5		
Scheduled depreciation and amortization		-50,777	-48,372
Amortization of goodwill		-1,573	-697
Amortization of goodwill on consolidation		-1,832	-157
Writedowns		-3,414	-
		-57,596	-49,227
Other operating expenses	6	-103,133	-93,018
OPERATING INCOME		**30,462**	**25,517**
Financial income and expenses			
Financial income			
Foreign exchange gains		476	1,272
Other financial income		1,631	1,933
		2,107	3,205
Financial expenses			
Interest expenses		-2,479	-2,627
Foreign exchange losses		-2,706	-2,119
Other financial expenses		-4,600	-5,416
		-9,785	-10,161
Financial income and expenses, total		-7,679	-6,956
INCOME BEFORE EXTRAORDINARY ITEMS		**22,783**	**18,561**
Extraordinary items		-	-
INCOME BEFORE TAXES		**22,783**	**18,561**
Income taxes			
Income taxes for the current year		-364	-821
Income taxes for prior years		1	-147
Other direct taxes		-958	-887
Change in deferred tax liability	10	-222	1,802
Income taxes, total		-1,544	-52
Minority interests		-406	-2,453
NET INCOME		**20,834**	**16,055**

Consolidated Cash Flow Statement

CASH FLOW STATEMENT, EUR 1,000	Jan.1- Dec. 31 2003	Jan.1- Dec. 31 2002
Cash Flow from Operating Activities		
Income before extraordinary items	22,783	18,561
Adjustments:		
Scheduled depreciation and amortization	57,596	49,227
Unrealized foreign exchange gains and losses	-10,335	-4,286
Financial income and expenses	-502	9,901
Other adjustments	135	-2,417
Cash flow before change in working capital	69,678	70,986
Change in working capital: *)		
Change in non-interest bearing current receivables	-44,133	11,934
Change in inventories	-41,207	-2,634
Change in non-interest bearing current liabilities	121,771	35,760
Cash flow from operating activities before financial items and taxes	106,109	116,046
Interest and other financial expenses	-5,642	-12,228
Operations-related interest income	583	1,205
Income taxes paid	-952	144
Cash flow from operating activities	**100,098**	**105,167**
Cash Flow from Investing Activities		
Purchases of tangible and intangible assets	-74,127	-32,031
Proceeds from disposal of tangible and intangible assets	2,462	4,333
Acquisitions	-46,727	-
Loans made	-	-153
Repayment of loans receivable	151	4
Cash flow from investing activities	**-118,241**	**-27,847**
Cash Flow from Financing Activities		
Proceeds from the share issue	8,099	-
Change in current debt	-876	-15,003
Issuance of long-term debt	20,017	1,684
Repayment of long-term debt	-4,796	-18,554
Dividends paid and other distributions of earnings	-12,604	-2,060
Cash flow from financing activities	**9,841**	**-33,933**
Change in cash and equivalents	**-8,302**	**43,385**
Cash and equivalents on January 1	**76,065**	**36,432**
Effect of exchange rate changes on cash held	**-4,079**	**-3,752**
Cash and equivalents on December 31	**63,684**	**76,065**

*) The change in working capital includes change in sold accounts receivable.
The impact of this change is to improve cash flow by MEUR 63.7 during the reporting period 1-12/2003 and to improve cash flow by MEUR 40.2 during 1-12/2002.

Consolidated Balance Sheet

ASSETS, EUR 1,000	Note	Dec. 31 2003	Dec. 31 2002
Fixed Assets	11		
Intangible assets			
Intangible rights		3,028	3,377
Product development costs		-	4,042
Other long-term expenditures		11,839	8,228
Advance payments and construction in progress		1,962	3,798
Goodwill		10,979	11,702
Goodwill on consolidation		15,099	14,669
		42,907	45,816
Tangible assets			
Land and water areas		2,414	2,448
Buildings		39,321	40,354
Machinery and equipment		88,881	102,257
Advance payments and construction in progress		17,407	2,517
		148,023	147,577
Investments			
Shares and equity interests in associated companies		3,058	65
Receivables from associated companies		137	137
Other shares and equity interests		11,666	556
		14,861	758
Fixed assets, total		**205,792**	**194,152**
Current Assets			
Inventories			
Raw materials		198,729	142,763
Work in progress		31,855	17,964
Finished goods		36,138	36,459
Advance payments		245	285
		266,967	197,471
Long-term receivables			
Deferred tax asset	13	9,291	6,727
Other loans receivable		15	166
		9,306	6,894
Current receivables			
Accounts receivable	14	217,604	216,076
Prepaid expenses and accruals	15	39,121	19,152
		256,724	235,228
Cash and equivalents		63,683	76,065
Current assets, total		**596,681**	**515,657**
ASSETS, TOTAL		**802,473**	**709,809**

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES, EUR, 1,000	Note	Dec. 31 2003	Dec. 31 2002
Shareholders' Equity	16		
Share capital		12,076	11,797
Additional paid-in capital		209,008	202,550
Other reserves		8,341	8,354
Share issue		1,361	-
Translation differences		-3,076	759
Retained earnings		12,327	8,069
Net income for the year		20,834	16,055
Shareholders' equity, total		**260,871**	**247,584**
Minority interests		**5,764**	**12,172**
Provisions	17	**2,056**	**1,439**
Liabilities	18		
Long-term liabilities			
Medium-term notes		25,092	15,095
Loans from financial institutions		13,931	19,685
Loans from pension plans		2,609	3,074
Other debt		535	-
Deferred tax liability	13	5,117	2,862
		47,284	40,716
Payments due within one year		-5,180	-15,196
		42,103	25,520
Current liabilities			
Medium-term notes		-	10,000
Loans from financial institutions		13,850	7,036
Commercial paper program		4,951	2,980
Loans from pension plans		465	463
Advances received		3,016	434
Accounts payable		376,474	320,647
Other current liabilities		13,672	8,581
Accrued expenses	19	79,251	72,953
		491,678	423,094
Liabilities, total		**533,782**	**448,614**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**802,473**	**709,809**

Parent Company Income Statement

INCOME STATEMENT, EUR 1,000	Note	Jan. 1- Dec. 31 2003	Jan. 1- Dec. 31 2002
NET SALES	1	**1,308,605**	**1,218,549**
Change in work in progress and finished goods		-2,169	6,305
Other operating income	3	30,089	22,871
Production materials and services			
Materials and supplies			
Purchases during the year		-1,088,908	-1,040,904
Change in raw materials		-1,660	10,358
Materials and supplies, total		-1,090,568	-1,030,546
External services		-104,444	-87,267
		-1,195,012	-1,117,813
Personnel expenses	4		
Wages, salaries and fees		-29,214	-32,824
Indirect personnel expenses			
Pension expenses		-5,319	-4,910
Other indirect personnel expenses		-2,459	-1,838
		-36,993	-39,571
Depreciation, amortization and writedowns	5		
Scheduled depreciation and amortization		-11,159	-13,566
Amortization of goodwill		-737	-356
Writedowns		-	-20,000
		-11,159	-33,566
Other operating expenses	6	-62,322	-49,304
OPERATING INCOME		**30,301**	**7,114**
Financial income and expenses	7		
Financial income			
Interest income on long-term investments			
Group companies		1,099	1,020
Other interest and financial income			
Group companies		7,619	7,171
Foreign exchange gains		5,507	3,200
Others		1,392	1,606
		15,617	12,997
Financial expenses			
Interest and financial expenses paid to Group companies		-80	-101
Interest expenses		-1,720	-1,236
Foreign exchange losses		-1,305	-1,414
Other financial expenses		-4,301	-5,073
		-7,405	-7,824
Financial income and expenses, total		8,212	5,173
INCOME BEFORE EXTRAORDINARY ITEMS		**38,513**	**12,287**
Extraordinary income	8	-10,500	2,735
INCOME BEFORE APPROPRIATIONS AND TAXES		**28,013**	**15,022**
Appropriations			
Change in depreciation difference		-	1,691
Income taxes	9	-1,234	2,449
NET INCOME		**26,780**	**19,162**

Parent Company Cash Flow Statement

CASH FLOW STATEMENT, EUR 1,000	Jan.1- Dec. 31 2003	Jan. 1- Dec. 31 2002
Cash Flow from Operating Activities		
Income before extraordinary items	38,513	12,287
Adjustments:		
Scheduled depreciation and amortization	11,897	33,922
Unrealized foreign exchange gains and losses	-5,079	-2,039
Other non-cash income and expenses	-	82
Financial income and expenses	-7,532	-5,995
Other adjustmens	13,863	-571
Cash flow before change in working capital	**51,662**	**37,686**
Change in working capital:		
Change in non-interest bearing current receivables	-913	5,855
Change in inventories	3,829	-16,663
Change in non-interest bearing current liabilities	54,850	52,167
Cash flow from operating activities before financial items and taxes	109,428	79,045
Interest and other financial expenses	-4,926	-10,765
Operations-related dividend income	4,374	3,290
Operations-related interest income	6,583	1,379
Income taxes paid	-	7
Cash flow from operating activities	**115,459**	**72,956**
Cash Flow from Investing Activities		
Purchases of tangible and intangible assets	-25,978	-8,239
Proceeds from disposal of tangible and intangible assets	1,953	796
Acquisition of subsidiary, net of cash acquired	-36,434	-3,010
Return of investment in subsidiary	-	528
Loans made	-48,284	-3,426
Repayment of loans receivable	1,238	571
Cash flow from investing activities	**-107,506**	**-12,780**
Cash Flow from Financing Activities		
Proceeds from share issue	8,099	-
Change in current debt	-8,650	-14,888
Issuance of long-term debt	19,995	1,899
Repayment of long-term debt	-465	-7,325
Dividends paid and other distributions of earnings	-11,797	-
Cash flow from financing activities	**7,183**	**-20,314**
Change in cash and equivalents	**15,136**	**39,862**
Cash and equivalents on January 1	**48,483**	**8,621**
Cash and equivalents on December 31	**63,619**	**48,483**

Parent Company Balance Sheet

ASSETS, EUR, 1,000	Note	Dec. 31 2003	Dec. 31 2002
Fixed Assets	11		
Intangible assets			
Intangible rights		2,730	3,369
Other long-term expenditures		4,757	4,335
Advance payments and construction in progress		1,589	3,741
Goodwill		3,712	4,450
		12,788	15,895
Tangible assets			
Land and water areas		1,108	1,108
Buildings		2,477	2,428
Machinery and equipment		9,191	15,435
Advance payments and construction in progress		11,311	1,055
		24,087	20,026
Investments			
Shares and equity interests in Group companies		89,006	83,388
Receivables from Group companies		4,115	4,115
Shares in associated companies		747	319
Receivables from associated companies		137	137
Other shares and equity interests		11,308	343
		105,312	88,302
Fixed assets, total		**142,187**	**124,223**
Current Assets			
Inventories			
Raw materials		98,123	99,800
Work in progress		5,508	7,350
Finished goods		18,956	19,266
		122,587	126,416
Long-term receivables			
Deferred tax asset	13	3,875	5,109
Loans receivable from Group companies		41,077	25,479
Other loans receivable		1,684	1,550
		46,636	32,138
Current receivables			
Accounts receivable	14	80,649	104,200
Receivables from Group companies			
Accounts receivable		35,443	17,920
Loans receivable		52,917	30,556
Accrued income		4,568	2,303
Prepaid expenses and accruals	15	7,377	10,397
		180,954	165,376
Cash and equivalents		55,312	48,483
Current assets, total		**405,489**	**372,413**
ASSETS, TOTAL		**547,676**	**496,637**

SHAREHOLDERS' EQUITY AND LIABILITIES, EUR 1,000	Note	Dec. 31 2003	Dec. 31 2002
Shareholders' Equity	16		
Share capital		12,076	11,797
Additional paid-in capital		209,008	202,550
Share issue		1,361	-
Retained earnings		8,535	1,169
Net income for the year		26,780	19,162
Shareholders' equity, total		**257,760**	**234,678**
Accumulated Appropriations			
Depreciation difference		-	-
Accumulated appropriations, total		-	-
Provisions	17	**1,656**	**620**
Liabilities	18		
Long-term liabilities			
Medium-term notes		25,092	15,095
Loans from pension plans		2,609	3,074
		27,702	18,169
Payments due after one year		-465	-10,463
		27,236	7,705
Current liabilities			
Medium-term notes		-	10,000
Commercial paper program		4,951	2,980
Loans from pension plans		465	463
Accounts payable		198,568	146,183
Debt to Group companies			
Accounts payable		40,892	42,336
Other current liabilities		1,350	1,973
Accrued expenses		1,051	1,233
Other current liabilities		866	1,022
Accrued expenses	19	12,882	47,443
		261,025	253,633
Liabilities, total		**288,261**	**261,338**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**547,676**	**496,637**

Accounting Principles

General Principles

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

The preparation of financial statements in conformity with Finnish GAAP requires management to make certain estimates and assumptions affecting the reported values of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date, and the amounts of revenue and expenses recognized during the reporting year. Although these estimates are based on the latest available information, actual results may differ from them.

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, Elcoteq Network Corporation, and each company in which it exercises, directly or indirectly, over 50% voting control (together the ”Group”). The results of subsidiaries acquired or established during the period are included in the consolidated financial statements from their date of acquisition or establishment. Subsidiaries are consolidated using the purchase method of accounting. Any difference between the purchase 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 their fair value exceeds their book value. Costs allocated to fixed assets are depreciated based on the applicable depreciation schedule for each asset class. The remainder of the difference is recognized as goodwill on consolidation and typically amortized over a period of five years, or over ten years in the case of significant strategic acquisitions. All intercompany transactions, receivables, payables and internal margins are eliminated as part of the consolidation process. Minority interests in the earnings and equity of subsidiaries are shown as separate items on the consolidated income statement and balance sheet.

The Group's share of the earnings of associated companies (20%-50% ownership and voting control) is recognized on the consolidated income statement in accordance with the equity method. The Group's share of post-acquisition retained earnings is reported under investments in associated companies on the consolidated balance sheet.

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

Translation of Foreign Subsidiaries' Financial Statements

The income statements of foreign subsidiaries are translated into euros each month at the average monthly exchange rates published by the European Central Bank, and their balance sheets are translated at the applicable exchange rates in effect on the last day of the fiscal year. Differences resulting from the translation of income statement items at the average monthly rate and balance sheet items at the year-end rate are recognized under shareholders' equity on the consolidated balance sheet. Foreign exchange differences arising from the application of the purchase method of accounting are also recorded in shareholders' equity.

Revenue Recognition

Revenue from the sale of goods and services is recognized when all material risks and benefits associated with the goods or services sold are transferred to the buyer and no material uncertainties remain as to the receipt of payment for them, associated costs, or the possible return of the goods by the buyer. Net sales are reported after cash discounts and sales-related foreign exchange gains and losses.

Foreign Currencies

Transactions denominated in foreign currencies are recognized using the rate of exchange prevailing on the transaction date. All balance sheet items are valued using the applicable mid-market rates of exchange published by the European Central Bank for the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to the corresponding items. Foreign exchange gains and losses associated with financing are treated as financial income and expenses.

Forward contracts related to normal business operations and financial items are valued at the applicable rates of exchange in effect on the balance sheet date and options are marked to market. Foreign exchange differences arising from derivatives contracts related to balance sheet items are normally recognized on the income statement. However, when derivatives contracts are used to hedge currency translation exposure associated with the Group's equity in foreign subsidiaries, foreign exchange gains and losses are treated as translation differences in the shareholders' equity of the consolidated balance sheet. Interest differential on forward contracts related to interest-bearing items and equity hedges on foreign subsidiaries are recognized on the consolidated income statement and balance sheet over the life of the contract. The reporting of derivatives contracts used to hedge off-balance sheet items changed during the period under review. Related unrealized losses (MEUR 0.3) have been reported as financial expenses. Realized gains and losses on these types of derivatives contracts are recognized at the same time as the hedged cash flow as adjustments to sales and purchases.

The year-end nominal values, book values and market values of derivatives contracts are shown in Note 21.

Fixed Assets

Fixed assets are stated at their original purchase cost less accumulated scheduled depreciation or amortization. Fixed assets are depreciated or amortized on a straight-line basis over their expected useful lives. Land and water areas are not depreciated.

Intangible assets consist of patents and the like. Other capitalized expenditures include information systems, lease improvements, etc.

Goodwill stemming from the purchase of business operations (i.e. asset transactions) is reported as goodwill. Goodwill arising from the consolidation of acquired subsidiaries whose purchase price exceeds the book value of their equity at the time of acquisition is recognized as goodwill on consolidation. Both types of goodwill are amortized on a straight-line basis over their expected useful lives.

If a prudent estimate places the expected cumulative proceeds from a fixed asset or investment below its cost basis on a permanent basis, the difference is expensed as a writedown on the income statement.

Gains and losses on the disposal of fixed assets are included in operating income. The expected useful lives of fixed assets are as follows:

Intangible assets	5-10 years
Development costs	3-5 years
Other capitalized expenditures	3-5 years
Goodwill and goodwill on consolidation	5-10 years
Buildings	25 years
Building components	15 years
Machinery and equipment incorporated in buildings	10 years
Other machinery and equipment	3-5 years

Goodwill and goodwill on consolidation are amortized over 10 years in the case of strategically significant acquisitions that will have a long-term effect on the company's expected income.

Inventories

Inventories are stated at the lower of their purchase and manufacturing cost or their net realizable value. Due to the rapid turnover of products the average cost approach used is almost equivalent to the FIFO principle. The cost of finished goods and work in progress consists of materials, wages and salaries, employee benefits, subcontracting expenses, other variable expenses, and allocated production overhead. Inventories are shown net of deductions for obsolete and slow-moving items.

Cash and Equivalents

Cash and equivalents consist of cash in hand, bank accounts, and liquid short-term investments.

Leasing

Fixed assets acquired under financing leases have been capitalized on the consolidated balance sheet and are depreciated over their expected useful lives. Liabilities related to these assets are conversely shown as long-term loans from financial institutions. The company had no production equipment under financial leases on December 31, 2003. Rental payments under operating leases are recognized under other operating expenses.

Research and Development Costs

Research and development costs are normally expensed in the fiscal period during which they are incurred. However, development costs arising from major investments that meet the conditions stipulated in Finnish Ministry of Trade and Industry Decision 50/1998 are capitalized and shown separately on the balance sheet. Capitalized development costs are amortized over their expected useful life, which is generally three years.

Pension Expenses

The consolidated entities have a variety of pension arrangements that are based on local regulations and practices in the countries in which they operate. Pension plans are for the most part defined contribution plans. Expenses related to both defined contribution and defined benefit pension plans are recognized on accrual basis. In Finland, Elcoteq has arranged its employees' retirement benefits through third-party pension insurance providers.

In addition to receiving their statutory pension benefits, the company's President and certain members of the Board of Directors may retire under a supplemental pension arrangement at the age of 60 instead of the normal retirement age of 65. Certain employees also receive full pension benefits after fewer years of service than normally required. These supplemental pension benefits are arranged through third-party pension insurance providers. Elcoteq has also recorded provisions for all known future disability and unemployment liabilities.

Grants

Various public agencies provide financial assistance in many countries, primarily for certain types of research and development costs. This type of financial assistance is recognized under other operating income.

Extraordinary Items

Extraordinary items consist of non-recurring transactions that are material but extraneous to the company's business operations. Group support payments and the effects of changes in accounting principles are also reported as extraordinary items.

Income Taxes

Income taxes are based on the earnings of the consolidated entities and are calculated in accordance with the local tax regulations of each country. Income taxes consist of taxes paid during the reporting period and tax adjustments for prior periods. Other direct taxes consist of various types of local taxes, etc. Income taxes also include any net changes in deferred tax liabilities and assets.

A deferred tax liability or asset has been determined in relation to all temporary differences between the tax basis of the consolidated entities' assets and liabilities and their carrying amounts for financial reporting purposes, and for consolidation-related differences. The most important differences arise from losses that have been either confirmed or unconfirmed by the tax authorities, writedowns and additional tax depreciation and/or amortization and from tax liabilities related to future dividends payable by Elcoteq's Estonian subsidiary.

Deferred tax assets and liabilities have been computed using each country's statutory tax rate for the following fiscal period. A deferred tax asset is recorded on the basis of losses only if it is probable that the loss in question can be used to offset taxable income in future fiscal years. No tax assets are recorded on writedowns that have not been accepted by tax authorities, however, unless a decision exists to terminate the operation to which the writedown relates. Other deferred tax assets are recognized on the balance sheet at their estimated realizable values and deferred tax liabilities are reported in full.

Dividends

Dividends proposed by the Board of Directors are not recognized on the financial statements before they have been approved by Elcoteq's shareholders at the Annual General Meeting.

Figures in Thousands of Euro

Unless specified otherwise, all euro-denominated figures in the notes to the financial statements are given in thousands of euros (EUR 1,000).

Notes to the Financial Statements

1. BREAKDOWN OF NET SALES

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
By Market				
Net sales, MEUR				
Finland	425.8	413.4	394.8	409.9
Other EU countries	596.8	488.2	490.6	467.5
Americas	135.1	92.9	10.9	9.2
Asia-Pacific	632.2	480.1	11.3	11.0
Other areas	445.8	365.6	401.0	320.9
Total	2,235.7	1,840.2	1,308.6	1,218.5
Based on Production				
By geographical area				
Net sales, MEUR				
Europe	1,421.0	1,286.7		
Asia-Pacific	698.2	470.6		
Americas	116.5	82.9		
Total	2,235.7	1,840.2		
By business area				
Net sales, MEUR				
Terminal Products	1,779.9	1,348.9		
Communications Network Equipment	260.3	243.9		
Industrial Electronics	195.5	247.4		
Total	2,235.7	1,840.2		

2. PERSONNEL

The Group had an average of 11,044 (8,127) employees during the year, distributed geographically as follows:

	At Dec. 31	At Jan. 1	Change	Average
Finland	1,040	1,021	19	1,060
Hong Kong	59	54	5	54
Japan	16	12	4	14
China	4,295	3,352	943	3,505
Mexico	1,092	550	542	762
Sweden	5	4	1	5
Hungary	3,241	2,571	670	2,841
Germany	494	180	314	232
Switzerland	243	278	-35	234
USA	55	19	36	38
Russia	190	177	13	186
Estonia	2,283	1,958	325	2,113
Total	13,013	10,176	2,837	11,044

3. OTHER OPERATING INCOME

The bulk of Elcoteq's other operating income of MEUR 2.4 was made up of various types of service charges and gains on the disposal of fixed assets.

In 2002, other operating income, MEUR 3.9, mainly consisted of insurance recoveries and capital gains on the disposal of fixed assets.

Most of the Parent Company's other operating income of MEUR 30.1 stems from service charges to subsidiaries and leasing receipts.

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

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Personnel Expenses				
Wages, salaries and fringe benefits				
Salaries and fringe benefits paid to the the members of the Boards of Directors and Presidents of Group companies	1,516	1,054	1,124	780
Other wages, salaries and fringe benefits	126,207	106,658	30,713	32,433
Total	127,723	107,712	31,837	33,213
Fringe benefits	-3,968	-560	-2,623	-390
	123,755	107,152	29,214	32,823
Indirect personnel expenses				
Pension expenses	11,134	8,085	5,319	4,910
Other indirect personnel expenses	18,594	14,017	2,459	1,838
Total	29,728	22,102	7,778	6,748
Personnel expenses on the Income Statement	153,483	129,254	36,993	39,571

5. DEPRECIATION AND AMORTIZATION, EUR 1,000

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Scheduled depreciation and amortization consist of the following:				
Intangible rights	1,513	17	674	7
Goodwill	1,573	697	737	356
Goodwill on consolidation	1,832	157	-	-
Other long-term expenditures	5,914	5,532	2,967	3,848
Buildings	2,067	2,466	189	178
Machinery and equipment	41,283	40,358	7,329	9,533
Total	54,182	49,227	11,897	13,922
Writedowns on shares in subsidiaries	-	-	-	20,000
Writedown of capitalized product development costs	3,414	-	-	-
Depreciation, amortization and writedowns, total	57,596	49,227	11,897	33,922

The 2003 writedown of capitalized product development costs relates to the product platforms acquired when Elcoteq Design Center Oy purchased most of Benefon's R&D operations.

The writedown of shares in subsidiaries recorded by the Parent Company in 2002 refers to its investment in its U.S. subsidiary.

6. OTHER OPERATING EXPENSES, EUR 1,000

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Other operating expenses for the Group and the Parent Company consist of the following items:				
Other personnel expenses	8,285	7,610	1,732	1,587
Rental expenses	22,566	23,690	11,757	12,894
Transportation	6,399	6,560	2,366	2,696
Energy expenses	7,074	4,993	811	785
Office expenses	6,835	5,158	1,573	1,189
Travel, marketing and representation expenses	12,378	9,138	5,654	4,230
Insurance expenses	2,529	2,622	918	1,496
External services	18,878	21,278	16,818	17,500
Other operating expenses	18,188	11,969	20,693	6,927
Total	103,133	93,018	62,322	49,304

7. FINANCIAL INCOME AND EXPENSES, EUR 1,000

	PARENT COMPANY	
	2003	2002
Intragroup Financial Income and Expenses		
Financial income		
Interest income from long-term investments	1,099	1,020
Dividend income	6,275	5,527
Interest income from current investments	1,343	1,644
	8,718	8,191
Financial expenses		
Interest expenses	-80	-101
Net financial income and expenses, total	8,638	8,090

8. EXTRAORDINARY ITEMS, EUR 1,000

	PARENT COMPANY 2003	2002
Extraordinary income		
Deferred tax assets	-	2,653
Group contributions received	2,500	82
Extraordinary income, total	2,500	2,735
Extraordinary expenses		
Group contributions paid	-13,000	-
Extraordinary expenses, total	-13,000	0
Extraordinary items, total	-10,500	2,735

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

	PARENT COMPANY 2003	2002
Income taxes for the year	-	-
Income taxes for prior years	-	-7
Other direct taxes	-	-
Deferred taxes	-1,234	2,456
Total	-1,234	2,449

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

	CONSOLIDATED 2003	2002
Due to depreciation difference	512	464
Due to consolidation	59	-117
Due to operating loss carryforwards	-	2,456
Due to temporary tax differences	-793	-1,001
Total	-222	1,802

11. FIXED ASSETS, EUR 1,000

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Intangible Assets				
Intangible rights				
Cost basis, Jan. 1	3,518	496	3,471	134
Additions, Jan. 1-Dec. 31	402	3,338	35	3,337
Disposals, Jan. 1-Dec. 31	-	-316	-	-
Translation difference	-	-	-	-
Cost basis, Dec. 31	3,920	3,518	3,506	3,471
Accum. scheduled amortization, Jan. 1	-141	-132	-102	-95
Accum. scheduled amortization on disposals	-	8	-	-
Translation difference	2	-	-	-
Scheduled amortization	-753	-17	-674	-7
Book value, Dec. 31	3,028	3,377	2,730	3,369
Product development costs				
Cost basis, Jan. 1	4,042	-	-	-
Additions, Jan. 1-Dec. 31	131	4,042	-	-
Disposals, Jan. 1-Dec. 31				
Scheduled amortization	-759	-	-	-
Writedowns, Jan. 1-Dec. 31	-3,414	-	-	-
Book value, Dec. 31	0	4,042	-	-

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Other long-term expenditures				
Cost basis, Jan. 1	23,479	21,029	15,445	13,714
Additions, Jan. 1-Dec. 31	9,743	3,342	3,760	1,738
Disposals, Jan. 1-Dec. 31	-634	-236	-391	-7
Translation difference	-567	-656	-	-
Cost basis, Dec. 31	32,021	23,479	18,814	15,445
Accum. scheduled amortization, Jan. 1	-15,251	-10,217	-11,110	-7,262
Accum. scheduled amortization on disposals	411	101	20	1
Translation difference	573	396	-	-
Scheduled amortization, Jan. 1-Dec. 31	-5,915	-5,531	-2,967	-3,849
Book value, Dec. 31	11,839	8,228	4,757	4,335
Advance payments and construction in progress				
Advance payments, Jan. 1	3,798	138	3,741	124
Additions, Jan. 1-Dec. 31	6,020	4,977	5,694	4,932
Disposals, Jan. 1-Dec. 31	-7,846	-1,317	-7,846	-1,314
Translation difference	-10	-	-	-
Advance payments, Dec. 31	1,962	3,798	1,589	3,741
Goodwill				
Cost basis, Jan. 1	12,439	1,188	4,814	1,000
Additions, Jan. 1-Dec. 31	852	11,247	-	3,814
Disposals, Jan. 1-Dec. 31	-	-	-	-
Translation difference	-13	4	-	-
Cost basis, Dec. 31	13,278	12,439	4,814	4,814
Accum. scheduled amortization, Jan. 1	-737	-39	-364	-8
Accum. scheduled amortization on disposals	-	0	-	-
Translation difference	11	-1	-	-
Scheduled amortization, Jan. 1-Dec. 31	-1,573	-697	-737	-356
Book value, Dec. 31	10,979	11,702	3,712	4,450
Goodwill on consolidation				
Cost basis, Jan. 1	15,508	1,149	-	-
Additions, Jan. 1-Dec. 31	2,262	14,359	-	-
Cost basis, Dec. 31	17,770	15,508	-	-
Accum. scheduled amortization, Jan. 1	-839	-682	-	-
Scheduled amortization, Jan. 1-Dec. 31	-1,832	-157	-	-
Book value, Dec. 31	15,099	14,669	-	-
Tangible Assets				
Land and water areas				
Cost basis, Jan. 1	2,448	2,436	1,108	1,108
Additions, Jan. 1-Dec. 31	-	-	-	-
Disposals, Jan. 1-Dec. 31	-	-	-	-
Translation difference	-34	12	-	-
Book value, Dec. 31	2,414	2,448	1,108	1,108
Buildings				
Cost basis, Jan. 1	49,913	50,322	3,501	3,491
Additions, Jan. 1-Dec. 31	1,252	4,944	245	10
Disposals, Jan. 1-Dec. 31	-215	-5,538	-8	-
Translation difference	-509	185	-	-
Cost basis, Dec. 31	50,441	49,913	3,738	3,501
Accum. scheduled depreciation, Jan. 1	-9,559	-7,655	-1,073	-894
Accum. scheduled depreciation on disposals	377	604	1	-
Translation difference	130	-41	-	-
Scheduled depreciation, Jan. 1-Dec. 31	-2,068	-2,467	-189	-179
Book value, Dec. 31	39,321	40,354	2,477	2,428

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Machinery and equipment				
Cost basis, Jan. 1	228,799	224,947	57,085	58,273
Additions, Jan. 1-Dec. 31	38,816	36,840	2,672	2,534
Disposals, Jan. 1-Dec. 31	-4,787	-19,973	-12,078	-3,722
Translation difference	-14,986	-13,015	-	-
Cost basis, Dec. 31	247,842	228,799	47,679	57,085
Accum. scheduled depreciation, Jan. 1	-126,542	-108,080	-41,650	-35,090
Accum. scheduled depreciation on disposals	1,324	16,151	10,491	2,972
Translation difference	7,540	5,744	-	-
Scheduled depreciation, Jan. 1-Dec. 31	-41,283	-40,357	-7,329	-9,532
Book value, Dec. 31	88,881	102,257	9,191	15,435
Advance payments and construction in progress				
Advance payments and construction in progress, Jan. 1	2,517	3,416	1,055	1,953
Additions, Jan. 1-Dec. 31	29,478	13,573	21,740	6,088
Disposals, Jan. 1-Dec. 31	-14,463	-14,447	-11,484	-6,986
Translation difference	-125	-25	-	-
Advance payments, Dec. 31	17,407	2,517	11,311	1,055
Investments				
Shares and equity interests in Group companies				
Shares, Jan. 1	-	-	133,825	89,937
Additions, Jan. 1-Dec. 31	-	-	21,521	43,888
Disposals, Jan. 1-Dec. 31	-	-	-62,223	-
Cost basis, Dec. 31	-	-	93,124	133,825
Accumulated writedowns, Jan. 1	-	-	-50,437	-29,909
Realized losses, Jan. 1-Dec. 31	-	-	46,319	-
Writedowns, Jan. 1-Dec. 31	-	-	-	-20,528
Book value, Dec. 31	-	-	89,006	83,388
Receivables from Group companies *)				
Receivables, Jan. 1	-	-	7,115	7,115
Additions, Jan. 1-Dec. 31	-	-	-	-
Cost basis, Dec. 31	-	-	7,115	7,115
Accumulated writedowns, Jan. 1	-	-	-3,000	-3,000
Writedowns	-	-	-	-
Book value, Dec. 31	-	-	4,115	4,115
Equity in associated companies				
Shares, Jan. 1	65	37	319	64
Additions, Jan. 1-Dec. 31	3,494	255	850	255
Share of the losses of associated companies, Jan. 1-Dec. 31	-501	-227	-422	-
Book value, Dec. 31	3,058	65	747	319
Receivables from associated companies				
Receivables, Jan. 1	137	87	137	87
Additions, Jan. 1-Dec. 31	-	50	-	50
Book value, Dec. 31	137	137	137	137
Other shares and equity interests				
Shares, Jan. 1	556	491	343	343
Additions, Jan. 1-Dec. 31	11,121	88	10,964	-
Disposals, Jan. 1-Dec. 31	-	-23	-	-
Translation difference	-11	-	-	-
Book value, Dec. 31	11,666	556	11,308	343
Accumulated depreciation difference				
Buildings			-	-
Machinery and equipment			-	-
Total			-	-

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

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Summary of fixed assets				
Cost basis, Jan. 1	340,768	302,095	219,911	168,064
Additions, Jan. 1-Dec. 31	68,073	78,456	40,047	55,576
Disposals, Jan. 1-Dec. 31	-6,137	-26,313	-75,122	-3,729
Translation difference	-16,120	-13,470	-	-
Cost basis, Dec. 31	386,584	340,768	184,836	219,911
Accum. scheduled depr. and amort., Jan. 1	-153,069	-126,805	-58,417	-73,258
Accum. scheduled depr. and amort. on disposals	2,112	16,864	10,512	2,973
Scheduled depr., amort. and writedowns, Jan. 1-Dec. 31	-57,596	-49,226	-11,896	-34,451
Translation difference	8,257	6,099	-	-
Book value, Dec. 31	186,286	187,700	125,035	115,175
Advance payments and construction in progress	19,369	6,315	12,900	4,796
Loans receivable	137	137	4,252	4,252
Book value, Dec. 31	205,792	194,152	142,187	124,223

12. SHARES AND EQUITY INTERESTS

	Share Capital	Consolidated Ownership, %	Parent Company Ownership, %	Parent Company Book Value, EUR 1,000
Group Companies				
Elcoteq Lohja Oy, Lohja, Finland	EUR 168,000	100	100	168
Elcoteq Helsinki Oy, Helsinki, Finland	EUR 168,000	100	100	814
AS Elcoteq Tallinn, Tallinn, Estonia	EEK 20,500,000	100	100	1,776
Beijing Elcoteq Electronics Co. Ltd., Beijing, China	CNY 124,173,000	100	100	16,186
Dongguan Elcoteq Electronics Co. Ltd., Dongguan, China	CNY 115,811,500	70	70	3,705
Elcoteq AG, Baden, Switzerland	CHF 9,100,000	100	100	6,078
Elcoteq Asia Ltd, Hong Kong, China	HKD 8,600,000	100	100	994
Elcoteq Inc., Dallas, USA	USD 59,801,000	100	-	-
Elcoteq Holding Inc., Dallas, USA	USD 1,000	100	100	3,028
Elcoteq JSC, St. Petersburg, Russia	RUR 7,009,415.50	100	100	277
Elcoteq Elektronik GmbH, Überlingen, Germany	EUR 4,627,186.23	100	-	-
Elcoteq Communications Technology GmbH, Offenburg, Germany	EUR 25,000	100	-	-
Elcoteq Deutschland GmbH, Karlsruhe, Germany	EUR 6,442,277.70	100	100	9,742
Elcoteq Hungary Electronics Ltd., Pécs, Hungary	EUR 6,000,000	100	100	9,846
Elcoteq Japan Co. Ltd, Tokyo, Japan	JPY 10,000,000	100	100	73
Elcoteq S.A. de C.V., Monterrey, Mexico	USD 50,000	100	100	57
Elcoteq Sweden Ab, Stockholm, Sweden	SEK 200,000	100	100	22
Elcoteq Design Center Oy, Salo, Finland	EUR 3,008,000	100	100	3,008
Elcoteq Finland Oy, Lohja	EUR 8,000	100	100	8
Immolease Kereskedelmi Kft., Pécs, Hungary	HUF 790,000,000	100	100	2,997
Beijing GKI Electronics Co. Ltd., Beijing, China	CNY 82,800,000	70	70	15,854
Shenzhen GKI Electronics Co. Ltd., Shenzhen, China	CNY 99,609,465	70	70	13,359
Kiinteistöosakeyhtiö Salon Joensuunkatu 13, Salo, Finland	EUR 201,000	100	100	1,016
				89,006

				Consolidated Book Value, EUR 1,000
Associated Companies				
Nilistit Oy, Helsinki	EUR 161,460.41	33	33	61
Imbera Electronics Oy, Helsinki	EUR 110,100.00	50	50	414
ISIS Surface Mounting, Inc., California, USA	USD 120,000.00	20	-	2,583
				3,058
Other Shares and Equity Interests Held by the Parent Company	Shareholders' Equity			
Kiinteistö Oy Lohjan Piiharju	EUR 175,233.76	10	10	17
Cellon International Holding Corporation				10,949
Other shares				342
				11,308
Other shares and equity interests held by subsidiaries				358
Other shares and equity interests, total				11,666

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

	CONSOLIDATED 2003	CONSOLIDATED 2002
Deferred Tax Assets		
Due to deductible temporary differences	8,997	6,492
Due to consolidation	294	234
	9,291	6,726
Deferred Tax Liabilities		
Due to appropriations	31	26
Due to temporary tax differences	5,068	2,818
Due to consolidation	18	18
	5,117	2,862

Deferred tax assets have been recorded on the basis of unused operating losses at the Parent Company that have been confirmed by the Finnish Tax Administration, MEUR 3.9 in 2003.

14. ACCOUNTS RECEIVABLE

Elcoteq's 2003 consolidated accounts receivable of MEUR 217.6 (MEUR 216.1) exclude cash received from sold accounts receivable totaling MEUR 185 (MEUR 121.4). Receivables are sold within the limits of Elcoteq's sale of receivables and securitization facilities. Credit risk related to sold accounts receivable is transfered to the buyer at the time of sale without recourse to Elcoteq. Under the securitization facility a purchase price payable in two installments is established at the time receivables are sold. The second installment is carried in the company's accounts receivable until related payment is received. This installment is not subject to any credit risk either. In addition to the original purchase price Elcoteq may also receive an additional payment, the magnitude of which depends on the payment history of its customers. This additional payment is estimated monthly and recorded on the balance sheet under prepaid expenses and accruals. Expenses related to the sale of receivables have been recognized under other financial expenses.

15. PREPAID EXPENSES AND ACCRUALS, EUR 1,000

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Prepaid expenses and accruals of the Group and Parent Company consist of the following items:				
Contributions	0	84	0	84
Prepaid rent	375	821	270	286
Prepaid employee benefit contributions	48	72	-	-
Loan origination fees	598	-	-	-
Value-added taxes	13,982	5,071	2,113	643
Withholding taxes	636	1,094	636	1,094
Income taxes	603	1,127	-	880
Additional payment estimation/securitization	2,609	4,079	2,609	4,079
Other items	20,270	6,804	6,316	5,632
Total	39,121	19,152	11,945	12,698

16. SHAREHOLDERS' EQUITY, EUR 1,000

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Share Capital				
Share capital, Jan. 1	11,797	11,797	11,797	11,797
Shares subscribed with 1997 warrants	279	-	279	-
Share capital, Dec. 31	12,076	11,797	12,076	11,797
Additional Paid-in Capital				
Additional paid-in capital, Jan. 1	202,550	202,550	202,550	202,550
Additional paid-in capital	6,458	-	6,458	-
Additional paid-in capital, Dec. 31	209,008	202,550	209,008	202,550
Other Reserves				
Other reserves, Jan. 1	8,354	8,326	-	-
Change in reserve / Dongguan	-11	18	-	-
Change in reserve / Mexico	-2	10	-	-
Other reserves, Dec. 31	8,341	8,354	-	-

	CONSOLIDATED 2003	CONSOLIDATED 2002	PARENT COMPANY 2003	PARENT COMPANY 2002
Share Issue				
Share Issue 1.1.	-	-	-	-
Change in share issue	1,361	-	1,361	-
Share issue 31.12.	1,361	-	1,361	-

The above change in the issuance of shares includes the subscription price of shares (141,275 total) subscribed through the exercise of 1997 and 2001 options but not entered in the Finnish Trade Register as of December 31, 2003.

	CONSOLIDATED 2003	CONSOLIDATED 2002	PARENT COMPANY 2003	PARENT COMPANY 2002
Translation Difference				
Translation difference, Jan. 1	759	4,966	-	-
Change in translation difference	-3,835	-4,207	-	-
Translation difference, Dec. 31	-3,076	759	-	-
Retained Earnings				
Retained earnings, Jan. 1	24,124	8,079	20,331	1,169
Dividend payment	-11,797	-	-11,797	-
Transfers to reserves	-	-10	-	-
Retained earnings, Dec. 31	12,327	8,069	8,535	1,169
Net income for the year	**20,834**	**16,055**	**26,780**	**19,162**
Shareholders' equity, total	**260,871**	**247,584**	**257,760**	**234,678**

DISTRIBUTABLE FUNDS IN SHAREHOLDERS' EQUITY ON DEC. 31, EUR 1,000	CONSOLIDATED 2003	CONSOLIDATED 2002	PARENT COMPANY 2003	PARENT COMPANY 2002
Retained earnings	12,327	8,069	8,535	1,169
Net income for the year	20,834	16,055	26,780	19,162
Share issue costs recognized under additional paid-in capital	-2,433	-2,433	-2,433	-2,433
Accumulated depreciation and amortization difference recorded in shareholders' equity	-118	-	-	-
Distributable funds in shareholders' equity	30,610	21,691	32,881	17,898

THE PARENT COMPANY'S SHARE CAPITAL CONSISTS OF THE FOLLOWING CLASSES OF SHARES	2003 Shares	2003 EUR 1,000	2002 Shares	2002 EUR 1,000
Series A (1 vote per share)	19,613,527	7,845	18,914,652	7,566
Series K (10 votes per share)	10,577,000	4,231	10,577,000	4,231
Total	30,190,527	12,076	29,491,652	11,797

17. PROVISIONS

The majority of loss provisions recorded in 2003 related to the personnel reductions that the Parent Company carried out during 2001 and 2003. Provisions in 2002 include a restructuring provision and a provision for streamlining measures at Elcoteq's Mexican subsidiary.

18. LIABILITIES, EUR 1,000

	CONSOLIDATED 2003	CONSOLIDATED 2002	PARENT COMPANY 2003	PARENT COMPANY 2002
Long-Term Liabilities				
Interest-bearing				
Medium-term notes	25,092	15,095	25,092	15,095
Loans from financial institutions	13,736	19,181	-	-
Loans from pension plans	2,609	3,074	2,609	3,074
Other long-term liabilities	535	-	-	-
Total	41,972	37,350	27,701	18,169
Payments due within one year	-5,180	-15,196	-465	-10,463
Interest-bearing, total	36,792	22,154	27,235	7,705
Non-interest bearing				
Loans from financial institutions	194	504	-	-
Deferred tax liability	5,117	2,862	-	-
Non-interest bearing, total	5,311	3,366	-	-
Long-term liabilities, total	**42,103**	**25,520**	**27,235**	**7,705**

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Current Liabilities				
Interest-bearing				
Medium-term notes	-	10,000	-	10,000
Loans from financial institutions	13,656	7,199	-	-
Commercial paper program	4,951	2,980	4,951	2,980
Loans from pension plans	465	12	465	463
Interest-bearing, total	19,072	20,191	5,416	13,443
Non-interest bearing				
Accounts payable	376,474	320,647	198,568	146,183
Accrued expenses	79,251	72,953	12,882	47,443
Liabilities to Group companies	-	-	43,293	45,542
Loans from financial institutions	194	288	-	-
Advances received	3,016	434	-	-
Other current liabilities	13,672	8,581	866	1,022
Non-interest bearing, total	472,607	402,903	255,609	240,190
Current liabilities, total	**491,679**	**423,094**	**261,025**	**253,633**
Interest-bearing liabilities	55,864	42,345	32,652	21,149
Non-interest bearing liabilities	477,918	406,269	255,609	240,190
Liabilities, total	533,782	448,614	288,261	261,338

Bonds

In December of 2002 Elcoteq Network Corporation issued EEK 80 million in private placement notes. These notes run from December 19, 2002 to December 19, 2005 and carry a fixed coupon rate of 5.00%. The notes are unsecured. The bond has been valued at amortized cost using the effective interest rate method.

In November of 2003 Elcoteq Network Corporation issued MEUR 20 in private placement notes. These notes run from November 18, 2003 to November 18, 2008 and carry a fixed coupon rate of 5.125%. The notes are unsecured. The bond has been valued at amortized cost using the effective interest rate method.

Loans from Pension Plans

The company has TEL (Employees' Pensions Act) pension plan loans, whose repayment schedules and interest rates are regulated by Finnish law. The loan taken out in 1999 is repayable in equal installments over 10 years. Pension plan loan interest rates range from 3.85% to 4.00%.

Loans from Financial Institutions

Loans from financial institutions mature between 2004 and 2005, and their interest rates are based primarily on 3 or 6-month market rates plus a margin varying from 0.25% to 0.65%.

Commercial Paper Program

Elcoteq Network Corporation operates a MEUR 100 commercial paper program in Finland, which was used during the period to issue notes with a maximum maturity of six months. On the balance sheet date MEUR 5 face value was outstanding under this program with remaining maturities of less than two months.

Other Long-Term Debt

In 2000 Beijing Elcoteq Electronics Co., Ltd. entered into a USD 6 million credit agreement with Finnfund to finance investments at its Beijing manufacturing plant. USD 5.2 million of this loan has been drawn down, which is being repaid in semiannual installments. The last installment will be paid in 2005. The loan coupon rate is LIBOR + 1.65%.

Revolving Lines of Credit

The credit limit on Elcoteq's 5-year revolving credit facility signed with a bank syndicate in March 2001 is MEUR 105. Loans under this facility are unsecured. Amounts available under the facility start to decline on March 13, 2005. The interest margin on loans under the facility varies between 0.70% and 1.15%. Elcoteq Network Corporation has the right to cancel this credit facility. This facility had no balance outstanding at year-end.

Long-Term Liabilities Maturing in Five Years or Later, EUR 1,000:	CONSOLIDATED 2003	2002	PARENT COMPANY 2003	2002
Loans from pension plans	322	751	322	751

19. ACCRUED EXPENSES, EUR 1,000

	CONSOLIDATED 2003	2002	PARENT COMPANY 2003	2002
The Group's and Parent Company's accrued expenses consist of the following items:				
Wages and salaries	8,236	5,956	2,688	1,923
Vacation pay	6,842	5,613	2,736	3,823
Other indirect personnel expenses	2,379	4,821	1,077	2,442
Interest	5,537	158	167	134
Value-added taxes	10,209	3,403	-	422
Income taxes	1,549	1,103	177	174
Exchange rate accruals on forward contracts	5,279	1,330	5,279	1,330
Transportation expenses	1,072	1,048	-	-
Remainder of the unpaid Tellabs purchase price	26,279	-	-	-
Purchase cost of subsidiary	-	35,568	-	35,568
Other items	11,869	13,953	1,809	2,860
Total	79,251	72,953	13,933	48,676

20. LEASING CONTRACTS, EUR 1,000

The Group has leased equipment under operating leases. In 2003 new operating lease contracts were made with an equipment purchase value of approximately MEUR 11.7.

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

	CONSOLIDATED Dec. 31 2003	Dec. 31 2002	PARENT COMPANY Dec. 31 2003	Dec. 31 2002
2003	-	5,827	-	5,827
2004	6,214	2,909	6,031	2,909
2005	3,411	76	3,302	76
2006	3,273	28	3,273	28
2007	324	8	324	8
Total	13,222	8,848	12,931	8,848

Rental expenses on operating leases for machinery and equipment amounted to MEUR 7.2 for the year ended December 31, 2003, and MEUR 7.9 for the year ended December 31, 2002.

No significant new financing lease contracts were signed during 2003.

Elcoteq has leased a manufacturing facility from the real estate corporation Kiinteistö Oy Piiharju in Lohja, Finland under a rental agreement that will end on June 30, 2005. Elcoteq has the option to acquire the facility at any time at a purchase price specified in the lease agreement. On December 31, 2003 this price was approximately MEUR 2.0.

Elcoteq Network Corporation holds a 10% interest in Kiinteistö Oy Piiharju. The City of Lohja, which owns 90% of the real estate corporation, has financed the purchase of the facility. According to a shareholders' agreement between Elcoteq Network Corporation and the City of Lohja, Elcoteq Network Corporation is required to provide any necessary financing to the real estate corporation. Lease rentals on the manufacturing facility totaled MEUR 0.2 during 2003 and MEUR 0.6 during 2002. At December 31, 2003 Elcoteq's consolidated balance sheet contained MEUR 3.6 in buildings and MEUR 1.8 in loans from financial institutions related to the Kiinteistö Oy Piiharju financing lease contract.

21. ASSETS PLEDGED AND CONTINGENT LIABILITIES, EUR 1,000		CONSOLIDATED		PARENT COMPANY	
		2003	2002	2003	2002
FOR OWN LIABILITIES					
Mortgages on real estate					
Mortgages		-	9,041	-	-
Mortgages on moveable assets					
Mortgages for other loans		-	4,541	-	4,541
Other pledges given as collateral					
Mortgages on moveable assets		-	336	-	336
ON BEHALF OF GROUP COMPANIES					
Guarantees		-	-	87,996	119,503
ON BEHALF OF OTHERS					
Guarantees		168	523	168	523
LEASING COMMITMENTS					
Operating leases, machinery and equipment (excl. VAT)		13,222	8,848	12,931	8,848
Rental commitments, real estate (excl. VAT)		20,571	17,443	3,885	4,540
DERIVATIVES CONTRACTS					
Foreign currency derivatives instruments					
Forward contracts on foreign currencies					
Nominal value		189,745	168,118	181,090	157,018
Book value		-4,013	-1,475	-4,143	-1,129
Market value		-3,990	-1,540	-4,244	-1,201
Option contracts on foreign currencies					
Nominal value	bought	1,584	11,309	-	9,402
	sold	2,375	2,861	-	-
Book value	bought	0	4	-	-13
	sold	0	0	-	-
Market value	bought	2	0	-	0
	sold	0	0	-	-

The fair value of forwards is calculated using the average exchange rate of the European Central Bank on the balance sheet date. The fair value of options is the amount at which the options could be exchanged if closed on the balance sheet date.

OTHER COMMITMENTS

In calculating value-added tax for China in 2003, 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 small and has therefore made no provision.

The Chinese authorities have claimed value-added tax totaling roughly MEUR 8.3 from the Shenzhen GKI company, 70% owned by Elcoteq, for the years 2001 and 2002. When the GKI companies were acquired, it was decided that the seller (IBM China) would be liable for 70% (i.e. its own holding) of all tax claims prior to December 31, 2002. Since the minority shareholder is liable for 30% of the risk, i.e. the minority holding, Elcoteq considers that it carries no significant risk in this matter. The matter has no impact on Elcoteq's result.

In 2003 Elcoteq acquired a 20% stake in ISIS Surface Mounting Inc. Elcoteq has the option, and in the event that ISIS fulfills certain profitability targets during 2004 also the obligation, to acquire the outstanding shares in this company.

The book value of Elcoteq's 20% interest in ISIS Surface Mounting Inc. acquired in 2003 totals approximately MEUR 2.6.

Shares and Shareholders

Classes of Shares and Share Capital

Elcoteq Network Corporation has two classes of shares outstanding, Series A and Series K. Elcoteq's A shares (ticker symbol ELQAV) are quoted on the Helsinki Exchanges and are included in the book-entry system maintained by the Finnish Central Securities Depository Ltd. Elcoteq shares are traded in lots of 50.

All K shares are held by Antti Piippo, Henry Sjöman and Jorma Vanhanen, who were the sole owners of the company before its initial public offering and whose holdings of K shares have not changed since. Elcoteq's Articles of Association stipulate that the number of K shares cannot be increased.

Each Elcoteq A share carries one vote and each K share ten votes at general shareholders' meetings. Both classes of shares carry the same dividend rights.

At the close of the 2003 fiscal year Elcoteq's share capital consisted of 30,190,527 shares divided into 19,613,527 A shares and 10,577,000 K shares. The nominal value of each share is EUR 0.40. The company's registered share capital totaled EUR 12,076,210.80 on December 31, 2003. Elcoteq Network Corporation does not hold any treasury shares.

Board Authorizations

Elcoteq's Annual General Meeting held on March 26, 2003 authorized the Board of Directors to float one or more convertible bond loans, and/or to issue stock options, and/or to increase Elcoteq's share capital in one or more installments through a rights offering. This one-year authorization will expire by its terms on March 26, 2004. The company's share capital may be increased by a maximum of EUR 2,359,332 pursuant to this authorization. The authorization was not exercided during 2003. The Board has no current authorization to repurchase any of the company's own shares.

Bonds with Warrants 1997

In the fall of 1997 Elcoteq offered bonds with warrants totaling FIM 1,125,000 to key executives of the company. The loan principal was repaid to the subscribers on schedule in October 2000. The attached warrants (A-C) gave their holders the right to subscribe to a maximum of 1,125,000 new A shares. The exercise period for all warrants expired on January 31, 2004. A total of 146,700 new Series A shares were issued in 2000 due to the exercise of series A warrants. No warrants were exercised during 2001 or 2002. In 2003 A/B/C warrants under the 1997 bond with warrants were exercised to subscribe for a total of 839,550 new Series A shares. Of this total, 698,875 were recorded in the Trade Register during 2003. The subscription price, which is based on the original warrant terms, was EUR 9.64.

At the expiration of the warrant exercise period on January 31, 2004, a total of 32,525 options remained unexercised, 32,500 of which were held by the Elcoteq subsidiary Elcoteq Lohja Oy.

Stock Options for Key Employees 2001

Under the company 's 2001 stock option plan, options were issued to key employees of the corporation and to a wholly-owned Elcoteq subsidiary. A total of 2,685,000 options (A-E) were issued that entitle their holders to subscribe to a maximum of 2,685,000 new A shares. At the end of 2003 this plan covered 318 employees, who together held 2,612,800 options. The remaining 72,200 options are held by an Elcoteq subsidiary, Elcoteq Lohja Oy, for future needs.

Stock options form a part of the company's incentive program for ensuring the motivation and long-term commitment of its key employees. These options (A-E) may be exercised into a total of 537,000 new A shares annually over a five-year period from April 1, 2002 to April 30, 2007. Series A options became exercisable on April 1, 2002 and series B options on April 1, 2003. The C options will be exercisable as of April 1, 2004, the D options as of April 1, 2005, and the E options as of April 1, 2006. The share subscription price will be adjusted downward for any dividends paid after the issue of the options. The share subscription price cannot, however, be lower than the nominal value of the underlying shares. No options issued pursuant to this option plan were exercised in 2002. In 2003 a total of 600 options were exercised under this option plan. These subscriptions were recorded in the Trade Register in 2004. The exercise price was EUR 8.74 per share. On January 31, 2004, there were a total of 2,684,400 unexerciced option rights.

A and B options issued under Elcoteq's 2001 stock option plan are traded on the Main List of the Helsinki Exchanges. These options are traded in lots of 50 under the ticker symbol ELQAVEW101.

The terms and conditions of the 2001 stock options are available on Elcoteq's website at www.elcoteq.com.

Board of Directors', CEO's and Executive Vice President's Shareholdings

At January 1, 2004 the members of the company's Board of Directors owned a total of 2,795,560 A shares and 10,577,000 K shares, which represented 44.3% of the total number of shares and 86.6% of the votes outstanding.

Jouni Hartikainen, Elcoteq's President and CEO as of January 1, 2004, holds 124,000 options issued under the 2001 option program. Jukka Jäämaa, Elcoteq's Executive Vice President as of January 1, 2004, holds 112,900 options issued under the 2001 option program. The President and Executive Vice President could exercise these options into a maximum of 236,900 new A shares, which would represent 0.78% of the share capital and 0.19% of the votes outstanding after such exercise. If all other options were also exercised, Elcoteq's President, Executive Vice President and board members would collectively hold 41.0% of the total share capital and 84.8% of the total votes outstanding as of January 1, 2004.

A listing of Elcoteq insiders and their share and option ownerships are available on the company's website at www.elcoteq.com > Investor Relations > Administration and Management > Insiders. Elcoteq's top management's share and option holdings are presented on page 59 of this report.

Shareholders

Elcoteq Network Corporation had 11,939 registered shareholders at the end of 2003. There were a total of 7,584,474 nominee-registered or foreign-registered A shares, which translates to 25.1% of the total number of shares and 6.0% of the votes outstanding.

A monthly updated list of Elcoteq's 30 largest shareholders is available on the company's website at www.elcoteq.com.

Change of Ownership Notices

Fidelity International Limited filed two change of ownership notices during 2003. Based on Fidelity's February 4, 2003 notice, the direct and indirect ownership of Fidelity International Limited and its subsidiaries had declined below 5% of the share capital of Elcoteq Network Corporation. In its subsequent notice of March 28, 2003 Fidelity reported that its ownership had increased to more than 5% of Elcoteq's share capital. According to this notice, Fidelity International Limited held a total of 1,483,995 Elcoteq Network Corporation A shares, or 5.03% of its total share capital and 1.19% of all votes outstanding.

Free Float

At December 31, 2003 Elcoteq's free float (number of A shares not held by its principal owners) totaled 16,840,027 shares, or 85.9% of all A shares and 55.8% of total share capital. Nominee-registered and foreign-registered shares accounted for 45.0% of this total.

Taxable Value of Elcoteq Shares in Finland

The 2003 value assigned to Elcoteq Network Corporation A shares for Finnish tax purposes was EUR 11.38 per share.

Dividend Policy

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

The Board's dividend proposal for the financial year 2003 is larger than usual with respect to the company's dividend policy owing to changes in legislation on dividend taxation in Finland.

Per share data and trading information are presented together with key financial ratios on page 53.

The following tables describing the company's shareholders by type and size of holdings treat all shareholder register entries as independent holdings. Holdings belonging to the same control group or sphere of influence have not been combined.

The tables below are based on the company's shareholder register at December 31, 2003.

Distribution of Shares

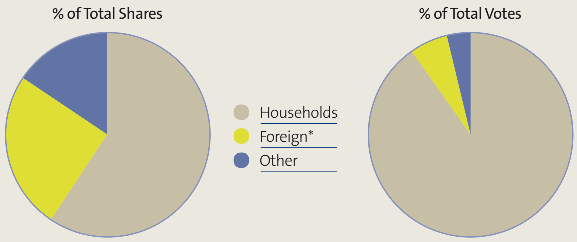
Number of Shares	Number of Holders	Percent of Total Shares	Percent of Total Votes
1-100	4,496	1.04	0.25
101-1,000	6,454	8.21	1.98
1,001-10,000	898	7.48	1.80
10,001-100,000	87	8.94	2.15
100,001-	14	74.34	93.82

Figures include nominee-registered shareholders.
Each nominee is treated as one holder.

Shareholders by Type

	Number of Shares	Percent of Total Shares	Percent of Total Votes
Households	17,895,896	59.28	90.19
Foreign*	7,584,474	25.12	6.05
Financial and insurance institutions	1,920,510	6.36	1.53
Public entities	1,305,113	4.32	1.04
Corporations	964,369	3.19	0.77
Non-profit organizations	520,165	1.72	0.41

* Includes nominee-registered shares



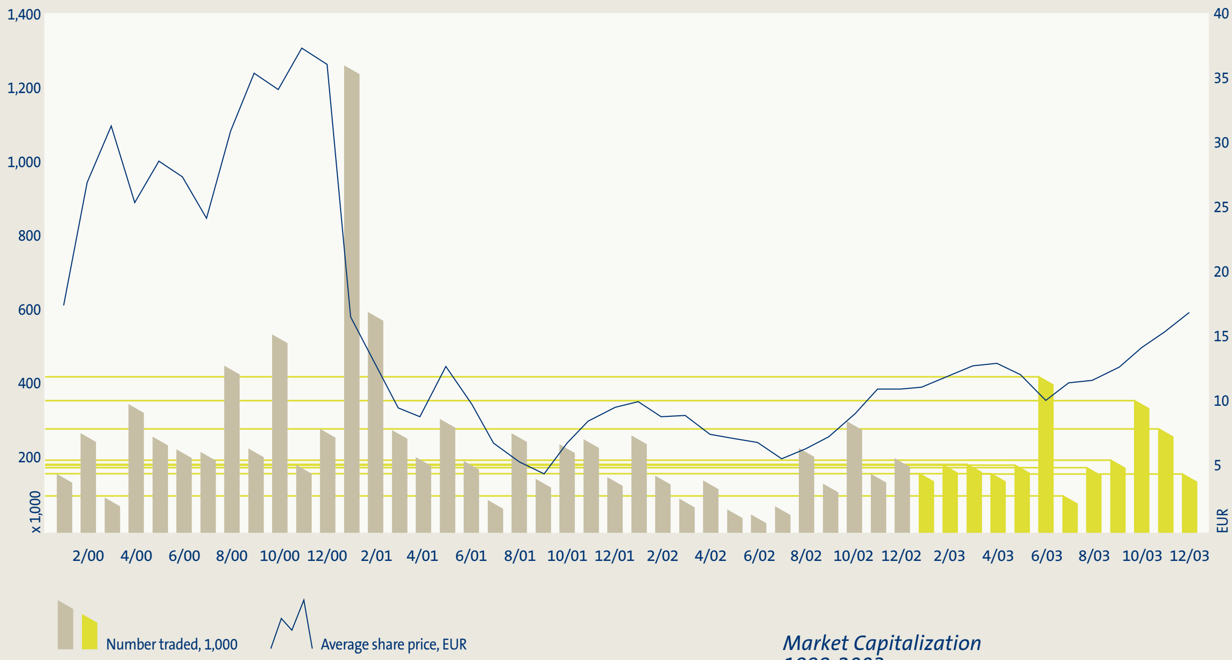
Largest Shareholders at December 31, 2003

	A Shares	K Shares	Percent of Shares	Percent of Votes
1. Antti Piippo	1,586,970	5,411,000	23.18	44.42
2. Jorma Vanhanen	600,765	2,583,000	10.55	21.08
3. Henry Sjöman	585,765	2,583,000	10.50	21.07
4. State Pension Fund	480,000		1.59	0.38
5. Tapiola Mutual Pension Insurance Company	365,000		1.21	0.29
6. FIM Forte Fund	277,600		0.92	0.22
7. Tapiola General Mutual Insurance Company	169,000		0.56	0.13
8. Erkki Etola	150,000		0.50	0.12
9. FIM Fenno Fund	134,200		0.44	0.11
10. Royal Skandia Life Assurance Limited	126,350		0.42	0.10
Ten largest combined	**4,475,650**	**10,577,000**	**49.87**	**87.92**

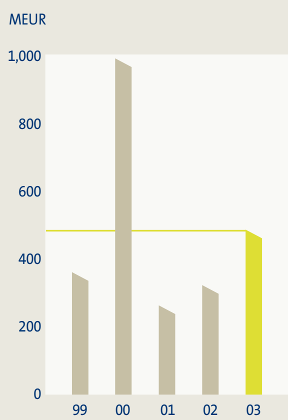
Changes in Class A Share Capital from 1997 to 2003

	Number of Class A Shares	Class A Share Capital (FIM/EUR)
Shares listed on the Helsinki Exchanges on November 26, 1997	12,288,500	FIM 24,577,000
Changes:		
Public offering on December 30, 1997	450,000	FIM 900,000
Total share capital on December 31, 1997	**12,738,500**	**FIM 25,477,000**
Convertible capital notes converted to shares on March 31, 2000	1,366,452	FIM 2,732,904
Public offering on May 31, 2000	3,800,000	FIM 7,600,000
Shareholders' oversubscription rights exercised on June 8, 2000	330,000	FIM 660,000
Public offering on September 11, 2000	533,000	FIM 1,066,000
Shares subscribed through exercise of options in 2000	143,950	FIM 287,900
Total share capital on December 31, 2000	**18,911,902**	**FIM 37,823,804**
Shares subscribed through exercise of options in 2001	2,750	FIM 5,500
Share capital converted to euros and increased on April 24, 2001		EUR 1,203,428.70
Total share capital December 31, 2001	**18,914,652**	**EUR 7,565,860.80**
Shares subscribed through exercise of options in 2003	698,875	EUR 279,550
Total class A share capital on December 31, 2003	**19,613,527**	**EUR 7,845,410.80**

Trading Prices and Volumes of Elcoteq's A Shares from January 1, 2000 to December 31, 2003



Market Capitalization 1999-2003



Stock Performance and Trading in 2003

Highest Price, EUR	17.75
Lowest Price, EUR	9.76
Average Price, EUR	12.75
Closing Price, EUR	15.98
Trading Volume, shares	25,344,918
Trading Volume, MEUR	323.2
Market Capitalization*, MEUR	482.4

* Market capitalization is calculated by multiplying the company's total shares outstanding, i.e. all A and K shares, by the 2003 closing quotation of EUR 15.98.

Risk Management

Risk Management Principles

Risk management at Elcoteq is based on the company's risk management policy, which was adopted in 2002. This policy classifies risks as external or internal on the one hand, and as strategic, operational, financial, or property and casualty risks on the other. Elcoteq seeks to manage these risk areas in a comprehensive and forward-looking manner, while also taking advantage of the opportunities they present.

Elcoteq's risk management policy is based on the integration of risk management as part of the business processes of each unit and at all levels of the organization. Risk management responsibilities coincide with normal business responsibilities. Under this risk management policy, Elcoteq's business units regularly identify and assess risks associated with their own activities, draw up appropriate development plans, and provide reports on these risks and plans in accordance with Elcoteq's reporting organization. The purpose of Elcoteq's Risk Management function is to support and evaluate the risk management efforts of the company's business units, and to report key risks to the company's top management.

Elcoteq has also prepared separate risk management guidelines for specific areas that supplement its overall risk management policies. These areas include treasury operations, insurance, IT and corporate security, and environmental management.

Financial Risk Management

The objectives of Elcoteq's Treasury function are to ensure the availability of a broad range of sufficient and cost-effective funding alternatives under various market conditions, to support the company's business units in identifying and managing the credit and foreign exchange risks related to the company's business, and to hedge against significant financial exposures in line with Elcoteq's treasury policy. Financial market operations and borrowing are mainly handled centrally through the parent company's Treasury function. The funding needs of subsidiaries are generally addressed through internal lending arrangements.

Foreign Exchange Risks

A significant portion of the company's current assets and liabilities are denominated in currencies other than the euro. Therefore, foreign exchange fluctuations can have a major impact on Elcoteq's financial performance. These transaction risks are hedged through product pricing that incorporates exchange rates (so-called Open Book Calculation) and derivatives contracts that cover the company's net foreign exchange exposure. Transaction risks mainly relate to the U.S. dollar, Japanese yen, and the Chinese renmimbi. In addition to components and manufacturing costs, Elcoteq's pricing model also considers the prevailing foreign exchange rates in connection with pricing and facilitates currency hedging on the basis of forecast sales volumes.
Prices are typically agreed for the upcoming three months. This pricing period may also be shorter, and therefore no significant long-term items are included in the company's transaction exposure. Elcoteq's net foreign exchange position, which is based on volume forecasts, is hedged at the time prices are agreed, using both forward contracts and currency options with a maximum term of five months, and the level of hedges is monitored throughout the pricing period.

The foreign exchange exposure of the company's subsidiaries located outside the eurozone, i.e. translation exposure, relates to fluctuations in the calculated euro-equivalent value of their equity. This translation exposure is partially covered through currency derivatives.

Note 21 of the Notes to the Financial Statements on page 47 shows the year-end nominal, book and market values of derivatives contracts. The principles applied in entering these items are described in the accounting principles on page 34.

Other Financial Risks

Other financial risks to which Elcoteq's business is exposed include liquidity, credit, counterparty, and interest rate risks. Liquidity risk is measured through reports that are based on Group's cash flow forecasts. The company strives to continue to safeguard its good liquidity position under varying market conditions through sufficient cash reserves and credit facility arrangements. Elcoteq also has a commercial paper program. In addition the company will continue to make use of accounts receivable sales facilities whenever cost-effective.

Primary responsibility for credit risks associated with the company's commercial operations lies with its business and geographical areas. Commercial credit risks are managed in accordance with the company's credit policy, and adequate collateral is to be requested if the need for it is indicated by the creditworthiness of a customer. In order to minimize counterparty risks, Elcoteq enters into derivatives contracts only with creditworthy banks. Liquid funds are invested in bank certificates of deposit and commercial paper program within counterparty limits approved by Elcoteq's Board of Directors.

The company's borrowings and investments are, for the most part, tied to short-term interest rates. No derivatives were used during the year to hedge against interest rate exposure.

Calculation of Financial Ratios

Return on equity (ROE) =	(Income before extraordinary items – taxes) x 100 / Shareholders' equity + minority interests, average of opening and closing balances
Return on investment (ROI/ROCE) =	(Income before extraordinary items + interest and other financial expenses) x 100 / Total assets – non-interest bearing liabilities, average of opening and closing balances
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 equivalents / Shareholders' equity + minority interests
Gearing 2 =	Interest-bearing liabilities – convertible capital notes – cash and equivalents / Shareholders' equity + convertible capital notes + minority interests
Earnings per share (EPS) =	Income before extraordinary items – taxes – minority interests / Adjusted average number of shares outstanding during the period
Shareholders' equity per share =	Shareholders' equity / Adjusted number of shares outstanding at the end of the period
Dividend per share =	Dividends paid for the fiscal year / Adjusted number of shares outstanding at the end of the period
Payout ratio =	Dividends paid for the fiscal year x 100 / Income 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 equity (ROE) for trailing 12 months =	(Income before extraordinary items + interest and other financial expenses) x 100 / Total assets – non-interest bearing liabilities, average of opening and closing balances

These ratios treat convertible capital notes as interest-bearing liabilities, not as shareholders' equity.

Five Years in Figures

		2003	2002	2001	2000	1999
OPERATIONS						
Net sales	MEUR	2,235.7	1,840.2	1,862.5	2,213.5	752.5
of which outside Finland	%	81.0	77.5	76.5	68.5	80.3
Gross capital expenditures	MEUR	68.1	78.0	45.1	125.7	50.2
(does not include operating leases)						
Employees, average		11,044	8,127	9,960	9,630	4,733
PROFITABILITY						
Operating income	MEUR	30.5	25.5	-18.4	66.4	14.5
as percentage of net sales	%	1.4	1.4	-1.0	3.0	1.9
Income before taxes	MEUR	22.8	18.6	-30.7	54.4	9.8
as percentage of net sales	%	1.0	1.0	-1.6	2.5	1.3
Net income	MEUR	20.8	16.1	-32.0	37.2	5.0
as percentage of net sales	%	0.9	0.9	-1.7	1.7	0.7
Return on equity (ROE)	%	8.1	7.4	-11.7	19.3	5.4
Return on investment (ROI/ROCE)	%	10.4	9.2	-3.5	20.4	8.2
FINANCIAL RATIOS						
Current ratio		1.2	1.2	1.3	1.3	1.2
Solvency 1	%	33.4	36.6	39.6	35.1	27.5
Solvency 2	%	33.4	36.6	39.6	35.1	31.7
Gearing 1		0.0	-0.1	0.2	0.5	0.7
Gearing 2		0.0	-0.1	0.2	0.5	0.5
Interest-bearing liabilities	MEUR	56.1	42.6	75.8	182.3	89.3
Interest-bearing net debt	MEUR	-7.6	-33.4	39.4	150.5	68.8
PER SHARE DATA						
Earnings per share (EPS)	EUR	0.70	0.54	-1.08	1.38	0.21
Diluted earnings per share (EPS) *)	EUR	0.63	0.48		1.33	
Shareholders' equity per share	EUR	8.64	8.40	7.99	9.37	5.04
Diluted shareholders' equity per share	EUR	7.87	7.47	7.11	9.07	0.0
Dividend per share **)	EUR	0.90	0.40	0.00	0.38	0.11
Payout ratio **)	%	131.0	73.5	0.0	30.0	51.0
Dividend yield **)	%	5.6	3.7	0.0	1.10	0.70
P/E ratio		22.7	19.7	-9.1	24.4	72.0
Share price						
• lowest share price	EUR	9.76	4.43	3.30	13.00	7.07
• highest share price	EUR	17.75	12.50	34.90	43.00	15.90
• average share price	EUR	12.75	8.75	11.92	30.26	9.42
• share price at the end of the year	EUR	15.98	10.80	10.00	33.50	15.20
Market capitalization						
• A share	MEUR	313.4	204.3	189.1	633.5	193.6
• K share	MEUR	169.0	114.2	105.8	354.3	160.8
• Total	MEUR	482.4	318.5	294.9	987.9	354.4
The market capitalizations of both classes of shares have been calculated using the closing share price of the series A shares at year-end.						
Trading of shares						
• Number of shares traded	Shares	25,344,918	17,936,782	39,324,316	31,957,599	10,706,930
• As percentage of all A shares	%	129.2	94.8	207.9	169.0	84.1
Adjusted weighted average number of shares in issue during the period	Shares	29,572,826	29,491,652	29,491,373	26,944,809	23,315,500
Adjusted number of shares in issue at the end of the period	Shares	30,190,527	29,491,652	29,491,652	29,488,902	23,315,500

*) Diluted earnings per share (EPS) are not presented for 1999 and 2001 because they are higher than the undiluted EPS.

**) The dividend shown for 2003 represents the Board's proposal to the Annual General Meeting.

Board's Proposal to the Annual General Meeting

The Group's distributable funds on the balance sheet date totaled EUR 30,609,524.16. The parent company recorded a net profit of EUR 26,779,511.76 for the year. Retained earnings from previous years, adjusted for the share issue costs entered in the additional paid-in capital, amounted to EUR 6,101,123.37. Therefore the parent company's distributable funds totaled EUR 32,880,635.13.

The Board will propose to the Annual General Meeting that the parent company distribute a dividend of EUR 0.90 per share, or EUR 27,298,621.80 in total, on the financial year. After this, the parent company's unused retained earnings will amount to EUR 5,582,013.33.

Espoo, February 5, 2004

Antti Piippo
Chairman of the Board

Martti Ahtisaari

Heikki Horstia

Eero Kasanen

Henry Sjöman

Juha Toivola

Jorma Vanhanen

Jouni Hartikainen
President and CEO

Auditors' Report to the Shareholders of Elcoteq Network Corporation

We have audited the accounting records, the financial statements and the administration of Elcoteq Network Corporation for the year 2003. The financial statements, which include the report by the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on the company's administration.

We have conducted the audit in accordance with the 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 misstatements. 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 statements presentation. The purpose of our audit of administration is to examine that the Board of Directors and the President and CEO have complied with the rules of the Finnish Companies Act.

In our opinion the financial statements 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 President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, 9 February 2004

KPMG WIDERI OY AB

Mauri Palvi
Authorized Public Accountant

Corporate Governance

In December 2003 HEX Plc, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers issued new recommendations on the corporate governance of listed companies which will supercede the previous recommendations when they come into effect on July 1, 2004. Elcoteq will gradually adopt the new recommendations during 2004.

General Shareholder Meetings

The general meeting of shareholders is the supreme decision-making body in the company and the forum in which its shareholders exercise their voting rights. Shareholder meetings consider the matters stipulated by Finnish legislation and the company's articles of association. Elcoteq's Annual General Meeting is held before the end of May on a date set by the Board of Directors. Extraordinary shareholder meetings are convened at the discretion of the Board of Directors or if otherwise required for legal reasons.

The Board of Directors

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

During its current term of office the Board has had seven members. Since the AGM on March 26, 2003 the chairman of the Board has been Mr Antti Piippo and its deputy chairman has been Mr Juha Toivola.

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. In 2003 the Board held 14 meetings. The attendance of Board members at its meetings averaged 88.5% during 2003.

The Review and Compensation Committee

The Board of Directors has appointed a Review and Compensation Committee from among its members to monitor the company's operations, to report to the Board on its findings and to submit proposals. During its 2003-2004 term of office, the Committee has been chaired by the deputy chairman of the Board, Mr Juha Toivola, and its members are Mr Martti Ahtisaari, Mr Heikki Horstia and Dr Eero Kasanen. The Committee met 6 times in 2003.

The term of office of the Committee is the same as for the Board of Directors. The Committee's tasks include, among other things, 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 goals.

The Working and Nomination 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 Committee reports to the Board of Directors.

During its 2003-2004 term of office the Committee has been chaired by the Board's chairman, Mr Antti Piippo, and its other members are Mr Henry Sjöman, Mr Juha Toivola and Mr Jorma Vanhanen.

The purpose of the Board's Nomination Committee is to find individuals for nomination to the company's Board of Directors and present these individuals to the AGM. Its chairman is Mr Antti Piippo, Chairman of the Board, and its other members are Mr Henry Sjöman, Mr Juha Toivola and Mr Jorma Vanhanen.

The Board's Working Committee and Nomination Committee were merged at the beginning of 2004 and since then the CEO has not been a member of the Committee.

The President

The Board of Directors appoints a President whose 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 stipulations of the Board of Directors. Mr Lasse Kurkilahti BSc (Econ.), the President and Chief Executive Officer of the company since December 1, 2001, resigned in November 2003 to move to another company. His tenure with Elcoteq ended on December 31, 2003.

On November 25, 2003 Elcoteq announced that it had chosen a new president and executive vice president from within the company. Mr Jouni Hartikainen MSc (Eng.), previously President, Asia-Pacific, took up the position of President and CEO on January 1, 2004. The Board of Directors also established the new post of Executive Vice President, appointing to this position Mr Jukka Jäämaa LSc (Eng.), previously President, Communications Network Equipment/Industrial Electronics also with effect from January 1, 2004.

Remuneration

Elcoteq's Annual General Meeting on March 26, 2003 decided that, with the exception of the company's principal owners, the members of the Board of Directors should be paid an annual fee of EUR 25,000, 60% of which in cash and 40% in shares. The company's principal owners, Antti Piippo, Henry Sjöman and Jorma Vanhanen, have received a monthly salary.

The salaries, fees and benefits in kind paid to the members of the Board of Directors and the President and CEO in 2003 totaled EUR 1,124,125.42. The salary, benefits and bonuses paid to the President and CEO totaled EUR 441,750.16. The salaries and fees paid to the Board members totaled EUR 682,375.42.

The pension benefits of the President and CEO and the members of the Board of Directors are described in the accounting principles on page 35.

The Auditor

According to the company's articles of association the company shall have one auditor who shall also be a firm of authorized public accounts approved by the Central Chamber of Commerce of Finland. The auditor's term of office ceases at the close of the Annual General Meeting following his election.

Elcoteq Network Corporation's auditors are the firm of authorized public accountants KHT-yhteisö KPMG Wideri Oy Ab, under the supervision of Principal Auditor Mauri Palvi, APA. The auditing associations belonging to the KPMG chain were paid approximately EUR 490,000 in auditing fees and approximately EUR 560,000 for other consultation assignments for 2003.

Insider Matters

The Insider Rules endorsed by the Board of Directors and adopted by the company on March 1, 2000 fully comply with or exceed the requirements of the guidelines recommended by the Helsinki Exchanges. Personnel are trained in the matters covered by these Insider Rules.

The company's statutory list of insiders (permanent insiders) comprises the members of the Board of Directors, the President and CEO, the Executive Vice President and the auditor. Other permanent insiders are the members of the company's broader management team, i.e. the Management Conference, as well as individuals who by virtue of their responsibilities or position receive information made available to the Management Conference or other information deemed as insider information. The company also maintains insider registers for specific projects.

Under the company's Insider Rules, insiders should engage in trading in the company's shares only at times when the market has the fullest possible knowledge of matters that could influence the value of the share. For this reason Elcoteq's permanent insiders are not permitted to trade in the company's shares for 21 days before the release of its interim or annual financial results.

Elcoteq Network Corporation's insider register is maintained by the company's Legal Affairs department, which updates the information on the share and stock option holdings of Elcoteq's insiders in the register maintained by the Finnish Central Securities Depository Ltd. A list of the share and stock option holdings of Elcoteq's insiders is updated monthly and posted on Elcoteq's website, www.elcoteq.com.

Board of Directors

In the back row from left: Eero Kasanen, Juha Toivola, Martti Ahtisaari and Heikki Horstia. In front: Henry Sjöman, Jorma Vanhanen and Antti Piippo.

Board of Directors

Martti Ahtisaari

born 1937, Teacher Training Course Graduate, University of Oulu, Chairman of the Board of Crisis Management Initiative, has been a member of Elcoteq's Board of Directors since 2000. Mr Ahtisaari forged a prestigious career as a diplomat working for both Finland's Ministry for Foreign Affairs and for the United Nations. His many posts include Ambassador of Finland to Tanzania, the UN's special representative to Namibia and Secretary of State in Finland's Ministry for Foreign Affairs.
Mr Ahtisaari was President of the Republic of Finland between 1994 and 2000. After leaving office he has held posts in various international organizations and trusts including Co-Chairman of the East West Institute and Chairman of the International Crisis Group. Mr Ahtisaari is also a member of the Board of Directors of UPM-Kymmene and he holds honorary doctorates from a number of universities. Elcoteq holdings: 3,390 A shares.

Heikki Horstia

born 1950, BSc (Econ.), Vice President, Treasurer of Wärtsilä Corporation, has been a member of Elcoteq's Board since 1991. 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. Elcoteq holdings: 4,390 A shares.

Eero Kasanen

born 1952, DBA, Rector of Helsinki School of Economics and Business Administration and Professor of Finance, has been a member of the Board since 2001. Dr Kasanen is a member of the Board of Directors of Kesko Oyj and Kaleva Mutual Insurance Company and Chairman of the Board of Directors of the Helsinki School of Economics and Business Administration Holding Ltd. Elcoteq holdings: 3,390 A shares.

Antti Piippo

born 1947, BSc (Eng.), has been one of the principal shareholders and a member of the Board since the management buyout in 1991. He has acted as Chairman of the Board from 1991 until August 26, 2001 and again since March 26, 2003. Mr Piippo has held management positions in the electronics industry since 1971, first in Aspo Oy (1971-1984) and then in Oy Lohja Ab (1984-1991). He was head of the electronics divisions of both companies. Mr Piippo is, and has been, a member of the Board of Directors of numerous other companies and business associations. Elcoteq holdings: 1,586,970 A shares and 5,411,000 K shares.

Henry Sjöman

born 1950, BSc (Eng.), has been one of the principal shareholders and a member of the Board since the management buyout in 1991. Mr Sjöman has worked in the electronics industry since 1974 and has held various management positions in Elcoteq and its predecessors since 1984. Elcoteq holdings: 585,765 A shares and 2,583,000 K shares.

Juha Toivola

born 1947, MSc, has been a member of the Board since 1997. He has over 30 years of experience in Finnish and international industrial corporations and the insurance sector. Between 1971 and 1995 Mr Toivola worked for Fiskars Corporation, and between 1996 and 2001 he was Managing Director of Industrial Insurance Company Ltd and Deputy Managing Director of Sampo Group. Mr Toivola is the chairman or member of the boards of directors of several companies. He is also a member of Hallitusammattilaiset (Association of Finland's Board Professionals). Elcoteq holdings: 10,890 A shares.

Jorma Vanhanen

born 1959, MSc (Eng.), has been one of the principal shareholders and a member of the Board since the management buyout in 1991. He has held various management positions in Elcoteq and its predecessors since 1985. Elcoteq holdings: 600,765 A shares and 2,583,000 K shares.

Elcoteq Managemement Team (EMT)

Jouni Hartikainen, born 1961, MSc (Eng.)
President and CEO since January 1, 2004
Joined the company in 2000
Number of options: 124,000

Jukka Jäämaa, born 1965, LSc (Eng.)
Executive Vice President since January 1, 2004
Joined the company in 1998
Number of options: 112,900

Douglas Brenner, born 1949, PhD, MBA
President, Americas
Joined the company in 2002
Number of options: 50,000

Hannu Keinänen, born 1969, MSc (Eng.)
President, Asia-Pacific since February 1, 2004
Joined the company in 1998
Number of options: 50,000

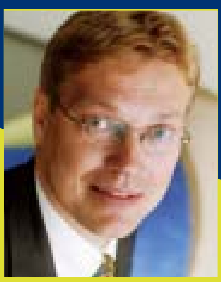
Vesa Keränen, born 1970, MSc (Eng.)
Senior Vice President, Corporate Development
Joined the company in 1997
Number of options: 50,000

Anssi Korhonen, born 1965, MSc (Eng.)
Senior Vice President, Terminal Products and
ODM Business Development
Employed by the company 1992-1995 and 1997-
Number of options: 16,650

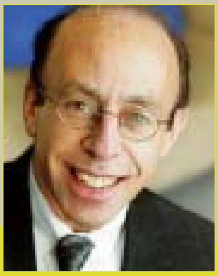
Nils Kämpe, born 1955, BSc (Eng.)
Senior Vice President, Sales and Marketing
Joined the company in 2003
Number of options: 14,000

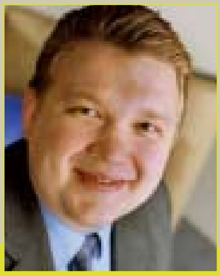
Harri Ollila, born 1954, MSc (Eng.), MBA
President, Terminal Products, Europe
Joined the company in 2003
Number of options: 65,000

Teo Ottola, born 1968, MSc (Econ.)
Senior Vice President, Business Control and Accounting
Joined the company in 1996
Number of Elcoteq shares: 580
Number of options: 50,000


Jouni Hartikainen


Jukka Jäämaa


Douglas Brenner


Hannu Keinänen


Vesa Keränen


Anssi Korhonen


Nils Kämpe


Harri Ollila


Teo Ottola

Management Conference (MC)

In addition to the EMT members the Management Conference (MC) consists of the following persons:

Jukka Hakkila, born 1960, LLM
Senior Vice President, Legal Affairs
Joined the company in 2002
Number of options: 50,000

Esko Hannula, born 1967, MSc (Eng.)
Vice President, Design and NPI
Joined the company in 2003
Number of options: 40,000

Tuula Hatakka, born 1963, MSc (Econ.)
Senior Vice President, Treasury
Joined the company in 2000
Number of Elcoteq shares: 50
Number of options: 50,000

Christer Härkönen, born 1957, MSc (Eng.)
Senior Vice President,
Strategic Relationships Management
Joined the company in 1996
Number of Elcoteq shares: 80
Number of options: 85,000

Osmo Kammonen, born 1959, LLM
Senior Vice President, Communications and Investor Relations
Joined the company in 1996
Number of Elcoteq shares: 500
Number of options: 50,000

Petteri Laaksomo, born 1968, MSc (Eng.)
Vice President, Operations
Employed by the company 1993-2001 and 2004-

Esa Retva, born 1967, Technician
Vice President, Sourcing, Supply Chain Management and Information Management
Joined the company in 2003
Number of options: 40,000

Riitta Savonlahti, born 1964, MSc (Econ.)
Senior Vice President, Human Resources
Joined the company in 2001
Number of options: 50,000

Johan Westermarck, born 1965,
LSc (Econ.), MSc (Eng.)
Vice President, Marketing
Joined the company in 2001
Number of options: 28,500

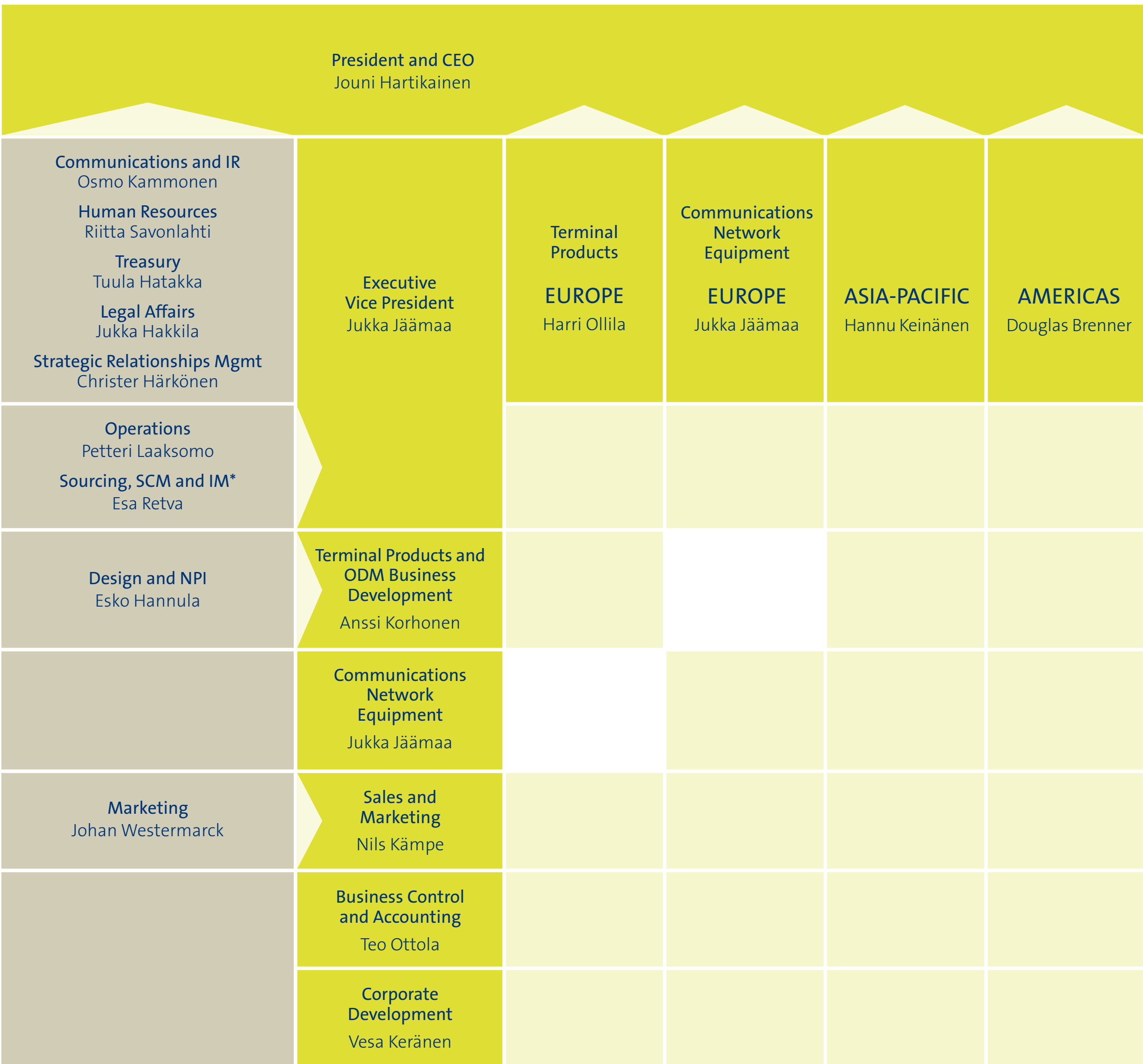
Organization

Elcoteq renewed its corporate organization in February 2004. The main purpose of the changes is to intensify strategy implementation and accelerate decision-making. The renewal also aims to improve internal efficiency, enhance cross-company collaboration, and bring a wider perspective to managing issues.

The company has a two-level structure in its executive management board. The Elcoteq Management Team meets every month. Its main tasks are strategy formulation, and assuring and monitoring the company's financial performance. The broader Management Conference meets 6-8 times a year and concentrates on strategy implementation.

Elcoteq's primary grouping of business activities is based on business areas, Terminal Products and Communications Network Equipment. The company also has four geographical areas: Terminal Products Europe, Communications Network Equipment Europe, Asia-Pacific, and Americas. Internally, the company reports its results and balance sheet by business area and geographical area. Under IFRS reporting Elcoteq will report its business areas as its primary segments. Besides net sales, information on these segments will include operating profit.

Elcoteq has a matrix organization in which the business areas are responsible for developing the respective business models, service offerings, value propositions and partnership networks of their individual areas, as well as for maintaining the global consistency of Elcoteq's operations. The geographical areas are responsible for the sales, production and financial performance of their respective areas. The geographical and business areas are supported by Group functions.



* SCM and IM = Supply Chain Management and Information Management

Main Releases in 2003

January

Sumitomo Metal Micro Devices Picks Elcoteq as its EMS Partner
(Jan. 15)

Sumitomo Metal Micro Devices, the largest independent manufacturer of controller modules for liquid crystal displays (LCD), chose Elcoteq to manufacture the company's LCD controller modules at Elcoteq's plant in Dongguan, China.

Preliminary Information on Elcoteq's 2002 Result
(Jan. 23)

Contrary to its usual practice, Elcoteq released preliminary unaudited information on its 2002 financial statements because the market's understanding of the company's main figures was considerably weaker than the actual figures.

February

Proposal to the AGM on the Election of Board Members
(Feb. 12)

Elcoteq's three principal shareholders and the Compensation and Review Committee of the Board proposed to the Annual General Meeting on March 26, 2003 that all current Board members be re-elected and that the company's principal owner Mr Antti Piippo be elected to the Board of Directors as a new member.

Motorola's 2G and 2.5G Wireless Platforms
(Feb. 18)

Elcoteq selected Motorola, Inc.'s Innovative Convergence(TM) i.200 and i.250 platforms to develop its customers' advanced wireless handsets for delivery of voice and high-speed data services.

Elcoteq Appointed Nokia's Series 60 Contractor
(Feb. 18)

Elcoteq signed the Series 60 Contractor agreement with Nokia. This agreement made Elcoteq one of the first members of the Product Creation Community formed around the Series 60 Platform.

March

Personnel Negotiations at Lohja
(March 13)

Elcoteq invited personnel representatives of its terminal products and communications network equipment manufacturing plant in Lohja, Finland, and the plant's administrative units, to discuss measures to restore the plant to profitability during 2003. The company proposed that the discussions address the impact of layoffs, redundancies, or other alternatives that emerge during the discussions, on restoring the plant's operational profitability. These negotiations did not apply to Repair Center personnel, Group functions in Lohja, or the personnel of the industrial electronics unit.

Elcoteq Acquires NPI Services Company NPRC, Inc. in USA
(March 17)

Elcoteq acquired NPRC, Inc., a Dallas, USA based new product introduction (NPI) services company. NPRC, renamed Elcoteq, NPI Dallas, is known for its customer focus and high-quality NPI services for communications technology manufacturers. Acquisition of NPRC initiated in the Americas the implementation of Elcoteq's strategy of locating NPI services close to customers. The transaction price was not disclosed.

Decisions of the Annual General Meeting
(March 26)

The Annual General Meeting confirmed the consolidated and parent company's income statements and balance sheets for the financial year 2002, discharged the members of the Board of Directors and the President and CEO from liability for the financial year and decided to distribute a dividend of 0.40 euros per share on the financial year 2002. The meeting elected seven members to the Board of Directors. Elcoteq's principal shareholder Mr Antti Piippo was elected to the Board as its new member. Convening after the Meeting, the Board of Directors elected Antti Piippo as its Chairman and Juha Toivola as the Deputy Chairman.

2001B Warrants to the Main List of Helsinki Exchanges
(March 31)

With effect from April 1, 2003, the B warrants of the Elcoteq's 2001 option plan were combined with the 2001A warrants and introduced to the Main List of the Helsinki Exchanges.

May

Personnel Reductions in Lohja Smaller Than Expected
(May 12)

As a result of the personnel negotiations initiated in March, Elcoteq cut 86 jobs in terminal products and communications network equipment production functions at the Lohja plants. At the beginning of the negotiations Elcoteq estimated that the personnel reductions would apply to 160 people. The actual number turned out to be substantially lower mainly due to internal personnel arrangements.

June

Elcoteq Lowers Growth Forecast to 40%
(June 2)

Elcoteq lowered its full year 2003 net sales growth forecast from the previously announced level of 60% to 40%. The main reasons for the change were slower economic development in China due to the SARS epidemic and the weakening of the US dollar. Elcoteq estimated that its full-year net sales would reach approximately EUR 2.5 billion and that the full-year result in 2003 will improve compared to the previous year.

September

Elcoteq Selected for the Kempen/SNS Smaller SRI Europe Index
(Sept. 29)

Elcoteq was selected for membership of the new Kempen/SNS Smaller SRI (Socially Responsible Investment) Europe Index launched on October 1, 2003. Membership is available only to those companies with the very highest standards and practice in the areas of business ethics, human resources and the environment.

October

Elcoteq Acquires Marconi's Electronics Manufacturing in Offenburg, Germany
(Oct. 10)

Marconi and Elcoteq announced a co-operation agreement under which Elcoteq became Marconi's preferred partner for the manufacture of fixed wireless access products and associated technologies. Elcoteq offers Marconi new product introduction, manufacturing, pre-field installation and repair services primarily for their microwave communications systems business. Co-operation also included transfer of Marconi's electronics manufacturing in Offenburg, Germany, with its 340 employees to Elcoteq on November 1, 2003. The total consideration paid by Elcoteq amounted to approx. MEUR 10. Elcoteq expects the co-operation to add roughly MEUR 70 to the annual net sales of its Communications Network Equipment business in 2004 and to have a positive impact on profitability.

Manufacturing Agreement with Siemens
(Oct. 23)

Elcoteq and the Networks division of Siemens Mobile signed an agreement under which Elcoteq provides electronics manufacturing services for products that are part of Siemens's GSM base stations. Production ramp-up started in November at Elcoteq's plant in Pécs, Hungary. Siemens Mobile also granted Elcoteq approved EMS supplier status in addition to the manufacturing agreement.

Elcoteq Acquires 20% of ISIS Surface Mounting
(Oct. 29)

Elcoteq and ISIS Surface Mounting Inc., San Jose, California announced an agreement whereby Elcoteq acquired 20% of ISIS shares. Elcoteq will acquire the remaining shares at the end of 2004 provided that ISIS meets agreed performance targets.

ISIS provides new product introduction services and low-volume manufacturing to companies predominantly involved in supplying both fixed line and wireless communication networks. ISIS has 100 full-time employees and expertise in RF and communication infrastructure technology.

Co-operation Agreement with Cellon
(Oct. 29)

Elcoteq and Cellon International agreed on co-operation that positions Elcoteq as a preferred manufacturing partner to Cellon. As a result of the agreement, Elcoteq and its customers are able to access the combined expertise of more than 700 engineers at mobile phone design units around the world.

In addition to the co-operation agreement, Elcoteq became a shareholder in Cellon. Elcoteq invested USD 12.5 million in Cellon's shares. The parties also agreed that Elcoteq will have its representative on Cellon's board of directors.

Collaboration with Cellon is expected to generate new design and manufacturing contracts that will boost Elcoteq's net sales and profits in 2004.

November

Tellabs Outsources its International Manufacturing to Elcoteq
(Nov. 14)

Tellabs outsourced manufacturing of its international products and transferred ownership of its Espoo, Finland manufacturing operations to Elcoteq. The deal involved mainly manufacturing of Tellabs's digital optical cross-connection products and broadband access systems. As part of the deal Tellabs International granted Elcoteq preferred supplier status. Elcoteq expects Tellabs manufacturing projects to increase its 2004 net sales by well over EUR 100 million. Elcoteq also expects this deal to enhance its 2004 profits.

The approximately 200 Tellabs personnel working in the Espoo manufacturing operations became Elcoteq employees on current terms. Elcoteq and Tellabs agreed that the acquired manufacturing operation will move from the Tellabs premises during autumn 2004.

Kurkilahti Resigns
(Nov. 24)

Elcoteq's President and CEO, Mr Lasse Kurkilahti, resigned from the company in order to move to a position with a new company. Elcoteq's Board of Directors immediately initiated the process of seeking a new chief executive.

New Top Executives Appointed from Within
(Nov. 25)

Elcoteq's Board of Directors chose a new Chief Executive and Executive Vice President from within the company. Mr Jouni Hartikainen, MSc (Eng.), President, Asia-Pacific was appointed President and CEO. At the same time Elcoteq's Board also decided to establish the post of Executive Vice President, appointing Mr Jukka Jäämaa, LSc, to this position. Before the appointment Mr Jäämaa worked as President, Communications Network Equipment/Industrial Electronics, Europe.

December

Elcoteq's New Management to Take Over on January 1, 2004
(Dec. 18)

Elcoteq's Board of Directors accelerated the change of top management in the company. Jouni Hartikainen, MSc (Eng.), took up the position of President and CEO of Elcoteq Group on January 1, 2004. Jukka Jäämaa, LSc, assumed the post of Executive Vice President of the company on the same date.

Elcoteq Expands its Customer Portfolio through Partnership with Kathrein
(Dec. 18)

Elcoteq and KATHREIN-Werke KG agreed on substantial co-operation under which Elcoteq began to manufacture various GSM and UMTS related subsystems for Kathrein. Production started during the first quarter of 2004 at Elcoteq's plant in Pécs, Hungary.

Results of Elcoteq Analysis: Elcoteq a European Company, HEX-listed, Management Geographically Dispersed
(Dec. 18)

Elcoteq's Annual General Meeting in March 2003 gave the Board of Directors and CEO the task of assessing if the company would gain any benefit from changing the locations of its share listing, management or company domicile. The conclusions indicate that there is no immediate need to list or co-list Elcoteq shares on other exchanges than the Helsinki Exchanges. The conclusion as to the location of the company's top management is that management should continue to be dispersed in different countries and geographical regions. Furthermore, the company decided to start preparations leading to a shareholders' meeting to consider changing Elcoteq into a European Company, or Societas Europaea (SE).

Competition Authorities Approve Elcoteq's Acquisition of Tellabs International's Plant
(Dec. 22)

The Finnish and German competition authorities gave their approval to the arrangement announced on November 14, 2003 whereby Tellabs outsourced manufacturing of its international products and transferred ownership of its Espoo, Finland manufacturing operations to Elcoteq. The transaction was closed on January 1, 2004 according to plan.

Elcoteq's press and stock exchange releases are posted in full on the company's website at www.elcoteq.com.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Investor Relations

Elcoteq's Investor Relations function aims to provide information about the company's activities, financial position and goals, as well as conditions in its operating environment, in a timely, open, accurate and objective manner, enabling the capital markets to form a true and fair view of the company and thus make informed decisions concerning their holdings. IR seeks to increase awareness of Elcoteq's strategy and activities, thereby enhancing interest in Elcoteq as an investment prospect.

Elcoteq's IR Officers

Investor relations are managed by Mr Osmo Kammonen, Senior Vice President, Communications and Investor Relations (tel. +358 10 413 1406, osmo.kammonen@elcoteq.com), and Ms Reeta Kaukiainen, Manager, Investor Relations, (tel. +358 10 413 1742, reeta.kaukiainen@elcoteq.com).

The company's website, www.elcoteq.com, provides further information on Elcoteq as an investment prospect.

Stock Exchange Releases

Following the guidelines of the Helsinki Exchanges, Elcoteq classifies its releases into stock exchange releases, press releases, or stock exchange announcements depending on their content. Stock exchange releases contain information that in the company's opinion could have a material impact on the share price. Press releases provide new or supplementary information on the company's activities and are not expected to influence the company's share price. Stock exchange announcements are releases of a technical nature, for example on the company's reporting calendar or registration of increases in share capital.

Financial Publications in 2004

Elcoteq's annual reports, interim reports, stock exchange releases and press releases are published in English and Finnish on the company's website, www.elcoteq.com. In 2004 Elcoteq will publish interim reports on the following dates:

- January – March, on Wednesday April 28, at 9.00 am
- January – June, on Wednesday August 4, at 9.00 am
- January – September, on Wednesday October 27, at 9.00 am

To order these publications, please contact the company at Elcoteq Network Corporation, Corporate Communications, Ms Riitta Kemppainen, P.O. Box 8, FI-02631 Espoo, Finland, call +358 10 413 1718, use the company's website, or send an e-mail to info@elcoteq.com.

Annual General Meeting

The Annual General Meeting of Elcoteq Network Corporation is held on a date determined by the Board of Directors no later than the end of May. The AGM in 2004 will be held in Helsinki, Finland, on Wednesday March 17, 2004.

As stipulated by the Articles of Association, invitation to the AGM must be published no earlier than two calendar months and no later than seventeen days before the meeting in a national Finnish newspaper determined by the Board of Directors. The invitation is also published on the company's Internet website.

Changes of Address

Shareholders are kindly asked to notify any changes of address either to the bank holding their book-entry account or to the Finnish Central Securities Depository Ltd, if their book-entry account is registered there.

Investor Meetings

Elcoteq arranges conferences in Finland as well as webconferences and teleconferences for analysts, investors and financial journalists on publication of its interim and full-year reports. The conferences provide participants with the opportunity to hear the company's views and to address questions to its management. The company also arranges a Capital Markets Day once a year for investors, analysts and fund managers. The material presented at these events is also made available on the company's website for anyone interested.

The company regularly meets analysts and investors in Europe and the USA and takes part in various investor seminars. Finnish and foreign analysts and investors also visit the company's management at Elcoteq's premises. The main themes of these meetings are Elcoteq's strategy, financial performance and prospects, based on information published by the company.

Private investors are invited to meet the company's representatives at the Annual General Meeting in the spring and at the Sijoitus-Invest exhibition in Helsinki, Finland, in autumn 2004.

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 Elcoteq's representatives do not meet investors or comment on the company's results.

Analyst Coverage

At least the following investment analysts have monitored Elcoteq as an investment prospect during 2003:

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

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Finland	Espoo
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	Salo
	Turku
	Vaasa
Germany	Offenburg
	Überlingen
Hungary	Pécs
Sweden	Kista
Switzerland	Baden
Russia	St. Petersburg

Asia-Pacific

China	Beijing
	Dongguan
	Hong Kong
	Shenzhen
Japan	Tokyo
Korea	Seoul

Americas

USA	Dallas
Mexico	Monterrey

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