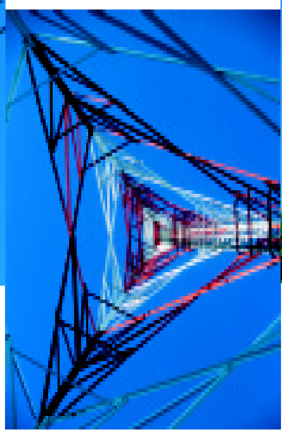
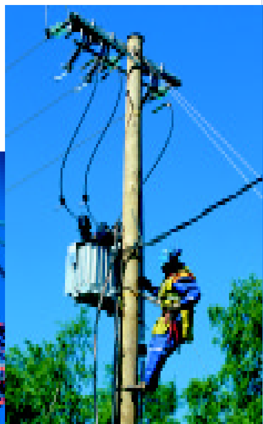
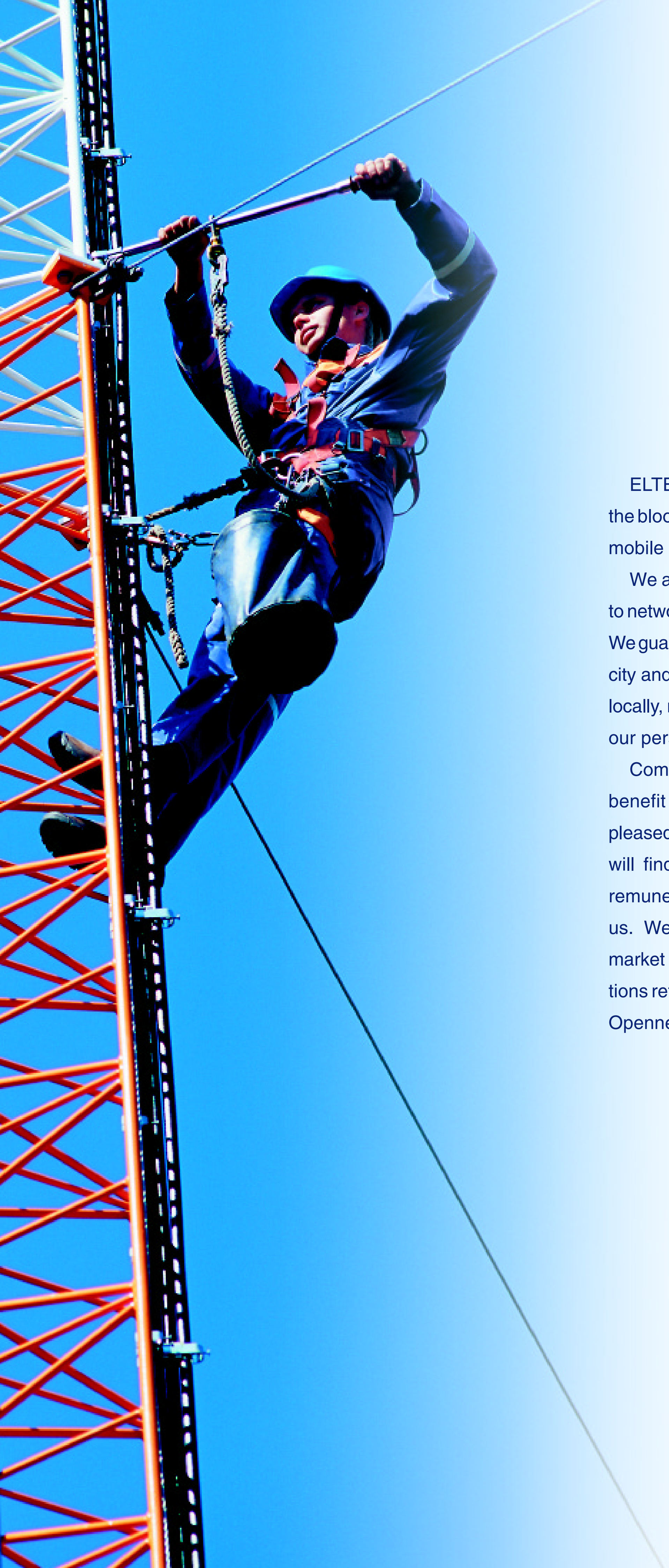
ELTEL networks





Annual report 2002

Table of Contents



the infraNet company

ELTEL Networks engineers, builds and maintains the blood veins of the society; electrical, telecom and mobile networks.

We are an **InfraNet** company providing services to network owners and operators in Northern Europe. We guarantee uninterrupted and more efficient electricity and signal supply to our customers. We operate locally, near the customers, and never cease training our personnel.

Competition is intense, and being the winner will benefit all our stakeholders. Customers will be pleased, shareholder value will increase, employees will find their work challenging and competitively remunerated, and our business partners will rely on us. We have identified Northern Europe as the market where we want to be the winner. Our operations reflect our ethical principles: Integrity, Respect, Openness and Safety.

CEO's review

The theme for 2002 was implementation of the adopted strategy, and we achieved a lot in this regard:

– Non-core businesses were divested: we have sold the Åsbro impregnation plant and the consultancy business.

– Operations have been expanded. Our commitment to the Norwegian market increased with our purchase of Siemens AS's minority holding in Linjebygg AS. We have begun operations in Poland, where ZWSE Olsztyn S.A. was purchased in 2003, and we are preparing ourselves for deregulation of the Polish market. In Russia we established a new company in Moscow and began production plant expansion in St. Petersburg. In Finland we acquired the network construction and maintenance businesses of Kainuun Sähkö Oyj and Kajaanin Lämpö Oy.

– Operations have become more efficient: companies have been merged, operating procedures have been streamlined and a new business management system has been taken into use, in each case reducing costs.

– Our unified Eltel identity has been strengthened: all our companies have the same visual image.

– The Eltel Academy began efficiently training our network experts and other personnel.

The markets have responded well to our new ideas. The need for an independent and innovative player is there.

The development of the order book for Electrification Projects in Finland has been very pleasing and in Norway markets are picking up. The Mobile business had a difficult year due to market weakness, but we have adjusted accordingly and found markets outside Finland. Network Services made steady progress and launched many innovations in the markets.

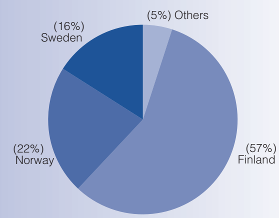
All this is reflected in our figures. Our annual net sales exceeded the milestone of 200 million euros and the operating profit was over 5 %. The year 2002 was better than 2001, and we anticipate that 2003 will be the best yet. The path to listing is clear.

In 2003 we shall continue in the same way: profitable growth and controlled geographic expansion are our clear targets. Developing operating procedures jointly with our customers to maximise mutual benefits is our priority. Our main targets are described in more detail in the reviews of the Strategic Business Units.

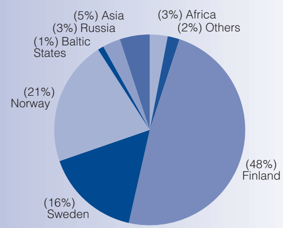
One of the company's basic principles is safety, which is the theme for 2003. We are committed to zero-tolerance of accidents. I believe that well-planned work can be executed safely and efficiently.

I like to thank all our stakeholders for their support in the past year, and wish us all success in 2003.

Personnel by country



Net sales by market area



Tuomo Rönkkö

Mobile Networks

The business model for Mobile Networks was finalised last year, and now we can offer our customers the whole value chain of the rollout: network planning, site acquisition, construction, materials deliveries and telecom implementation. We also deliver any part of the service concept or just one product such as a mast or safety ladder.

In 2002 the domestic market contracted and competition intensified, so we responded by adjusting our operations. On the other hand, transferring labour to Network Services streamlined and improved the efficiency of operations. We expect our new business model to be implemented to the benefit of both Strategic Business Units, and this will improve customer service in particular.

Net sales in 2002 totalled 50.3 million euros, which is slightly less than the comparable figure for the previous year. The number of employees at the end of the year was 284.

Markets

The Finnish market was quiet and will remain even more subdued in 2003. It should revive when necessary restructuring by operators is over and 3G network construction starts to expand. The situation is similar in Norway.

In Sweden 3G construction continues at a rapid pace. The Russian market is growing, and we are strengthening our position there. We established a sales office in Moscow and we are building a new production unit in St Petersburg.

Export markets offer a lot of potential, especially in Asia. It is important to understand that growth in the sector will remain relatively brisk, although less than in previous years.

Future challenges

We must react rapidly to changing circumstances. As we become more international, our main growth areas will be outside Finland, in Asia, Sweden, Russia and Eastern Europe. It will be important to enter many countries in association with an equipment supplier, especially in our case Nokia, Ericsson or Siemens.

The need for our customers to increase their own efficiency gives us an opportunity to take our products and services into new areas. Working with customers to improve business efficiency is one way of increasing productivity in the sector.

We must also continue to make our own internal operations more efficient through innovating products, polishing our operating practices, cooperating with Network Services and adopting a global viewpoint. But most important of all, we must manage customers' projects well, because good references are the only sure foundation for our future.

Main mobile network orders during the year:

- Finland: altogether about 300 masts, towers and city sites
- Sweden: masts, towers and base stations in cities
- Norway: framework agreements with Netcon and Siemens
- Russia: over 160 deliveries, e.g. Megaton
- Philippines: turnkey mobile base stations
- China: optical cables and installation training in Gansun
- Uganda: tower deliveries

Electrification Projects

Strategic Business Unit structure

The Electrification Projects strategic business unit focuses on large-scale infrastructure projects that will take a long time to complete. Major customers are owners of infrastructure networks, such as national power transmission companies, local power companies, railways and municipal public transport authorities.

This strategic business unit comprises four business areas: *Transmission,* which plans and constructs transmission line networks and installs optical cables along power lines; *Railway Electrification,* which plans and undertakes railway electrification; *Lighting Projects,* for outdoor road, sports stadium and airport lighting projects; *Exports Projects,* for turnkey deliveries and materials for electrification projects in developing countries.

Electrification Projects had net sales of 65 million euros and about 210 employees in 2002. Its operations are concentrated in the three Nordic countries Finland, Sweden and Norway, and exports projects financed with development aid from these countries.

The largest business area is Transmission, which accounts for about 49% of total net sales, followed by Railway Electrification with 23%, Export Projects with 19% and Lighting Projects with 9%.

Markets

The customer base provides relatively stable markets with demand determined by long-term investment plans of network owners. Contractors will be kept busy on large-scale upgrading of the national grids in Finland and Norway in coming years. Sweden's budget for investment in railway electrification is expected to increase,

and development aid funding is rising in all the Nordic countries. The Stockholm area remains a stable market for investment in infrastructure, including expansion of Arlanda airport and ring roads round the city.

Future challenges

We shall focus our procedures and operations entirely on projects. We aim to be successful in the market by winning large projects against international competition and implementing them in the best and most efficient way. Our continued success depends on our ability to mobilise and manage the large-scale resources required by our projects, where supplies of materials and construction resources must be coordinated and concentrated in the right place at the right time. We must also continue to develop our expertise in project management, and risk and resource management.

Fluctuations in demand in each of our market areas require us to coordinate and utilise our construction and project management resources at Nordic, not just national level. This will be a major challenge to the skills and expertise of our personnel, but it also offers attractive opportunities.

Major improvements will be made to power transmission networks in Nordic countries in coming years.

Main orders during the year:

- Northern Finland: replacement of 400 kV aluminium towers
- Norway: 132 kV Fardal–Mel line
- Mozambique: rural electrification project
- Vietnam: distribution materials supply contract

Network Services

Business structure

Our main aim in 2002 was to establish a new, highly customer-oriented business and management structure. As its name suggests, Network Services provides services covering the whole life cycle of electricity and telephone networks, so naturally the structure is intended to serve our customers locally where their networks are. Four strong regional companies were therefore set up in Finland, and this will be the model for further expansion of operations in Sweden, Norway and the Baltic States.

A centralised headquarters supports the companies and provides shared services. With this business model we can always offer power distribution and telephone companies a strong partnership in their locality. Network Services had net sales of EUR 99.8 million and 1095 employees.

Personnel

Network Services' main asset and key to success is its motivated and skilled personnel trained in courses at the Eltel Academy. The emphasis in training has been and remains on giving employees a wide range of expertise: for instance, in network construction and maintenance we want versatile experts with comprehensive know-how in network installation.

In 2002 apprenticeship programmes were in progress at the Eltel Networks subsidiaries in western, northern and southern Finland. Training programmes are also being developed jointly with main customers. A management training programme focuses on leadership. A priority for 2003 is increased safety at work.

Markets

Strong organic growth increased Network Services' sales. The fastest growing markets were power distribution in Finland and Sweden, but significant growth is anticipated in the Baltic States and Norway in the near future.

In many services we are the market leader in Finland. In Sweden, Norway and the Baltic States we are a private, innovative, independent entrant to the market ready to challenge the older traditional companies. Markets for planning, construction and maintenance services for power distribution and fixed telecommunication networks are rapidly developing in the Nordic countries and Baltic States. Network owners are increasingly concentrating on their core expertise and outsourcing planning, construction and maintenance services.

Savings from services that Eltel Networks offers as a partner can affect about half of a network company's costs.

Several network disruptions in 2002, mainly caused by storms and snow, demonstrated Eltel Networks' rapid and efficient customer service. Our unique partnership network covering the whole of Finland, and above all our motivated and committed personnel, ensure readiness to meet customers' needs 24 hours a day in exceptional circumstances. This led to several contracts during 2002 to deal with major disruptions. These contracts commit us to helping our customers by rapidly repairing any faults, if necessary mobilising a large workforce at short notice.

In the Norwegian offshore business, demand for special projects requiring expertise in

rope access technology remained strong, and our long-term maintenance contract provides the ideal basis for business development.

Future Challenges

The greatest challenge for Network Services will be opening up traditional infrastructure markets with the help of innovative services. We are committed to supporting our customers' businesses and providing value-added services. The challenge for our maintenance services is to support more directly network asset management services.

Our aim is to exploit fundamental changes in our markets, growing rapidly in the Nordic countries and Baltic States. Our growth strategy is based on corporate acquisitions and the trend towards outsourcing among customers. Growth should also come from innovation and the strong synergies between power distribution and telecommunication operations.

Our aim remains to be a trailblazer in new types of service with added value. Our Mobile Workforce project will improve our efficiency in 2003 by utilising e-commerce for ordering, work assignments, invoicing, documentation and reporting. We aim to offer customers such information in real time.

Main contracts signed during the year:

- Maintenance contract for Fingrid's grid in Finland 2003-05
- Maintenance contract for Stora Enso's 110 kV network
- Lighting and telematics contract for Turku-Muurla motorway
- Norwegian offshore business's five-year maintenance contract with Statoil with six-year extension option
- Partnership contract with Kajaanin Puhelinosuuskunta telephone company
- Framework contracts with Telenor Networks for construction and maintenance of telecommunication networks in Norway
- Maintenance contracts with Fortum companies
- Unit price agreements with for example Vattenfall Sveanätt Ab, Vattenfall Verkko Oy, Espoon Sähkö Oy, Graninge Kainuu Oy, Oulun Seudun Sähköosuuskunta, Kajaanin Lämpö Oy and Nurmijärven Sähkö Oy
- Mobile telecommunication network maintenance and inspection contract with Radiolinja in southern Finland

ELTEL Networks Corporate Governance

Board of Directors: Sanna Argillander, Tuomo Lähdesmäki, Tuomo Rönkkö, Orvo Siimestö

Corparate covernance in general

For a limited liability company, the intention of corporate governance is to increase the value of shareholders' investments while ensuring equal rights for all shareholders. Corporate governance is implemented through internal control consistent with the requirements of the business environment in which the company operates. Good corporate governance promotes success and continuity for operations, and thus, is in the interests of employees and other stakeholders.

Following is a summary of how corporate governance is executed in the Eltel group.

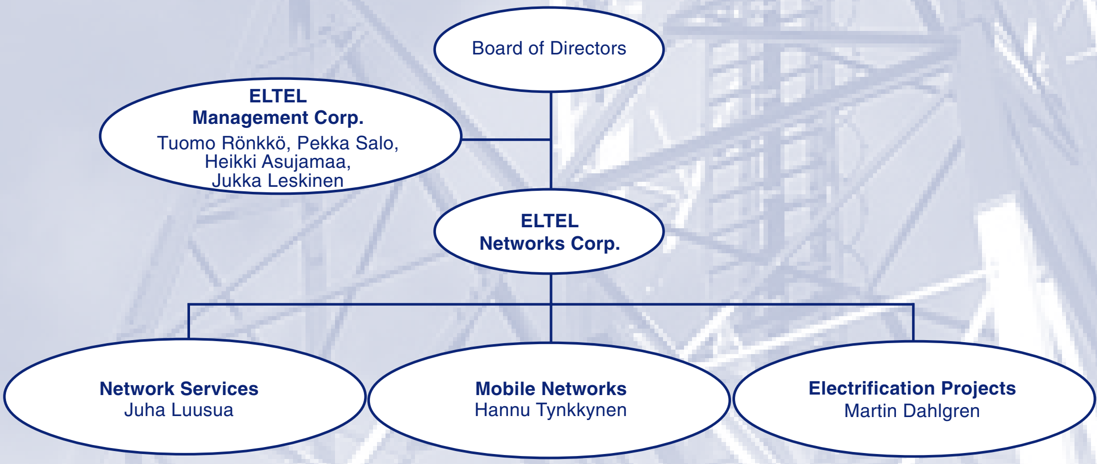
Legal and operational framework of the Group

Legal framework of the Eltel Networks Group consists of the parent company Eltel Management Corporation, which coordinates the interests of shareholders and the strategic business targets, and Eltel Networks Corporation, regional network services companies in Finland and foreign subsidiaries.

The operational framework of the Group is divided into three Strategic Business Units: Network Services, Mobile Networks and Electrification Projects.

The Strategic Business Units operate through locally established companies worldwide to serve the needs of customers and markets efficiently. More than one Strategic Business Unit may operate through the same legal entity in a particular country.

ORGANISATION CHART



Board of Directors and supervision

The Board of Directors of Eltel Management Corp. and Eltel Networks Corp. have the ultimate responsibility for management of the Group. The Boards of Directors of these two companies consist of the same members, and the board meetings and Annual General Meetings of the two companies are convened at the same time.

The Chief Executive Officer, supported by the Executive Team is responsible for the Group operations.

Each Strategic Business Unit has its respective management group, which is responsible for running the businesses worldwide. Foreign legal entities are managed according to local rules and regulations.

Shareholder meeting

Shareholder's meetings decide issues defined by legislation and the Articles of the Association of the respective company.

Annual General Meeting appoint Board members, approve the annual accounts and profit distribution, discharge the Board of Directors and CEO from liability, and appoint auditors. Extraordinary General Meetings are held to decide individual matters important to shareholders.

Board of Directors

Board of Directors is responsible for making decisions in the following matters:

- Group's business strategies
- assessment, approval and if necessary revision of business plans and organisational structure
- major investment decisions and other commitments of the company
- contracts with the CEO, deputy CEO and Executive Team members
- CEO's reports on company operations
- proposals to shareholders' meetings.

Chief Executive Officer

The Chief Executive Officer is responsible for Group management and day-to-day operations, subject to Board resolutions and instructions, company corporate governance, rules and regulations of authorities. He regularly reports on his actions to the Board.

When necessary, the CEO reports to the Chairman of the Board of Directors between board meetings on important matters.

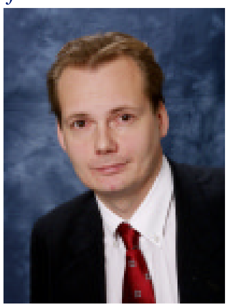
Auditing

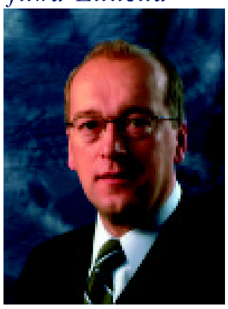
The Group's business operations are managed and supervised through the planning and supervisory systems approved by the Board. The main role of these internal systems is to support decision-making by the Board and Executive Team. Auditing is performed by external auditors appointed by Annual General Meeting. The auditors' report includes a declaration concerning the accounting, financial statements and the corporate governance.

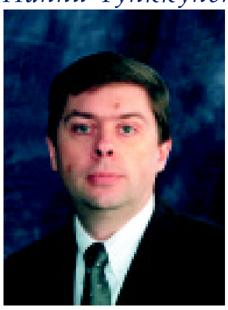

Tuomo Rönkkö


Heikki Asujamaa


Jukka Leskinen


Juha Luusua


Hannu Tynkkynen


Martin Dahlgren

Review for financial year 1.1.–31.12.2002 by the Board of Directors

The year 2002 was the Eltel Networks Group's first full year of operations. The Eltel Networks Group was established in June 2001 when Eltel Management Corp., the Group's new parent company, acquired all the shares in IVO Transmission Engineering Oy from Fortum Engineering Oy. The first financial period of the Group was 6th June to 31st December 2001.

Our expertise in our core businesses has been gained through 10-50 years of experience. In this review the key figures for 2001 for comparison are pro-forma figures for 12 months comparable to the new Group structure.

Strategic Business Units

Since the beginning of 2002 the Group's business has been divided into the Mobile Networks, Electrification Projects and Network Services strategic business units. The parent company of the Group is Eltel Management Corp., which manages the Group, formulates its corporate strategy, supervises and develops its strategic business units and subsidiaries, and coordinates plans for different operations within the Group.

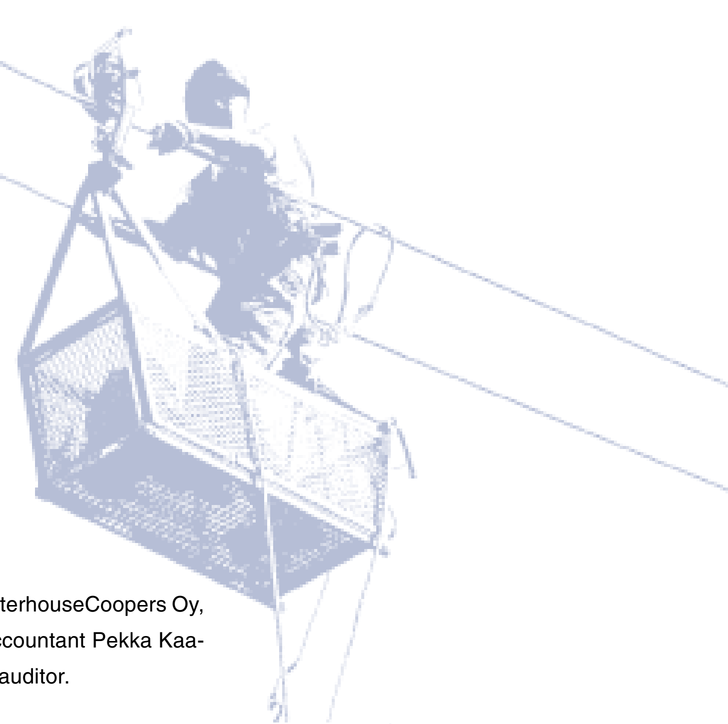
The Mobile Networks strategic business unit provides planning, construction, site acquisition, rollout and consultancy services for mobile and telecommunication networks, antenna masts and base stations.

The Electrification Projects strategic business unit constructs power transmission networks, installs optical fibres in power transmission networks, and undertakes outdoor lighting projects and railway electrification and power transmission and distribution projects in developing countries, for which it also provides consultancy and planning services.

The Network Services strategic business unit provides construction, maintenance, planning and consultancy services for power transmission and distribution networks, and wireless and fixed telecommunication networks. It also helps customers enhance their own core businesses by outsourcing their non-core operations to the unit.

Major changes in Group composition during the financial year

- In January Pohjoistec Oy acquired the network construction and maintenance businesses of Kainuun Sähkö Oyj and Kajaanin Lämpö Oy, and at the same time Eltel Networks Corporations' shareholding in Pohjoistec Oy was reduced to 60 %. The other shareholders are Kainuun Sähkö Oyj owning 25 % and Oulun Seudun Sähkö Oy 15 % of the shares.
- In early 2002 the operations of Transmast AB and Transelectric Vägbelysning AB were merged into Eltel Networks TE AB in Sweden.
- In January Linjebygg AS of Norway became a fully-owned subsidiary following purchase of Siemens AS's 35 % minority holding.
- On 1st April 2002 the subsidiaries Eltel Networks Etelä Oy and Eltel Networks Keski Oy commenced operations.
- In April 2002 the wood impregnation business in Sweden was divested and sold to Scanpole AS of Norway.
- In June Eltel Networks Corp. divested its consultancy business in Finland and sold it to Hifab AB of Sweden.
- In August Sähköradat Oy, Johtotec Oy, Finnish Railway Engineering Oy, Transmast Oy and Turvatikas Oy were merged into Eltel Networks Oy in Finland.
- In November operations were expanded by establishing OOO Eltel Networks in Moscow and Eltel Networks UAB in Lithuania.
- In 2002 the names of the Group's Finnish and Swedish companies were standardised so they all begin with Eltel Networks. On 1st January 2003 Linjebygg AS of Norway changed its name to Eltel Networks AS.



Financial results

In 2002 consolidated net sales totalled 208 million euros (192 million euros in 2001) and the operating profit before goodwill amortisation, financial items and taxes was 10,8 million euros (7,1 million euros). On 31st December 2002 the consolidated shareholders' equity was 31,2 million euros (26,8 million euros on 31st December 2001), interest-bearing loans totalled 23,4 million euros (24,7 million euros) and cash and cash equivalents 27,5 million euros (15,6 million euros).

The parent company of the Group, which had no sales in 2002, made an operating loss of 1,5 million euros but the net profit for the financial period was 4,1 million euros. The parent company's shareholders' equity on 31st December 2002 was 22,1 million euros.

The consolidated shareholders' equity and parent company shareholders' equity include 19,6 million euros of capital loans.

Research and Development

Research and development expenditure of the Group for the financial year amounted to 0,9 million euros.

Personnel

The average number of employees during the financial year was 1,647 and the number of employees on 31st December 2002 was 1,613. The Group has 57 % of its employees in Finland, 16 % in Sweden, 22 % in Norway and 5 % in other countries.

Board of Directors and auditors

During the financial year Orvo Siimestö was Chairman of the Board of Directors and the other members of the Board were Sanna Argillander, Tuomo Lähdesmäki and Tuomo Rönkkö. Tuomo Rönkkö was President and Chief Executive Officer of the Group. The auditors of the company are PricewaterhouseCoopers Oy, with Authorised Public Accountant Pekka Kaasalainen as the principal auditor.

Share Capital

At the year end Eltel Management Corp. had 74,180 shares in issue. Private equity funds managed by Capman Capital Management Oy own about 86 per cent of the parent company's shares and the Group's executive management own the other about 14 per cent. The Company has a mezzanine loan of 7 million euros that confers subscriptions rights for 6,735 new shares.

In September an extraordinary meeting of shareholders approved an option programme for key personnel under which 3,875 new shares could be subscribed. The option programme is linked to the Group's financial performance.

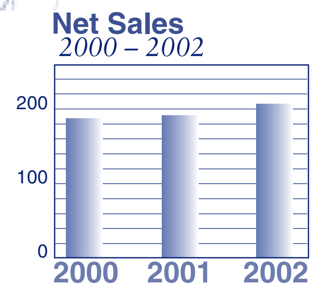
Board of Directors' proposal concerning profits

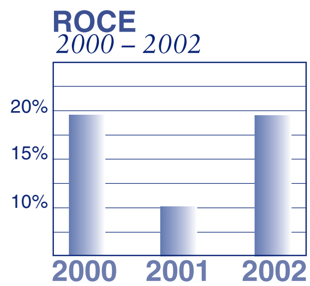
The Consolidated Balance Sheet at 31st December 2002 shows 11,1 million euros of distributable shareholders' equity and 2,5 million euros of Parent Company distributable shareholders' equity. The Board of Directors will propose to the Annual General Meeting that no dividend be distributed.

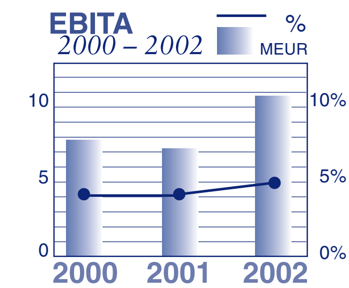
Outlook for 2003

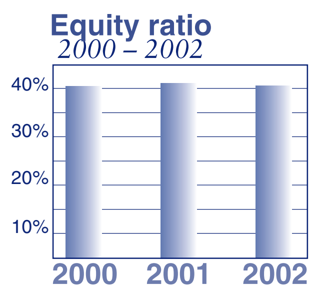
The Group's business improved during 2002 and this trend is expected to continue through the current year, with the emphasis on jointly developing business operations with customers to maximise efficiency and mutual benefits.

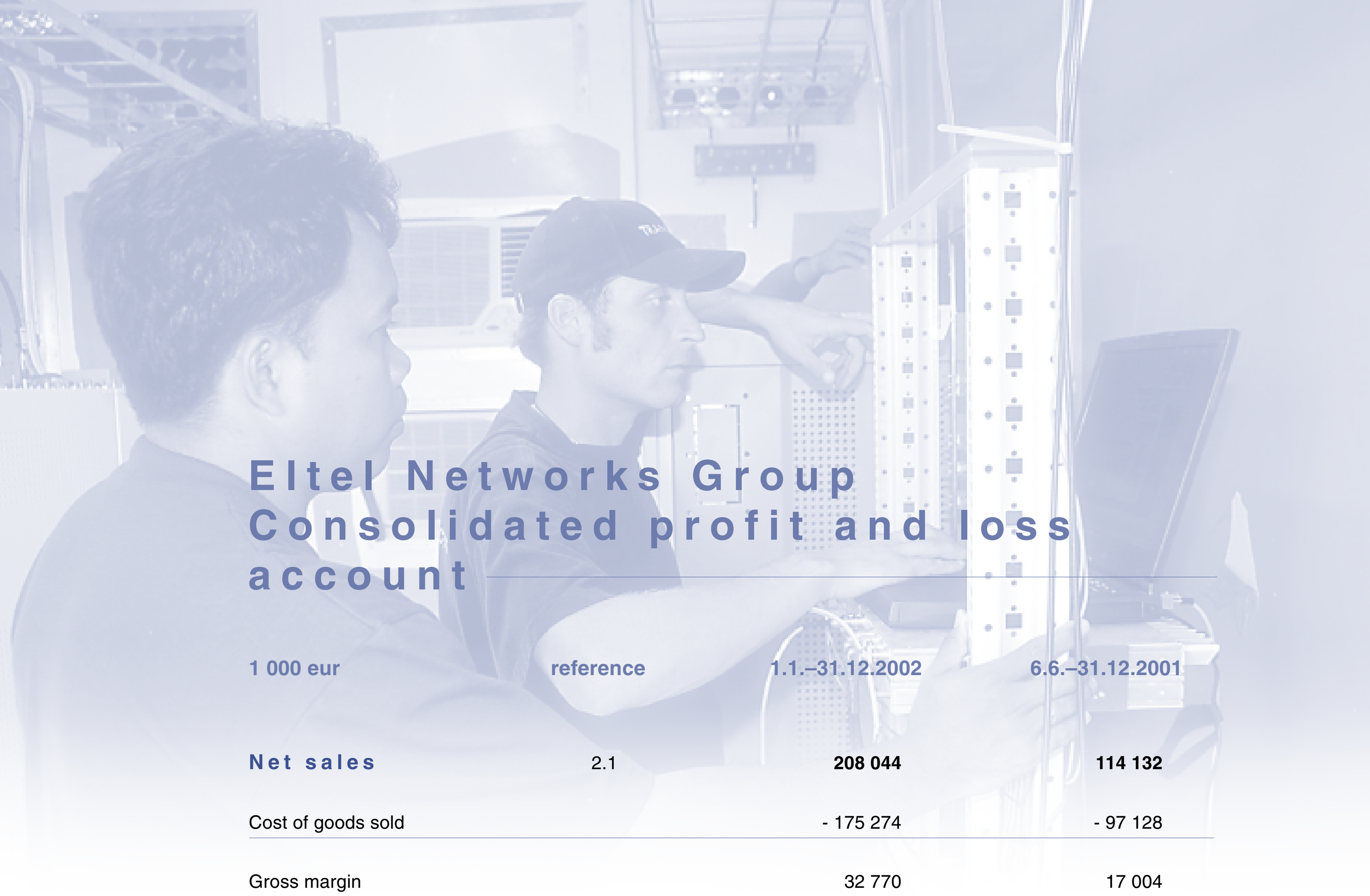
Market factors affecting operations include the pace of 3G network construction and outsourcing of servicing and maintenance by electricity and telephone companies.











Eltel Networks Group Consolidated profit and loss account

1 000 eur	reference	1.1.–31.12.2002		6.6.–31.12.2001	
Net sales	2.1		**208 044**		**114 132**
Cost of goods sold			- 175 274		- 97 128
Gross margin			32 770		17 004
Sales and marketing			- 3 860		- 2 023
Administrative expenses			- 19 952		- 9 228
Other operating income	2.2		1 356		1 586
Other operating expenses			- 218		- 8
Share of profits of associated companies			678		194
Operating profit before amortization of goodwill and negative goodwill			**10 774**		**7 525**
Amortization of goodwill and negative goodwill	2.4		- 1 191		2 919
Operating profit			9 583		10 444
Financial income and expenses	2.6				
Income from other long-term investments		15		0	
Other interest and financial income		731		277	
Exchange rate differences		- 307		- 227	
Write-downs on marketable securities		0		-19	
Interest and other financial expenses		- 3 310	- 2 871	- 1 946	- 1 915
Profit before tax and minority interests			6 712		8 529
Income tax	2.8		- 2 181		- 1 311
Minority interests			- 602		75
Profit for the financial year			**3 929**		**7 293**

Eltel Networks Group
Consolidated balance sheet

Assets	1 000 eur		31.12.2002		31.12.2001
Fixed assets and other non-current assets					
Intangible assets	3.1		**14 256**		**15 286**
Tangible assets	3.1		**9 450**		**13 397**
Investments	3.2		**4 785**		**4 397**
Fixed assets and other non-current assets total			**28 491**		**33 080**
Current assets					
Inventories					
Materials and supplies		5 356		6 661	
Finished goods		0		1 674	
Work in progress		7 445		6 503	
Advances paid		1 061	**13 862**	705	**15 543**
Receivables					
Long-term receivables					
Loans receivable		356		0	
Other receivables		98		117	
Prepaid expenses and accrued income		0	**454**	2	**119**
Deferred tax receivables	3.10		**550**		**1 411**
Short-term receivables					
Trade receivables		27 016		29 379	
Receivables from associated companies	3.3	5		7	
Loans receivable		590		93	
Other receivables		2 635		615	
Prepaid expenses and accrued income	3.4	8 311	**38 557**	4 129	**34 223**
Marketable securities					
Other shares and holdings		25		16	
Other marketable securities		0	**25**	51	**67**
Cash and cash equivalents			**27 461**		**15 565**
Current assets total			**80 909**		**66 928**
Total assets			**109 400**		**100 008**

Shareholders' equity and liabilities

Shareholders' equity	3.6				
Share capital		74		74	
Profit (loss) from previous years		7 561		-113	
Profit for the financial year		3 929		7 293	
Capital loans		19 594	**31 158**	19 594	**26 848**
Minority interests			**2 136**		**3 627**
Provisions	3.9		**1 172**		**1 486**
Liabilities					
Long-term liabilities	3.11				
Loans from financial institutions		4 616		5 803	
Pension loans		293		450	
Other long-term liabilities		17 000		17 000	
Accrued expenses and prepaid income		106	**22 015**	0	**23 253**
Deferred tax liabilities	3.10		**603**		**980**
Short-term liabilities					
Loans from financial institutions		936		1 778	
Pension loans		0		9	
Advances received		15 033		10 237	
Trade payables		7 898		9 088	
Liabilities to associated companies	3.13	0		13	
Other short-term liabilities		8 053		6 213	
Accrued expenses and prepaid income	3.14	20 396	**52 316**	16 476	**43 814**
Total shareholders' equity and liabilities			**109 400**		**100 008**

Eltel Networks Group
Consolidated cash flow statement

1 000 eur		1.1.–31.12.2002		6.6.–31.12.2001
Operating activities				
Operating profit		9 583		10 444
Adjustments				
Depreciation, amortization and write-downs		4 670		- 759
Gains on sales of fixed assets and shares		- 1 007		- 1 017
Other adjustments		- 553		- 39
Other financial income and expenses, net		- 90		- 201
Cash flow before change in working capital		12 603		8 428
Change in working capital				
Inventories, increase (-), decrease (+)	- 1 122		12 379	
Interest-free trade and other short-term receivables, increase (-), decrease (+)	- 432		- 868	
Interest-free short-term liabilities, increase (+), decrease (-)	8 170	6 616	- 6 869	4 642
Cash generated from operations		19 219		13 070
Interest expenses paid, net		- 1 271		- 38
Realised foreign exchange gains and losses		- 305		- 108
Income taxes paid		- 3 674		- 60
Cash flow from operating activities		**13 969**		**12 864**
Investing activities				
Capital expenditures	- 4 213		- 1 899	
Investments in shares	- 1 977		- 24 519	
Proceeds from sales of fixed assets	3 059	- 3 131	1 504	- 24 914
Cash flow before financing		**10 838**		**- 12 050**
Financing activities				
Share issue	978		74	
Dividends paid	- 435		0	
Proceeds from capital loans	0		19 594	
Proceeds from long-term liabilities	14		17 000	
Payments of long-term liabilities	- 1 041		- 78	
Payments of (-)/proceeds from (+) short-term borrowings	- 434		- 9 154	
Change in loan receivables	1 952	1 034	147	27 583
Net increase (+) in cash and cash equivalents		**11 872**		**15 533**
Adjustments		- 18		99
Change in cash and cash equivalents increase (+), decrease (-)		11 854		15 632
Cash and cash equivalents at the beginning of period		15 632		0
Cash and cash equivalents at the end of period		27 486		15 632

Eltel Management Corporation Profit and loss account

eur	Note	1.1.–31.12.2002		6.6.–31.12.2001	
Net sales			**0,00**		**0,00**
Cost of goods sold			0,00		0,00
Gross margin			0,00		0,00
Sales and marketing			0,00		0,00
Administrative expenses			- 1 451 994,48		- 243 294,99
Operating loss			**- 1 451 994,48**		**- 243 294,99**
Financial income and expenses	2.6				
Income from					
group shares		6 197 183,10		0,00	
Other interest and financial income					
from group companies		190 394,05		67 069,97	
from other companies		3 791,21		0,00	
Interest and other financial expenses					
to other companies		- 2 581 146,68	3 810 221,68	- 1 464 149,22	- 1 397 079,25
Profit (loss) before extraordinary items, appropriations and taxes			2 358 227,20		- 1 640 374,24
Extraordinary items					
Extraordinary income	2.7		2 750 000,00		0,00
Profit (loss) before appropriations and taxes			5 108 227,20		- 1 640 374,24
Income taxes	2.8		- 1 006 912,00		0,00
Profit (loss) for the financial year			**4 101 315,20**		**-1 640 374,24**

Eltel Management Corporation
Balance sheet

Assets eur	Note	1.1.–31.12.2002		6.6.–31.12.2001	
Fixed assets and other non-current assets					
Investments	3.2				
Investments in subsidiaries			**31 644 392,50**		**31 644 392,50**
Current assets					
Receivables					
Short-term receivables					
Receivables from Group companies	3.3	9 315 368,99		4 562 301,28	
Other receivables		37 663,42		68 931,29	
Prepaid expenses and accrued income		791 616,54	**10 144 648,95**	0,00	**4 631 232,57**
Total assets			**41 789 041,45**		**36 275 625,07**

Shareholders' equity and liabilities

	Note	1.1.–31.12.2002		6.6.–31.12.2001	
Shareholders' equity	3.6				
Share capital		74 180,00		74 180,00	
Loss from previous years		- 1 640 374,24		0,00	
Profit (loss) for the financial year		4 101 315,20		- 1 640 374,24	
Capital loans		19 593 820,00	**22 128 940,96**	19 593 820,00	**18 027 625,76**
Liabilities					
Long-term liabilities	3.12				
Other long-term liabilities			**17 000 000,00**		**17 000 000,00**
Short-term liabilities					
Trade payables		15 996,77		533,97	
Liabilities to Group companies	3.13	21 608,81		234 876,87	
Other short-term liabilities		24 656,57		8 000,00	
Accrued expenses and prepaid income	3.14	2 597 838,34	**2 660 100,49**	1 004 588,47	**1 247 999,31**
Total shareholders' equity and liabilities			**41 789 041,45**		**36 275 625,07**

Eltel Management Corporation
Cash flow statement

1 000 eur		1.1.–31.12.2002		6.6.–31.12.2001
Operating activities				
Operating loss		- 1 452		- 243
Dividends received		4 400		0
Other financial income and expenses, net		- 1		- 140
Cash flow before change in working capital		2 947		- 383
Change in working capital				
Interest-free trade and other short-term receivables, increase (-), decrease (+)	30		- 69	
Interest-free short-term liabilities, increase (+), decrease (-)	97	127	243	174
Cash generated from operations		3 074		- 209
Interest expenses paid, net		- 1 074		- 265
Cash flow from operating activities		**2 000**		**- 474**
Investing activities				
Investments in shares		0		- 31 644
Cash flow before financing		**2 000**		**-32 118**
Financing activities				
Share issue	0		74	
Proceeds from capital loans	0		19 594	
Proceeds from long-term liabilities	0	0	17 000	36 668
Net increase (+) in cash and cash equivalents		**2 000**		**4 550**
Change in cash and cash equivalents increase (+)/decrease (-)		2 000		4 550
Cash and cash equivalents at the beginning of period		4 550		0
Cash and cash equivalents at the end of period		6 550		4 550

Notes to the financial statements

A copy of Eltel Networks Group's consolidation is available at the head office of Eltel Management Corporation, Komentajankatu 5, 02600 Espoo, Finland.

1 Accounting policies and principles

The financial statements of Eltel Networks are prepared in accordance with Finnish Accounting Standards -FAS.

1.1 Consolidation

1.1.1 Consolidated subsidiaries and associated companies

The consolidated financial statements include all subsidiaries in which, at the end of the financial year, the parent company held, directly or indirectly, more than 50% of the voting rights attached to the shares, and all the operating associated companies in which the parent company held, directly or indirectly, between 20% and 50% of the voting rights attached to the shares and in which it held, directly or indirectly, a minimum of 20% of the shares.

More detailed information on Group shares and holdings will be given later in the Notes to the balance sheet, in Investments.

1.1.2 Principles of consolidation

The financial statements have been consolidated according to the purchase method. The acquisition cost of the subsidiaries' shares has been eliminated against the shareholders' equities in the balance sheet at the time of acquisition. The difference between the acquisition cost of subsidiaries and shareholders' equity at the time acquisition has been entered as group goodwill or negative goodwill in the consolidated balance sheet. Group goodwill is amortised over its estimated useful life as a straight-line depreciation. The negative goodwill on consolidation, is entered as income at the time of acquisition.

All intercompany transactions, receivables and liabilities, internal margins, and intercompany profit allocation have been eliminated.

Minority interests has been separated from Group equity, from those reserves and depreciation difference reserve from which tax liabilities have been deducted, and from the result. They have been presented as a separate item in the profit and loss accounts and balance sheets.

The profit and loss accounts of foreign subsidiaries have been translated into Euro at the average rates for the accounting period and the balance sheets have been translated at the exchange rate of the balance sheet date quoted by the European Central Bank.

The accumulated depreciation difference from which tax liabilities have been deducted, have been presented in the Group's equity. The deferred tax liabilities is a separate item in the liabilities in Group's balance sheet. The change in depreciation difference for the financial period deducted with tax liabilities has been included in the net profit for the period. The change in deferred tax liabilities has been included in the in come taxes in the profit and loss account.

The associated companies have been consolidated using the equity method. The Group's share of the profits and losses of the associated companies has been presented separately and included in the operating profit in the profit and loss account.

1.2 Allocation and valuation

1.2.1 Fixed assets and depreciation

Intangible and tangible assets are stated at cost, less accumulated depreciation. Depreciation and amortisation according to plan is calculated as straight-line depreciation over the expected useful lives of the assets as follows:

Intangible rights	10	years
Other long-term expenditure	3 – 5	years
Goodwill	5 – 10	years
Buildings and structures	15 – 40	years
Machinery and equipment	3 – 10	years

1.2.2 Inventory

Inventories are stated at the lower of cost, replacement cost or net realisable value. Variable costs have been included in the inventory values.

1.2.3 Marketable securities

Marketable securities have been valued at the original acquisition price or at the lower probable sales price.

1.2.4 Foreign currency items

Transaction in foreign currencies is recorded at the rates of exchange prevailing at the date of the transaction. At the end of the accounting period, unsettled foreign currency transaction balances are valued at the rates of exchange prevailing at the balance sheet date. Exceptions to this are receivables and liabilities covered by forward contracts, which are valued at the rate specified in the contract.

1.2.5 Income recognition of long-term contracts

Income from long-term contracts is recognised according to the percentage of completion method. The percentage of completion has been defined by calculating the proportional share of actual costs against the estimated total costs of the contract. A provision has been made for expected losses from long-term cont racts, as well as for costs arising during the warranty period.

1.2.6 Research and development expenditure

Research and development expenditure are expensed in the financial period during which they have occurred with the exception of investment in equipment and machinery.

1.2.7 Pension costs

The pension liabilities are fully covered and recorded as pension costs in the profit and loss account.

1.3 Comparability between the current financial year and the previous year

The preceding financial year was 6.6.-31.12.2001.

1000 eur	Group 1.1.–31.12.02	Group 6.6.–31.12.01	Parent company 1.1.–31.12.02	Parent company 6.6.–31.12.01
2 Notes to the profit and loss account				
2.1 Net Sales				
Net sales by market area				
Finland	99 553	51 784		
Sweden	33 509	23 660		
Norway	44 453	19 163		
Baltic countries	2 740	2 603		
Russia	6 250	3 647		
Other Western European countries	335	1 651		
South America	2 247	986		
Middle East	869	2 157		
Asia	10 847	5 136		
Africa	6 753	3 061		
Other countries	488	284		
Net sales total	208 044	114 132		
Effect on net sales of percentage of completion				
Net sales according to percentage of completion in the financial period	34 827	18 545		
Net sales from contracts in progress entered as income according to percentage of completion				
for the financial period	34 827	18 545		
for previous financial periods	3 887	-		
Total	38 714	18 545		
Net sales from contracts in progress to be entered as income for next financial periods	63 116	43 140		
2.2 Other operating income				
Gain on sales of fixed assets	1 094	1 021		
Rental income	1	11		
Other	261	554		
	1 356	1 586		
2.3 Number of employees and personnel expenses				
Average number of employees				
White collar	648	649	6	-
Blue collar	999	939	-	-
	1 647	1 588	6	-
Personnel expenses				
Wages and salaries	61 230	29 457	850	-
Pension costs	7 946	3 880	222	-
Other indirect employee costs	5 107	2 586	19	-
	74 283	35 923	1 091	-
Salaries and remunerations of Presidents and members of the Board	1 661	977	407	-

2.4 Depreciation and amortization according to plan

	Group 1.1.–31.12.02	Group 6.6.–31.12.01	Parent company 1.1.–31.12.02	Parent company 6.6.–31.12.01
Intangible assets	262	128		
Goodwill	274	127		
Tangible assets	3 192	2 032		
Total	3 728	2 287		
Goodwill on consolidation	1 688	1 795		
Amortization on negative goodwill on consolidation	- 771	- 4 841		
Total	917	- 3 046		
Depreciation and amortization according to plan, total	4 645	- 759		

The remaining negative goodwill that arose from the establishment of IVO Transmission Engineering Group has been entered as income when Eltel Networks Group was formed in 2001.

Specification by balance sheet item has been included in the note 3.1. Intangible and tangible assets

2.5 Change in provisions

	Group 1.1.–31.12.02	Group 6.6.–31.12.01	Parent company 1.1.–31.12.02	Parent company 6.6.–31.12.01
Provisions 1.1.	1 486	-		
Change	- 314	1 486		
Provisions 31.12.	1 172	1 486		

2.6 Financial income and expenses

	Group 1.1.–31.12.02	Group 6.6.–31.12.01	Parent company 1.1.–31.12.02	Parent company 6.6.–31.12.01
Income from other long-term investments	15	-	6 197	-
Other interest and financial income				
from Group companies	-	-	190	67
from other companies	731	277	4	-
	731	277	194	67
Exhange rate differences				
from other companies	- 307	- 227	-	-
	- 307	- 227		
Interest expenses				
To other companies	- 3 155	- 1 714	- 2 580	- 1 324
	- 3 155	- 1 714	- 2 580	- 1 324
Write-downs on investments				
Write-downs on marketable securities	-	- 19	-	-
	-	- 19		
Other financial expenses				
To other companies	- 155	- 232	- 1	- 140
	- 155	- 232	- 1	- 140
Financial income and expenses, total	- 2 871	- 1 915	3 810	- 1 397

2.7 Extraordinary items

	Group 1.1.–31.12.02	Group 6.6.–31.12.01	Parent company 1.1.–31.12.02	Parent company 6.6.–31.12.01
Group contribution received	-	-	2 750	-

2.8 Income taxes

	Group 1.1.–31.12.02	Group 6.6.–31.12.01	Parent company 1.1.–31.12.02	Parent company 6.6.–31.12.01
Taxes on ordinary operations	1 622	1 411	209	-
Taxes on extraordinary items	-	-	798	-
Change in deferred tax liabilities	559	- 100	-	-
	2 181	1 311	1 007	-

1000 eur

3 Notes to the balance sheet

3.1 Intangible and tangible assets

Intangible rights

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	71	
Increases 1.1. - 31.12.		71
Decreases 1.1. - 31.12.	-5	
Transfers between categories	36	
= Acquisition cost 31.12.	= 102	= 71
Accumulated depreciation, amortization and write-downs 1.1.	- 17	
Exchange rate differences and other adjustments		- 7
Accumulated depreciation, amortization and write-downs of decreases and transfers	- 20	
Depreciation and amortization for the period	- 19	- 10
= Accumulated depreciation, amortization and write-downs 31.12.	= - 56	= - 17
= Balance sheet value 31.12.	= 46	= 54

Goodwill

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	939	
Exchange rate differences and other adjustments	- 6	
Increases 1.1. - 31.12.	1 168	939
= Acquisition cost 31.12.	= 2 101	= 939
Accumulated depreciation, amortization and write-downs 1.1.	- 688	
Exchange rate differences and other adjustments	4	- 561
Depreciation and amortization for the period	- 274	- 127
= Accumulated depreciation, amortization and write-downs 31.12.	= - 958	= - 688
= Balance sheet value 31.12.	= 1 143	= 251

Goodwill on consolidation

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	16 099	
Increases 1.1. - 31.12.		16 099
= Acquisition cost 31.12.	= 16 099	= 16 099
Accumulated depreciation, amortization and write-downs 1.1.	- 1 795	
Exchange rate differences and other adjustments	- 16	
Depreciation and amortization for the period	- 1 688	- 1 795
= Accumulated depreciation, amortization and write-downs 31.12	= - 3 499	= - 1 795
= Balance sheet value 31.12.	= 12 600	= 14 304

Negative goodwill on consolidation

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	4 841	
Increases 1.1. - 31.12.	771	4 841
= Acquisition cost 31.12.	= 5 612	= 4 841
Accumulated amortization 1.1.	- 4 841	
Amortization for the period	- 771	- 4 841
= Accumulated amortization 31.12.	= - 5 612	= - 4 841
= Balance sheet value 31.12.	= 0	= 0

Other long-term investments

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	1 238	
Increases 1.1. - 31.12.	105	1 631
Decreases 1.1. - 31.12.	- 92	- 393
Transfers between categories	- 36	
= Acquisition cost 31.12.	= 1 215	= 1 238
Accumulated depreciation, amortization and write-downs 1.1.	- 561	
Exchange rate differences and other adjustments		- 701
Accumulated depreciation, amortization and write-downs of decreases and transfers	56	258
Depreciation and amortization for the period	- 243	- 118
= Accumulated depreciation, amortization and write-downs 31.12.	= - 748	= - 561
= Balance sheet value 31.12.	= 467	= 677

Land and water areas

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	577	
Exchange rate differences and other adjustments	15	
Increases 1.1. - 31.12.		608
Decreases 1.1. - 31.12.	- 513	- 31
= Acquisition cost 31.12.	= 79	= 577
= Balance sheet value 31.12.	= 79	= 577

Buildings and structures

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	4 930	
Exchange rate differences and other adjustments	302	
Increases 1.1. - 31.12.	37	5 009
Decreases 1.1. - 31.12.	- 1 879	- 79
= Acquisition cost 31.12.	= 3 390	= 4 930
Accumulated depreciation, amortization and write-downs 1.1.	- 1 932	
Exchange rate differences and other adjustments	- 139	- 1 837
Accumulated depreciation, amortization and write-downs of decreases and transfers	433	
Depreciation and amortization for the period	- 105	- 95
= Accumulated depreciation, amortization and write-downs 31.12	= - 1 743	= - 1 932
= Balance sheet value 31.12.	= 1 647	= 2 998

Machinery and equipment

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	20 593	
Exchange rate differences and other adjustments	437	
Increases 1.1. - 31.12.	2 619	20 733
Decreases 1.1. - 31.12.	- 5 385	- 729
Transfers between categories	929	589
= Acquisition cost 31.12.	= 19 193	= 20 593
Accumulated depreciation, amortization and write-downs 1.1.	- 11 166	
Exchange rate differences and other adjustments	- 316	- 9 761
Accumulated depreciation, amortization and write-downs of decreases and transfers	3 013	530
Depreciation and amortization for the period	- 3 074	- 1 935
= Accumulated depreciation, amortization and write-downs 31.12	=-11 543	=-11 166
= Balance sheet value 31.12.	= 7 650	= 9 427

Other tangible assets

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	15	
Exchange rate differences and other adjustments	- 1	
Increases 1.1. - 31.12.	23	15
= Acquisition cost 31.12.	= 37	= 15
Accumulated depreciation, amortization and write-downs 1.1.	- 6	
Exchange rate differences and other adjustments	1	
Accumulated depreciation, amortization and write-downs of decreases and transfers		- 4
Depreciation and amortization for the period	- 13	- 2
= Accumulated depreciation, amortization and write-downs 31.12	= - 18	= - 6
= Balance sheet value 31.12	= 19	= 9

Advances paid and construction in progress

1000 eur	Group 2002	Group 2001
Acquisition cost 1.1.	386	
Increases 1.1. - 31.12.	598	975
Transfers between categories	- 929	- 589
= Acquisition cost 31.12.	= 55	= 386

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001

3.2 Investments

Shares in Group companies	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Acquisition cost 1.1.			31 644	
Increases 1.1. - 31.12.				31 644
= Acquisition cost 31.12.			31 644	31 644
= Balance sheet value 31.12.			31 644	31 644

Shares in associated companies	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Acquisition cost 1.1.	1 877			
Increases 1.1. - 31.12.		1 877		
Decreases 1.1. - 31.12.	- 10			
= Acquisition cost 31.12.	= 1 867	= 1 877		
Retained earnings in associated companies	337	196		
= Balance sheet value 31.12.	2 204	2 073		

Other shares and holdings	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Acquisition cost 1.1.	920			
Exchange rate differences and other adjustments	21			
Increases 1.1. - 31.12.	330	989		
Decreases 1.1. - 31.12.	- 3	- 69		
= Acquisition cost 31.12.	= 1 268	= 920		
= Balance sheet value 31.12.	= 1 268	= 920		

Other receivables	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Acquisition cost 1.1.	1 404			
Exchange rate differences and other adjustments	115			
Increases 1.1. - 31.12.		1 718		
Decreases 1.1. - 31.12.	- 206	- 314		
= Acquisition cost 31.12.	= 1 313	= 1 404		
= Balance sheet value 31.12.	= 1 313	= 1 404		

Group shares and holdings, Dec. 31, 2002

Group companies	Domicile	Group holding	
Eltel Networks Corporation	Finland	100,0 %	
Eltel Networks Länsi Oy	Finland	79,0 %	
Eltel Networks Pohjoinen Oy	Finland	60,0 %	
Eltel Networks Etelä Oy	Finland	100,0 %	
Eltel Networks Keski Oy	Finland	100,0 %	
AS Linjebygg (since 1.1.03 Eltel Networks AS)	Norway	100,0 %	
Eltel Networks Norway AS (since 1.1.03 AS Linjebygg)	Norway	100,0 %	
Main Tech AS	Norway	66,0 %	
Linjebygg Centroamerica SA	Costa Rica	100,0 %	
Linjebygg Offshore AS	Norway	100,0 %	
Sivilingenior Olav Aga AS	Norway	100,0 %	
Eltel Networks TE AB	Sweden	100,0 %	
Eltel Networks Kraftkonsult AB	Sweden	100,0 %	
Transelectric Vägbelysning AB	Sweden	100,0 %	
Eltel Networks Skog & Mark AB	Sweden	100,0 %	
Transelectric AB	Sweden	100,0 %	
Eltel Networks AS (former Transelectric AS)	Estonia	100,0 %	
Transmast SPb	Russia	100,0 %	
Transmast Ab	Sweden	100,0 %	
Eltel Networks SIA	Latvia	100,0 %	
Transmast Technique Ltd	Thailand	49,0 % *	
Transmast Phils. Inc	Philippines	40,0 % *	
Eltel Networks UAB	Lithuania	100,0 %	
OOO Eltel Networks	Russia	100,0 %	* Group voting 100 %

Associated companies	Domicile	Group holding
Verkonrakentaja Wire Oy	Finland	50,0 %
Voimatel Oy	Finland	35,0 %

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001

3.3 Receivables

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Short-term receivables				
Receivables from Group companies				
Loans receivable	-	-	6 550	4 550
Prepaid expenses and accrued income	-	-	2 765	12
			9 315	4 562
Receivables from associated companies				
Trade receivables	5	7	-	-
Trade receivables total	27 021	29 386	-	-

3.4 Prepaid expenses and accrued income

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Short-term				
Uninvoiced net sales	5 733	2 636	-	-
Accrued taxes	1 750	98	790	-
Group contribution receivables	-	-	2 750	-
Other	828	1 395	17	12
	8 311	4 129	3 557	12

3.5 Percentage of completion

All contracts in progress are netted in the balance sheet on a project basis.

	Group 2002	Group 2001
Net:		
Accrued income	4 733	1 046
Advances received	10 389	6 217
Gross:		
Accrued income	38 714	34 853
Advances received	44 370	40 024

3.6 Shareholders' equity

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Share capital as of 1 January	74	-	74	-
Share issue	-	74	-	74
Share capital as of 31 December	74	74	74	74
Translation differences	268	- 113		
Profit/loss from previous years	7 293	-	- 1 640	-
Profit/loss for the financial year	3 929	7 293	4 101	- 1 640
Capital loans	19 594	19 594	19 594	19 594
	31 084	26 774	22 055	17 953
Shareholders' equity as of 31 December	31 158	26 848	22 129	18 028
Share of accumulated depreciation differences and voluntary reserves entered into shareholders' equity	434	143	0	0
Distributable earnings as of 31 December	11 056	7 037	2 461	0

	Number of shares
Share capital of the parent company by class of shares	
One share entitles to one vote	74180

3.7 Option rights

Eltel Management Corporation has the mezzanine loan amounting to 7.000.000 euros. Lenders have options to subscribe for new shares in the borrower totalling 6.735 shares, nominal value totalling 6.735.00 euros. Subscription for shares may be done in the period between 29 June 2001 and 31 December 2008.

Option program for key personnel of Eltel Networks Group includes rights to subscribe for 3.875 new Eltel Management Corporation ordinary shares nominal value totalling 3.875 euros. Options are divided into A- and B- series. Serie A includes rights to subscribe for 1.938 shares in the period between 31 March 2003 and 30 April 2007. Serie B includes rights to subscribe for 1.937 shares in the period between 31 April 2004 and 30 April 2007. Terms of option righs includes restrictions for subscription regarding financial performance of Eltel Networks Group in years 2002 and 2003.

3.8 Capital loans

The loan period for capital loans is 8 years. The capital loans can be repaid under the condition that for the last financial period the restricted equity and other non-distributable earnings of the parent company and the Group is fully covered. Interest is only paid if the amount to be paid can be used for distribution of profit according to the financial statements for the period. Unpaid accumulated interest is recorded as financial expenses and accrued expenses.

3.9 Provisions

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Pension provisions	351	328		
Guarantee reserve	794	964		
Other provisions	27	194		
	1 172	1 486		

3.10 Deferred tax liabilities and receivables

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Deferred tax liabilities				
Temporary differences	- 514	-		
Appropriations	1 117	980		
	603	980		
Deferred tax receivables				
Temporary differences	550	1 411		
	550	1 411		

3.11 Long-term liabilities due after five years

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Loans from financial institutions	934	2 309	-	-
Pension loans	293	421	-	-
Other long-term liabilities	7 000	7 000	7 000	7 000
Capital loans	19 594	19 594	19 594	19 594
	27 821	29 324	26 594	26 594

3.12 Long-term liabilities

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Loans from financial institutions	4 616	5 803	-	-
Pension loans	293	450	-	-
Other long-term liabilities	17 000	17 000	17 000	17 000
Accrued expenses and prepaid income	106	-	-	-
	22 015	23 253	17 000	17 000

3.13 Short-term liabilities

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Liabilities to Group companies				
Trade payables	-	-	22	235
Liabilities to associated companies				
Trade payables	-	13	-	-
Trade payables, total	7 898	9 101	38	235

3.14 Accrued expenses and prepaid income

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Accrued taxes	187	282	-	-
Accrued wages, salaries and indirect employee costs	14 952	11 405	278	-
Accrued interests	2 375	1 130	2 320	1 005
Other accruals	2 882	3 659	-	-
	20 396	16 476	2 598	1 005

3.15 Pension commitments to corporate management and loans receivable from corporate management

The CEO of the parent company and the Managing Directors of the largest subsidiaries are eligible for retirement at the age of 60 years. The Managing Directors of the largest subsidiaries have been granted loans amounting appr. 77 000 euros. The loans are fully due for settlement when the employment contract ends. The CEO of the parent company or the members of the Board of Directors have not been granted any loans.

3.16 Contingent liabilities

Collaterals

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Own debt secured by real estate mortgages				
Loans from financial institutions	1 292	1 512		
Real estate mortgages	3 821	3 512		
Own debt secured by floating charges				
Loans from financial institutions	884	784		
Floating charges	13 745	11 371		
Own debt secured by guarantees				
Pension loans	-	126		
Guarantees given	-	126		
Own debt secured by general collaterals				
Loans from financial institutions	4 231	5 281		
Off balance sheet liabilities secured by general collaterals				
Guarantees	12 161	7 480		
General collaterals given				
Pledges	5 664	3 248		
Floating charges	60 000	60 000		
Guarantees	44 870	28 000		

Undertakings and other contingent liabilities

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Pension liabilities				
Other pension liabilities	-	3		
Leasing liabilities				
Due within a year	1 415	637	35	-
Due after a year	3 088	626	29	-
Total	4 503	1 263	64	-
Undertakings on own behalf and on behalf of group companies				
Guarantees	13 057	13 993	10 477	181
Undertakings on behalf of others				
Guaranteees	255	317		
Other undertakings	-	8		
Total	255	325		

Derivatives	Contract value	Fair value	Not recognised as income
Currency derivatives			
Forward contracts	1 355	64	8
Currency swaps	16	0	0

Signatures by the Board of Directors

Espoo, February 6, 2003

Orvo Siimestö
Chairman of the Board

Sanna Argillander

Tuomo Lähdesmäki

Tuomo Rönkkö
President and CEO

Auditor's report

To the shareholders of Eltel Management Corporation

We have audited the accounting, the financial statements and the corporate governance of Eltel Management Corporation for the period 1.1.–31.12.2002. The financial statements, which include the report of 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 Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

Espoo, February 25, 2003

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pekka Kaasalainen
APA

Work Safety

Eltel Networks' management considers attention to work safety a key to success and a vital part of risk management for the Group.

A work safety evaluation of Eltel Networks Pohjoinen Oy was undertaken in 2002 as a pilot project jointly with an insurance company. The observations and conclusions of the evaluation will be utilised throughout the Group in 2003. It has been agreed with employee representatives that special attention should be paid to work safety in 2003.

A comprehensive zero-accident target has been set that will in particular require a transformation in the way of thinking: there will be zero-tolerance of even the most minor accident.

The zero-accident target will be promoted by paying special attention to work safety training and information, and to organising efficient operations to support work safety.

Key issues that will be emphasised are careful advanced planning of work and working practices, and identifying the causes of accidents and incidents that nearly resulted in an accident without trying to apportion blame. An effective system accessible to all will be created for passing on and following up information. The zero-accident target will be strongly promoted among employees of labour-intensive companies within the Group through performance-related pay.

A competition between the companies to reduce accidents will be announced. Our motto in promoting work safety is that every Eltel employee has responsibility for ensuring safety at work.

www.eltelnetworks.com

ELTEL Networks Corporation
POB 50
FIN-02611 Espoo
Finland
Tel. +358 20 411 211
firstname.lastname@eltelnetworks.com

ELTEL Networks TE AB
POB 49074, Svarvargatan 11
S-100 28 Stockholm
(Address from July 2003:
Isafjordsgatan 35
S-164 40 Kista)
Sweden
Tel. +46 8 588 909 00

ELTEL Networks AS
Sofus Jørgensens veg 5
N-6405 Molde
Norway
Tel. +47 71 243 000

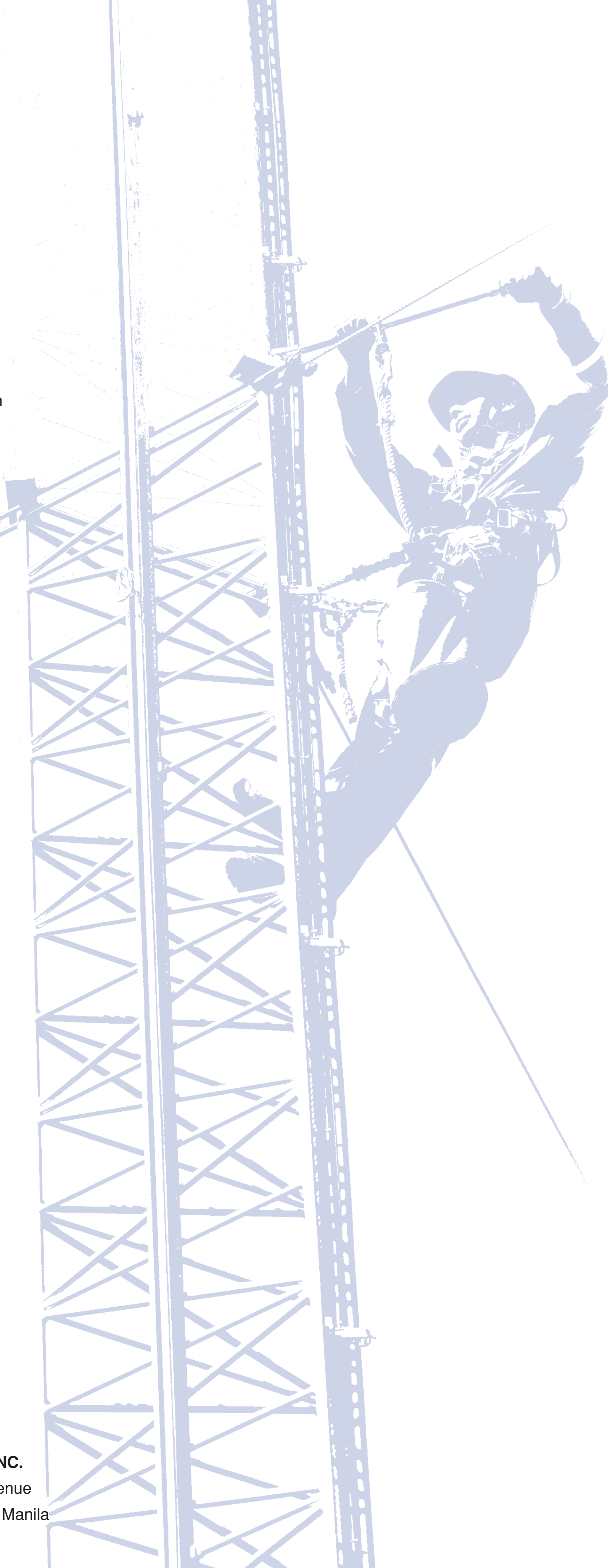
ELTEL Networks AS
Masina 11
EE-101 44 Tallinn
Estonia
Tel. +372 60 53 151

ELTEL Networks SIA
Noliktavas 5
LV 1010 Riga
Latvia
Tel. +371 7 323 086

OOO ELTEL Networks
Lesnaya Str. 15
125047 Moscow
Russia
Tel. +7 095 972 4650

ELTEL Networks / Transmast SPb
Zhukovskogo str. 10, off. 9
191104 St. Petersburg
Russia
Tel. +7 812 272 1754

ELTEL Networks / Transmast Phils. INC.
Prestige Tower, Unit 1004, Emerald Avenue
Ortigas Center, Pasig City 1605, Metro Manila
Philippines
Tel. +63 2 687 2063



www.eltelnetworks.com