ELCOTEQ NETWORK CORPORATION STOCK EXCHANGE BULLETIN

9.00 am (Helsinki), May 6, 1999

INTERIM REPORT JANUARY – MARCH 1999 (Unaudited)

Elcoteq Network Corporation recorded a 55 % increase in net sales to EUR 117.9 (76.1) million during the first quarter of 1999 compared to the same period last year. This growth rate was clearly above the average in the electronic manufacturing services (EMS) business.

As expected, the company's result was depressed by the costs of its internationalization program, and in particular the start-up of the new plants in Hungary and Mexico. The effect of these start-up costs will also be felt during the second quarter. The plants in Hungary and Mexico made only a minor contribution to the company's net sales between January and March.

The plant acquired in China was added to Elcoteq's network of EMS plants in March. This plant will contribute EUR 50-70 million to Elcoteq's net sales for the full year and it will record a profit.

Elcoteq's plants operated at low capacity loads during the period but capacity utilization strengthened towards the end of the quarter. Capacity loads at the industrial electronics plants were satisfactory.

Performance

Elcoteq posted an operating result of EUR –1.6 million between January and March, compared to EUR 2.0 million in the same period last year. The result before extraordinary items was EUR –2.1 (+1.8) million. Earnings per share were EUR –0.09 (+0.05).

The Group's depreciation more than doubled owing to the new plant investments and totaled EUR 3.8 (1.8) million. Capital expenditure during the period amounted to EUR 8.5 (2.5) million, most of which was used to cover Elcoteq's acquisition of the Dongguan plant in China, as well as machinery and equipment for the plants in Mexico and Hungary.

The balance sheet totaled EUR 234.1 (188.4) on March 31, 1999, which marked a decrease of EUR 22.0 million on the total at the end of 1998. The solvency ratio, which includes treating the convertible capital notes as shareholders' equity, decreased to 55.4 % (65.9 %) but nonetheless improved by 4.4 percentage points compared to the start of the year.

The vigorous sales volume experienced during the last quarter of 1998 was reflected in positive cash flow during the first quarter of 1999, which lightened the company's financial position compared to the end of 1998. Cash reserves at the end of March amounted to EUR 20.7 million.

In April, after the close of the review period, Elcoteq negotiated a EUR 55 million revolving credit facility with a syndicate of five banks, which gives Elcoteq unused credit limits in excess of EUR 100 million.

Elcoteq's preparations for the year 2000 have proceeded according to plan. No issues have emerged which could pose a risk to Elcoteq's uninterrupted operations at the beginning of the year 2000.

Elcoteq had 3,909 (2,590) employees on average during the three-month period and 4,125 employees at the end of March.

Markets

Growth in outsourcing of manufacturing was a continuing trend in the electronics industry. Elcoteq is now able to offer manufacturing services in all its customers' main markets – Europe, North America and Asia – indicating that the internationalization program announced at the time of the company's initial public offering has been systematically implemented. According to Manufacturing Market Insider (March 1999), a trade magazine which monitors the industry, Elcoteq's net sales in 1998 now makes the company the 16th largest in the global EMS business compared to 20th place before.

Mobile phones and their subassemblies comprised 66 % (73 %) of Elcoteq's net sales between January and March. Other communication equipment accounted for 16 % (8 %) and industrial electronics 11 % (10 %). Customers belonging to the Ericsson and Nokia groups represented 80 % (79 %) of Elcoteq's net sales.

Conditions in the electronic components markets tightened further during the period. Component availability remained adequate but delivery times are expected to be extended during the second quarter.

Status of internationalization projects

Since its start-up in October 1998, the new plant in Hungary has been producing electronics for the automotive electronics market in Central Europe. The plant's capacity will be expanded in May when manufacture of industrial electronics is started.

The new plant in Monterrey, Mexico, started production in January. This plant manufactures subassemblies for mobile phones.

Elcoteq's acquisition of the plant in Dongguan, China, from a joint venture company of Nokia Mobile Phones was completed at the close of the review period. The Customer Center in Hong Kong has been in operation since January.

Manufacturing operations at the pilot plant in St. Petersburg, Russia, are being further developed. The plant's challenging business environment continues to hamper its logistical operations and therefore its potential for expansion.

Annual General Meeting

Elcoteq Network Corporation's Annual General Meeting held on March 17, 1999, approved the Board of Directors' proposal to distribute a dividend of FIM 0.20 per share. The composition of the Board of Directors remains unchanged and comprises Heikki Horstia, Antti Piippo, Henry Sjöman, Juha Toivola and Jorma Vanhanen.

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

Prospects

The electronics and EMS markets continue to grow. Competition is expected to remain intense. Elcoteq has sharpened its competitive edge by extending its plant network to America and Asia.

The company believes that its full-year net sales will increase substantially. The bulk of net sales will accrue in the latter half of the year. The full-year profits will improve, but the start-up costs of the new plants will continue to burden the company's performance in the early part of the year.

Elcoteq will publish its interim report for January to June at 9.00 am on Thursday, August 5, 1999.

Helsinki, May 5, 1999

Board of Directors

Conversion rates

This interim report uses the following conversion rates:

1 EUR = FIM 5.94573
1 EUR = USD 1.07415
1 USD = FIM 5.535

Elcoteq will hold a conference call in English, starting at 1.00 pm UK time on May 6, 1999. To participate, please call +44 181 781 0574, code Elcoteq.

Elcoteq will be available for both analysts and investor meetings in London on May 10, 1999. In order to schedule a meeting please call +44-171-568 2110 (Lucio Solms).

Osmo Kammonen
Group Vice President, Corporate Communications and Investor Relations

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APPENDICES

1 Income Statement
2 Balance Sheet
3 Key Figures
4 Assets Pledged and Contingent Liabilities

APPENDIX 1

INCOME STATEMENT, MEUR	1-3/1999	1-3/1998	Change,%	1998
Net Sales	117.9	76.1	54.8	394.6
Other income from operations	0.2	0.2	23.6	3.6
Operating expenses	-115.8	-72.5	59.7	-376.1
Depreciation	-3.8	-1.8	118.4	-9.6
Operating profit	-1.6	2.0		10.4
% of net sales	-1.3	2.7		2.6
Financial income and expenses	-0.5	-0.2	121.4	-1.4
Profit before extraordinary items	-2.1	1.8		9.0
Extraordinary items	-	-0.4		-0,3
Profit before taxes	-2.1	1.4		8.7
Income taxes	-0.1	-0.6		-1.5
Minority interests	-	-		-
Net income	-2.2	0.8		7.1

APPENDIX 2

BALANCE SHEET, MEUR	Mar.31,99	Mar.31,98	Change,%	Dec.31,98
Fixed assets	77.0	35.9	114.3	72.4
Current assets				
Inventories	66.6	35.7	86.4	66.6
Other current assets	90.6	116.8	-22.4	117.1
Assets	234.1	188.4	24.3	256.1
Share capital	7.8	7.8	0.0	7.8
Convertible capital notes	18.5	18.5	0.0	18.5
Other shareholders’ equity	101.5	97.8	3.8	104.2
Minority interests	1.7	-		-

Provisions	0.0	0.2	-81.1	0.0
Long-term liabilities	19.3	10.9	77.1	19.6
Short-term liabilities	85.2	53.1	60.3	105.9
Shareholders' equity and liabilities	234.1	188.4	24.3	256.1

APPENDIX 3

KEY FIGURES	1-3/1999	1-3/1998	Change,%	1998
Personnel on average during the period	3,909	2,590	50.9	3,085
Gross capital expenditure, MEUR	8.5	2.5	243.9	44.0
Return on equity (ROE), % *)	-2.0	0.8	-347.4	6.6
Return on investment (ROI), % *)	-0.5	1.8	-130.0	8.1
Earning per share (EPS), EUR	-0.09	0.05	-294.0	0.32

	Mar.31,99	Mar.31,98	Change,%	Dec.31,98
Current ratio	1.8	2.9	-35.7	1.7
Solvency Ratio 1 **)	47.5	56.1	-15.4	43.8
Solvency Ratio 2 ***)	55.4	65.9	-16.0	51.0
Net gearing 1 **)	0.3	-0.4	-169.1	0.4
Net gearing 2 ***)	0.1	-0.5	-117.9	0.2
Equity per share, EUR	4.69	4.53	3.5	4.81
Interest-bearing liabilities, MEUR	31.7	16.3	94.2	44.3
Incl. convertible capital notes, MEUR	50.2	34.8	44.2	62.8
Non-interest-bearing liabilities, MEUR	72.8	47.7	52.6	81.3

*) The key figures have been calculated using figures specific to each accounting period in question.
**) Convertible capital notes are included in interest-bearing liabilities.
***) Convertible capital notes are included in shareholders' equity.

APPENDIX 4

ASSETS PLEDGED AND CONTINGENT LIABILITIES, MEUR

FOR OWN LIABILITIES

	Mar.31,99	Mar.31,98	Change,%	Dec.31,98
Mortgages on real estate				
Loans from financial institutions	6.4	8.3	-22.6	6.0
Mortgages	11.2	11.2	0.1	11.3
Mortgages on movable assets				
Loans from financial institutions	0.7	1.0	-32.8	0.7
Mortgages for other loans	6.7	6.7	0.0	6.7
Other pledges given as collateral				
Mortgages on movable assets	2.0	4.5	-54.7	2.0
Mortgages on real estates	0.1	3.3	-97.4	0.1
ON BEHALF OF OTHERS				
Guarantees	1.2	1.4	-13.4	1.2
LEASING COMMITMENTS	2.3	7.9	-71.6	2.8
DERIVATIVE CONTRACTS				
Interest and currency				
Swap contracts	5.7	7.3	-21.1	5.3
Interest rate derivatives	50.0	-		-
Forward contracts	50.1	23.3	115.1	72.1
Currency options	20.4	-		-

If the currency and interest swap agreements outstanding at March 31, 1999 had been sold at the market price, the positive effect would have been EUR 1.1 million.

APPENDIX 1

INCOME STATEMENT, MFIM	1-3/1999	1-3/1998	Change,%	1998
Net Sales	700.7	452.7	54.8	2,346.3
Other income from operations	1.3	1.0	23.6	21.3
Operating expenses	-688.5	-431.3	59.7	-2,236.2
Depreciation	-22.8	-10.4	118.4	-57.0
Operating profit	-9.3	12.0		61.8
% of net sales	-1.3	2.7		2.6
Financial income and expenses	-3.1	-1.4	121.4	-8.6
Profit before extraordinary items	-12.4	10.6		53.3
Extraordinary items	-	-2.3		-1.8
Profit before taxes	-12.4	8.3		51.5
Income taxes	-0.7	-3.3		-9.0
Minority interests	-	-		-
Net income	-13.1	5.0		42.5

APPENDIX 2

BALANCE SHEET, MFIM	Mar.31,99	Mar.31,98	Change,%	Dec.31,98
Fixed assets	457.8	213.6	114.3	430.5
Current assets				
Inventories	395.8	212.4	86.4	396.0
Other current assets	538.5	694.3	-22.4	696.3
Assets	1,392.2	1,120.3	24.3	1,522.8
Share capital	46.6	46.6	0.0	46.6
Convertible capital notes	110.0	110.0	0.0	110.0
Other shareholders' equity	603.7	581.6	3.8	619.5
Minority interests	9.9	-		-
Provisions	0.2	1.1	-81.1	0.2
Long-term liabilities	115.0	64.9	77.1	116.4
Short-term liabilities	506.7	316.0	60.3	629.9
Shareholders' equity and liabilities	1,392.2	1,120.3	24.3	1,522.8

APPENDIX 3

KEY FIGURES	1-3/1999	1-3/1998	Change, %	1998
Personnel on average during the period	3,909	2,590	50.9	3,085
Gross capital expenditure, MFIM	50.5	14.7	243.9	261.7
Return on equity (ROE), % *)	-2.0	0.8	-347.4	6.6
Return on investment (ROI), % *)	-0.5	1.8	-130.0	8.1
Earnings per share (EPS) FIM	-0.56	0.29	-294.0	1.88

	Mar.31,99	Mar.31,98	Change,%	Dec.31,98
Current ratio	1.8	2.9	-35.7	1.7
Solvency Ratio 1 **)	47.5	56.1	-15.4	43.8
Solvency Ratio 2 ***)	55.4	65.9	-16.0	51.0
Net gearing 1 **)	0.3	-0.4	-169.1	0.4
Net gearing 2 ***)	0.1	-0.5	-117.9	0.2
Equity per share, FIM	27.89	26.95	3.5	28.57
Interest-bearing liabilities, MFIM	188.7	97.2	94.2	263.3
Incl. convertible capital notes, MFIM	298.7	207.2	44.2	373.3
Non-interest-bearing liabilities, MFIM	432.9	283.7	52.6	483.1

*) The key figures have been calculated using figures specific to each accounting period in question.
**) Convertible capital notes are included in interest-bearing liabilities.
***) Convertible capital notes are included in shareholders' equity.

APPENDIX 4

ASSETS PLEDGED AND CONTINGENT LIABILITIES, MFIM

FOR OWN LIABILITIES

	Mar.31,99	Mar.31,98	Change,%	Dec.31,1998
Mortgages on real estate				
Loans from financial institutions	38.1	49.2	-22.6	35.9
Mortgages	66.8	66.7	0.1	67.3
Mortgages on movable assets				
Loans from financial institutions	3.9	5.8	-32.8	4.4
Mortgages for other loans	40.0	40.0	0.0	40.0
Other pledges given as collateral				
Mortgages on movable assets	12.0	26.5	-54.7	12.0
Mortgages on real estate	0.5	19.5	-97.4	0.5
ON BEHALF OF OTHERS				
Guarantees	7.1	8.2	-13.4	7.1
LEASING COMMITMENTS	13.4	47.2	-71.6	16.6

DERIVATIVE CONTRACTS

Interest and currency swap contracts	34.1	43.2	-21.1	31.4
Interest rate derivatives	297.3	-		-
Forward contracts	298.1	138.6	115.1	428.6
Currency options	121.3	-		-

If the currency and interest swap agreements outstanding at March 31, 1999 had been sold at the market price, the positive effect would have been FIM 6.3 million.