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The Company was very successful in the third quarter of 1997. Demand for electronics manufacturing services ("EMS") continued to grow. A substantial part of Elcoteq's sales in the period was derived from its principal customers, Ericsson and Nokia, particularly for the provision of EMS in the digital mobile telephone sector. The most significant factor contributing to Elcoteq's third quarter success was the start-up of full-scale production of Ericsson's GSM digital mobile telephone at the Tallinn factory.

Competition for electronic components created some shortages during the third quarter. Although this caused some operational difficulties for Elcoteq, it did not give rise to any significant loss of production. The Company expects the availability for certain standard components to remain difficult through 1997.

During the third quarter, the Company made several significant decisions with a view to securing its continued growth. The Company decided to apply for the listing of its Series A shares on the Helsinki Stock Exchange and to offer new Series A shares in a public offering. The Company appointed a new President and a number of other key personnel. The Company is currently finalizing arrangements to lease a manufacturing facility for pilot production in St. Petersburg, Russia, and decided too to construct a manufacturing facility in Hungary. Furthermore, the Company is investigating constructing or acquiring facilities in Mexico and Asia. Elcoteq has received positive responses from its principal customers to these developments, as the Company seeks to implement its strategy of providing high quality and cost effective electronics manufacturing services in those geographical areas where such customers most need them.

The provision of Elcoteq's electronics manufacturing services to the telecommunications sector increased dramatically during the period. The industrial electronics sector also increased relative to the comparable period of 1996. However, demand from customers producing computer displays declined during the third quarter, which resulted in a decline in the demand for Printeq Piirilevyt's products. The share of consumer electronics in Elcoteq's business continued to decline.

Profits more than doubled

The Company's net sales for the nine months ended September 30, 1997 increased 67.4% to FIM 1096.4 million, and its operating profit for the period more than doubled to FIM 59.1 million from FIM 25.9 million in the equivalent period in 1996. Elcoteq's net sales for the first nine months of this year exceeded the total net sales for the whole of 1996 by almost 11%.

Operating profit before depreciation increased by 119% to FIM 82.2 million (FIM 37.5 million). This represents 7.5% of net sales (5.7%). Pre-tax profits increased by 145% and amounted to FIM 46.9 million (FIM 19.0 million).

The increase in production capacity and the assumption of additional box-build production, for which Elcoteq has all or part of the responsibility for procuring components from third party suppliers, increased the balance sheet total to FIM 690.0 million (FIM 384.0 million). Most of this increase was due to Elcoteq's investment in plant and machinery in Tallinn. Capital expenditure for the first nine months of 1997 amounted to FIM 113.0 million (FIM 39.8 million).

Elcoteq's financial position remained strong despite the high level of capital expenditure. The FIM 110 million convertible subordinated capital notes issued at the end of 1996, and the US$ 45 million revolving credit facility signed in May of this year, provided financing for the growth during the period. As at September 30, 1997, US$ 5 million of the revolving credit facility had been utilized. The costs incurred from the arrangement of the facility will be amortized over its term.

The strengthening of the US dollar relative to the Finnish markka had little effect on Elcoteq's profits. To the extent it is able, the Company tries to match its foreign currency payables for material purchases with its receivables for the same currency. The Company secures its currency position with forward exchange transactions and currency and interest rate swap contracts.

Shareholders' resolutions

The preparations for a possible listing of the Company's shares have required several Extraordinary General Meetings ("EGM"). At the EGM held on September 10, 1997, the Company's shareholders agreed upon a share split, a bonus issue and the creation of two classes of shares, Series K shares and Series A shares. As a result, Elcoteq now has 10,577,000 Series K shares, each of which is entitled to ten votes at general meetings of the Company's shareholders, and 5,288,500 Series A shares, each of which is entitled to one vote at general meetings. All the Company's shares have a nominal value of FIM 2 per share, resulting in an increase in the shareholders' equity to FIM 31.7 million.

At the EGM held on October 1, 1997, the shareholders authorized a further increase in the Company's share capital through the issue of between 5,000,000 and 9,000,000 new Series A shares to domestic and international institutional investors, to domestic retail investors and to Elcoteq's employees. Simultaneously, the Company also decided to apply for the listing of the Series A shares on the Helsinki Stock Exchange. In addition, the EGM decided to submit the Series A shares to the book-entry securities system, effective as of October 24, 1997. It was also decided that Elcoteq's register of insider share holdings would be based on the SIRE system operated by the Finnish Central Securities Depository Ltd. The Company's Articles of Association have been amended in anticipation of the listing of the Company's Series A shares. Furthermore, the Company's name was changed to Elcoteq Network Corporation (Elcoteq Network Oyj in Finnish). In order to encourage and incentivise the loyalty of key personnel, it was also decided at the EGM to issue FIM 1,125,000 worth of bonds with warrants. The subscription period ended on October 17, and the bonds with warrants were fully subscribed for by 73 subscribers.

New factory in Hungary

In order to supplement Elcoteq's modern and cost efficient production capacity, the Board of Directors decided on October 18, 1997 to invest in a new electronics manufacturing services facility. Elcoteq will construct a new 10,000 square meter facility in Hungary, which is expected to commence operations in 1998. . Total investment in the new facility, including the plant and production machinery and equipment, is expected to amount to approximately FIM 150 million. The company expects the new facility to employ almost 1,000 persons. The Hungarian factory is expected to provide services to the telecommunications and automotive industries.

Organization strengthened

At the end of September, the Board announced the appointment of Mr Tuomo Lähdesmäki MSc. (Eng.) MBA, aged 39, as President of Elcoteq Network Corporation, with effect from November 1, 1997. Mr Lähdesmäki spent several years with Nokia during the 1980s and was General Manager of Swatch Telecommunications in Switzerland at the beginning of the 1990s, before spending the last six years as President of Leiras. He was also a Member of the Board of Huhtamäki for five years until Huhtamäki sold Leiras in 1996 to the German Schering Group.

The Company's outgoing President, Henry Sjöman, one of the Company's principal shareholders and a Board Director, will concentrate on the development of marketing and customer relations.

The management team was further strengthened on November 1, 1997 by the appointment of Mr Reijo Itkonen as Vice President. Mr Itkonen was previously the Managing Director of Semi-Tech's television factory in Turku, Finland. Mr Itkonen will strengthen Elcoteq's production organization and will concentrate, initially, on the construction and production start-up of the Hungarian facility.

Development of Company structure

With effect from the beginning of November, Elcoteq's operations have been reorganized on a geographic basis. The purpose of this reorganization was to facilitate the successful implementation of the Company's growth and internationalization plans. Elcoteq now has three operational regions, each of which is responsible for its own operations: Europe, Asia and the Americas.

Mr Jorma Vanhanen was appointed as Group Vice President and General Manager, Europe, Mr Kari Häyrinen as Group Vice President and General Manager, Asia Pacific, and Mr Ilkka Pouttu as Group Vice President and General Manager, the Americas.

Two new subsidiaries of the Company were registered in October: Elcoteq JSC, in Russia, and Elcoteq Network, Inc. in the United States.

In mid-October, the Company acquired the 33.2% stake in AS Elcoteq Tallinn held by Finnfund. The purchase price for this acquisition was approximately FIM 4 million and was based on an agreement dating from the establishment of AS Elcoteq Tallinn in 1993. AS Elcoteq Tallinn is now 100% owned by the Company.

Personnel

The increase in Elcoteq's employees continued, and at the end of the period under review the Company employed 2,826 persons (compared with 1,895 at September 30, 1996). Of these employees, 982 were in Finland, 1,840 in Estonia. The majority of the increase in the number of employees was in Estonia. The average number of employees between January and September 1997 was 2,522 (1,825).

Future prospects

The demand for electronics manufacturing services is expected to increase. The resolutions passed by the Board have prepared the Company for a substantial increase in capacity. The Company is also making preparations for expansion into Asia and the Americas. The proposed share offering and listing of the Company's Series A shares will improve substantially the Company's financial resources with a view to enabling Elcoteq to realize its growth potential.

Elcoteq believes that the current positive sales growth trend will continue. With the favorable results during the first nine months of this year, net sales and profits in 1997 will be substantially higher than in 1996.

Lohja, November 2, 1997

Board of Directors

Elcoteq Network Corporation is a leading European company providing electronics manufacturing services. In 1996, the sales of the Group totaled approximately FIM 1 billion. Elcoteq has five specialized manufacturing service factories located in Lohja and Helsinki in Finland and in Tallinn, Estonia, and a printed circuit board factory in Salo (Finland). Elcoteq has also announced that it will start pilot production in St. Petersburg, Russia, in and intends to build a factory in Hungary. Elcoteq manufactures electronic end-products and components for companies in telecommunications, information technology, industry and consumer electronics. The Group has approximately 2,900 employees, 1,000 of whom work in Finland and 1,900 in Estonia.

Enclosures

Enclosure 1
Income Statement, FAS

1 000 FIM	Jan-Sep 1997	Jan-Sep 1996	Change	1996
Net Sales	1,096,363	654,872	67.4 %	988,060
Expenses	1,014,856	617,333	64.4 %	923,040
Operating Profit before depreciation	82,224	37,538	119.0 %	65,020
Depreciation	23,109	11,672	98.0 %	16,280
Operating Profit	59,114	25,866	128.5 %	48,740
Net financial expenses	12,195	6,771	80.1 %	14,835
Profit after net financial items	46,919	19,096	145.7 %	33,905
Pre-tax profit	46,919	19,096	145.7 %	33,905
Taxes	14,757	9,753	51.3 %	12,699
Minority interests	53	-2,669		216
Profit for the financial period	32,109	12,012	167.3%	20,990

Enclosure 2
Balance Sheet

1 000 FIM	30 Sep 1997	30 Sep 1996	Change	31 Dec 1996
Fixed assets	223,618	107,408	108.2 %	139,162
Inventories	179,917	152,208	18.2 %	136,392
Financial assets	292,469	124,431	135.0 %	290,360
Share capital	31,731	5,289	500.0 %	5,289
Other shareholders' equity	84,942	81,138	4.7 %	88,229
Minority interests	2,958	595	396.8 %	2,903
Convertible capital notes	110,000	0		110,000
Provisions	382	0		2,114
Long-term liabilities	116,203	78,090	48.8 %	108,712
Short-term liabilities	350,562	218,936	60.1 %	248,667
Balance sheet total	696,003	384,048	81.2 %	565,913

Enclosure 3
Key ratios

	30 Sep 1997 9 months	30 Sep 1996 9 months	Change	31 Dec1996 12 months
Earnings per share, FIM	2.02	0.76	167.3 %	1.32
Equity per share, FIM	7.31	5.45	34.1 %	5.89
Capital Expenditure, '000 FIM	113,002	39,868	183.4 %	92,786
of which leasing, FIM '000	4,548	8,478	-46.4 %	25,000
Solvency ratio 1	17.2	22.7	-24.1 %	17.0
Solvency ratio 2*	33.1			36.5
Net gearing 1	2.4	1.8	33.4 %	1.8
Net gearing 2*	0.7			0.3
Convertible capital notes	110,000			110,000
Other interest bearing debt	178,948	160,998	11.1 %	181,153
Average employees during period	2,522	1,825	697	1,888
Employees at end of period	2,826	1,895	931	2,162

* Convertible capital notes treated as equity

Enclosure 4
Pledges and Contingent liabilities

	30 Sep 1997	30 Sep 1996	31 Dec 1996
Against own debt			
Mortgages on real estate	31,500	31,500	31,500
Mortgages on movable assets	74,500	77,700	77,700
Pledged accounts receivable	56,143	36,282	44,382
Guarantees	7,852	48,397	58,397
On behalf of othes			
Guarantees	9,605	11,490	10,704
Other own liablities			
Leasing liabilities	57,728	57,382	68,708
Nominal values of derivative instruments			
Forward foreign exchange contracts	89,652	8,523	-
Interest rate and currency swaps	40,815	-	35,758

If the interest rate and currency swap agreement outstanding at 30 September 1997 had been sold at market price, the effect would have been FIM 6.1 million favourable.

The Company has rented a manufacturing facility in Lohja, Finland under long-term rental agreement. The Company has at any time a right to redeem the facility at the purchase price which was approximately FIM 19 million at 30 September 1997.