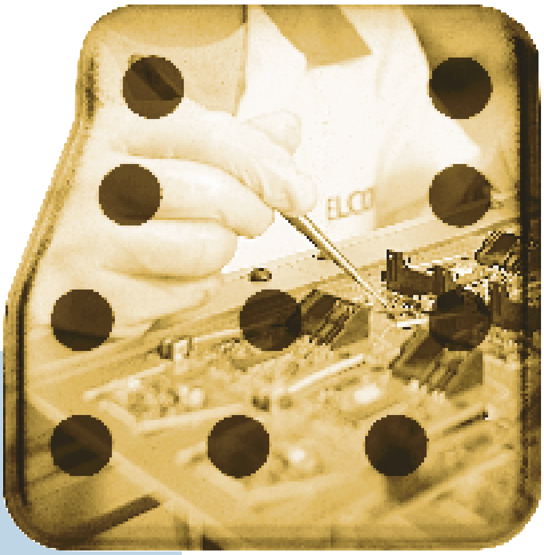
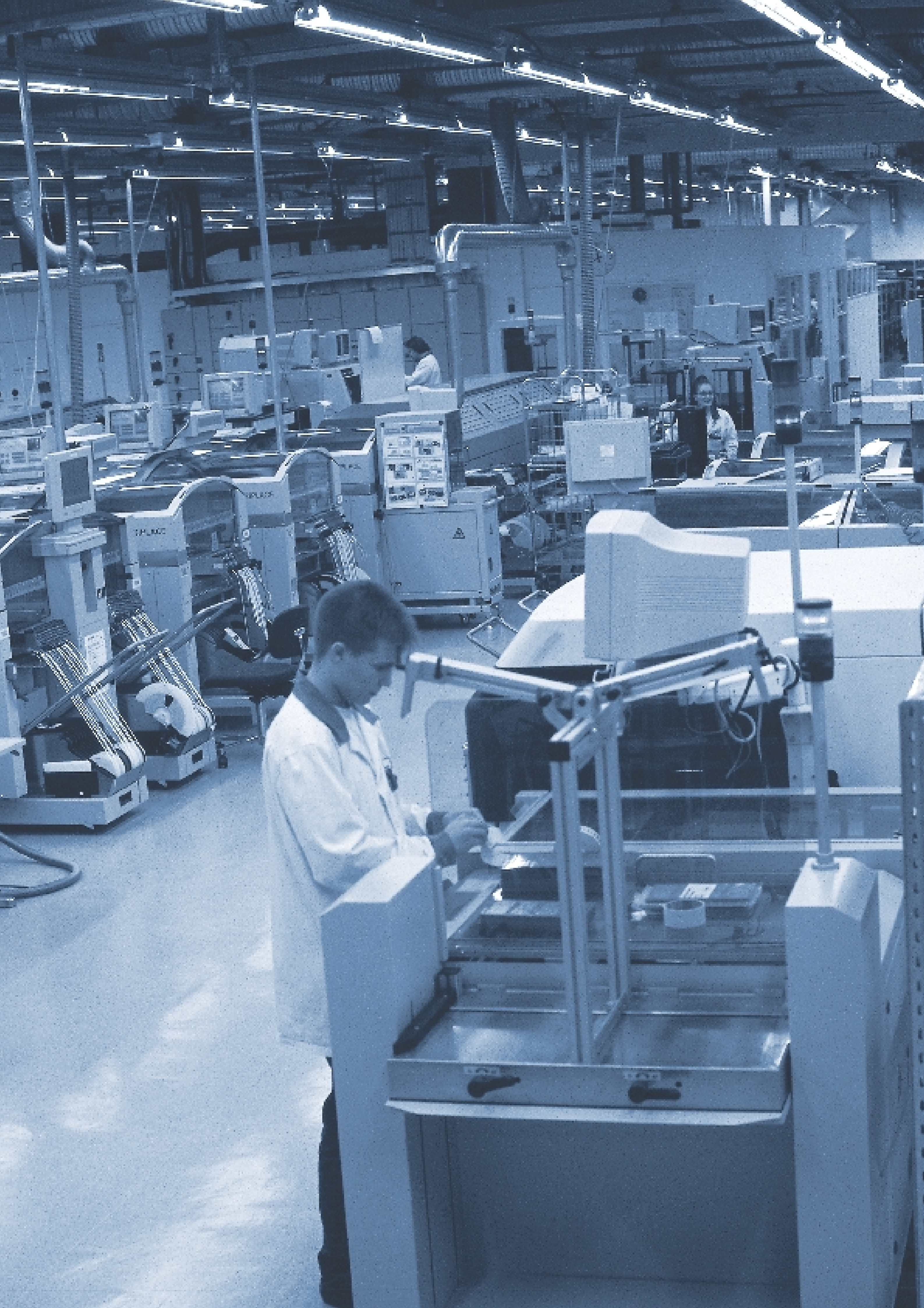
Annual Report 1999



ELCOTEQ



Elcoteq's mission is to continuously improve the performance and competitiveness of the entire value chains in which it participates, through co-evolution with its customers and suppliers, in order to increase the value of these value chains to all stakeholders.

Contents

Elcoteq – a global EMS partner

Elcoteq Network is an electronics manufacturing services (EMS) company with 11 plants. These are located in Finland, Estonia, Russia, Hungary, Mexico, China, Germany, Switzerland and Poland. Elcoteq manufactures electronic end products and subassemblies for customers engaged in telecommunications, information technology and selected fields of industrial and consumer electronics. Elcoteq operates in 12 countries and at the beginning of 2000 it had over 8,000 employees.

Elcoteq manufactures electronic subassemblies and complete end products for the following applications:

- Mobile phones and their accessories
- Electronics for telephone exchanges
- Computer peripherals
- Industrial electronics applications
- Consumer electronics products
- Automotive electronics
- Medical devices.

Elcoteq's business mission is to continuously improve the performance and competitive efficiency of the value chains in which it participates through co-evolution with its customers and suppliers. In this way Elcoteq believes it is best able to increase its value to all its stakeholders.

A global manufacturing network

Elcoteq's globally operating customers need electronics manufacturing services in all their markets to be sure they can react as rapidly and flexibly as the electronics sector demands. Since 1997 Elcoteq has purposefully expanded its network of manufacturing plants to meet its customers' needs more effectively, thereby also improving the availability of its electronics manufacturing services worldwide. For example, Elcoteq is now able to manufacture the same product or product family at different plants for the global market by handling transfer of the products between these plants and Elcoteq's customers, or alternatively within its own plant network and also between different markets.

Elcoteq's services

The scope of Elcoteq's services covers technology, manufacturing, aftermarketing and supply chain management.

Technology services comprise design and development services. Elcoteq works with its customers to achieve optimal design for manufacturability by careful selection of the most suitable assembly and interconnection methods, testing procedures, tooling concepts and materials.

Elcoteq either works as part of its customer's team or it takes full responsibility for the entire design and development project. Elcoteq's Technology Services unit also has access to a wide network of outside R&D organizations. The unit currently has staff in Lohja and Helsinki, Finland, in Tallinn, Estonia, and in Überlingen, Germany.

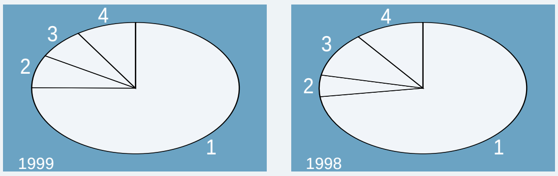
Manufacturing services represent the core of Elcoteq's service portfolio. They comprise end product assembly, prototyping for high-volume production, the manufacture and assembly of microelectronics components, and electromechanical assembly.

Supply chain management at Elcoteq involves material management and logistics services. These services cover component and material purchasing, plant logistics, material distribution and shipment of end products direct to the customer's warehouse or distribution chain. All Elcoteq's main units are responsible for handling the special needs of supply chain management. The materials unit in Tokyo, Japan, concentrates on managing the important Asian component markets.

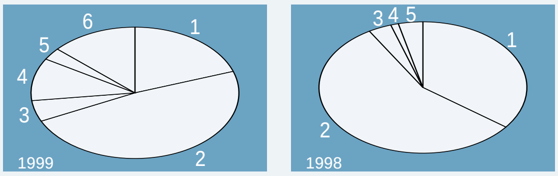
Elcoteq also offers a range of aftermarketing services regardless of whether the customer's product is manufactured by Elcoteq or another company. Elcoteq's aftermarketing services comprise product analysis, product repairs and upgrades, and logistics. These services are provided by Elcoteq's units in Estonia, Hungary and Hong Kong.

Key indicators

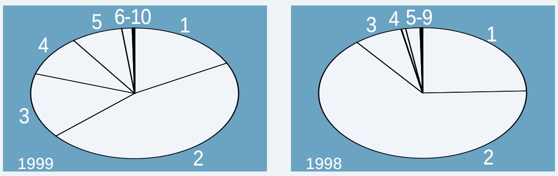
Net sales by segments, %	1999	1998
1. Mobile Phones and Accessories	75.1	72.9
2. Telecommunications	8.1	5.3
3. Industrial electronics	7.5	11.1
4. Other	9.3	10.7



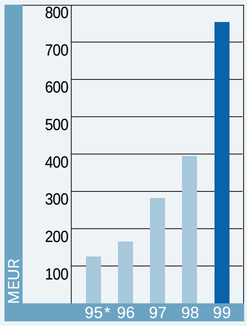
Net sales by region, %	1999	1998
1. Finland	19.7	35.3
2. Sweden	48.2	56.1
3. Other EU Countries	5.2	3.6
4. USA	10.5	1.2
5. Other Countries	3.0	3.8
6. Asia	13.4	-



Personnel	1999	1998
1. Finland	1066	949
2. Estonia	2848	2504
3. Hungary	995	292
4. China	625	3
5. Mexico	491	25
6. Russia	100	86
7. USA	9	7
8. Japan	7	5
9. Germany	3	3
10.Denmark	3	-
Total	6147	3874

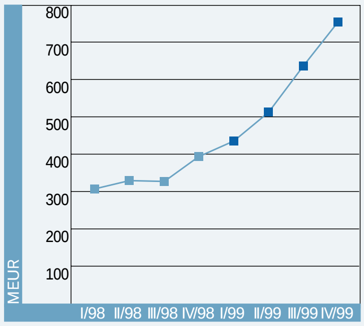


Net sales 1995-1999

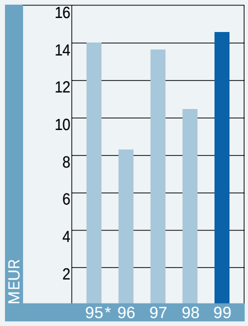


*10 months

Net sales, rolling 12 months

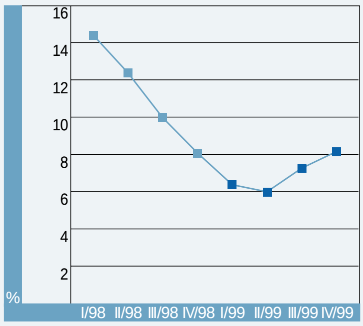


Operating profit 1995-1999

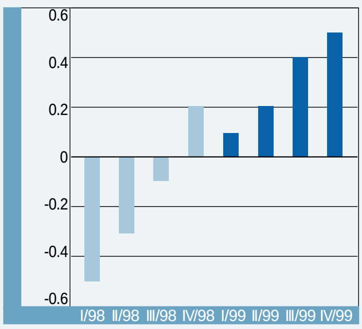


*10 months

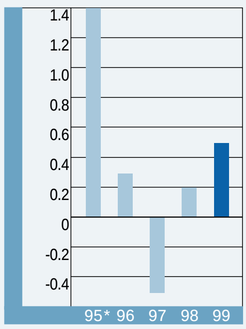
Return on investment (ROI), rolling 12 months



Gearing, quarterly 1998-1999



Gearing 1995-1999



*10 months

Dear Elcoteq shareholders and business partners

Elcoteq experienced another year of rapid growth and internationalization in 1999. The company undertook many measures to accelerate its growth but we also witnessed sharp growth in the markets as well. Let me summarize the position Elcoteq has achieved in four statements.

Globalization succeeded as planned

We could describe Elcoteq's globalization between 1997 and 1999 as giant leap forward. The extremely rapid transformation of a small Nordic company into a global EMS provider owes itself above all to the confidence shown by its customers. Globalization was also a tough task for all of us at Elcoteq, not to mention the trail it left on our financial performance. Apart from the direct investment costs, the program's start-up and training costs amounted to over five million euros during 1998 and a further eight million euros in 1999.

Elcoteq now has manufacturing plants on three continents with experience and expertise in wireless telecommunications products. This also makes us an attractive business partner where the development and manufacture of new wireless products are concerned.

Becoming global is a task we need do only once. We fulfilled everything we said we would do in 1997 – plus a little extra. Now is the time to put our global plant network to optimum use and continue to grow, using its capabilities and the new opportunities offered by the market.

Elcoteq is an even better partner to its customers

Elcoteq is beyond dispute the most experienced EMS company manufacturing wireless communication products in the world today. More than anything else, we are a major EMS provider for mobile phone manufacturers. We also hold a strong position in the infrastructure technologies underlying the manufacture of mobile phone accessories and mobile communications.

Throughout its history, Elcoteq's strategy has been to grow and evolve together with customers who are the leading actors in their sectors. This process of co-evolution, as we call it, particularly with Ericsson and Nokia, is reflected in our strong presence in the technologies and geographical regions of crucial importance to Elcoteq and its customers. Elcoteq's strategic focus will continue to be in wireless electronics for telecommunications, supplemented by industrial electronics products.

Elcoteq will continue to grow independently and participate actively in the transformation of the EMS sector

Elcoteq has long been the largest European EMS company. Our worldwide expansion now ranks us among the top global names and a leading EMS company in wireless communications. We intend to pursue additional growth in pace with the continuing rapid increase in demand. To support our competitive and global plant network we are now seeking further means of growth best suited to the way we operate. We are also willing to take an active role in industry consolidation in order to further reinforce Elcoteq's independent status.

Growth needs capital

Rapid growth in demand, finalized contracts and decisions to increase capacity will enable us to double net sales in 2000 as well. The costs of creating a global operating framework are now behind us, so we can also look forward to an improvement in our performance.

Organic growth and participation in industry restructuring call for solid capital management. To maintain latitude in all growth scenarios, Elcoteq is preparing to strengthen its capital structure during the first half of 2000.

Dear readers,

Once again I should like to thank all our customers, suppliers, shareholders, financiers and other business partners for their constructive co-operation and confidence in Elcoteq. I know our personnel are committed to continuously raising Elcoteq's competitive capabilities and for that I offer them my warmest gratitude.

Helsinki, February 2000

Antti Piippo
Chairman of the Board

President's message

Elcoteq's globalization program in 1998 and 1999 was based on two crucial principles: co-evolution with our customers, and global compatibility of operations. With the program now complete, we feel immensely satisfied that we kept to these principles without compromise. Elcoteq today is a global EMS company with cutting-edge technology and a streamlined organization of professionals.

Relations with our customers – their depth, duration, degree of confidentiality and our desire to enhance them – form the core of Elcoteq's assets. Co-evolution with our customers and suppliers is the key factor that has transformed Elcoteq in two years from a local company into a global provider of electronics manufacturing services. This process gives us a place in the strategies and operations of some of the world's best managed corporations.

At Elcoteq we are convinced that systematic co-evolution has improved the company's reputation in the eyes of its customers. We have sought to collaborate so closely with them that we truly understand their business strategies, the market mechanisms underlying their products, and also their own responsibilities with respect to their customers and other stakeholders.

It is sometimes imagined that providing manufacturing services is simply a mechanical subcontractor relationship between two or more companies. The truth is very different. Co-evolution implies a business relationship in which both parties genuinely seek the optimal solution to their total mutual needs. We have defined our mission as continuously improving the performance and competitiveness of the entire value chains in which we participate, through co-evolution with our customers and suppliers, in order to increase the value of these value chains to all stakeholders. In other words, this is no "zero sum game" between two parties but a "positive sum game" where everyone in the value chain wins. The co-evolution process also requires each party to be willing to take risks. Elcoteq's biggest risks – and indeed its biggest success – have been locating new capacity and timing its plant expansions under its globalization program. The success of these decisions now places us among the global leaders in our sector.

The other direction to co-evolution is electronic component manufacturers and technology developers. The more important Elcoteq has become in the EMS markets, the more pronounced our role as a partner has become with those suppliers working alongside us or in front of us in the value chain. It is surely to the credit of co-evolution that Elcoteq was able to post positive annual results throughout the rapid and cost-intensive two-year globalization period. The power of co-evolution with customers and suppliers is also reflected in the way we came through, largely unscathed, the continuously intensifying component situation that troubled the entire electronics industry in 1999.

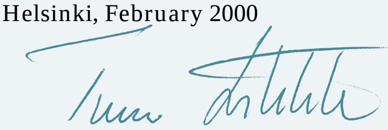
With globalization now behind us, it has been quite natural for our customers to want to visit our new plants. On arriving at the new plant we built in Pécs, Hungary, one customer immediately remarked that they recognized it as an "Elcoteq plant". And having finished their inspection, they added that they had complete confidence in the plant's ability to provide the electronics manufacturing services they needed.

This comment, from a major customer, well illustrates another key asset of ours. Our globalization process also means that our organization and operations are able to produce services using compatible processes and always to the same quality standards, on three continents. This compatibility of technologies, processes and systems is especially significant when manufacturing global products for customers with worldwide operations.

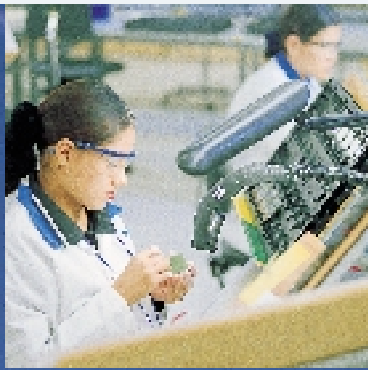
The need to ensure compatibility of the entire plant network was the main reason why we implemented most of the globalization program ourselves, building greenfield sites, purchasing the necessary production equipment, transferring our business processes and training our personnel. Elcoteq's future expansion projects will benefit from the operations and expertise of these plants, and also make them easier and financially lighter to implement. We are now more ready than ever for the rapid growth that lies ahead.

I thank our customers and other business partners for their constructive contribution to co-evolution in 1999. I also extend my gratitude to our shareholders for their confidence in the company's strategy and operations. My special thanks are due to all our employees in Elcoteq for their enthusiasm, commitment and flexibility, without which we would not have achieved our objectives so far.

Helsinki, February 2000



Tuomo Lähdesmäki
President

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Formulas for the calculation of financial ratios

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

Return on equity (ROE) =
$$\frac{\text{(Profit before taxation – income taxes) x 100}}{\text{Shareholders' equity + minority interests, average of figures at beginning and end of year}}$$

Return on investment (ROI) =
$$\frac{\text{(Profit before taxation + interest and other financial expenses) x 100}}{\text{Total assets – non interest-bearing liabilities, average of figures at beginning and end of year}}$$

Current ratio =
$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Solvency 1 =
$$\frac{\text{(Shareholders' equity + minority interests) x 100}}{\text{Total assets – advance payments received}}$$

Solvency 2 =
$$\frac{\text{(Shareholders' equity + convertible capital notes + minority interests) x 100}}{\text{Total assets – advance payments received}}$$

Gearing 1 =
$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Shareholders' equity + minority interests}}$$

Gearing 2 =
$$\frac{\text{Interest-bearing liabilities – convertible capital notes – cash and cash equivalents}}{\text{Shareholders' equity + convertible capital notes + minority interests}}$$

Earnings per share (EPS) =
$$\frac{\text{Profit before extraordinary items, appropriations and taxes – minority interests – taxes}}{\text{Adjusted average number of shares during the period}}$$

Shareholders' equity per share =
$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the period}}$$

Dividend per share =
$$\frac{\text{Dividends paid for the fiscal year}}{\text{Adjusted number of shares at the end of the period}}$$

Pay-out ratio =
$$\frac{\text{Dividends paid for the fiscal year x 100}}{\text{Profit before taxation – income taxes – minority interests}}$$

Dividend yield =
$$\frac{\text{Dividend per share x 100}}{\text{Average share price at the end of the period}}$$

P/E ratio =
$$\frac{\text{Average share price at the end of the period}}{\text{Earnings per share (EPS)}}$$

Five years in figures, FIM

		1999 12 months	1998 12 months	1997 12 months	1996 12 months	1995 10 months
OPERATIONS						
Net sales	MFIM	4,474.1	2,346.3	1,678.6	988.1	755.6
of which outside Finland	%	80.3	64.7	77.8	68.4	60.8
Gross capital expenditure	MFIM	298.6	261.7	132.0	92.8	84.4
of which leasing	MFIM	32.0	-	4.6	25.0	40.9
Personnel on average during the year		4,733	3,085	2,593	1,888	1,651
PROFITABILITY						
Operating profit	MFIM	86.1	61.8	80.9	48.7	83.3
as percentage of net sales	%	1.9	2.6	4.8	4.9	11.0
Profit before taxation	MFIM	58.5	51.5	57.0	33.9	76.5
as percentage of net sales	%	1.3	2.2	3.4	3.4	10.1
Net income	MFIM	29.7	42.5	43.7	21.0	55.8
as percentage of net sales	%	0.7	1.8	2.6	2.1	7.4
Return on equity (ROE)	%	5.4	6.6	12.1	22.8	92.6
Return on investment (ROI)	%	8.2	8.1	14.1	16.6	47.0
FINANCIAL RATIOS						
Current ratio		1.2	1.7	2.6	1.7	1.3
Solvency 1	%	27.5	43.8	52.7	17.0	22.7
Solvency 2	%	31.7	51.0	62.0	36.5	22.7
Gearing 1		0.7	0.4	-0.4	1.8	1.4
Gearing 2		0.5	0.2	-0.5	0.3	1.4
PER SHARE DATA						
Earnings per share (EPS) *)	FIM	1.28	1.88	2.64	1.32	3.52
Shareholders' equity per share	FIM	29.96	28.57	26.93	5.89	5.39
Dividend per share **)	FIM	0.65	0.20	0.20	0.61	0.76
Pay-out ratio **)	%	51.0	11.0	10.7	46.4	21.5
Dividend yield **)	%	0.7	0.4	0.3		
P/E ratio		72.0	30.1	26.1		
Share price						
* lowest share price	FIM	42.04	31.00	64.00		
* highest share price	FIM	94.54	85.00	76.00		
* average share price	FIM	55.98	56.23	70.45		
* Dec. 30 share price	FIM	90.38	55.00	68.50		
Market capitalization						
* A series	MFIM	1,151.2	700.6	872.6		
* K series	MFIM	955.9	581.7	724.5		
* Total	MFIM	2,107.1	1,282.4	1,597.1		
Market capitalization for both share series have been calculated using closing share price at Dec. 30, 1999.						
Trading of shares						
* Number of shares traded	Shares	10,706,930	12,508,204	889,992		
* As percentage of all A shares	%	84.1	98.2	7.0		
Adjusted weighted average number of shares during the period	Shares	23,315,500	23,315,500	16,558,377	15,865,500	15,865,500
Adjusted number of shares at the end of the period	Shares	23,315,500	23,315,500	23,315,500	15,865,500	15,865,500

*) The diluted profit for the period/share (EPS) is not presented since it was higher than the undiluted EPS because of interest expenses arising from convertible capital notes.

**) The dividend for the financial year 1999 is the Board's proposal to the Annual General Meeting.

From 1996 to 1999 Elcoteq's financial year coincided with the calendar year. In 1995 the financial year was from March 1 to December 31 (10 months).

Since 1998 the financial statements have been prepared in compliance with the Finnish Accounting Act, which came into force on December 31, 1997. The financial statements and key ratios have been adjusted correspondingly, but the figures for 1996 and 1995 have not.

Five years in figures, EUR

		1999 12 months	1998 12 months	1997 12 months	1996 12 months	1995 10 months
OPERATIONS						
Net sales	MEUR	752.5	394.6	282.3	166.2	127.1
of which outside Finland	%	80.3	64.7	77.8	68.4	60.8
Gross capital expenditure	MEUR	50.2	44.0	22.2	15.6	14.2
of which leasing	MEUR	5.4	-	0.8	4.2	6.9
Personnel on average during the year		4,733	3,085	2,593	1,888	1,651
PROFITABILITY						
Operating profit	MEUR	14.5	10.4	13.6	8.2	14.0
as percentage of net sales	%	1.9	2.6	4.8	4.9	11.0
Profit before taxation	MEUR	9.8	8.7	9.6	5.7	12.9
as percentage of net sales	%	1.3	2.2	3.4	3.4	10.1
Net income	MEUR	5.0	7.1	7.3	3.5	9.4
as percentage of net sales	%	0.7	1.8	2.6	2.1	7.4
Return on equity (ROE)	%	5.4	6.6	12.1	22.8	92.6
Return on investment (ROI)	%	8.2	8.1	14.1	16.6	47.0
FINANCIAL RATIOS						
Current ratio		1.2	1.7	2.6	1.7	1.3
Solvency 1	%	27.5	43.8	52.7	17.0	22.7
Solvency 2	%	31.7	51.0	62.0	36.5	22.7
Gearing 1		0.7	0.4	-0.4	1.8	1.4
Gearing 2		0.5	0.2	-0.5	0.3	1.4
PER SHARE DATA						
Earnings per share (EPS) *)	EUR	0.21	0.32	0.44	0.22	0.59
Shareholders' equity per share	EUR	5.04	4.81	4.53	0.99	0.91
Dividend per share **)	EUR	0.11	0.03	0.03	0.10	0.13
Pay-out ratio **)	%	51.0	11.0	10.7	46.4	21.5
Dividend yield **)	%	0.7	0.4	0.3		
P/E ratio		72.0	30.1	26.1		
Share price						
* lowest share price	EUR	7.07	5.21	10.76		
* highest share price	EUR	15.90	14.30	12.78		
* average share price	EUR	9.42	9.46	11.85		
* Dec. 30 share price	EUR	15.20	9.25	11.52		
Market capitalization						
* A series	MEUR	193.6	117.8	146.8		
* K series	MEUR	160.8	97.8	121.9		
* Total	MEUR	354.4	215.7	268.6		
Market capitalization for both share series have been calculated using closing share price at Dec. 30, 1999.						
Trading of shares						
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Report by the board of directors January 1 – December 31, 1999

Market conditions

Manufacturers of electronic end-products continued to outsource their production needs during 1999 and demand for electronics manufacturing services (EMS) showed further rapid growth. At the same time demand broadened to cover an ever wider scope of globally available services. End-product manufacturers are seeking to obtain production, engineering, material and logistics services in all their major market areas, i.e. Europe, America and Asia.

Market surveys indicate that demand for electronics manufacturing services will grow at an average rate of 20 % per year over the next few years. The fastest segment in this sector is believed to be outsourcing of companies who engineer and manufacture telecommunications products; hence EMS companies serving this group of customers will grow substantially faster than market growth on average. This is precisely the customer segment best served by Elcoteq's expertise and production capacity.

Vigorous consolidation within the EMS sector was evident in 1999 through acquisitions and mergers. Companies also focused heavily on expanding their plant networks in different geographical regions.

Component delivery times remained unchanged from the fall of 1999 and the availability of certain components continued to create problems. The company does not expect this situation to improve significantly during 2000. Fluctuations in component availability could lead to an increase in inventories.

Net sales and performance

Consolidated net sales increased 91 % during the year to MEUR 752.5 (394.6), 80.3 % (64.7 %) of which came from invoicing outside Finland. As in previous years, the bulk of net sales accrued at the end of the year. A significant proportion of this growth was once again evident at the Tallinn and Lohja plants. Net sales was also boosted at the end of the year by the new capacity brought on line in China, Mexico and Hungary. The plants acquired from ABB Transmit and Kone in 1998 were for the first time consolidated in the Group for the full financial year, which raised net sales of industrial electronics.

Elcoteq's principal customers were companies belonging to the ABB, Ericsson, Kone, Nokia and Philips groups. Ericsson and Nokia companies contributed altogether 87 % (80 %) of Elcoteq's consolidated net sales. Manufacture of mobile phones, their components and accessories accounted for 75 % (73 %) of net sales; other telecommunications products for 8 % (5 %) and industrial electronics for 8 % (11 %).

The Group's operating profit rose 39 % on the previous year to MEUR 14.5 (10.4), and represented 1.9 % (2.6 %) of net sales. The company's globalization program was concluded successfully during 1999. Its costs still depressed the 1999 result. The costs of the plant projects in Hungary, Mexico and China, as well as the other costs directly associated with the company's globalization, exceeded MEUR 8 in 1999. Profits improved towards the end of the year and, taken as a whole, the plants reached profitability by the end of the year.

The Group had 6,147 employees at the end of the period and 3,874 at the start. The average number of employees in the Group rose 53 % during the year. Despite this increase, however, personnel expenses grew only 45 % to MEUR 52.0 (35.8) since the bulk of the increase took place in low-cost countries. Depreciation rose 86.9 % to MEUR 17.9 (9.6) mainly because of machinery and equipment purchases to raise capacity.

The Group's profit before extraordinary items and taxes was MEUR 9.8 (9.0) and the pretax profit was MEUR 9.8 (8.7). Net financial expenses totaled MEUR 4.6 (1.4).

The Group posted a net profit after taxes and minority interest of MEUR 5.0 (7.1). Income taxes for the year amounted to MEUR 3.6 (1.5). The previous year's income taxes were reduced by a tax rebate of roughly one million euros.

The balance sheet total increased 71.1 % to MEUR 438.1 (256.1). Capital expenditure raised fixed assets to MEUR 98.7 (72.4) at the year end. Inventories totaled MEUR 142.2 (66.6) and purchasing liabilities were MEUR 190.3 (65.3) at the close of the period. The value of component stocks was high at the year end as the company made provision for a rise in delivery volume at the start of 2000. Accounts receivable totaled MEUR 162.9 (96.1). The level of accounts receivable was high at the year end owing to high invoicing during the final quarter. Return on investment was 8.2 % (8.1 %) and return on shareholders' equity was 5.4 % (6.6 %).

Capital expenditure

The Group's capital expenditure totaled MEUR 50.2 (44.0). The company made new leasing contracts for MEUR 5.4 and purchased back expired leasing contracts for MEUR 0.1.

Investments totaling MEUR 24.0 were focused on raising the capacity and technological capabilities of the Lohja and Tallinn plants to match current demand. A further MEUR 26.2 was invested in machinery and equipment elsewhere under the globalization project.

Elcoteq's globalization

During the year Elcoteq completed its program of globalization which was begun after its initial public offering in 1997. Elcoteq's plant network now encompasses three continents: Asia, Europe and America. Its position in the EMS markets has strengthened since the technologies and systems of Elcoteq's plants are specifically geared to the manufacture of telecommunications products. This structure matches the needs of customers for geographical availability and scope of service.

The plant built by the company in Pécs, Hungary, has manufactured automotive electronics for the central European market since it began operating. Production of industrial electronics started in May, and since August the plant has also provided aftermarket services to Philips Consumer Communications. The Pécs plant had 995 employees at the close of the period. During the second quarter of 2000 it will also begin manufacturing mobile phones, Ericsson being one of its customers.

The plant built by Elcoteq in Monterrey, Mexico, started operating in January with the manufacture of accessories and subassemblies for Nokia mobile phones. This plant now has several customer projects and in December 1999 Elcoteq's Board of Directors decided to double the plant's size to over 16,000 square meters during the first half of 2000. The Monterrey plant had 491 employees at the close of the period.

Take-over of the plant acquired from Nokia Mobile Phones in Dongguan, China, at the beginning of April proceeded smoothly and the plant had a positive impact on the year's profits. The Dongguan plant began serving several customers during the period. The Customer Center in Hong Kong has been in operation since the beginning of January 1999. Elcoteq had altogether 625 employees at its Dongguan and Hong Kong units at the close of the year.

The plant in St. Petersburg, Russia, reached good levels of productivity and quality during 1999. The number of employees totaled 100 at the close of the period. The company is studying the feasibility of expanding activities in St. Petersburg.

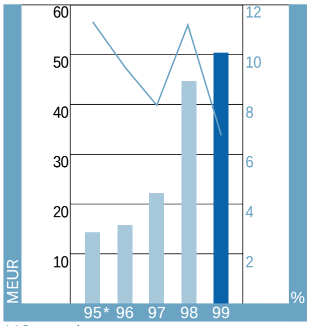
Financing

The Group's liquidity remained strong throughout the period. The solvency ratio was 31.7 % (51.0 %) at the end of the year. The decrease was principally caused by an increase in working capital resulting from growth in operating volume. Of this figure, 4.2 percentage points was attributable to the convertible capital notes, which are treated as shareholders' equity. Of voluntary provisions and the accumulated depreciation difference, 29 % was recognized as the deferred tax liability and the remainder as shareholders' equity.

In spring 1999 Elcoteq concluded an MEUR 55 revolving credit facility with a consortium of five banks. Elcoteq's growth was largely financed using this facility and other credit limits at the company's disposal.

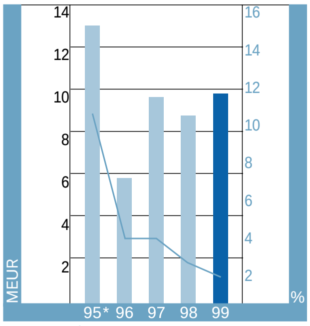
The Group's cash reserves on the balance sheet date were MEUR 20.5 (13.7), in addition to which the Company had unused credit limits totaling MEUR 114.6 (45.8). The company is preparing to increase its equity-based financing during the first half of 2000.

Capital expenditure



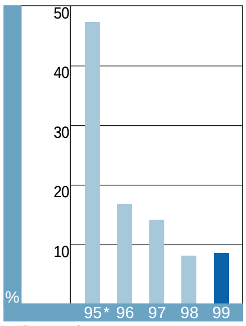
*10 months
– AS percentage of net sales

Profit before taxation



*10 months
– AS percentage of net sales

Return on investment (ROI)



*10 months

At the end of 1999 variable interest loans accounted for 62 % of all interest-bearing debt, i.e. MEUR 107.8, and 63 % if leasing contracts are included. The average interest payable on interest-bearing debt at the close of the year was 5.24 %. The above figures include the convertible capital notes of FIM 110 million at a fixed interest rate of 9.39 %.

The Group's operations are international and therefore sensitive to exchange rate risks. The Group's policy is to hedge its major open foreign exchange exposure. Its purchasing and sales positions are hedged using mainly forward foreign exchange and option contracts with a maturity of normally no more than four months. Loans raised in foreign currencies are generally hedged using swap contracts.

The year 2000

Elcoteq began preparations for the roll-over into the year 2000 at the beginning of 1998. This involved measures to ensure the uninterrupted operation of its information systems, production machinery and equipment, and the systems embedded in its business premises. The change of year created no problems in the company's operations.

Monitoring since the start of 2000 has not revealed any disturbances to the functionality of the company's systems.

Group structure

The Group's parent company is Elcoteq Network Oyj (Elcoteq Network Corporation in English). During the period the company established Elcoteq Asia Ltd in Hong Kong, Dongguan Elcoteq Electronics Co. Ltd in Dongguan, China, and at the end of 1999 Elcoteq Elektronik GmbH in conjunction with its existing subsidiary Elcoteq Deutschland GmbH in Germany.

At the end of the year all the company's subsidiaries were wholly owned by the parent company Elcoteq Network Corporation, directly or through its subsidiaries, except Dongguan Elcoteq Electronics Co. Ltd, in which its local partner has a minority holding of 30 %.

Board of Directors and President

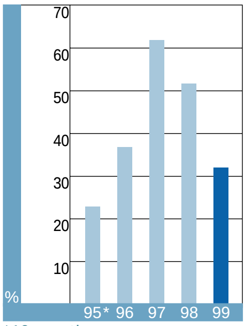
The Annual General Meeting of Elcoteq Network Corporation was held in Helsinki on March 17, 1999. The meeting re-elected the following to the Board of Directors of the parent company: Mr Antti Piippo, Mr Heikki Horstia, Mr Henry Sjöman, Mr Juha Toivola and Mr Jorma Vanhanen. The Board elected Antti Piippo as chairman and Juha Toivola as deputy chairman. Antti Piippo, Heikki Horstia and Juha Toivola constitute the Board's Review and Compensation Committee.

The company's president for the whole year was Mr Tuomo Lähdesmäki MSc (Eng.), MBA.

Auditors

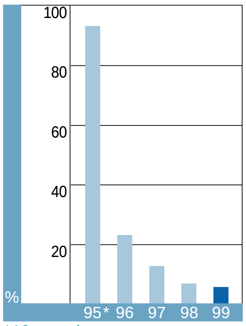
The company's auditors are the firm of authorized public accountants KPMG Wideri Oy Ab under the

Solvency ratio



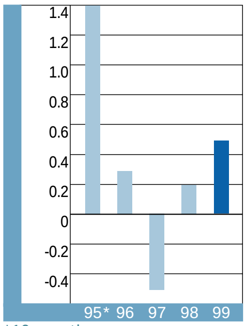
*10 months

Return on equity (ROE)



*10 months

Gearing



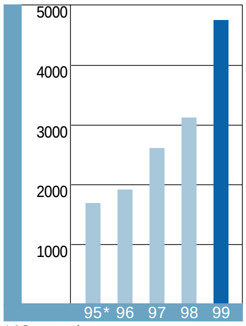
*10 months

supervision of principal auditor Mr Birger Haglund, Authorized Public Accountant.

Personnel

There were 3,874 employees at the start of the year and 6,147 at the year end. The Group had 4,733 (3,085) employees on average during the year.

Personnel on average during the year



*10 months

Subsequent events

In December 1999 Elcoteq signed an agreement to acquire the operations of the German EMS company Stephan Elektronik. This company became part of Elcoteq on 1 January 2000 and included the plants in Überlingen, Germany, and Wroclaw, Poland, as well as a customer center in Beringen, Switzerland. The company continues to operate under the name Elcoteq Elektronik GmbH with some 500 employees. The net sales of the acquired operations totaled approximately MEUR 40 in 1999 and Elcoteq believes this figure will increase during 2000. The deal will have a neutral effect on Elcoteq's performance during 2000 and positive thereafter. The acquisition strengthens Elcoteq's position in Europe and especially in Germany, where the EMS market is in its infancy.

At the beginning of January 2000 Elcoteq acquired a 30,000 square meter display manufacturing plant in Pécs, Hungary, from Nokia Display Products. This deal will help Elcoteq to meet growing demand for electronics manufacturing services in central Europe. The company will continue to produce displays for the time being but the plant is being modified to start manufacturing other electronics products. Roughly 1,400 Nokia Display Products employees transferred to Elcoteq as a result of the acquisition. This arrangement will have a positive impact on Elcoteq's result in 2000.

Prospects for 2000

The EMS markets, and in particular outsourcing of electronics for wireless telecommunications, will continue to grow vigorously during 2000.

The company believes that its full-year net sales will continue to grow at least as fast as in 1999 and that its performance will improve significantly. The utilization rate of its acquired capacity will rise and the costs of the company's completed globalization program will no longer affect the result in 2000.

Shares and shareholders

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

Elcoteq has two classes of shares, Series A and Series K. There are 12,738,500 A shares and 10,577,000 K shares, making a total of 23,315,500 Elcoteq shares. The shares in both series have a nominal value of FIM 2 per share. Hence the registered share capital of the company totals FIM 46,631,000.

Each Elcoteq A share carries one vote and each K share 10 votes at shareholders' meetings. Both share series entitle shareholders to the same dividend rights.

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

Elcoteq Network Corporation does not own its own shares.

Board authorizations

Elcoteq's Board of Directors has no unexercised authorizations from the Annual General Meeting to raise the share capital through share issues or other instruments related to shares.

Convertible capital notes

In December 1996 the company issued convertible capital notes in the amount of FIM 110 million. These notes may be converted for A shares in the company for FIM 80.50 per share between January 1, 2001 and May 31, 2002. Full conversion of the notes into shares would create 1,366,459 new A shares, representing 5.5% of the total number of shares and 1.2% of the voting rights after conversion.

The terms and conditions of the convertible capital notes are explained in more detail under Note 10 of the notes to the financial statements on page 31.

Bonds with warrants

In the fall of 1997 the company offered bonds with warrants in the amount of FIM 1,125,000 which would allow the present 89 subscribers to subscribe for altogether 1,125,000 new A shares for FIM 63 per share. If all the warrants are exercised, this would represent 4.6% of the total number of shares and 0.9% of the voting rights after subscription.

The terms and conditions of the bonds with warrants are explained in more detail under Note 12 of the notes to the financial statements on page 32.

Board of Directors' and President's holdings

The members of the company's Board of Directors and the President own altogether 3,689,320 A shares and 10,577,000 K shares, which corresponds to 61.2% of the total number of shares and 92.4% of the voting rights.

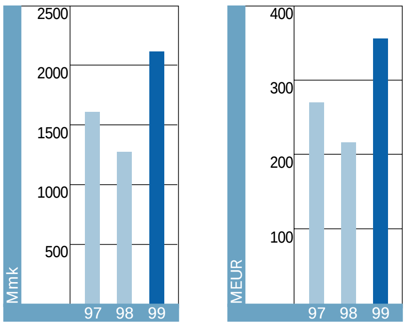
Furthermore, the members of the Board and the President subscribed for and hold altogether 315,000 i.e. 28%, of the warrants attached to the bonds with warrants issued to company executives in the fall of 1997. Based on these warrants, they may subscribe for at most 315,000 new A shares, which would represent 1.3% of the share capital and 0.3% of the voting rights after subscription. The members of the Board and the President would jointly hold 59.7% of the total number of shares and 92.4% of the voting rights if their warrants were exercised.

Market capitalization

The market capitalization of Elcoteq's share capital at the end of 1999 was FIM 2,107 million (354 MEUR). The market capitalization is calculated by multiplying all the A and K shares by the final share quotation in 1999. One year earlier the company's market capitalization was FIM 1,282 million (216 MEUR).

Share ratios and other figures are shown on page 10.

Elcoteq's market capitalization



Taxation values of Elcoteq shares

The Finnish taxation value of Elcoteq's Series A share in 1999 was FIM 63,68 per share.

Nominee-registered and foreign shareholders

On February 8, 2000 there were altogether 4,070,829 nominee-registered or foreign registered A Shares, i.e. 17,46% of the shares and 3,44% of the voting rights.

The free float is 9,050,000 shares, i.e. 38,82% of the shares, of which 44,98% were nominee-registered or held by registered foreign shareholders.

In the tables describing types of owners and distribution of shares each share register entry is considered to be independent. Holdings belonging to the same group or sphere of influence are not combined.

The adjacent tables are based on the share register as of Feb. 8, 2000.

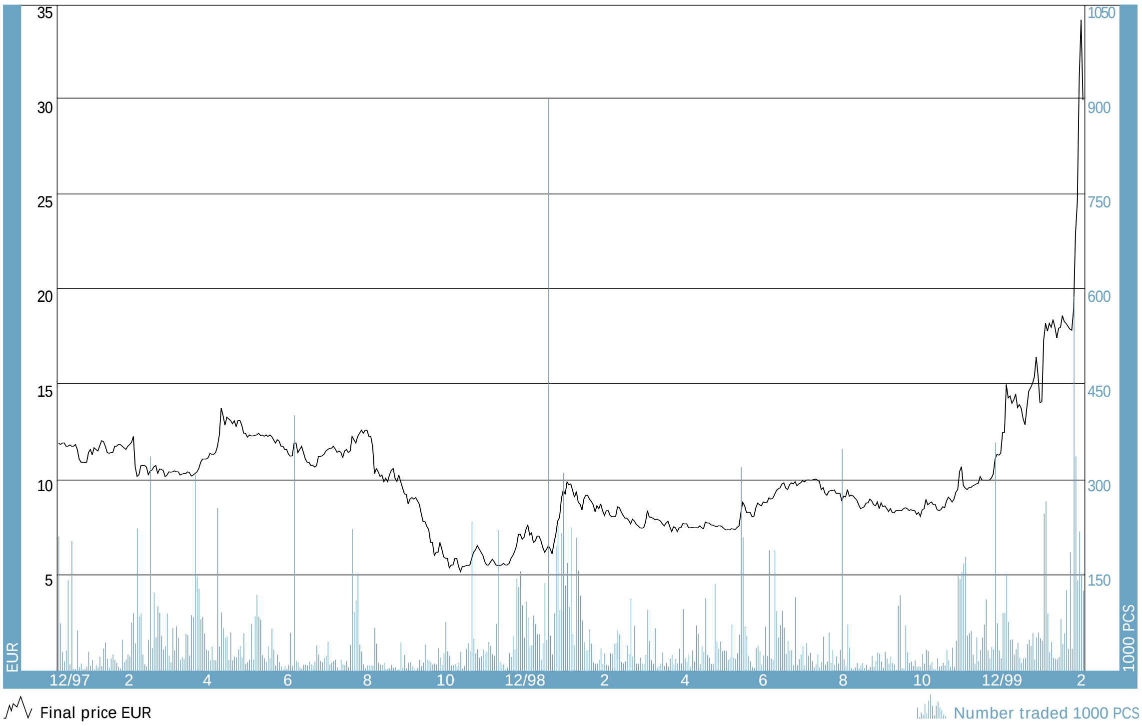
DISTRIBUTION OF SHARES

Number of Shares	Owners	% of votes
1-100	2072	0.13 %
101-1000	3928	1.27 %
1001-10 000	452	0.95 %
10 001-100 000	35	1.09 %
100 001-	10	96.56 %

TYPES OF OWNERS

Corporations	2.64 %
Financial and insurance institutions	20.99 %
Public entities	3.94 %
Non-profit organizations	0.92 %
Households	71.45 %
Foreign	0.06 %

TRADING PRICE AND VOLUME OF ELCOTEQ'S A SHARES NOV. 26, 1997 - FEB. 8, 2000



LARGEST SHAREHOLDERS AS OF FEB. 8,2000

	A Shares	K Shares	% of shares	% of votes
1. Piippo Antti	1,886,970	5,411,000	31.3	47.25
2. Vanhanen Jorma	900,765	2,583,000	14.94	22.56
3. Sjöman Henry	900,765	2,583,000	14.94	22.56
4. The Local Government Pensions Institution	452,400		1.94	0.38
5. FIM Forte Investment Fund	322,150		1.38	0.27
6. Varma-Sampo Mutual Pension Insurance Company	160,000		0.69	0.14
7. Industrial Insurance Company	135,900		0.58	0.11
8. Tapiola Mutual Pension Insurance Company	121,850		0.52	0.10
9. Investment Fund Gyllenberg Small Firm	90,300		0.39	0.08
10. FIM Tekno Investment Fund	86,500		0.37	0.07
10 largest shareholders, total	5,057,600	10,577,000	67.05	93.52

Consolidated income statement

Income statement FIM 1000 / EUR 1000	Note	FIM 1000 Jan. 1 - Dec. 31, 1999	FIM 1000 Jan. 1 - Dec. 31, 1998	EUR 1000 Jan. 1 - Dec. 31, 1999	EUR 1000 Jan. 1 - Dec. 31, 1998
NET SALES	1	**4,474,133**	**2,346,302**	**752,495**	**394,620**
Change in stock of work in progress and finished goods		33,290	21,271	5,599	3,578
Other income from operations		13,368	8,777	2,248	1,476
Production materials and services					
Materials and supplies					
Purchases during period		-4,189,218	-2,057,937	-704,576	-346,120
Change in inventories		407,785	152,839	68,585	25,706
Materials and supplies total		-3,781,433	-1,905,098	-635,991	-320,414
External services		-13,024	-10,618	-2,190	-1,786
		-3,794,457	-1,915,715	-638,182	-322,200
Personnel expenses	2				
Wages, salaries and fees		-245,067	-168,942	-41,217	-28,414
Indirect personnel expenses					
Pension costs		-30,587	-20,292	-5,144	-3,413
Other indirect employer costs		-33,839	-23,419	-5,691	-3,939
		-309,493	-212,653	-52,053	-35,766
Depreciation and writedowns	3				
Depreciation according to plan		-106,323	-56,294	-17,882	-9,468
Amortization of goodwill on consolidation		-268	-730	-45	-123
		-106,592	-57,024	-17,927	-9,591
Other operating expenses		-224,161	-129,135	-37,701	-21,719
OPERATING PROFIT		**86,088**	**61,823**	**14,479**	**10,398**
Financial income and expenses	4				
Other interest and financial income					
Exchange gains		3,606	6,402	607	1,077
Other financial income		8,448	11,767	1,421	1,979
		12,055	18,169	2,027	3,056
Financial expenses					
Interest expenses		-27,959	-14,682	-4,702	-2,469
Exchange losses		-4,070	-9,726	-684	-1,636
Other financial expenses		-7,606	-2,330	-1,279	-392
		-39,635	-26,738	-6,666	-4,497
Financial income and expenses		-27,580	-8,569	-4,639	-1,441
PROFIT BEFORE EXTRAORDINARY ITEMS		**58,508**	**53,254**	**9,840**	**8,957**
Extraordinary items	5				
Extraordinary income		-	1,584	-	266
Extraordinary expenses		-	-3,378	-	-568
PROFIT BEFORE TAXES		**58,508**	**51,459**	**9,840**	**8,655**
Income taxes					
Income taxes for the financial year		-14,819	-9,796	-2,492	-1,648
Income taxes for prior years		-945	5,867	-159	987
Change in deferred tax liability		-5,397	-5,062	-908	-851
Income taxes total		-21,162	-8,991	-3,559	-1,512
Minority interests		-7,615	-	-1,281	-
NET INCOME FOR THE FINANCIAL YEAR		**29,732**	**42,468**	**5,000**	**7,143**

Consolidated cash flow statement

Cash flow statement FIM 1000 / EUR 1000	FIM 1000 Jan. 1 - Dec. 31, 1999	FIM 1000 Jan. 1 - Dec. 31, 1998	EUR 1000 Jan. 1 - Dec. 31, 1999	EUR 1000 Jan. 1 - Dec. 31, 1998
Cash flow from operations				
Net profit for the financial year	29,732	42,468	5,000	7,143
Adjustments				
Depreciation	106,592	57,024	17,927	9,591
Decrease in provisions	-47	-130	-8	-22
Interest expenses	32,620	14,682	5,486	2,469
Interest income	-8,448	-11,525	-1,421	-1,938
Taxes	21,162	8,991	3,559	1,512
Other items	8,240	2,322	1,386	391
Operating profit before change in working capital	**189,849**	**113,833**	**31,930**	**19,145**
Change in net working capital				
Increase in accounts receivable	-420,367	-389,844	-70,701	-65,567
Increase in inventories	-458,691	-172,542	-77,146	-29,019
Increase in interest-free short-term debt	706,706	162,412	118,859	27,316
	-172,352	-399,974	-28,987	-67,271
Cash flow from operations	**17,498**	**-286,142**	**2,943**	**-48,126**
Interest paid, net	-19,368	-3,469	-3,257	-583
Taxes paid	-14,981	-1,075	-2,520	-181
Net cash flow from operations	**-16,851**	**-290,686**	**-2,834**	**-48,890**
Cash flow from investing activity				
Investments in fixed assets	-226,964	-267,028	-38,173	-44,911
Proceeds from sale of fixed assets	3,784	17,661	636	2,970
	-223,180	-249,367	-37,536	-41,941
Cash flow from financing activity				
Increase in other shareholders' equity	7,185	466	1,209	78
Increase in long-term debt	42,752	52,672	7,190	8,859
Payment of long-term debt	-3,609	-89,851	-607	-15,112
Increase in short-term debt	237,678	151,398	39,975	25,463
Increase in long-term receivables	-8,150	-4,917	-1,371	-827
Dividends paid	-4,663	-4,663	-784	-784
Minority interest	18,246	-540	3,069	-91
Other, net	-9,191	-190	-1,546	-32
	280,248	104,376	47,134	17,555
Increase/decrease in liquid funds	**40,217**	**-435,677**	**6,764**	**-73,276**
Liquid funds at Jan. 1	**81,625**	**517,302**	**13,728**	**87,004**
Liquid funds at Dec. 31	**121,842**	**81,625**	**20,492**	**13,728**

Consolidated balance sheet

ASSETS, FIM 1000 / EUR 1000	Note	FIM 1000 Dec. 31, 1999	FIM 1000 Dec. 31, 1998	EUR 1000 Dec. 31, 1999	EUR 1000 Dec. 31, 1998
Fixed assets	6				
Intangible assets					
Intangible rights		396	289	67	49
Other long-term expenditure		31,130	21,338	5,236	3,589
Advance payments		1,778	1,286	299	216
Goodwill on consolidation		1,133	1,401	191	236
		34,438	24,314	5,792	4,089
Tangible assets					
Land and water		6,888	4,332	1,158	729
Buildings		117,194	103,186	19,711	17,355
Machinery and equipment		408,875	292,837	68,768	49,252
Advance payments and construction in progress		5,311	1,736	893	292
		538,267	402,092	90,530	67,627
Investments	7				
Shares in associated companies		243	251	41	42
Receivables from associated companies		520	520	87	87
Other shares and holdings		13,268	3,345	2,232	563
		14,032	4,115	2,360	692
Fixed assets total		**586,737**	**430,521**	**98,682**	**72,409**
Current assets					
Inventories					
Raw materials		761,120	346,800	128,011	58,328
Work in progress		50,757	25,816	8,537	4,342
Finished goods		34,850	23,087	5,861	3,883
Advance payments		146	284	25	48
		846,873	395,988	142,434	66,600
Long-term receivables					
Deferred tax assets	11	1,080	4,987	182	839
Other loans receivable		12,284	226	2,066	38
		13,364	5,214	2,248	877
Short-term receivables	8				
Accounts receivable		968,818	571,415	162,944	96,105
Prepaid expenses and accruals		67,203	38,016	11,303	6,394
		1,036,021	609,431	174,246	102,499
Cash and cash equivalents		121,842	81,624	20,492	13,728
Current assets total		**2,018,099**	**1,092,257**	**339,420**	**183,704**
ASSETS TOTAL		**2,604,836**	**1,522,779**	**438,102**	**256,113**

Consolidated balance sheet

SHAREHOLDERS' EQUITY AND LIABILITIES, FIM 1000 / EUR 1000	Note	FIM 1000 Dec. 31, 1999	FIM 1000 Dec. 31, 1998	EUR 1000 Dec. 31, 1999	EUR 1000 Dec. 31, 1998
Shareholders' equity	9				
Share capital		46,631	46,631	7,843	7,843
Share premium account		485,452	485,452	81,647	81,647
Other reserves		564	396	95	67
Translation difference		7,360	343	1,238	58
Retained earnings		128,694	90,889	21,645	15,286
Net income for the financial year		29,732	42,468	5,000	7,143
Convertible capital notes	10	110,000	110,000	18,501	18,501
Shareholders' equity total		**808,433**	**776,179**	**135,969**	**130,544**
Minority interests		**18,246**	**-**	**3,069**	**-**
Provisions					
Provision for pensions		169	216	28	36
Provisions total		**169**	**216**	**28**	**36**
Liabilities	12				
Long-term liabilities					
Bonds		15,000	15,000	2,523	2,523
Medium-term capital notes		52,000	52,000	8,746	8,746
Bonds with warrants		1,108	1,114	186	187
Loans from financial institutions		47,745	33,587	8,030	5,649
Pension loans		26,515	3,011	4,459	506
Other debt		672	674	113	113
Deferred tax liability	11	18,140	16,651	3,051	2,800
		161,180	122,037	27,108	20,525
Payments due within one year		-5,380	-5,600	-905	-942
		155,800	116,437	26,204	19,583
Short-term liabilities					
Loans from financial institutions		401,970	164,360	67,607	27,643
Pension loans		89	242	15	41
Advances received		-	1,162	-	195
Accounts payable		1,131,720	388,474	190,342	65,337
Other short-term liabilities		16,695	9,300	2,808	1,564
Accrued expenses	13	71,714	66,409	12,061	11,169
		1,622,189	629,947	272,833	105,949
Liabilities total		**1,777,988**	**746,384**	**299,036**	**125,533**
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL		**2,604,836**	**1,522,779**	**438,102**	**256,113**

Parent company income statement

Income Statement, FIM 1000	Note	Jan. 1 - Dec. 31, 1999	Jan. 1 - Dec. 31, 1998
NET SALES	**1**	**3,542,971**	**2,197,698**
Change in stock of work in progress and finished goods		25,104	8,157
Other income from operations		53,344	8,322
Production materials and services			
Materials and supplies			
Purchases during the financial year		-3,278,625	-1,906,180
Change in inventories		307,436	127,376
Materials and supplies total		-2,971,189	-1,778,803
External services		-219,178	-254,342
		-3,190,366	-2,033,146
Personnel expenses	2		
Wages, salaries and fees		-148,446	-30,102
Indirect personnel expenses			
Pension costs		-22,585	-5,272
Other indirect employer costs		-14,308	-2,930
		-185,339	-38,304
Depreciation and writedowns	3		
Depreciation according to plan		-69,590	-9,307
Other operating expenses		-117,998	-63,210
OPERATING PROFIT		**58,126**	**70,210**
Financial income and expenses	4		
Financial income			
Interest income on long-term investments			
Group companies		3,062	1,240
Other interest and financial income			
Group companies		7,950	7,940
Exchange gains		3,575	6,043
Other		3,043	11,365
		17,630	26,587
Financial expenses			
Group companies		-623	-3
Interest expenses		-25,510	-13,251
Exchange losses		-3,949	-8,381
Other financial expenses		-4,353	-2,303
		-34,435	-23,939
Financial income and expenses total		-16,805	2,649
PROFIT BEFORE EXTRAORDINARY ITEMS		**41,321**	**72,858**
Extraordinary income and expenses	5		
Extraordinary income		-	460
Extraordinary expenses		-	-24,006
PROFIT BEFORE APPROPRIATIONS AND TAXES		**41,321**	**49,312**
Appropriations			
Change in depreciation difference		-3,326	-21,038
Income taxes			
Income taxes for the financial year		-11,055	-8,164
Income taxes for prior years		-48	5,832
Income taxes total		-11,103	-2,331
NET INCOME FOR THE FINANCIAL YEAR		**26,892**	**25,942**

Parent company cash flow statement

Cash Flow Statement, FIM 1000	Jan. 1 - Dec. 31, 1999	Jan. 1 - Dec. 31, 1998
Cash flow from operations		
Net income for the financial year	26,892	25,942
Adjustments		
Depreciation	69,590	9,307
Change in appropriations	3,326	21,038
Interest expenses	30,486	13,251
Interest income	-13,702	-20,420
Taxes	11,103	2,331
Extraordinary items	-	22,340
Loan management fees	1,147	1,147
Other items	8,931	978
Operating profit before change in working capital	**137,774**	**75,915**
Change in net working capital		
Increase in accounts receivable	-208,036	-515,730
Increase in inventories	-340,347	-139,537
Increase in interest-free short-term debt	447,159	169,961
	-101,224	-485,306
Cash flow from operations	**36,550**	**-409,391**
Interests, net	-22,428	5,646
Taxes paid	-11,248	-150
Net cash flow from operations	**2,874**	**-403,895**
Cash flow from investing activity		
Investments in fixed assets	-295,397	-122,873
Proceeds from sales of fixed assets	10,357	748
	-285,040	-122,125
Cash flow from financing activity		
Increase in long-term debt	42,752	52,000
Payments of long-term debt	-4,505	-58,043
Increase in short-term debt	215,641	144,317
Increase in long-term receivables	-23,730	-50,311
Dividends paid	-4,663	-4,663
Loan management fees	-1,147	-1,147
Other, net	-7,955	1,614
	216,393	83,767
Decrease in liquid funds	**-65,773**	**-442,253**
Liquid funds at Jan. 1	**69,158**	**511,411**
Liquid funds at Dec. 31	**3,385**	**69,158**

Parent company balance sheet

ASSETS, FIM 1000	Note	Dec. 31, 1999	Dec. 31, 1998
Fixed assets	6		
Intangible assets			
Intangible rights		307	242
Other long-term expenditure		24,632	19,097
Advance payments		1,778	-
		26,717	19,339
Tangible assets			
Land and water areas		1,177	1,264
Buildings		12,825	14,294
Machinery and equipment		251,237	77,562
Advance payments			
and construction in progress		999	-
		266,239	93,120
Investments	7		
Shares and holdings			
in Group companies		157,725	46,877
Shares in associated companies		379	379
Receivables			
from associated companies		520	520
Other shares and holdings		3,465	2,782
		162,090	50,558
Fixed assets total		**455,045**	**163,017**
Current assets			
Inventories			
Raw materials		609,770	304,349
Work in progress		34,737	17,908
Finished goods		24,229	13,938
		668,736	336,195
Long-term receivables			
Loans receivable			
from Group companies		86,576	62,743
Other loans receivable		124	226
		86,700	62,970
Current receivables			
Accounts receivable		739,250	545,933
Receivables from Group companies			
Accounts receivable		72,786	10,240
Loan receivables		187,626	120,163
Other receivables		3,947	123,427
Prepayments and accrued income		122	102
Prepaid expenses			
and accruals	8	40,805	19,278
		1,044,537	819,144
Cash and cash equivalents		3,385	69,158
Current assets total		**1,803,358**	**1,287,467**
ASSETS TOTAL		**2,258,403**	**1,450,484**

SHAREHOLDERS' EQUITY AND LIABILITIES, FIM 1000	Note	Dec. 31, 1999	Dec. 31, 1998
Shareholders' equity	9		
Share capital		46,631	46,631
Share premium account		485,452	485,452
Retained earnings		88,437	67,158
Net income for the financial period		26,892	25,942
Convertible capital notes	10	110,000	110,000
Shareholders' equity total		**757,412**	**735,183**
Accumulated appropriations			
Depreciation difference		62,792	26,454
Accumulated appropriations total		**62,792**	**26,454**
Liabilities	12		
Long-term liabilities			
Bonds		15,000	15,000
Medium-term capital notes		52,000	52,000
Bonds with warrants		1,125	1,125
Loans from financial institutions		25,887	11,143
Pension loans		26,515	3,011
Other debt		672	672
		121,199	82,951
Payments due within one year		-5,980	-5,000
		115,219	77,951
Short-term liabilities			
Loans from financial institutions		373,452	156,678
Pension loans		89	242
Advances received		-	1,162
Accounts payable		760,911	337,921
Debt to Group companies			
Accounts payable		126,849	53,095
Other short-term liabilities		17,410	26,853
Accrued expenses		866	736
Other short-term liabilities		5,284	1,008
Accrued expenses	13	38,118	33,201
		1,322,979	610,896
Liabilities total		**1,438,198**	**688,847**
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL		**2,258,403**	**1,450,484**

Accounting principles

General principles

The financial statements of Elcoteq Network Corporation and the consolidated financial statements are prepared in accordance with the requirements of the Finnish Accounting Act and other Finnish regulations ("Finnish GAAP"). These accounting principles correspond in all essential respects with the International Accounting Standards issued by the International Accounting Standards Committee (IASC). Note 16 in the notes to the financial statements shows the reconciliation of consolidated net income and consolidated shareholders' equity where the differences between Finnish GAAP and IAS are significant.

Principles of consolidation

The consolidated financial statements include the accounts of the parent company, Elcoteq Network Corporation, and each of those companies in which it owns over 50 % of the voting rights. The results of subsidiaries acquired or established during the period are included in the consolidated financial statements from the date of acquisition or establishment. Subsidaries are consolidated using the acquisition cost method of accounting. The excess of the acquisition price over the estimated fair value of the net assets acquired is recorded as goodwill and is amortized on a straight line basis over a five year period. All intercompany transactions, receivables and payables are eliminated as part of the consolidation process.

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

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

Further details on the companies consolidated in the Group's financial statements are given under Note 7, Shares and Holdings.

The financial statements of foreign subsidiaries have been translated into Finnish markka in compliance with new Finnish accounting principles. All items in the income statements of foreign subsidiaries are translated into Finnish markka at the average exchange rates for the accounting period calculated from the official average rates published by the Bank of Finland. The balance sheets of foreign Group companies are translated into Finnish markka at the Bank of Finland's average rates of exchange ruling at the year-end. In previous accounting periods the translation rate used in both the income statement and the balance sheet was the Bank of Finland's average exchange rate on the balance sheet date. Differences resulting from the translation of income statement items at the average rate and the balance sheet items at the closing rate are taken to shareholders' equity in the Group accounts. Exchange differences arising from the application of the acquisition cost method are recorded under shareholders' equity likewise.

Revenue recognition

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

Foreign currency

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

Elcoteq hedges its major foreign currency exposure. Its exposure related to normal business operations is hedged using mainly forward foreign exchange and / or option contracts which generally mature in under four months. Loans raised in foreign currency are generally translated into Finnish markka using swap contracts. Hedging transactions related to normal business operations and financial items are also valued at the average rates of exchange on the balance sheet date.

Fixed assets

Fixed assets are stated at the original acquisition cost less accumulated depreciation according to plan. The planned depreciation is recorded on a straight-line basis over the expected economic lives of the assets. Land and water are not depreciated.

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

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

Inventories

Inventories are stated at the lower of either variable costs arising from acquisition and manufacturing or net realizable value calculated on an "average cost" basis. The cost of finished goods and work in progress includes variable material costs, wages and salary costs, social costs, subcontracting costs and other variable costs.

Since the 1998 financial period, the acquisition cost of inventories has also included a part of the fixed costs of the production departments. The effect of this change is shown under extraordinary income in the previous year's financial statements. Inventories are shown net of deductions for obsolete and slow-moving inventories.

Deferred tax liabilities and assets

In the financial statements of the Group companies, changes in the depreciation difference on fixed assets are divided into an amount calculated as tax for the year in the consolidated financial statements, the remainder being charged to the Group's net profit for the year. Applying the same principle, the accumulated depreciation difference is separated in the consolidated balance sheet into deferred tax liability and shareholders' equity.

All temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes are entered as deferred tax assets in the consolidated balance sheet.

The aggregate net change in deferred tax liabilities and deferred tax assets with respect to the previous financial year is entered in the consolidated income statement. The tax rate used to separate deferred tax liabilities and assets is the official tax rate in each country confirmed on the balance sheet date for the following fiscal period. Deferred tax liabilities and assets are shown only in the consolidated financial statements; they are not calculated separately in the accounts of the Group companies.

Research and development costs

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

Income taxes

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

Pension costs

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

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

Leasing

Operating and finance lease payments are treated as rentals. Payments made under such leases are recorded under operating expenses in equal installments over the lease term.

Dividends

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

Cash and cash equivalents

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

Grants

In certain countries, public bodies provide financial support, primarily to cover certain research and development costs. This financial support is recorded under other operating income.

Information in thousands of markka

All figures denominated in Finnish markka in the notes to the financial statements are in thousands (FIM 1,000) unless otherwise stated.

Notes to the financial statements

1. INFORMATION BY MARKETS

Geographical areas	**Group**		**Parent Company**	
	1999	**1998**	**1999**	**1998**
Net sales, FIM million				
Finland	883.0	827.7	883.0	681.1
Sweden	2,157.1	1,315.8	2,157.1	1,315.8
Other EU countries	233.7	84.9	233.7	84.4
USA	468.0	27.1	41.2	25.7
Asia	597.8	2.4	51.4	-
Other areas	134.5	88.4	176.6	90.7
Total	4,474.1	2,346.3	3,543.0	2,197.7

Personnel

The Group had 4,733 (3,085) employees on average during the year, distributed geographically as follows:	**At Jan. 1**	**At Dec. 31**	**Change**	**Average**
Finland	949	1,066	117	1,023
Hong Kong	3	80	77	55
Japan	5	7	2	7
China	-	545	545	304
Mexico	25	491	466	257
Hungary	292	995	703	503
Germany	3	3	-	3
Denmark	-	3	3	1
USA	7	9	2	8
Russia	86	100	14	97
Estonia	2,504	2,848	344	2,475
Total	3,874	6,147	2,273	4,733

2. WAGES, SALARIES AND OTHER PERSONNEL EXPENSES, FIM 1000

Personnel expenses	**Group**		**Parent Company**	
Wages, salaries and fringe benefits	**1999**	**1998**	**1999**	**1998**
Salaries and fringe benefits to Board members and presidents of Group companies	6,762	7,631	3,233	2,806
Other wages, salaries and fringe benefits	241,194	162,968	146,942	28,564
Total	247,956	170,599	150,175	31,370
Fringe benefits	-2,889	-1,657	-1,729	-1,268
	245,067	168,942	148,446	30,102
Indirect personnel expenses				
Pension costs	30,587	20,292	22,585	5,272
Other indirect employer costs	33,839	23,419	14,308	2,930
Total	64,426	43,711	36,893	8,202
Personnel expenses in the Income Statement	309,493	212,653	185,339	38,304

3. DEPRECIATION, FIM 1000

Depreciation according to plan comprises the following:	**Group**		**Parent Company**	
	1999	**1998**	**1999**	**1998**
Intangible rights	79	72	75	62
Goodwill	268	730	-	-
Other long-term expenditure	7,546	3,639	6,289	2,874
Buildings	6,212	4,000	740	726
Machinery and equipment	92,487	48,583	62,486	5,645
Total	106,592	57,024	69,590	9,307

4. FINANCIAL INCOME AND EXPENSES, FIM 1000

	Parent Company	
Intragroup financial income and expenses	**1999**	**1998**
Financial income		
Interest income from long-term investments	3,062	1,240
Interest income from short-term investments	7,950	7,940
	11,012	9,180
Financial expenses		
Interest expenses	-623	-3
Financial income and expenses total, net	10,389	9,177

5. EXTRAORDINARY INCOME AND EXPENSES, FIM 1000

	Group		Parent Company	
	1999	1998	1999	1998
Extraordinary income				
Effect of change in inventory accounting principles on initial inventory	-	1,296	-	460
Other extraordinary income	-	288	-	-
	-	1,584	-	460
Extraordinary expenses				
Costs arising from termination of printed circuit board manufacturing	-	3,378	-	1,206
Group contributions	-	-	-	22,800
	-	3,378	-	24,006

6. FIXED ASSETS, FIM 1000

	Group		Parent Company	
Intangible assets	1999	1998	1999	1998
Intangible rights				
Acquisition cost, Jan. 1	723	740	626	600
Increases	187	50	140	26
Decreases	-1	-67	-	-
Acquisition cost, Dec. 31	909	723	766	626
Accum. depreciation acc. to plan, Jan. 1	-434	-366	-384	-322
Depreciation according to plan	-79	-68	-75	-62
Book value, Dec. 31	396	289	307	242
Other long-term expenditure				
Acquisition cost, Jan. 1	31,466	10,471	26,209	6,303
Increases	18,811	21,683	14,317	19,906
Decreases	-2,977	-697	-2,493	-
Translation difference	34	9	-	-
Acquisition cost, Dec. 31	47,334	31,466	38,033	26,209
Accum. depreciation acc. to plan, Jan. 1	-10,128	-6,891	-7,112	-4,238
Accum. depreciation acc. to plan in decreases	1,849	463	390	-
Translation difference	-1	-6	-	-
Depreciation according to plan	-7,924	-3,694	-6,679	-2,874
Book value, Dec. 31	31,130	21,338	24,632	19,097
Advance payments				
Advance payments, Jan. 1	1,286	131	-	131
Increases	1,778	1,286	1,778	-
Decreases	-1286	-131	-	-131
Advance payments, Dec. 31	1,778	1,286	1,778	-
Consolidated goodwill				
Acquisition cost, Jan. 1	3,652	3,652	-	-
Increases	-	-	-	-
Acquisition cost, Dec. 31	3,652	3,652	-	-
Accum. depreciation acc. to plan, Jan. 1	-2,251	-1,522	-	-
Depreciation according to plan	-268	-729	-	-
Book value, Dec. 31	1,133	1,401	-	-
Tangible assets				
Land and water				
Acquisition cost, Jan. 1	4,332	2,715	1,264	1,264
Increases	2,650	1,615	-	-
Decreases	-86	-	-87	-
Translation difference	-8	2	-	-
Book value, Dec. 31	6,888	4,332	1,177	1,264

	Group		Parent Company	
	1999	1998	1999	1998
Buildings				
Acquisition cost, Jan. 1	116,018	86,884	16,972	15,937
Increases	21,131	28,945	85	1,035
Decreases	-1,004	-25	-813	-
Translation difference	-	214	-	-
Acquisition cost, Dec. 31	136,145	116,018	16,244	16,972
Accum. depreciation acc. to plan, Jan. 1	-12,832	-8,500	-2,678	-1,952
Accum. depreciation acc. to plan in decreases	235	20	67	-
Translation difference	-	-52	-	-
Depreciation according to plan	-6,354	-4,300	-808	-726
Book value, Dec. 31	117,194	103,186	12,825	14,294
Machinery and equipment				
Acquisition cost, Jan. 1	398,970	197,197	85,636	11,245
Increases	212,841	206,582	242,993	75,893
Decreases	-8,615	-4,285	-6,831	-1,502
Translation difference	334	-524	-	-
Acquisition cost, Dec. 31	603,530	398,970	321,798	85,636
Accum. depreciation acc. to plan, Jan. 1	-106,133	-61,319	-8,074	-3,183
Accum. depreciation acc. to plan in decreases	7,224	3,666	2,378	754
Translation difference	-13	575	-	-
Depreciation according to plan	-95,732	-49,055	-64,864	-5,645
Book value, Dec. 31	408,876	292,837	251,238	77,562
Advance payments and construction in progress				
Advance payments and construction in progress, Jan. 1	1,736	2,436	-	52
Increases	84,339	2,094	77,597	-
Decreases	-81,037	-2,803	-76,598	-52
Translation difference	273	9	-	-
Book value, Dec. 31	5,311	1,736	999	-
Investments				
Shares and holdings in Group companies				
Shares, Jan. 1	-	-	46,877	19,644
Increases	-	-	110,848	27,233
Book value, Dec. 31	-	-	157,725	46,877
Shares in associated companies				
Shares, Jan. 1	251	264	379	379
Share of losses of associated companies	-8	-13	-	-
Book value, Dec. 31	243	251	379	379
Receivables from associated companies				
Receivables, Jan. 1	520	300	520	300
Increases	-	220	-	220
Book value, Dec. 31	520	520	520	520
Other shares and holdings				
Shares, Jan. 1	3,345	1,007	2,782	445
Increases	10,025	2,338	683	2,337
Decreases	-102	-	-	-
Book value, Dec. 31	13,268	3,345	3,465	2,782

Summary of fixed assets	Group		Parent Company	
	1999	1998	1999	1998
Acquisition cost, Jan. 1	558,757	302,930	180,745	55,817
Increases	265,645	261,212	369,066	126,430
Decreases	-12,793	-5,086	-10,224	-1,502
Translation difference	360	-299	-	-
Acquisition cost, Dec. 31	811,969	558,757	539,587	180,745
Accum. depreciation acc. to plan, Jan. 1	-131,778	-78,598	-18,248	-9,695
Accum. depreciation acc. to plan in decreases	9,308	4,149	2,835	754
Depreciation according to plan	-110,357	-57,846	-72,426	-9,307
Translation difference	-14	517	-	-
Book value, Dec. 31	579,128	426,979	451,748	162,497
Advance payments and construction in progress	7,089	3,022	2,777	-
Loan receivables	520	520	520	520
Book value, Dec. 31	586,737	430,521	455,045	163,017

The change in depreciation difference in the parent company's income statement does not correspond with the difference in accumulated depreciation difference in the balance sheet because the fixed assets of Elcoteq Lohja Oy and Elcoteq Helsinki Oy, and their depreciation differences, were transferred to the parent company on January 1, 1999. The transferred depreciation difference totaled FIM 33,012,000.

7. SHARES AND HOLDINGS

Group companies	Share capital	Group holding %	Parent Company holding %	Book value
Elcoteq Lohja Oy, Lohja	1,000,000 FIM	100	100	1,000
Elcoteq Helsinki Oy, Helsinki	1,000,000 FIM	100	100	4,837
AS Elcoteq Tallinn, Tallinn, Estonia	12,500,000 EEK	100	100	7,519
Dongguan Elcoteq Electronics Co. Ltd., Dongguan, China	49,590,600 CNY	70	70	22,027
Elcoteq Asia Ltd, Hong Kong, China	8,600,000 HKD	100	100	5,908
Elcoteq Inc., Dallas, USA	9,801,000 USD	100	100	54,540
Elcoteq JSC, St. Petersburg, Russia	16,647.40 RUR	100	100	15
*) Elcoteq Elektronik GmbH, Überlingen, Germany	3,058,000 DEM	100	-	9,296
Elcoteq Deutschland GmbH, Karlsruhe, Germany	7,100,000 DEM	100	100	21,627
Elcoteq Japan Co. Ltd, Tokyo, Japan	10,000,000 JPY	100	100	431
Elcoteq Magyarország Kft., Pécs, Hungary	3,190,000 EUR	100	100	30,305
Elcoteq Network Malaysia SDN BHD, Johor Bahru, Malaysia	500,000 MYR	100	100	653
Elcoteq S.A. de C.V., Monterrey, Mexico	554,800 USD	100	100	2,824
Kiinteistöosakeyhtiö Salon, Joensuunkatu 13, Salo	1,200,000 FIM	100	100	6,038
*) not included in Group consolidations, since the company was acquired on Dec. 31,1999.				167,020
Associated companies				
Nilistit Oy, Helsinki	320,320 FIM	33	33	379
Other shares and holdings owned by the Parent Company				
Kiinteistö Oy Lohjan Piiharju	1,000,000 FIM	10	10	100
Cloudex Oy	800 FIM	9.5	9.5	100
Extrabit Oy	200,000 FIM	10	10	2,134
St Laurence Golf				104
Other shares				1,027
				3,465

Other shares and holdings owned by subsidiaries

	Group		Parent Company	
	1999	1998	1999	1998
Oy Kiinteistö Kantvik Fastighet Ab				152
As Oy Hofmaninpelto				287
Other shares				67
				506
Other shares and holdings, total				3,971

8a. PREPAID EXPENSES AND ACCRUALS, FIM 1000

Prepaid expenses and accruals for the Group and Parent Company comprise the following main items:	Group		Parent Company	
	1999	**1998**	**1999**	**1998**
Contributions	1,829	2,281	1,789	1,920
Advance rental payments	193	1,094	-	-
Advance statutory personnel costs	51	1,699	-	1,699
Exchange rate periodizations of forward contracts	5,052	9,328	5,052	9,328
Loan expenses	3,018	2,716	3,018	2,716
Value added taxes	35,773	7,630	22,314	-
Withholding taxes	1,580	1,018	1,580	-
Income taxes	7,163	680	145	-
Other items	12,544	11,570	6,907	3,615
Total	67,203	38,016	40,805	19,278

8b. ACCOUNTS RECEIVABLE

Accounts receivable in 1999, FIM 968.8 million, do not include the sale of accounts receivable, FIM 132.2 million, to a financing bank in December 1999.

9. SHAREHOLDERS' EQUITY, FIM 1000

	Group		Parent Company	
Share capital	**1999**	**1998**	**1999**	**1998**
Share capital, Jan. 1	46,631	46,631	46,631	46,631
Share capital, Dec. 31	46,631	46,631	46,631	46,631
Share premium account				
Share premium account, Jan. 1	485,452	485,452	485,452	485,452
Share premium account, Dec. 31	485,452	485,452	485,452	485,452
Other funds				
Reserve fund, Jan. 1	396	208	-	-
Increase in reserve fund / Tallinn	-	188	-	-
Increase in reserve fund / Hungary	178	-	-	-
Decrease in reserve fund / St. Petersburg	-10	-	-	-
Reserve fund, Dec. 31	564	396	-	-
Translation difference				
Translation difference, Jan. 1	343	-115	-	-
Increase in translation difference	7,017	458	-	-
Translation difference, Dec. 31	7,360	343	-	-
Retained earnings				
Retained earnings, Jan. 1	133,357	95,731	93,100	71,821
Transferred to AS Elcoteq Tallinn's reserve fund	-	-179	-	-
Dividend payment	-4,663	-4,663	-4,663	-4,663
Retained earnings, Dec. 31	128,694	90,889	88,437	67,158
Profit for the year	29,731	42,468	26,892	25,942
Convertible capital notes				
Convertible capital notes, Jan. 1	110,000	110,000	110,000	110,000
Convertible capital notes, Dec. 31	110,000	110,000	110,000	110,000
Shareholders' equity total	**808,433**	**776,179**	**757,412**	**735,183**

DISTRIBUTABLE FUNDS IN SHAREHOLDERS' EQUITY Dec. 31

	Group 1999	Group 1998	Parent Company 1999	Parent Company 1998
Retained earnings	128,694	90,889	88,437	67,158
Profit for the year	29,732	42,468	26,892	25,942
Capitalized establishment costs	-3,434	-1,286	-	-
Share of accumulated depreciation difference recorded in shareholders' equity	-44,583	-42,075	-	-
Distributable funds in shareholders' equity	110,409	89,996	115,329	93,100

THE PARENT COMPANY'S SHARE CAPITAL IS DIVIDED INTO THE FOLLOWING SHARE SERIES

		Parent Company 1999	Parent Company 1998
Series A (1 vote / share)	12,738,500 shares	25,477	25,477
Series K (10 votes / share)	10,577,000 shares	21,154	21,154
Total	23,315,500 shares	46,631	46,631

10. CONVERTIBLE CAPITAL NOTES

On December 19, 1996, Elcoteq Network Corporation issued FIM 110 million in convertible capital notes bearing interest of 9.392 % and maturing on May 31, 2002. The notes are unsecured. Payments of principal and interest can only be made if the charges are less than the distributable equity of the company at the end of the preceding financial year. The capital notes may be converted into company shares between Jan. 2, 2001 and May 31, 2002. After the company was publicly listed in 1997 the terms and conditions of their conversion at the end of 1999 were as follows:

• The conversion ratio is the nominal value of the notes divided by the offer price of the shares at the time of listing plus 15 %. Hence the notes may be converted to the company's listed A shares at a price of FIM 80.50 per share.

• If the ratio of interest-bearing net debt of the company divided by the shareholders' equity is greater than 4.0 and if this ratio has not improved by the date on which the following financial statements are approved, each FIM 5 million nominal value of the notes is convertible into 40,065 A shares of nominal value FIM 2 per share, which nevertheless results in a proportion of not more than 25 % of all the company's shares following the conversion.

• If the company's share price on the Helsinki Exchanges has, on 20 trading days out of 30 consecutive trading days, exceeded the conversion price by 40 %, the company shall have the right to redeem the principal of the notes before maturity at 100 %. However, each investor has the right to convert the notes into shares at the conversion price specified in the terms and conditions.

According to the regulations specified in the new Companies Act, convertible capital notes must be shown separately under shareholders' equity. Such notes were previously shown under long-term liabilities.

11. DEFERRED TAX LIABILITIES AND ASSETS, FIM 1000

	Group 1999	Group 1998	Parent Company 1999	Parent Company 1998
Deferred tax assets				
From deductable temporary differences	1,080	4,987	-	-
Deferred tax liabilities				
From appropriations	18,140	16,651	18,140	7,407

12. LIABILITIES, FIM 1000

Long-term liabilities	Group 1999	Group 1998	Parent Company 1999	Parent Company 1998
Interest-bearing *)				
Bonds	15,000	15,000	15,000	15,000
Medium-term capital notes	52,000	52,000	52,000	52,000
Loans from financial institutions	40,047	33,587	25,887	11,143
Pension loans	26,515	3,011	26,515	3,011
Other long-term liabilities	672	674	672	672
Total	134,234	104,272	120,074	81,826
Payments due within one year	-5,380	-5,600	-5,980	-5,000
Interest-bearing, total	128,854	98,672	114,094	76,826
Interest-free				
Bonds with warrants	1,108	1,114	1,125	1,125
Loans from financial institutions	7,698	-	-	-
Deferred tax liability	18,140	16,651	-	-
Interest-free, total	26,946	17,765	1,125	1,125
Long-term liabilities, total	**155,800**	**116,437**	**115,219**	**77,951**

Short-term liabilities		Group		Parent Company
	1999	1998	1999	1998
Interest-bearing				
Loans from financial institutions	401,970	164,360	373,452	156,678
Pension loans	89	242	89	242
Interest-bearing, total	402,059	164,602	373,541	156,920
Interest-free				
Advances received	-	1,162	-	1,162
Accounts payable	1,131,720	388,474	760,911	337,921
Accrued expenses	71,714	66,409	38,118	33,201
Debt to Group companies	-	-	145,125	80,684
Other short-term liabilities	16,695	9,300	5,284	1,008
Interest-free, total	1,220,129	465,345	949,438	453,976
Short-term liabilities, total	**1,622,188**	**629,947**	**1,322,979**	**610,896**
Interest-bearing liabilities *)	530,913	263,274	487,635	233,746
Interest-free liabilities	1,247,075	483,110	950,563	455,101
Liabilities, total	1,777,988	746,384	1,438,198	688,847
*) Interest-bearing liabilities do not include the convertible capital notes shown under shareholders' equity	110,000	110,000	110,000	110,000

Bonds

In May 1996, certain Finnish companies including Elcoteq Network Corporation issued FIM 71 million face value unsecured bonds, of which Elcoteq Network Corporation's share was FIM 15 million. The bonds bear interest at a fixed rate of 7.43 % per annum and mature on May 24, 2001. The loan is unsecured. The company is not liable under any circumstances for any defaults arising from the other issuers.

Bond holders are entitled to demand redemption of the notes if more than 49 % of the voting rights with respect to the company's shares is transferred from the owners existing at the issue date of the bonds, or when Elcoteq's solvency ratio as defined in the bond terms falls below 22 %.

The company is not entitled to repay the bond principal before the maturity date.

Medium-term capital notes

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

Bonds with warrants

On October 1, 1997 the company' shareholders approved a privileged issue of bonds with warrants to key company executives and members of the Board of Directors. These bonds are non-interest bearing and mature in three years. The attached warrants entitle holders to subscribe for at most 1,125,000 A shares of nominal value FIM 2.00 each, which would represent 4.6 % of the company's shares and 0.9 % of the voting rights.

The share subscription period for the warrants begins on September 1, 2000 for 30 % of the shares, on September 1, 2001 for a further 30 %, and on September 1, 2002 for the remaining 40 %. The subscriprion period for all warrants terminates on January 31, 2004. The terms of the bond with warrants stipulate that any employees ceasing to be employed by the company before September 1, 2002 must return their remaining bond warrants to the company without consideration.

Pension loans

Elcoteq has obtained FIM-denominated financing from certain pension insurance companies. The repayment schedules and interest rates of such loans are regulated by the Finnish government. Principal on the loans granted before January 1, 1996 are payable in annual installments equal to 7 % of the outstanding balance. The principal amount of loans obtained after January 1, 1996 is payable in equal annual installments over terms of 1 - 10 years. The interest rate on pension loans is 3.85 - 5.25 %.

Loans from financial institutions

Loans from financial institutions primarily comprise loans from various Finnish banks. The loans have maturity dates ranging from 1999 to 2002 and their interest rates are based primarily on a 3-month or 6-month HELIBOR, plus a premium ranging from 0.75 % to 1.45 %.

Other long-term liabilities

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

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

Revolving line of credit

In May 1997 the company obtained a USD 45 million multicurrency revolving Euro credit facility from a bank consortium. The credit limit was USD 45 million at the commencement of the loan but will subsequently decline towards the end of the term. The loan term is five years with a variable interest rate based on LIBOR plus 0.85 %, when the solvency ratio of the company is below 40 % and LIBOR plus 0.60 % when the solvency ratio exceeds 40 %. Elcoteq Network Corporation has the option to terminate the credit facility at any time. The loan is unsecured but there are certain covenants related to the loan facility. FIM 1.6 million of the total borrowing costs was capitalized in the annual accounts as of December 31, 1999.

In April 1999 the company obtained a EUR 55 million multicurrency revolving Euro credit facility from a bank consortium. The credit limit was EUR 55 million at the commencement of the loan but will subsequently decline towards the end of the term. The loan term is five years with a variable interest rate based on EURIBOR plus 0.5 %. Elcoteq Network Corporation has the option to terminate the credit facility at any time. The loan is unsecured but there are certain covenants related to the loan facility. FIM 0.8 million of the total borrowing costs was capitalized in the annual accounts as of December 31, 1999.

Long-term liabilities maturing after five years or later:	**Group**		**Parent Company**	
	1999	**1998**	**1999**	**1998**
Pension loans	23,750	-	23,750	-
Other liabilities	-	672	-	672
	23,750	672	23,750	672

13. ACCRUED EXPENSES, FIM 1000

The Group's and Parent Company's accrued expenses comprise the following main items:	**Group**		**Parent Company**	
	1999	**1998**	**1999**	**1998**
Wages and salaries	5,483	4,935	2,007	-
Holiday pay	20,782	18,321	17,915	3,931
Other indirect employer costs	9,126	5,760	7,694	1,906
Interest	8,166	7,180	7,594	7,179
Value added taxes	1,199	25,470	-	18,080
Income taxes	4,319	2,105	54	2,105
Transportation expenses	3,195	-	-	-
Group companies	-	-	866	736
Other items	19,444	2,639	2,854	-
Total	71,714	66,410	38,984	33,937

14. LEASING CONTRACTS, FIM 1000

In previous years Elcoteq has leased machinery and equipment under finance leases. No new leasing contracts were made in 1998. In 1999 Elcoteq signed an operating lease worth FIM 32.0 million.

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

	Group Dec. 31, 1999	**Parent Company Dec. 31, 1999**
2000	11,566	11,566
2001	7,570	7,570
2002	6,843	6,843
2003	5,673	5,673
Total	31,652	31,652

The rental expenses with respect to finance leases for machinery and equipment amounted to FIM 12.5 million on December 31, 1999 and FIM 17.7 million on December 31, 1998.

Elcoteq has leased a manufacturing facility from the real estate company Kiinteistö Oy Piiharju under a long-term rental agreement. Elcoteq has the option, at any time, to acquire the facility at a purchase price specified in the agreement. On December 31, 1999 this price was approximately FIM 14.7 million.

Elcoteq Network Corporation has a 10 % shareholding in Kiinteistö Oy Piiharju. The City of Lohja, which owns 90 % of the real estate company, has financed the purchase of the facility. According to the shareholders' agreement between Elcoteq Network Corporation and the City of Lohja, Elcoteq Network Corporation is obligated to provide any necessary financing to the real estate company. The rental expenses with respect to finance leases for the manufacturing facilities were FIM 2.4 million on December 31, 1999 and FIM 3.6 million on December 31, 1998. The company also paid FIM 2.5 million in rental expenses related to other long-term leases.

15. ASSETS PLEDGED AND CONTINGENT LIABILITIES, FIM 1000

	Group		Parent Company	
	1999	**1998**	**1999**	**1998**
FOR OWN LIABILITIES				
Mortgages on real estate				
Loans from credit institutions	30,343	35,891	3,000	4,500
Mortgages	65,754	67,326	12,000	12,000
Mortgages on moveable assets				
Loans from credit institutions	2,473	4,376	2,473	4,376
Mortgages for other loans	40,000	40,000	40,000	40,000
Other pledges given as collateral				
Mortgages on moveable assets	12,000	12,000	7,000	7,000
Mortgages on real estate	-	500	-	500
ON BEHALF OF GROUP COMPANIES				
Guarantees	-	-	416,423	92,137
ON BEHALF OF OTHERS				
Guarantees	6,208	7,145	6,208	7,145
LEASING COMMITMENTS	31,651	16,575	31,651	14,809
DERIVATIVE FINANCIAL INSTRUMENTS				
Foreign currency derivative instruments				
Foreign currency forward contracts				
Notional value	564,729	428,604	440,440	428,604
Book value	2,939	9,253	2,939	9,253
Market value	3,076	9,989	2,745	9,989
Foreign currency option contracts				
Notional value	265,936	-	235,933	-
Book value	-721	-	-721	-
Market value	423	-	666	-
Interest rate derivative instruments				
Notional value	297,287	-	297,287	-
Book value	-	-	-	-
Market value	98	-	98	-
Interest rate and foreign exchange swap contracts				
Notional value	27,343	31,391	27,343	31,391
Book value	-	-	-	-
Market value	6,392	3,207	6,392	3,207

16. DIFFERENCES BETWEEN FINNISH GAAP AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

The accompanying consolidated financial statements have been prepared in accordance with Finnish generally accepted accounting practices. The following is a summary of the adjustments to net income and shareholders' equity that would have been required if International Accounting Standards (IAS) had been applied.

	Group	
	1999	**1998**
Reconciliation of net income		
Net income reported under Finnish GAAP	29,732	42,468
Adjustments to reconcile with IAS:		
Valuation of inventories (A)	-	-1,682
Finance leases (B)	-3,461	4,975
Loan expenses (C)	322	1,148
Net income under IAS	26,593	46,909

	Group	
	1999	1998
Reconciliation of shareholders' equity		
Shareholders' equity under Finnish GAAP	808,433	776,179
Adjustments to reconcile with IAS:		
Valuation of inventories (A)	-	-
Finance leases (B)	4,259	9,033
Loan expenses (C)	-2,394	-2,716
Shareholders' equity under IAS	810,298	782,496

Explanations of the differences in net income and shareholders' equity between Finnish GAAP and IAS.

(A) Inventories

Under Finnish GAAP the inclusion of indirect production costs in the inventory value is allowed if the amount of indirect production costs is significant. Elcoteq has included indirect production costs in the inventory value since the beginning of 1998. The increase in income in the financial year 1998 which arose from this change in accounting principles is shown under extraordinary income. IAS requires that indirect costs of production are capitalized as part of the inventory value.

(B) Finance leases

Under Finnish GAAP lease payments are treated as rental expenses and leased property is not recorded in the balance sheet of the lessee.

IAS recognizes two different categories of leases: finance leases and operating leases. A lease is a finance lease if substantially all risks and rewards related to ownership of an asset are transferred to the lessee. An operating lease is a lease other than a finance lease. A finance lease should be recognized as an asset and liability in the balance sheet of a lessee at amounts equal to the fair value of leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. The assets should be depreciated over the shorter of the lease term or its useful life. However, if there is a reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset.

Elcoteq has leased machinery and equipment and manufacturing and warehouse space under various lease agreements which would be classified as finance leases under IAS.

(C) Loan expenses

Under Finnish GAAP the costs incurred from raising loans may be recorded either directly as expenses at the time they arose or they may be capitalized and allocated over the loan period. Elcoteq has capitalized the costs with respect to its revolving credit loans. In 1999 the company recorded FIM 1.3 million as expenses arising from loans.

Dividend proposal by the board

The Group's distributable funds totaled FIM 110,408,643 (EUR 18,569,401) at the end of the year. The parent company's profit for the year was FIM 26,892,184 (EUR 4,522,941) and retained earnings from previous financial periods amounted to FIM 88,437,062 (EUR 14,874,046).

The Board proposes to the Annual General Meeting that the parent company distributes a dividend to shareholders in line with its dividend policy, i.e. FIM 0.20 (EUR 0.034) per share (1998: FIM 0.20 (EUR 0.034)), and also an additional dividend of FIM 0.45 (EUR 0.076) per share in gratitude for the confidence of shareholders during the company's globalization program, making a total dividend of FIM 15,155,075 (EUR 2,548,901). After this, the parent company's distributable funds will total FIM 100,174,171 (EUR 16,848,086).

Antti Piippo Chairman of the Board	Juha Toivola Vice-Chairman of the Board	Heikki Horstia
Henry Sjöman	Jorma Vanhanen	Tuomo Lähdesmäki President

Auditor's report to the shareholders of Elcoteq Network Corporation

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of Elcoteq Network Corporation for the year ended 31 December 1999. The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the company's administration.

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

In our opinion, the financial statements, showing a profit of FIM 29,732 thousand in the consolidated income statement and a profit of FIM 26,892,184.15 in the parent company income statement, have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

Helsinki, 15 February 2000
KPMG WIDERI OY AB

Birger Haglund
Authorized Public Accountant in Finland

Financial risk management

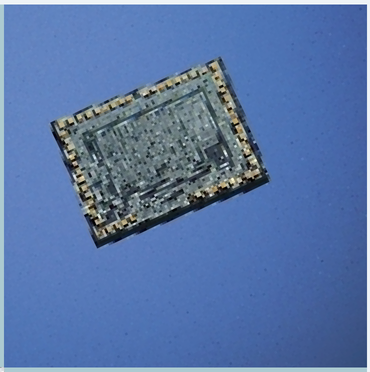
Elcoteq's business operations are international and future growth is expected to increase the share of its international business even further. The financial risks attached to international operations are managed in accordance with the company's risk management policy, which aims to hedge against all significant financial risks. Funding operations and risk management are mainly the responsibility of the parent company's Treasury department under the supervision of the Corporate Treasurer.

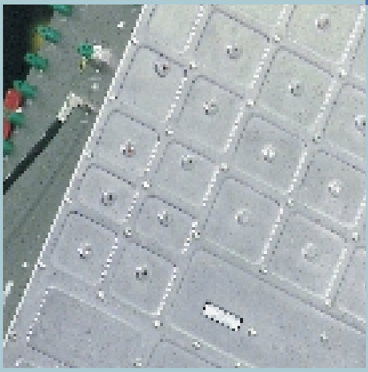
Foreign exchange risk

Most of the company's cash flow, receivables and short-term liabilities are denominated in other currencies than the euro and Finnish markka. Consequently, fluctuations in rates of exchange may have a significant impact on the company's financial results. These transaction risks are hedged by product pricing that takes account of foreign exchange risks and by derivative contracts used to hedge the net currency exposure. Most derivative contracts are forward exchange contracts and currency options with a maximum validity of four months.

The Open Book Calculation method applied by the company also covers exchange rates at the time of pricing in addition to component, raw material and manufacturing costs. It therefore provides a good foundation for hedging the net currency exposure for the duration of the pricing period based on the volumes forecast at the time of pricing. Since customer pricing is typically agreed for three-month intervals, no long-term items are included in the company's transaction position.

The company had no significant translation risks with respect to foreign subsidiaries at the date of closing. All significant risks attached to loans denominated in foreign currencies were hedged using derivative contracts. The company addresses its Economic Exposure by engaging in manufacturing services mainly in those countries with a cost level low enough to confer a substantial and lasting competitive edge.





The exchange rate differences arising from valuation of the derivative contracts on the balance sheet date are entered in the income statement. The interest derived from hedging instruments for interest-bearing items is, however, periodized in both the income statement and the balance sheet according to the duration of the item. Exchange rate differences of derivative contracts used to hedge off-balance-sheet items are charged to the income statement simultaneously with hedged cash flow. The nominal values of the derivative contracts at the date of closing are shown in Note 15 to the financial statements on page 34.

Other financial risks

Other financial risks to which the company's business is exposed include interest, liquidity and counterparty risks. The company's low gearing limited interest risk exposure during the financial year. However, the increase in interest-bearing net debt arising from growth in operating volume will also increase the company's interest risk exposure in the future. The company has hedged against interest risks using derivative contracts.

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

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

Adopting the euro in the corporation

The company was prepared to adopt the euro as an operational currency for sales, purchasing and financing activities on January 1, 1999. The first euro-denominated transactions were made during January 1999. Adoption of the euro has not had any significant strategic impact on the Group. However, certain savings in costs and benefits from rationalization are achievable as use of the euro in business activities increases. The Finnish markka will continue to be the company's reporting and accounting currency at least until the end of 2000. However, this annual report also shows the figures in the financial statements in euros. Key indicators have been presented in euros in the company's interim reports from the first quarter of 1999.

EMS sector shows further strong growth

Outsourcing by OEM manufacturers of electronic end-products grew further as these companies focused increasingly on their core businesses – product development and marketing. This trend sustained strong continued growth of electronics manufacturing services (EMS) during 1999 and, in the estimate of the American market research company Technology Forecasters Inc., the sector reached a volume of over 70 billion dollars.

Technology Forecasters Inc. estimates that the entire EMS sector will grow at an average rate of 20 % per year until 2003. During the same period the largest companies in the sector are expected to grow 35 % on average whereas the smallest companies are forecast to record almost zero growth. This trend will strengthen polarization in the sector; the gulf separating the largest global EMS providers and their small local competitors will widen, fuelled in part by a rapid increase in consolidation and restructuring within the sector in recent years.

Growth among EMS companies varies strongly by market segment. The fastest growth in outsourcing appears to have shifted from information technology to new segments, notably telecommunications. Geographically, this trend is particularly evident in Europe since European companies are gaining a strong foothold in the telecommunications segment. In this situation, the growth prospects facing Elcoteq, the only truly global European based EMS provider, are exceptionally bright.

Customers seek more comprehensive service

EMS companies require an increasingly broad range of expertise because OEMs are outsourcing an ever larger part of the value chain covering the entire lifecycle of their end-products. Elcoteq has resolutely broadened its product portfolio from purely manufacturing services in order to meet the demands of the market. The company has strengthened its design and development services to support its customers' own development efforts, as well as its maintenance and aftermarketing services.

Apart from a wider service offering, customers also require that EMS companies offer increasingly comprehensive geographical coverage. The core of Elcoteq's customers, and of the entire EMS sector, are the major global electronics corporations, who expect their partners to provide service globally, close to the end users of their products. A new critical success factor is the ability of EMS companies to efficiently integrate their manufacturing plant networks; that is, to offer their customers compatible services at all their plants worldwide.

The core of Elcoteq's global manufacturing network consists of plants designed and built to achieve organic growth in harmony with customer needs. Elcoteq customers can rest assured of receiving the same services, along with compatible technologies and top quality standards, at all Elcoteq's plants in Europe, Asia and America.

Systematic growth towards strong strategic position

Elcoteq has systematically enhanced its competencies and its ability to offer services that match its customers' growing needs in an increasingly wide geographical area. During the year Elcoteq made further planned progress in its globalization program, started in 1998, in both Asia and North America.

At the end of the year Elcoteq strengthened its presence in the strategically important Central European market with the acquisition of the German EMS company Stephan Elektronik. This acquisition now ranks Elcoteq among the leading EMS providers in Germany. The strong and diversified electronics industry in Germany, where EMS outsourcing has barely begun, forms an area of strong growth potential for EMS companies.

Nokia and Elcoteq agreed on the sale of Nokia's Display Products plant in Pécs, Hungary, to Elcoteq at the beginning of January 2000. This marks a further step in the long-standing process of co-evolution between Nokia and Elcoteq which began in the mid-1980s. The acquisition gives Elcoteq the added capacity in Pécs it needs to respond to the rapid growth in demand for EMS services.

As a result of its systematic growth strategy, Elcoteq today can offer its customers electronics manufacturing services in all the world's major markets, Europe, Asia and America. Elcoteq's strategic competitive position is especially strengthened by its ability to offer manufacturing capacity for each market in low-cost countries such as Hungary, Poland, Estonia, Russia, Mexico and China.

Elcoteq's EMS plants

Elcoteq operates 11 electronics manufacturing services plants: in Finland, Estonia, Russia, Hungary, Germany, Poland, Mexico and China. Five of the plants focus on industrial electronics, one manufactures both industrial and telecommunications electronics, and the remaining five – Elcoteq's largest plants – are specialized in volume production of telecommunications electronics.

During the financial year the company prepared the ground for further expansion in Estonia and Finland. More land was acquired adjacent to the Tallinn plant. In February 2000 the company announced its plan to expand its Tallinn and Lohja plants before autumn 2000. New investments were made to machine assembly lines at the Gunnarla plant in Finland during the summer 1999, doubling this plant's assembly capacity. A new prototype line was installed at the same plant for testing the manufacturability of customers' new products and for developing new manufacturing methods.

During 1999 the plants in Hungary and Mexico, which started up in October 1998 and February 1999 respectively, concentrated on the ramp-up of the first stage of their production programs. Capacity loads at both plants increased steadily throughout the year and in 2000 they will be full-scale parts of Elcoteq's global manufacturing network. In December 1999 the decision was made to double the floor area of the Mexico plant from 8,000 square meters to 16,000 square meters. This expansion is scheduled for completion during the second quarter of 2000.

Elcoteq's plant in China was transferred from Nokia Mobile Phones at the close of the first quarter in 1999. This plant now serves a number of customers. An aftermarketing services unit was set up in Hong Kong in January 1999.

The plants in Germany and Poland, and the entire operations of the Stephan Elektronik group, were transferred to Elcoteq on January 1, 2000.

Elcoteq acquired a 30,000 square meter monitor plant from Nokia in Pécs,Hungary, at the beginning of 2000. The reason for the purchase was the need for additional production capacity in Pécs to meet increased customer demand.

The manufacturing technology deployed in Elcoteq's plants represents the most advanced component and interconnection technologies based on automated production methods.

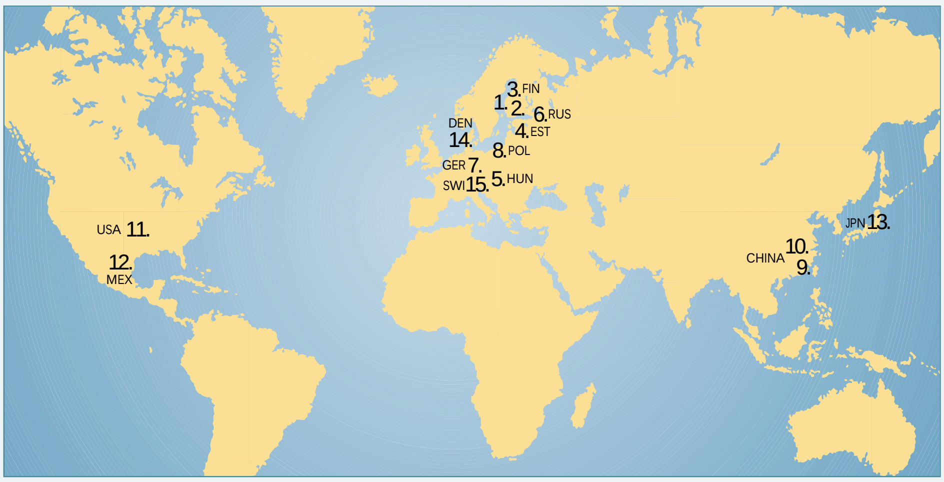
UNIT	SERVICES	QUALITY AND ENVIRONMENTAL CERTIFICATES	AREA M^2
Lohja *)	subassembly, microconnection, NPI-prototyping, engineering services	ISO 9002, ISO 14001	11,800
Helsinki	subassembly, systems	ISO 9002	7,900
Vaasa	subassembly, systems, engineering services	ISO 9002, ISO 14001	2,300
Tallinn, Estonia **)	box build, subassembly, aftermarketing, engineering services	ISO 9002, ISO 14001	17,200
Pécs 1, Hungary	box build, subassembly, aftermarketing	ISO 9002, ISO 14001	11,000
Pécs 2, Hungary	box build, subassembly	ISO 9002, ISO 14001	30,000
St. Petersburg, Russia	subassembly	ISO 9002	1,200
Überlingen, Germany ***)	subassembly, engineering services	ISO 9002	5,000
Wroclaw, Poland ***)	box build, subassembly	ISO 9002	3,000
Hong Kong, China	aftermarketing		1,500
Dongguan, China	subassembly	ISO 9002	8,000
Monterrey, Mexico**)	subassembly	ISO 9002, QS 9000	8,000
Total			**106,900**

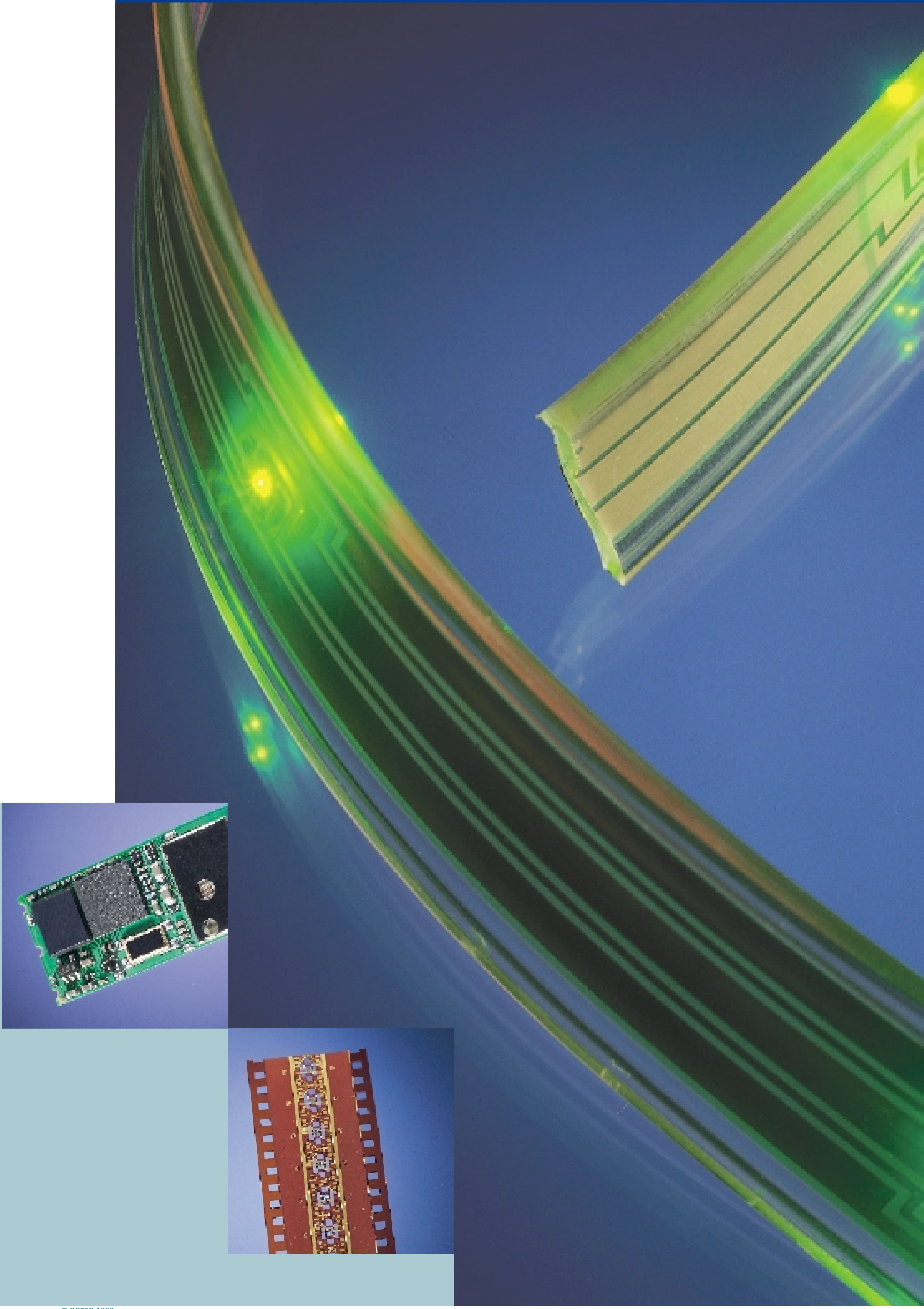
*) Building area 14,000 m^2 during second half of 2000.
**) Building area 23,900 m^2 during second half of 2000.
***) Transferred to Elcoteq on January 1, 2000
****) Area 16,000 m^2 in second quarter of 2000

ELCOTEQ'S UNITS

1. Lohja • •
2. Helsinki • •
3. Vaasa •
4. Tallinn •
5. Pécs •
6. St. Petersburg •
7. Überlingen •
8. Wroclaw •
9. Hong Kong •
10. Dongguan •
11. Dallas •
12. Monterrey •
13. Tokyo •
14. Randers •
15. Beringen •

• Plants
• Other operations





Environmental management

Elcoteq's environmental work aims to:

- Safeguard the company's long-term viability
- Increase customer satisfaction
- Create a safe and pleasant working environment
- Make its services even more competitive.

Principles underlying environmental management

Elcoteq Network's Environmental Policy, first endorsed in 1997, was revised by the company's Executive Management Team in February 2000. This policy defines the general principles for environmental management in Elcoteq based on the company's core values. The policy is particularly challenging owing to its comprehensive approach. Besides including the impact of Elcoteq's recent rapid growth and globalization, the policy revision gives particular emphasis to the broadening of Elcoteq's service portfolio and the consequent increase in responsibility carried by the company in the value chain of its products.

Environmental management systems

Elcoteq's environmental performance is being continuously improved through its environmental management systems. These are tailored to the company's individual plants. Four of Elcoteq's manufacturing plants had been granted ISO 14001 certification by the end of 1999. Elcoteq's other units have begun work on building their own environmental systems; those which have made most progress are now able to perform internal audits, while units at the other end of the process are currently preparing an initial environmental review on their operations. (Figure 1)

Environmental issues in production

The site-specific environmental management systems help Elcoteq to identify the crucial environmental issues relating to its core business, electronics manufacturing. Hence the plants are equipped to take into consideration both the requirements of their customers and other stakeholders and also their legal responsibilities when assessing matters of environmental importance. Based on data gathered so far Elcoteq's plants focus in particular on the following issues: the handling of packaging materials, packaging, organic compounds (VOC) evaporating during soldering process, energy consumption in production, and chemicals control.

Results, targets and plans

In 1999 Elcoteq's plants concentrated on developing their environmental management methods and procedures. They also considerably boosted training for personnel in environmental matters to enhance environmental awareness. Improvements in environmental performance, for example increased sorting and recycling of production waste, were reported during the year, notably by the plants with environmental management systems already in operation. (Figures 2-3)

Elcoteq is committed to continuous improvement of the environmental performance of its services. The plants owned by the company at the end of 1999 aim to gain ISO 14001 certification by the end of 2000. Those acquired in 2000 will build up their environmental management systems at the fastest pace possible based on individual plans.

The assessment and reporting of environmental performance in Elcoteq is also a focus of continuous improvement. Elcoteq intends to unify the information gathering systems of its plants during 2000 and to define global environmental indicators for its operations.

Elcoteq is seeking closer collaboration with its customers and suppliers to manage the lifecycle impacts of its services. Elcoteq's purchasing organization initiated an environmental project in the fall of 1999 to develop management of environmental issues in the supply chain. The aim of the project is to inform suppliers of Elcoteq's environmental requirements during spring. Elcoteq will also gather more detailed information on the environmental properties of its materials for use by its customers and its engineering services.

This annual report is the second to contain an overview of Elcoteq's environmental management activities. Further information will be provided for example in Elcoteq's Internet pages and its customer magazine.

ISO 14001 status

1. ISO 14001 certificate 44%
2. System under implementation 56%

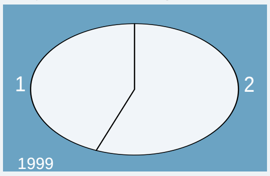


Figure 1. Development of environmental management systems at Elcoteq Network's plants. Situation at the end of 1999.

Waste reclamation in Lohja plants

1. % of waste reclaimed
2. Targets set in 1998

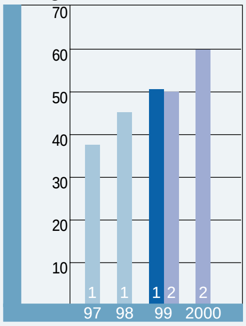


Figure 2. *More than 50 % of* waste generated at the Lohja plant was reclaimed in 1999.

Training units (employees/trainings)

1. Europe
2. America
3. Asia

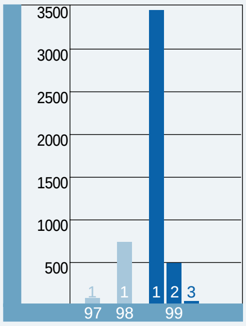


Figure 3. By the end of 1999 more than 4,000 Elcoteq employees had received training in environmental issues.

Elcoteq values

Customer satisfaction

We want to know our customers' needs and to respond to them with the best possible service: expertise, quality, prompt and reliable delivery, flexibility and cost efficiency. We keep our promises.

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

Committed personnel

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

Ethical conduct of business

We take care of the environment under our influence and we always consider and encourage positive development in our social environment. We want to conduct business with integrity.

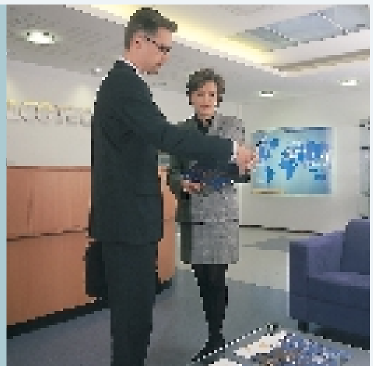
Continuous improvement

Our aim is to be a world class electronics manufacturer. We recognize the need for change and development and we respond rapidly.

We are keen to discover new methods to improve our operation and to implement them rapidly with full commitment.

Result orientation

We are committed to our ambitious goals and to increase the value of the company through profitable and successful business operations.



Human resources and skill transfer

Continuous development of the organization and its human values is imperative in a rapidly growing company. One of Elcoteq's major challenges in 1999 was to develop the knowledge and skills of its personnel, and to transfer this expertise to new units.

A group-wide Global Excellence Program was started to meet these needs and was completed by more than 40 senior managers or key employees. The program provided a thorough grounding in the company's various operations and its business environment. It also generated new insights into Elcoteq's strategies and business processes. The program will be expanded and in 2000 will have over 60 participants.

A survey of personnel attitudes was conducted throughout the company in 1999 for the third time. This survey provided valuable feedback on the action plans prepared by the units. More than 80 % of personnel responded, which demonstrates the commitment of Elcoteq's employees and their desire to develop their work. The survey showed that Elcoteq's personnel are highly motivated. It also highlighted the need to pay greater attention to the role of supervisors and to management in a company undergoing rapid growth.

1999 also saw the start of group-wide organizational reviews to promote job rotation and transfer of skills to new units. Elcoteq adopted a comprehensive remuneration scheme during the year as well, based on position evaluations and target bonuses.

Working abroad increased

The number of Elcoteq people working abroad rose once again during 1999. Elcoteq's corporate office is responsible for management of the company's expatriate employees, in order to ensure effective international coordination and compatibility of employment contracts.

Recruitment

Elcoteq recruited 2,273 new people during 1999. The highest incidence of growth was recorded in Hungary, 703 people, with a further 466 employees recruited in Mexico. On December 31, 1999 Elcoteq had 6,147 employees worldwide. Two acquisitions in early 2000, Stephan Elektronik in Germany and the Hungarian plant of Nokia Display Products, further increased the number of Elcoteq employees by almost 2000.

International orientation program

Elcoteq's international orientation program seeks to introduce new employees to the company's operating policies and culture as effectively as possible, offering them at the same time the opportunity to make personal contacts. An integral element in Elcoteq's internationalization is the transfer of skills and knowledge to its new production units. Professional training for employees from the EMS plants in China, Mexico and Hungary was given especially heavy emphasis at the Tallinn plant in Estonia and also at the Lohja plant in Finland. Training sessions ranged in duration from a few weeks to about two months, thus requiring a heavy commitment on the part of the units concerned.


ELCOTEQ

Corporate governance

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

Board of Directors

The Board of Directors is responsible for the management of the company and appropriate organization of its operations. The Board comprises at least four and at most eight members and is elected by the Annual General Meeting for one year at a time. The Board elects a chairman and a deputy chairman from among its members.

In addition to the tasks required by Finnish legislation and Elcoteq's articles of association, the Board is also responsible for confirming the company's strategy, for approving its budget, and for deciding on major investments and donations to good causes. The Board usually meets 5-10 times a year and also when required.

The members of the Board of Directors are introduced on page 47.

Review and Compensation Committee

The Board of Directors has appointed a Review and Compensation Committee from among its members to supervise certain aspects of the company's operation, to report to the Board of Directors on its findings and to submit proposals. The Committee is chaired by the Chairman of the Board, Mr Antti Piippo, and its members are the company's non-executive directors Mr Heikki Horstia and Mr Juha Toivola.

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

President

The Board of Directors appoints the President of the company. The main terms and conditions of the President's employment contract are set out in a written contract. The President is responsible for the operative management of the company as required by the provisions of the Finnish Companies Act and in accordance with the instructions and authority of the Board of Directors. Mr Tuomo Lähdesmäki has been President of Elcoteq since 1997. He is introduced in further detail on page 47.

Remuneration

The salaries, fees and benefits in kind paid to the members of the Board of Directors and the President in 1999 totalled FIM 3,232,673.00.

Insider matters

The company has prepared Insider Rules for its personnel confirmed by the Board of Directors. Personnel are trained in the matters covered by these Insider Rules and the company also maintains insider registers for specific projects. The company adopted the insider guidelines issued by the Helsinki Exchanges on March 1, 2000.

The company's statutory list of insiders comprise the members of the Board of Directors, the President and the auditor. Other permanent insiders are the members of the Executive Management Team, individuals who regularly attend the Executive Management Team's meetings, and the Company Secretary.

Elcoteq's board of directors

Antti Piippo BSc (Eng.), b. 1947, has been the Chairman of the Board of Directors since the management buy-out in 1991. Mr Piippo has held several management positions in the electronics industry since 1971, including periods as director of consumer electronics with Aspo Oy (1971-1984) and Lohja Corporation (1984-1991). Mr Piippo has held, and continues to hold, various non-executive roles in several other companies and industrial organizations. Mr Piippo is one of the Company's principal shareholders, holding 1,886,970 Elcoteq A shares and 5,411,000 K shares, representing 31.3% of the Company's shares and 47.3% of the voting rights. Mr Piippo received a Bachelor of Science degree in Engineering from the Helsinki College of Technology in 1973.

Henry Sjöman BSc (Eng.), b. 1950, is Group Vice President of Sales Development. He has been a member of the Company's Board of Directors since the management buy-out in 1991. Mr Sjöman has worked in the electronics industry since 1974, and has held various management positions with the Company and its predecessors since 1984. He is one of the principal shareholders, holding 900,765 Elcoteq A shares and 2,583,000 K shares, representing 14.9% of the Company's shares and 22.6% of the voting rights. Mr Sjöman received a Bachelor of Science degree in Engineering from Köping Technical Institute in Sweden in 1974.

Jorma Vanhanen MSc (Eng.), b. 1959, is Group Vice President of Technology. He has been a member of the Company's Board of Directors since the management buy-out in 1991. Mr Vanhanen has held various management positions in the Company and its predecessors since 1987. He is one of the principal shareholders, holding 900,765 Elcoteq A shares and 2,583,000 K shares, representing 14.9% of the company's shares and 22.6% of the voting rights. Mr Vanhanen received a Master of Science degree in Engineering from the Helsinki University of Technology in 1986.

Heikki Horstia BSc (Econ.), b. 1950, has been a non-executive member of the company's Board of Directors 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. He is Vice President, Treasurer of Wärtsilä NSD Corporation. Mr Horstia holds 1,000 Elcoteq A shares and 7,500 bonds with warrants, entitling him to subscribe for at most 7,500 new A shares. He received a Bachelor of Science degree in Economics from the Helsinki School of Economics and Business Administration in 1972.

Juha Toivola MSc, b. 1947, has been a non-executive member of the Company's Board of Directors since 1997. Mr Toivola is the Managing Director of Industrial Insurance Company Ltd, Deputy Managing Director of Sampo Group and a member of the board of several other Finnish insurance and other companies. Mr Toivola holds 7,500 bonds with warrants, entitling him to subscribe for at most 7,500 new A shares. He qualified as a Master of Science from the University of Helsinki in 1971.

President and executive management team

Tuomo Lähdesmäki MSc (Eng.), MBA, b. 1957, joined the Company as President in 1997. Prior to this he was the President and Chief Executive Officer of Leiras Oy, an international pharmaceuticals company, since 1991, and a member of the Board of Leiras Oy's parent company Huhtamäki Group. Between 1983 and 1991 Mr Lähdesmäki held several positions within the Nokia Group, most recently as Vice President and Area Director of the Nordic Countries (1988-1989). Between 1990 and 1991 Mr Lähdesmäki was General Manager of Telecommunications for the Swiss company SMH SA. He holds 300,000 bonds with warrants, entitling him to subscribe for at most 300,000 new A shares. Mr Lähdesmäki is qualified as a Master of Science in Engineering from the Helsinki University of Technology and holds a Master of Business Administration degree from INSEAD.

Other members of the executive management team

Jouni Hartikainen MSc (Eng.), born 1961, Group Vice President, Global Account Management, joined Elcoteq and its Executive Management Team in February 2000, taking responsibility for Elcoteq's global sales, customer, engineering and New Product Introduction services. He previously held several positions in Tecnomen Oy, which produces messaging and wireless Internet products, most recently as Director, Customer Operations. Mr Hartikainen has also spent several years during his career working in Canada and Malaysia.

Jukka Forsström MSc (Econ. and Bus.Admin.), b. 1958, is Group Vice President and Corporate Treasurer. He joined Elcoteq in 1998 and the Executive Management Team in 1999. Mr Forsström has worked in various companies within international business since 1981. Prior to joining Elcoteq he was Corporate Treasurer and Senior Vice President at Kaukomarkkinat Oy (1990-1998).

Christer Härkönen MSc (Eng.), b. 1957, is Group Vice President, Global Supply Chain Management. He has been a member of the Executive Management Team since he joined Elcoteq in 1996. Mr Härkönen has held various production, logistics and purchasing positions in the electronics industry since 1984, including positions as Production Control Manager

(1987-1988) and Production and Plant Manager of Nokia Data's Kilo and Lohja factories (1988-1991). He has also held the posts of Materials Management Director (1991-1993) and Operations Director (1993-1996) at ICL Personal Systems Oy.

Kari Häyrinen MSc (Eng.), MBA, b. 1959, is Group Vice President and General Manager, Asia Pacific. Mr Häyrinen joined Elcoteq and its Executive Management Team in 1995, having worked in the Start Fund of Kera between 1993 and 1995. Mr Häyrinen has worked in several positions in the electronics industry in Finland and the United States since 1984, including Development Engineer and Product Manager at Fiskars Tehoelektroniikka (1984-1987), and Product Manager at Fiskars Electronics Corporation, USA (1987-1989) and Fiskars Power Systems (1989-1993).

Reijo Itkonen technician, b. 1949, is Group Vice President, Global Operations. He has been a member of the Executive Management Team since the beginning of 1999. Mr Itkonen has worked in the electronics industry since 1967 in companies including Lohja Corporation and Finlux. In the last five years before joining Elcoteq, Reijo Itkonen worked for Nokia and Semi-Tech as President of a television manufacturing plant in Turku. He joined Elcoteq in 1997 to establish the company's plant in Pécs. Prior to his present position, Mr Itkonen was responsible for European operations.

Jukka Jäämaa LSc (Eng.), b. 1965, is Group Vice President and General Manager, Central and Western Europe. Mr Jäämaa joined the Company and its Executive Management Team in 1998. He was then responsible for European sales and account management. Prior to this, he held a variety of positions since 1990 in Perlos, which manufactures components for the electronics industry, most recently as General Manager of this company's Nurmijärvi plant in Finland. Mr Jäämaa wrote his licentiate dissertation on the subject of automation investments.

Osmo Kammonen LLM, b. 1959, is Group Vice President of Corporate Communications and Investor Relations. Mr Kammonen has worked in industrial communications and investor relations since 1984, including Financial Communications and Investor Relations Officer at Metsä-Serla Corporation (1987-1989), Corporate Communications Manager at Lohja Corporation (1989-1991) and Investor Relations Manager at Metra Corporation (1991-1996). Mr Kammonen joined the Company and its Executive Management Team in 1996.

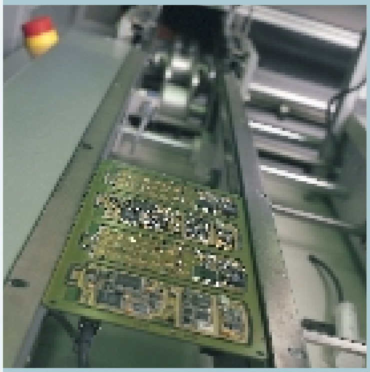
Markku Leinonen MSc (Eng.), born 1957, is Group Vice President and General Manager, Northern Europe. He joined the company in 1997 to start up mobile phones manufacture at Elcoteq's Tallinn plant. Before joining Elcoteq Leinonen worked in various production positions for Nokia in China and for Fujitsu Personal Systems in Finland. He has worked in the electronics industry since 1984.

Teo Ottola MSc (Econ. and Bus. Admin.), born 1968, is responsible for Elcoteq's internal and external accounting and reporting as its Group Vice President and Corporate Controller. He was appointed to the Executive Management Team in March 2000. He has held various finance and accounting positions in the company since 1996. Before joining Elcoteq, Mr Ottola worked in Rautaruukki Corporation's treasury department.

Ilkka Pouttu Dipl. Bus. Studies, b. 1955, is Group Vice President and General Manager, Americas, with responsibility for operations and sales in the Americas. Mr Pouttu has worked in the electronics industry since 1986. He was Area Export Manager and Export Director of the NMT division of Nokia Mobile Phones (1986-1988), Director of Sales of Telecommunications at Autronic AG, Switzerland (1988-1989), General Manager of the Cellular Subscriber Group of Motorola S.A., Switzerland (1989-1993) and Business Manager of Motorola European Cellular Subscriber Division, Germany (1993-1997). Mr Pouttu joined the company and its Executive Management Team in 1997.

Kerttu Tuomas, MSc (Econ.), born 1957, joined the company as Group Vice President, Human Resources and a member of the Executive Management Team in January 2000. She has worked in marketing of professional services, personnel management, and human resources and organizational development since 1981. Before joining Elcoteq she held responsibility for personnel administration in Finland and the Baltic countries for the international Mars group between 1994 and 2000.

Member of the Board **Mr Henry Sjöman** also belongs to Elcoteq's Executive Management Team. He is responsible for the Company's sales development as Group Vice President.



General managers of Elcoteq plants

Jüri Josepson PhD, born 1951, is General Manager of Elcoteq's Überlingen and Wroclaw plants. He joined Elcoteq as Project Manager at the Tallinn plant in Estonia in 1996. Before moving to Germany in January 2000 he worked as Production Technology Manager at the Tallinn plant. Dr Josepson previously worked as a researcher at the Estonian Institute of Cybernetics, a research institute specializing in mathematics, mechanics, computer software applications and monitoring systems. He wrote his doctoral thesis on the subject Experimental Measuring of Stresses in Crystals.

Hannu Keinänen MSc (Eng.), born 1969, has worked for the company since 1998 when he joined as General Manager of Elcoteq's Vaasa plant after its acquisition. Mr Keinänen is currently General Manager of the company's Pécs 1 plant in Hungary. Before Elcoteq, he worked for ABB Transmit Oy in various positions including exports.

Jari Kinnari BSc (Eng.), born 1969, is General Manager of the Vaasa plant. He joined Elcoteq in 1998, prior to which he held various production management positions in ABB Power Oy, which manufactures protection relays for medium-voltage networks. He prepared his bachelor's thesis on the subject of production management.

Andrei Korzhakov MSc (Eng.), born 1962, is General Manager of the St. Petersburg plant. Before joining Elcoteq in 1999 he worked as Director of AGA's gas plant in Moscow and before that he held various management positions in Nordic companies operating in Russia.

Petteri Laaksomo, born 1968, is General Manager of Elcoteq's Dongguan plant in China. He has held various production and technology related positions in Elcoteq since joining in 1993. Before moving to China in 1999 he was responsible for development of the Company's production technologies.

Jyrki Luukonlahti MSc (Eng.), born 1960, joined the company on 1 March 2000 as General Manager of the Helsinki plant from ICL Data Oy, where he held the position of Logistics Manager. Mr Luukonlahti has worked in the electronics industry since 1988 and has held various production management positions in Fujitsu Oy and its predecessors.

Ilmar Petersen MSc (Eng.), born 1960, is General Manager of Elcoteq's Tallinn plant. He joined Elcoteq in 1994 as Deputy General Manager of the Tallinn plant. Mr Petersen has been a member of Elcoteq's Executive Management Team and has also been Vice President of Elcoteq's European operations. Before joining Elcoteq he was President of Avnet Baltronic between 1991 and 1994.

Pertti Rahko MSc (Eng.), 1946, is General Manager of Elcoteq's Pécs 2 plant. He joined Elcoteq in January 2000 after Elcoteq's acquisition of Nokia's monitor plant. Before that, Mr Rahko worked in production positions for Salora Oy since 1972 and in various production and management positions for Nokia Display Products (NDP) and its predecessors since 1986. He was President of NDP's plant in Hungary since 1998.

Anja Rouhiainen, MSc (Physics), born 1945, has been General Manager of the Monterrey plant since February 2000. She has worked for Elcoteq since 1994 in various positions including General Manager of the Tallinn, Helsinki and Lohja plants. In 1998 Ms Rouhiainen moved to Hungary as Operations Manager of the Pécs 1 plant and from there to the Monterrey plant as Vice President, Operations Development in 1998-2000. Ms Rouhiainen has worked in the electronics industry since 1970.

Markku Leinonen, Group Vice President and General Manager, Northern Europe, is also acting General Manager of Elcoteq's Lohja plants.

Elcoteq's organization is a global matrix

Elcoteq has created an operating model which integrates its business operations, divided into four geographical areas, into a global matrix. The model will safeguard the resources of Elcoteq's business areas and strengthen the company's service portfolio. It will also improve worldwide co-ordination of operations and deepen Elcoteq's customer relationships.

Functional organization

Elcoteq will support its regional operations through a functional organization to ensure global compatibility. The main functions of this organization are Global Account Management, Global Operations Management, Global Supply Chain Management, and Corporate staff.

Global Account Management sells the Group's services to existing and new customers. It has special responsibility for global customers, for coordination of Elcoteq's services between its regions, for engineering and New Product Introduction (NPI) services, for development of co-evolution processes started with customers, and for procuring new customers.

Global Operations Management maintains and develops the Group's production and technology resources as required by customer needs. It is also responsible for developing the tools, methods and systems necessary to the Group's quality and environmental management functions.

Global Supply Chain Management coordinates the Group's materials and logistics functions. It develops co-evolution with Elcoteq's suppliers and ensures the competitive efficiency of Elcoteq's materials management and logistics. It is also responsible for the Group's Information Management.

ELCOTEQ'S GLOBAL MATRIX

CORPORATE STAFF

President: Tuomo Lähdesmäki
Controller: Teo Ottola
Treasury: Jukka Forsström
H.R.: Kerttu Tuomas
Comm. & IR: Osmo Kammonen
Sales Devel.: Henry Sjöman

FUNCTIONS

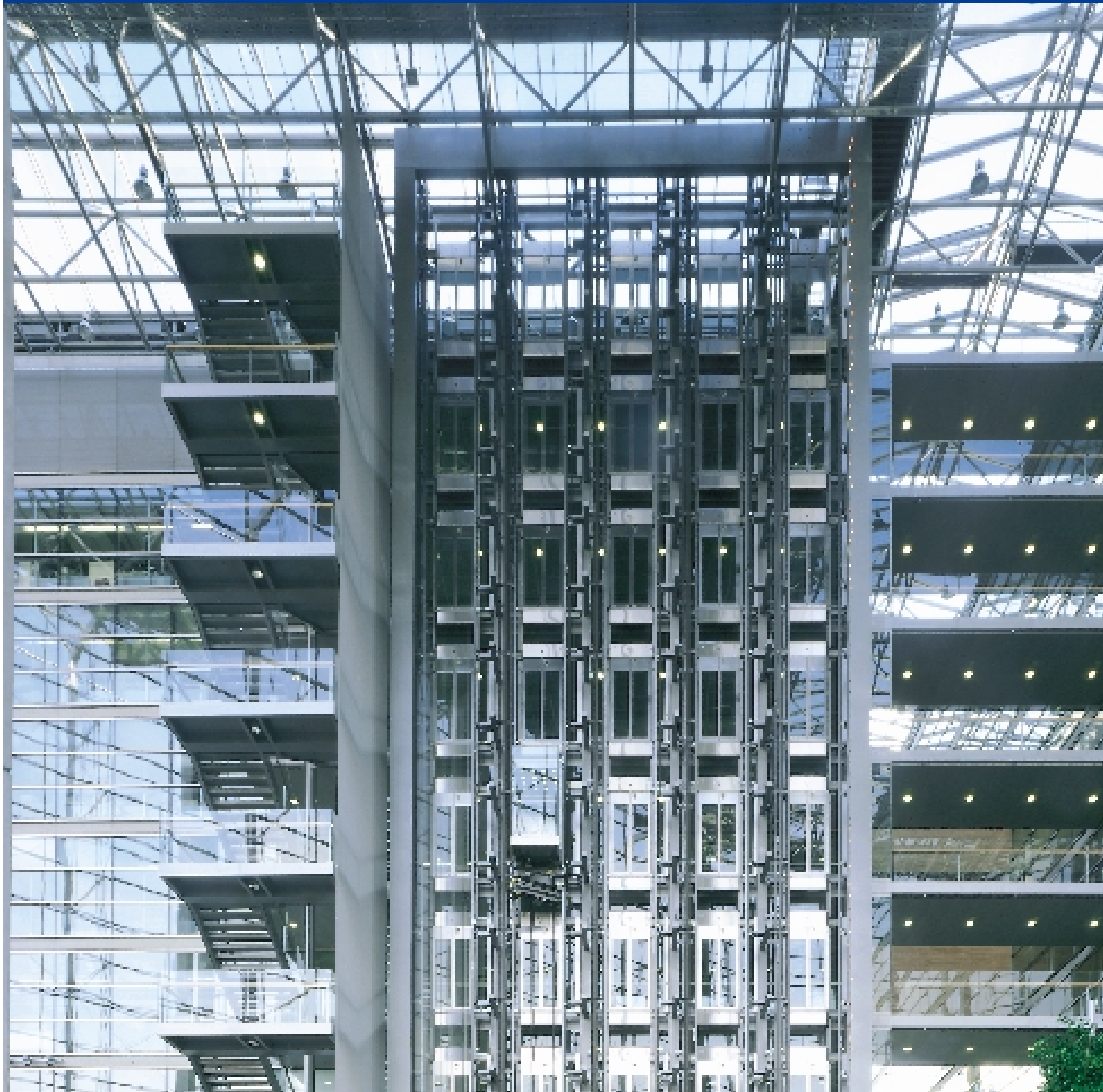
ACCOUNT MANAGEMENT
Jouni Hartikainen

OPERATIONS
Reijo Itkonen

SUPPLY CHAIN MANAGEMENT
Christer Härkönen

REGIONS

NORTHERN EUROPE Markku Leinonen	CENTRAL AND WESTERN EUROPE Jukka Jäämaa	ASIA PACIFIC Kari Häyrinen	AMERICAS Ilkka Pouttu
LOHJA Markku Leinonen	PÉCS 1 Hannu Keinänen	DONGGUAN Petteri Laaksomo	MONTERREY Anja Rouhiainen
TALLINN Ilmar Petersen	PÉCS 2 Pertti Rahko		
ST. PETERSBURG Andrei Korzhakov	ÜBERLINGEN Jüri Josepson		
INDUSTRIAL ELECTRONICS Jyrki Luukonlahti	WROCLAW Jüri Josepson		



Elcoteq bulletins 1999 in brief

Jan.12, 1999, Elcoteq to manufacture cellular phone accessories and sub-assemblies for Nokia in the US market

Elcoteq and Nokia have agreed that Elcoteq will start supplying Nokia's Ft. Worth plant with cellular phone accessories and subassemblies. Elcoteq's deliveries will take place from the company's new plant in Monterrey, Mexico, which is due to start up at the end of January. Based on the agreement, Elcoteq will deliver accessories and subassemblies for several Nokia models on a turnkey basis. Manufacturing of these products will involve some 200 people in Monterrey during the first year.

Feb.11,1999, Elcoteq's sales rise 40 %

Elcoteq's net sales for 1998 rose 39.8 % to FIM 2,346.3 (1,678.6) million. The pre-tax profit was FIM 51.4 (57.0) million and the operating profit was FIM 61.8 (80.9) million. Earnings per share in 1998 totaled FIM 1.88 (2.64). The Board of Directors proposes that the dividend remain at FIM 0.20 per share. In 1999 Elcoteq's net sales for the full year will increase substantially and its result will improve.

March 17, 1999, Elcoteq board remains unchanged, dividend FIM 0.20/share

The Annual General Meeting of Elcoteq Network Corporation was unanimous in its decisions. The 1998 financial statements were approved and the members of the Board of Directors and the President were discharged from liability. The five existing members of the Board were re-elected until the next Annual General Meeting. The Meeting decided to distribute a dividend of FIM 0.20 per share.

April 6, 1999, Elcoteq's first-quarter according to expectations

Elcoteq's net sales for the first quarter of 1999 increased by approximately 50 % compared to the first quarter a year earlier and the result was a loss. Elcoteq's performance at the start of the year met the company's expectations and, as announced previously, the company believes that its full-year result for 1999 will be an improvement on the previous year although the result at the beginning of the year was burdened by plant start-up costs.

April 14, 1999, Elcoteq signs EUR 55 million credit facility

Elcoteq Network Corporation has signed an agreement with a syndicate of five banks for a EUR 55 million multi-currency revolving credit facility. Under the terms of the loan agreement Elcoteq is able to draw funds up to the agreed credit limit to finance its growth projects or for general corporate purposes.

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 the previous year. This growth rate was clearly above the average in the electronic manufacturing services (EMS) business.

Aug. 4, 1999, Changes in Elcoteq's financial administration

The following changes in Elcoteq's financial administration will take effect on September 1, 1999: Mr Jukka Forsström (41), MSc (Econ.), Corporate Treasurer, will be responsible for the Group's treasury and legal matters reporting to Mr Tuomo Lähdesmäki, President of Elcoteq Network Corporation. Mr Forsström will also join the Group's Executive Management Team.

Aug. 4, 1999, Elcoteq signs repair service agreement with Philips

Elcoteq Network Corporation and Philips France, Division Consumer Communications have concluded a repair service agreement in Europe. This service will be provided by Elcoteq in Pécs, Hungary.

Aug. 5, 1999, Interim report January – June 1999 (Unaudited)

Elcoteq Network Corporation's net sales for the January-June period increased 76 % compared to the same period in 1998. The company's net sales for the first six months of 1999 totaled MEUR 272.4 (154.4).

Nov. 4, 1999, Interim report January – September 1999 (Unaudited)

Elcoteq Network Corporation's net sales between January and September totaled MEUR 475.2 (234.1), up 103 % on the same period in 1998. The operating profit reached MEUR 5.3, compared with MEUR 3.8 in the same period previous year. The profit before extraordinary items and taxes was MEUR 2.6 (2.9). Earnings per share were EUR 0.02 (0.08).

Dec. 9, 1999, Elcoteq doubles size of Mexico plant

In response to growing demand for manufacturing services coupled with customers' expansion projects, Elcoteq will double the size of its manufacturing plant in Monterrey, Mexico, from the existing 8,000 square meters to 16,000 square meters. Work on the expansion will start immediately and production is scheduled to begin in the new premises at the end of the second quarter of 2000.

Dec. 15, 1999, Elcoteq acquires German EMS company

Elcoteq will acquire the German electronics manufacturing services company Stephan Elektronik from its founder Helmut Stephan and his family. The company, which has plants in Germany and Poland and a unit in Switzerland, will become part of Elcoteq Network Corporation on January 1, 2000. The deal will make Elcoteq one of the largest EMS companies operating in Germany and will further strengthen its network of manufacturing plants in Europe.

Dec. 22, 1999, Elcoteq to manufacture Ericsson mobile phones also in Hungary

Elcoteq and Ericsson have concluded a letter of intent whereby Elcoteq will start manufacturing Ericsson mobile phones at its plant in Pécs, Hungary, during the second quarter of 2000. The agreement calls for the box build manufacture of Ericsson mobile phones, i.e. Elcoteq will be responsible for complete manufacturing of the end products including end-user packaging and shipment direct to the distribution chain.

Information for shareholders

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

Elcoteq's investor relations are the responsibility of Mr Osmo Kammonen (tel. +358-10-413 1406 or osmo.kammonen@elcoteq.com), Group Vice President of Corporate Communications and Investor Relations, and Ms Ulla Paajanen-Sainio (+358-10-413 1742 or ulla.paajanen-sainio@elcoteq.com), Manager, Investor Relations.

Elcoteq's annual report, interim reports and the Company's Internet home pages, www.elcoteq.com, contain further information on Elcoteq.

Financial publications

This annual report and the Company's interim reports are published in Finnish and English. The interim reports in 2000 will be published as follows:

- January – March, on Friday May 5, 2000
- January – June, on Friday August 11, 2000
- January – September, on Thursday November 2, 2000.

To order these publications, please address your request to Elcoteq Network Corporation / Ms Riitta Kemppainen, P.O. Box 8, FIN-00391 Helsinki, or call her on +358-10-413 1718. These publications can also be ordered at our website.

The Company's bulletins are published in English on the Internet www.elcoteq.com.

Investor conferences

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

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

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

Private investors are invited to meet the company's representatives at investor meetings arranged by the Finnish Foundation for Share Promotion in several Finnish cities during spring 2000 and at the Sijoitus-Invest Fair in Helsinki in autumn 2000.

The following investment analysts provide information on Elcoteq as an investment opportunity

ABG Securities Ltd	Ben Wärn	+44-207-905 5630	ben.warn@abgsec.co.uk
Aktia Securities	Jaakko Paloheimo	+358-10-247 6410	jaakko.paloheimo@aktia.fi
Alfred Berg Finland Oy Ab	Marion Ahlström	+358-9-228 32712	marion.ahlstrom@alfredberg.fi
Alfred Berg ABN Amro UK	Ronny Ruohomaa	+44-207-678 6906	ronny.ruohomaa@uk.abnamro.com
Aros Securities Oy	Pontus Grönlund	+358-9-173 37397	pontus.gronlund@arossecurities.com
D. Carnegie AB, Helsinki	Visa Manninen	+358-9-6187 1232	visa.manninen@carnegie.fi
Cazenove & Co.	Charles Evans Lombe	+44-207-588 2828	cplevanslombe@cazenove.com
	Jonas Pålsson	+44-207-588 2828	jppalsson@cazenove.com
Crédit Agricole Indosuez			
Chevreux Nordic AB	Jan Kaijala	+46-8-723 5100	jkaijala@indocdv.com
Conventum Securities Ltd	Esa Mangeloja	+358-9-5499 3318	esa.mangeloja@conventum.fi
Dresdner Kleinwort Benson	Per Lindberg	+44-207-623 8000	per.lindberg@dresdnerkb.com
	Mark Loveland	+44-207-623 8000	mark.loveland@dresdnerkb.com
Enskilda Securities AB, Helsinki	Mika Koskinen	+358-9-616 28727	mika.koskinen@enskilda.se
Evli Securities Plc	Sami Sarkamies	+358-9-4766 9177	sami.sarkamies@evli.fi
FIM Securities Ltd	Niklas Geust	+358-9-613 46210	niklas.geust@fimi.fi
Handelsbanken Markets	Jari Wallasvaara	+358-10-444 2337	jawa05@handelsbanken.se
Leonia Bank Plc	Petri Korpineva	+358-20-425 2981	petri.korpineva@leonia.fi
Mandatum Stockbrokers Ltd	Janne Uski	+358-9-166 72711	janne.uski@mandatum.fi
Merita Securities Ltd	Mika Paloranta	+358-9-1234 0317	mika.paloranta@merita.fi
Merrill Lynch	Anita Farrell	+44-207-867 2996	anita_farrell@ml.com
	Jerry Labowitz	+1-212-449 2309	jerry_labowitz@ml.com
Opstock Investment Banking	Michael Schröder	+358-9-404 4351	michael.schroder@oko.fi
Warburg Dillon Read	Scott Heritage	+1-212-821 6828	scott.heritage@wdr.com

Annual general meeting and dividends

Annual general meeting

The Annual General Meeting of Elcoteq Network Corporation shareholders will be held on Wednesday March 22, 2000, commencing at 2.00 p.m., in the Ballroom of the Scandic Hotel Continental Helsinki in Helsinki (Mannerheimintie 46-48).

Shareholders may attend the AGM who have registered themselves in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd no later than March 17, 2000. Shareholders wishing to attend the AGM are requested to notify the company no later than 4.00 p.m. (Finnish time) on March 17, 2000, either in writing to Elcoteq Network Corporation, Ms Tarja Virtanen, P.O.Box 8, FIN-00391 Helsinki, or by telephone to Ms Tarja Virtanen, +358-10-413 1800. Letters of authorization should arrive at the above address before the period of notification expires.

Payment of dividend

The Board proposes to the Annual General Meeting that the parent company distributes a dividend to shareholders in line with its dividend policy, i.e. FIM 0.20 (EUR 0.034) per share and also an additional dividend of FIM 0.45 (EUR 0.076) per share in gratitude for the confidence of shareholders during the company's globalization program. The dividend decided by the AGM will be paid to shareholders who are registered in the shareholders register maintained by the Finnish Central Securities Depository Ltd on the record date. The Board of Directors will propose that the dividend record date is March 27, 2000 and that the dividend payment date is April 3, 2000.

Dividend policy

Elcoteq's dividend policy is based on the assumption that in the rapidly developing and expanding markets shareholders' investments are likely to give best returns if the Group invests its profits primarily in developing its business.

Contact information

Elcoteq Network Corporation
Corporate Office
Konalankuja 5
P.O. Box 8
FIN-00391 Helsinki, Finland
Tel +358-10-41 311
Fax +358-10-413 1209
Internet: www.elcoteq.com

Elcoteq Network Corporation
Corporate Office
Länsi-Louhenkatu 31
P.O. Box 47
FIN-08101 Lohja, Finland
Tel +358-10-41 311
Fax +358-10-413 1210
Internet: www.elcoteq.com

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

Elcoteq Network Corporation
Helsinki Plant
Konalankuja 5
P.O. Box 35
FIN-00391 Helsinki, Finland
Tel +358-10-41 311
Fax +358-10-413 1600

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

Elcoteq Network Corporation
Oulu Customer Service
Elektroniikkatie 8
FIN-90570 Oulu, Finland
Tel +358-8-551 3010
Fax +358-8-551 3011

Elcoteq Network Corporation
Randers Customer Service
Messingvej 58 A
DK-8900 Randers, Denmark
Tel +45-8711 9911
Fax +45-8711 9915

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

AS Elcoteq Tallinn
Peterburi tee 67 A
EE-11415 Tallinn, Estonia
Tel +372-6-108 100
Fax +372-6-108 200

Elcoteq JSC
ul. Tsentralnaya 10
194292 St. Petersburg, Russia
Tel +7-812-118 4525
Fax +7-812-118 4524

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

Elcoteq S.A. de C.V.
Ave. Stiva #400
Parque Industrial
Stiva Aeropuerto C.P.
66600 Apodaca, N.L. Mexico
Tel +52-8-156 7600
Fax +52-8-156 7646

Elcoteq Japan Co., Ltd
3F 2-20-29 Takanawa Minatoku
Tokyo, 108-0074 Japan
Tel +81-3-5475 6001
Fax +81-3-5475 6005

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

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

Elcoteq Elektronik GmbH
Rengoldshauserstr. 17 a
D-88662 Überlingen, Germany
Tel +49-7551-8000 0
Fax +49-7551-8000 57

Stephan Elektronik GmbH & Co. KG
Wiesengasse 20
CH-8222 Beringen, Switzerland
Tel +41-52-687 11 80
Fax +41-52-687 11 88

Stephan Elektronik SP. zo.o
Ul. Ostrowskiego 30
PL-53238 Wroclaw, Poland
Tel +48-71-339 00 24
Fax +48-71-363 17 05

VAT Reg. No, FI 08610516
Trade Reg. No 521.860

Elcoteq Network Corporation
Corporate Office
Konalankuja 5
P.O.Box 8
FIN 00391 Helsinki
Finland
Tel +358-010-41 311
Fax +358-010-413 1210
www.elcoteq.com