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INTERIM REPORT (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 1997

Revenues of Elcoteq Group for the first half of 1997 were FIM 621.5 million, an increase of 32.7% over the same period in the previous year (FIM 468.4 million). Profit before taxes was FIM 28.0 million, up from FIM 22.1 million for the comparable period in 1996. Demand for manufacturing services is rising steadily. Capacity additions in Tallinn, Estonia, will be fully utilized during the latter half of the year. Revenues for the financial year 1997 are expected to grow markedly, and profits to clearly increase from the previous year.

Elcoteq Network was very successful in the first half of financial year 1997. The company continued to grow rapidly, and was able to start utilizing additional manufacturing capacity in Tallinn, Estonia at the beginning of the summer as planned. A significant part of the expanded facilities in Tallinn will be used for manufacturing Ericsson's new GSM phone model as a so-called box build project, meaning that Elcoteq manufactures, tests and packs the phones and delivers them to the customer's distribution organization. This contract, which was signed in June, and other new projects ensure that Elcoteq's rapid growth will continue in the second half of the year.

Demand for electronics manufacturing services continues to grow in 1997, and manufacturing services are clearly becoming a distinct sector within the electronics industry. Many of the largest European electronic equipment manufacturers are following the example of their American counterparts and rapidly outsourcing their actual manufacturing activities to specialized manufacturing service providers. This trend toward outsourcing is led by the Nordic telecommunications companies and has significantly increased Elcoteq's growth potential. The company has already started to take advantage of these new opportunities. At the same time, competition is increasing as North American and Asian firms are marketing their manufacturing services more vigorously in Europe.

Strong growth continues

Revenues of Elcoteq Group for the first half of 1997 were FIM 621.5 million, an increase of 32.7% over the same period in the previous year (FIM 468.4 million). Operating profit before depreciation was 8.0% of revenues for the period, compared to 7.2% in the preceding year. Profit before taxes was FIM 28.0 million, up from FIM 22.1 million for the comparable period in 1996.

Once again, growth was strongest within the biggest customer sector, telecommunications equipment manufacturing. Industrial electronics manufacturing grew as well. Manufacturing of computer equipment stayed at the same level. Traditional consumer electronics holds a decreasing share of Elcoteq's operations.

Demand for printed circuit boards grew and the utilization of Printeq-Piirilevyt Oy's capacity increased significantly. During the first half of the year Printeq was still unprofitable, but only slightly. In March 1997 Printeq received an ISO-9002 quality certificate for its operations.

Total assets on June 30 was FIM 539.5 million, an increase over of FIM 386.2 million on June 30th, 1996. Most of the increase is due to the investments made in expanding and equipping the Tallinn factory. However, total assets did decrease from year-end 1996.

Elcoteq's investments during the first half of the financial year totaled FIM 88.0 million. Additional investments of approximately FIM 15 million will be needed in Tallinn during the

financial year 1997.

Despite these extensive investments, the Group's financial position remained strong through the first half of the year. Financing for the expansion of operations was secured by a convertible capital notes loan of FIM 110 million issued in December 1996 and a US \$45 million syndicated revolving credit Euro loan taken in May 1997. The expenses of the Euro loan have been spread over the loan period.

The strengthening of the US dollar relative to the Finnish mark had little effect on Elcoteq's profit. The company's US dollar payables for material purchases are balanced by its US dollar receivables. The company secures part of its currency position with forward exchange transactions as well as currency and interest rate swap contracts.

Preparations for IPO proceed

Elcoteq continued planning for a possible initial public offering of stock. In July 1997, the investment banks Union Bank of Switzerland and Mandatum Securities Ltd. were appointed to conduct preparations for making Elcoteq a publicly listed company. No final decisions have been made yet.

Expansion into Germany and St. Petersburg

In the beginning of August, Elcoteq opened a sales and customer service unit, Elcoteq Deutschland GmbH, in Karlsruhe, Germany. Through this unit, the Group wishes to become electronics supplier primarily for Germany's automotive industry and its supplier network. Elcoteq's interest in the extensive electronics industry in Germany and German-speaking areas of Europe is increased by the fact that outsourcing of electronics manufacturing is still far less common in these areas than in North America or the Nordic countries.

In spring 1997, Elcoteq decided to start a pilot manufacturing project in St. Petersburg, Russia in the latter half of the year. Facilities suitable for electronics manufacturing have been identified and production will start in October. Customers have expressed their willingness to move the manufacturing of their products to St. Petersburg. The management and staff of the Tallinn factory have valuable experience of business operations in Russia as well as comprehensive knowledge of the language, and these assets are being utilized in setting up the St. Petersburg site.

Elcoteq continues to explore other growth and internationalization options as well. Behind these plans is Elcoteq's strategy of going to meet the markets; that is, serving its current customers (as well as new customers) in geographic areas where its manufacturing services may be needed. This means that Elcoteq may develop capacity in Asia, the Americas and Central Europe.

Competition for components increases

Competition has clearly increased in the electronic component market during 1997. Availability has decreased, especially for standard components, and sometimes Elcoteq has had to buy components from brokers rather than manufacturers.

Materials procurement and management systems are being re-engineered as planned. The company has been able to increase efficiency by creating a new system for customs clearance and storage of materials in the Tallinn factory, for example.

Workforce grows strongly, training emphasized

The number of employees at the end of the first half of 1997 was 2,685, a growth of 870 over the 1,815 employees a year earlier. Employment was steady, with an average of 2,435 employees during the period, compared to 1,861 for the same period in 1996. During this financial period Elcoteq created 523 new posts. Most of them were created in Tallinn, and 118 of them were created in Lohja, Finland.

The reorganization plans of the Helsinki factory were finalized in May 1997. The factory will specialize in small series production and spare parts.

Elcoteq has launched a new training program, the Elcoteq Academy. It aims at preparing the personnel for international and multicultural operations as well as keeping their skills up to date in advanced quality control and manufacturing processes.

In May 1997 Mr Ilkka Pouttu was appointed Sales Director and became a new member of Elcoteq Network's management team.

Decisions at general meetings

The annual general meeting was held on March 17th, 1997. The AGM approved the financial statement and approved a proposed dividend of FIM 18.40 per share. The composition of the board remained the same.

An extraordinary general meeting held on August 25th, 1997, chose Mr Juha Toivola, President of Industrial Insurance Company Ltd., to succeed Mr Mikko Tapola who resigned his position on the board.

Outlook for the remainder of 1997

Demand for manufacturing services is rising steadily. On the basis of confirmed orders in hand and customers' order predictions, we have good reason to believe that Elcoteq's manufacturing service capacity will be fully utilized over and beyond the latter half of the financial year. Problems related to the availability of components may cause breaks in production and decrease the utilization rate, however. As for the printed circuit boards, it is unclear whether demand will continue at the current good level.

Capacity additions in Tallinn, Estonia, will be fully utilized during the latter half of the year. Revenues for the financial year 1997 are expected to grow markedly, and profits to clearly increase from the previous year.

Helsinki August 25th, 1997

Board of Directors
Elcoteq Network Oy