ELCOTEQ NETWORK CORPORATION Stock Exchange Bulletin
August 5, 1999, 9.00 am (Helsinki)

INTERIM REPORT JANUARY –JUNE 1999 (Unaudited)

- Net sales growth accelerated and was 76 %.
- Net sales totaled MEUR 272.4, operating profit MEUR 0.03.
- The company believes that net sales will increase substantially during the remainder of the year as well. The full-year result will be an improvement on last year's.

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). Demand for electronics manufacturing services (EMS) showed a general increase and Elcoteq further consolidated its market position.

As expected, the company's six-month result was depressed by the start-up costs of the new plants built in Hungary and Mexico. The plant acquired in China was incorporated within the Group at the end of March and its impact on the second-quarter result was positive.

In line with its strategy, Elcoteq continued to rapidly increase its production capacity.

Performance in the first six months

The operating profit was MEUR 0.03, having been MEUR 3.2 between January and June 1998. The result before extraordinary items decreased to MEUR –1.3 (+2.5) and earnings per share were EUR –0.10, compared to EUR 0.07 in the same period last year. The company's result was burdened by the start-up costs of the new manufacturing plants.

Depreciation doubled on the same period last year to MEUR 8.2 (3.7) owing to the company's fast-track international investment program implemented over the last 12 months. Gross capital expenditure was MEUR 14.5, having totaled MEUR 14.1 in January-June 1998. Most of this expenditure was attributable to Elcoteq's acquisition of the Dongguan plant and to machinery and equipment purchases for the new plants in Mexico and Hungary.

The balance sheet totaled MEUR 281.8 at June 30, 1999 compared to MEUR 177.4 one year earlier. The continued rapid growth in net sales also increased sales receivables and inventories.

The solvency ratio, which includes treating the convertible capital notes as shareholders' equity, decreased to 46.4 % (70.3 %) following the increase in the balance sheet total.

The Group's cash reserves at the end of June totaled MEUR 27.5. In April Elcoteq negotiated a MEUR 55 revolving credit facility with a syndicate of five banks. At the end of the review period the Group had MEUR 92 in unused credit limits at its disposal.

Year 2000

Most of the company's information technology systems and its machinery and equipment have now been reviewed in its program to eliminate the potential risks associated with the new millennium. No issues have so far emerged which could pose a risk to Elcoteq's uninterrupted operations at the beginning of the year 2000. The emphasis is now shifting to testing and the provision of any backup systems that might be required.

Personnel

Elcoteq had 4,142 (2,739) employees on average during the six-month period ended June 30, 1999 and 4,672 (2,869) employees at the end of June.

Second-quarter performance

Elcoteq's net sales in the second quarter of 1999 increased 97 % on the same period last year and totaled MEUR 154.6 (78.3). The operating profit was MEUR 1.6 (1.2) and the pre-tax profit was MEUR 0.8 (0.7).

Markets

Elcoteq has succeeded in meeting growth in demand both in its traditional markets and, through its international network of manufacturing plants, in new markets in central Europe, North America and China.

Altogether 69 % (71 %) of Elcoteq's net sales in January-June were derived from mobile phones and their accessories. Other telecommunication products such as base stations for mobile phone networks and digital telephone switches, accounted for 15 % (8 %) and industrial electronics 10 % (13 %). Customers belonging to the Ericsson and Nokia groups represented 82 % (76 %) of Elcoteq's net sales.

Delivery times for electronic components have lengthened and the availability of certain components is occasionally difficult.

Internationalization projects

Industrial electronics manufacturing started up at the Hungarian plant in May. The plant continues to supply electronic subassemblies for the automotive electronics market in Central Europe. In June the plant was granted ISO 9002 quality certification after only eight months of operation. At the end of June it had 350 employees. Personnel is expected to increase considerably by the end of the year as a result of new projects, including a repair service agreement for Philips.

The Mexican plant was started up according to plan. The number of product projects will increase during the second half of the year and its customer base will expand as well.

The plant in Dongguan, China, acquired from Nokia Mobile Phones was successfully incorporated and the plant had a clearly positive impact on Elcoteq's second-quarter result. The telecommunications electronics market in Asia appears favorable, offering good prospects for further development of the company's operations in China, also in the longer term.

Business conditions at the pilot manufacturing plant in St. Petersburg, Russia, have improved but the overall operating environment is still challenging.

Subsequent events

In early August Elcoteq announced a European-wide repair service agreement with Philips Consumer Communications Division covering repair of telecommunications products. This service will be provided by Elcoteq's plant in Hungary.

With the resignation of Elcoteq's chief financial officer, who joins another company, Corporate Treasurer Mr Jukka Forsström has been appointed to the Group Executive Management Team with responsibility for treasury and legal matters. At the same time Corporate Controller Mr Teo Ottola takes responsibility for internal and external accounting. Mr Forsström reports to President Mr Tuomo Lähdesmäki and Mr Ottola to Mr Forsström.

Prospects

The electronics and EMS markets show continued growth. Competition is expected to remain intense. Elcoteq has sharpened its competitive edge by extending the coverage of its plant network to America and Asia.

The company believes that its net sales for the full year will increase substantially, the bulk of this increase being evident during the second half of the year. The full-year profit will be an improvement on the previous year.

Elcoteq will publish its interim report for January to September at 9.00 am (Helsinki time) on Thursday November 4, 1999.

Helsinki, August 4, 1999

Board of Directors

Exchange rates

This interim report uses the following conversion rates:

1 EUR = FIM 5.94573
1 EUR = USD 1.03280
1 USD = FIM 5.75690

Elcoteq will hold a conference call in English for investors and analysts, starting at 1.00 pm UK time on August 5, 1999. To participate, please call +44 181 781 0579, code Elcoteq.

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APPENDICES

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

APPENDIX 1

INCOME STATEMENT, MEUR	1-6/99	1-6/98	Change,%	1998
Net Sales	272.4	154.4	76.4	394.6
Other income from operations	2.5	0.4	553.7	3.6
Operating expenses	-266.7	-147.8	80.4	-376.1
Depreciation	-8.2	-3.7	119.2	-9.6
Operating profit	0.03	3.2		10.4
% of net sales	0.0	2.1		2.6
Financial income and expenses	-1.3	-0.7	91.4	-1.4
Profit before extraordinary items	-1.3	2.5		9.0
Extraordinary items	-	-0.4		-0.3
Profit before taxes	-1.3	2.1		8.7
Income taxes *)	-0.1	-0.7		-1.5
Minority interests	-0.9	-		-
Net income	-2.3	1.4		7.1

*) Taxes for the period are calculated as a proportion of estimated taxes for the full year.

APPENDIX 2

BALANCE SHEET, MEUR	Jun.30,1999	Jun.30,1998	Change,%	Dec.31,1998
Fixed assets	78.6	45.6	72.3	72.4
Current assets				
Inventories	79.9	37.1	115.8	66.6
Other current assets	123.3	94.8	30.1	117.1
Assets	281.8	177.4	58.8	256.1
Share capital	7.8	7.8	0.0	7.8
Convertible capital notes	18.5	18.5	0.0	18.5
Other shareholders' equity	100.8	98.4	2.4	104.2
Minority interests	3.6	-		-
Provisions	0.0	0.2	-78.5	0.0
Long-term liabilities	23.0	10.7	114.2	19.6
Short-term liabilities	128.0	41.8	206.5	105.9
Shareholders' equity and liabilities	281.8	177.4	58.8	256.1

APPENDIX 3

KEY FIGURES	1-6/99	1-6/98	Change,%	1998
Personnel on average during the period	4,142	2,739	51.2	3,085
Gross capital expenditure, MEUR	14.5	14.1	2.4	44.0
Return on equity (ROE), % *)	-1.2	1.7	-171.9	6.6
Return on investment (ROI), % *)	0.5	3.0	-84.1	8.1
Earning per share (EPS), EUR	-0.10	0.07	-236.0	0.32

	Jun.30,1999	Jun.30,1998	Change,%	Dec.31,1998
Current ratio	1.6	3.2	-50.4	1.7
Solvency Ratio 1 **)	39.8	59.9	-33.5	43.8
Solvency Ratio 2 ***)	46.4	70.3	-34.0	51.0
Net gearing 1 **)	0.4	-0.2	-296.2	0.4
Net gearing 2 ***)	0.2	-0.3	-165.1	0.2
Equity per share, EUR	4.66	4.56	2.2	4.81
Interest-bearing liabilities, MEUR	53.0	11.1	379.1	44.3
Incl. convertible capital notes, MEUR	71.5	29.6	141.9	62.8
Non-interest-bearing liabilities, MEUR	98.0	41.5	136.4	81.3

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

APPENDIX 4

ASSETS PLEDGED AND CONTINGENT LIABILITIES, MEUR

FOR OWN LIABILITIES

	Jun.30,1999	Jun.30,1998	Change,%	Dec.31,1998
Mortgages on real estate				
Loans from financial institutions	5.8	7.3	-20.9	6.0
Mortgages	11.2	9.7	16.2	11.3
Mortgages on movable assets				
Loans from financial institutions	0.6	0.9	-37.0	0.7
Mortgages for other loans	6.7	6.7	0.0	6.7
Other pledges given as collateral				
Mortgages on movable assets	2.0	2.0	0.0	2.0
Mortgages on real estates	0.1	0.1	0.0	0.1
ON BEHALF OF OTHERS				
Guarantees	1.0	1.2	-16.2	1.2
LEASING COMMITMENTS	1.8	6.8	-73.7	2.8
DERIVATIVE CONTRACTS				
Interest and currency Swap contracts	5.2	6.4	-18.6	5.3
Forward contracts	51.4	35.3	45.6	72.1
Currency options	24.0	-		-
Interest rate derivatives	50.0	-		-

If the currency and interest swap agreements outstanding at June 30, 1999 had been sold at the market price, the positive effect would have been EUR 1.1 million.

APPENDIX 1

INCOME STATEMENT, MFIM	1-6/99	1-6/98	Change,%	1998
Net Sales	1,619.8	918.1	76.4	2,346.3
Other income from operations	15.1	2.3	553.7	21.3
Operating expenses	-1,585.8	-879.0	80.4	-2,236.2
Depreciation	-48.8	-22.3	119.2	-57.0
Operating profit	0.2	19.1		61.8
% of net sales	0.0	2.1		2.6
Financial income and expenses	-8.0	-4.2	91.4	-8.6
Profit before extraordinary items	-7.8	14.9		53.3
Extraordinary items	-	-2.3		-1.8
Profit before taxes	-7.8	12.7		51.5
Income taxes *)	-0.3	-4.4		-9.0
Minority interests	-5.5	-		-
Net income	-13.6	8.3		42.5

*) Taxes for the period are calculated as a proportion of estimated taxes for the full year

APPENDIX 2

BALANCE SHEET, MFIM	Jun.30,1999	Jun.30,1998	Change,%	Dec.31,1998
Fixed assets	467.1	271.0	72.3	430.5
Current assets				
Inventories	475.3	220.3	115.8	396.0
Other current assets	732.9	563.4	30.1	696.3
Assets	1,675.3	1,054.8	58.8	1,522.8
Share capital	46.6	46.6	0.0	46.6
Convertible capital notes	110.0	110.0	0.0	110.0
Other shareholders' equity	599.1	584.9	2.4	619.5
Minority interests	21.3	-		-
Provisions	0.2	1.0	-78.5	0.2
Long-term liabilities	136.8	63.9	114.2	116.4
Short-term liabilities	761.2	248.3	206.5	629.9
Shareholders' equity and liabilities	1,675.3	1,054.8	58.8	1,522.8

APPENDIX 3

KEY FIGURES	1-6/99	1-6/98	Change,%	1998
Personnel on average during the period	4,142	2,739	51.2	3,085
Gross capital expenditure, MFIM	86.0	84.0	2.4	261.7
Return on equity (ROE), % *)	-1.2	1.7	-171.9	6.6
Return on investment (ROI), % *)	0.5	3.0	-84.1	8.1
Earning per share (EPS), FIM	-0.58	0.43	-236.0	1.88

	Jun.30,1999	Jun.30,1998	Change,%	Dec.31,1998
Current ratio	1.6	3.2	-50.4	1.7
Solvency Ratio 1 **)	39.8	59.9	-33.5	43.8
Solvency Ratio 2 ***)	46.4	70.3	-34.0	51.0
Net gearing 1 **)	0.4	-0.2	-296.2	0.4
Net gearing 2 ***)	0.2	-0.3	-165.1	0.2
Equity per share, FIM	27.70	27.09	2.2	28.57
Interest-bearing liabilities, MFIM	315.3	65.8	379.1	263.3
Incl. convertible capital notes, MFIM	425.3	175.8	141.9	373.3
Non-interest-bearing liabilities, MFIM	582.7	246.5	136.4	483.1

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

APPENDIX 4

ASSETS PLEDGED AND CONTINGENT LIABILITIES, MFIM

FOR OWN LIABILITIES

	Jun.30,1999	Jun.30,1998	Change,%	Dec.31,1998
Mortgages on real estate				
Loans from financial institutions	34.5	43.6	-20.9	35.9
Mortgages	66.8	57.5	16.2	67.3
Mortgages on movable assets				

Loans from financial institutions	3.4	5.4	-37.0	4.4
Mortgages for other loans	40.0	40.0	0.0	40.0
Other pledges given as collateral				
Mortgages on movable assets	12.0	12.0	0.0	12.0
Mortgages on real estates	0.5	0.5	0.0	0.5
ON BEHALF OF OTHERS				
Guarantees	6.2	7.4	-16.2	7.1
LEASING COMMITMENTS	10.6	40.3	-73.7	16.6
DERIVATIVE CONTRACTS				
Interest and currency Swap contracts	31.0	38.1	-18.6	31.4
Forward contracts	305.8	210.0	45.6	428.6
Currency options	142.7	-		-
Interest rate derivatives	297.3	-		-

If the currency and interest swap agreements outstanding at June 30, 1999 had been sold at the market price, the positive effect would have been FIM 6.5 million.