

INTERIM REPORT JANUARY-JUNE 2000 (Unaudited)

- Growth continued strong. Half-year net sales more than tripled on the same period last year to MEUR 932.3.
- Half-year operating profit MEUR 27.9 (one year earlier: MEUR 0.0), pre-tax profit MEUR 25.5 MEUR (-1.3), EPS EUR 0.72 (-0.10).
- Return on capital employed improved and 12-month rolling ROCE was 17.4 %.
- Full-year net sales are expected to almost triple on 1999 and profits to improve even more rapidly.

Demand for electronics manufacturing services (EMS) continued to grow strongly. This has enabled Elcoteq to deploy the plant network created during the 1998-1999 globalization program. The Group has succeeded in growing rapidly by offering its customers modern and competitive manufacturing capacity with consistent business processes, working procedures and systems on three continents.

Net sales during the first six months of the year exceeded net sales for the whole of 1999 and the profit before extraordinary items and taxes was more than 2.5 times higher than the corresponding figure. Elcoteq's key figures indicate stable and positive financial performance; the Company achieved or exceeded the financial targets which it presented in conjunction with its share issue in May.

Capacity raised to safeguard growth

Elcoteq has laid the groundwork for continued rapid growth by increasing its production capacity. During the second quarter the Company built further plant capacity in Finland, Mexico and Estonia. The new manufacturing facility in Finland was taken into use at the beginning of August, and the plant expansions in Mexico and Estonia will also come on stream this year.

After the first six-month period, Elcoteq also took two important steps to add further capacity. In July Elcoteq became the first international EMS company to start production in the capital of China. Elcoteq leased altogether 12,000 square meters of factory space in Beijing for manufacturing of subassemblies for mobile phones and GSM network equipment for customers including Ericsson and Nokia. This expansion more than doubles the Group's production space in China, one of the world's largest and fastest growing mobile phone markets, and will raise the number of Elcoteq employees there to over 1,000 by the end of 2000.

In response to the rapid growth in demand for electronics manufacturing services required to build wireless network infrastructure, Elcoteq decided in August to establish a separate plant in Estonia specializing in these products. The new 6,300-square-meter plant to be built in Tallinn will be leased and brought into operation during the first quarter of 2001. Elcoteq possesses considerable expertise in telecommunications in Tallinn, in addition to which the Company has agreed on co-operation with the two leading Estonian universities to safeguard the availability of the special skills and personnel needed in the manufacture of advanced electronics products.

The Company now has more than twice as much plant manufacturing space either in use or under construction than after the second quarter in 1999. In addition to this, capacity is being substantially increased through the continuous implementation of more advanced production technology at both the new and established plants.

Net sales and performance

Elcoteq's net sales between January and June more than tripled (+242 %) compared to the first six months of 1999. Net sales for the period totaled MEUR 932 (272). Intermittent component shortages slowed growth in net sales, particularly during the second quarter; nonetheless, this quarter's net sales were still 13 % up sequentially and more than three times higher (+220 %) than in the second quarter of 1999.

The Group also reported a clear improvement in profits and in profitability, measured in terms of return on capital employed. The operating profit was MEUR 27.9 (January-June 1999: MEUR 0.0). The rolling 12-month return on capital employed (ROCE), a central measure of the Company's profitability, reached 17.4 %, well above the target of 15 %. Earnings per share were EUR 0.72.

Depreciation between January and June increased substantially on the same period in 1999 in pace with the rapid increase in manufacturing capacity, totaling MEUR 14.3 (8.2). Gross capital expenditure on fixed assets amounted to MEUR 45.8 (14.5) during the reporting period, comprising plant acquisitions in Germany, Poland and Hungary, plant expansions in Finland, Mexico and Estonia, and machinery and equipment for various plants. A substantial part of the latter investments were made in Hungary.

The balance sheet totaled MEUR 720.4 on June 30, 2000 having been MEUR 281.8 one year earlier. During the second quarter the balance sheet increased 22 % mainly as a result of growth in inventories and current receivables.

The share issue in May improved the Company's solvency ratio (equity to total assets) compared to the first quarter. The solvency ratio at the end of June was 33.6 % (25.1 % at the end of March 2000 and 46.4 % at the end of June 1999).

In February 2000 the Company decided to exercise its right to redeem the FIM 110 million convertible capital notes ahead of schedule. All note holders decided to convert the notes into Series A shares.

The Group had MEUR 160.7 in unused credit lines at its disposal at the end of June 2000.

Elcoteq had 9,678 employees at the end of June, or 4,672 more than one year earlier. Personnel increased by 657 employees during the second quarter. Most new jobs were created in Finland, Mexico and China. Elcoteq had 1,419 employees in Finland, i.e. 282 more than one year ago, and 8,259 outside Finland at the end of June. Personnel averaged 8,643 (4,142) during the first six months of the year.

The component markets

The availability of electronics components remained tight during the second quarter although the situation did not deteriorate significantly on the first quarter. In fact the availability of standard semi-conductors improved slightly whereas delivery times of passive components lengthened further.

Elcoteq's continued vigorous growth demonstrates the success of the Company's material and logistics operations. The Company has resolutely developed its competence in this field together with customers and component suppliers including the introduction of e-commerce tools. The key operating model is the fastest possible transfer of information on demand and availability within the material and logistics chain to ensure that the physical flow of materials represents the quantities required and is correctly timed.

Several component suppliers are expected to gain additional capacity during the third quarter and therefore the availability of many components is expected to gradually improve towards the end of the year.

The share issue

On May 25, 2000 Elcoteq's Board of Directors decided, as authorized by the Annual General Meeting on March 22, 2000, to raise the Company's share capital by 7,600,000 Finnish markka (MEUR 1.3) by issuing 3,800,000 new Series A shares. The share price was EUR 21 per share, and the Company raised MEUR 79.8 (MFIM 474.5) from the capital markets. The lead managers of the share issue subsequently exercised their right to increase the number of new Series A shares offered for subscription by 330,000 shares. Consequently, the Company's share capital rose a further MEUR 0.1, or MFIM 660,000. International investors subscribed for 70 % of the shares offered and Finnish investors for 30 %.

The number of Series A shares now totals 18,234,952 and the number of Series K shares remains 10,577,000.

Market conditions

Elcoteq, for several years the leading European EMS company, is considered by investment analysts to be the world's leading EMS manufacturer of mobile phones. Based on published interim reports, the Company has grown to become one of the world's ten largest EMS corporations.

Elcoteq's largest customers have announced that they will increase outsourcing of production. At the same time many European electronics companies that have hitherto manufactured their own products, have also incorporated outsourcing of production in their manufacturing strategy. This trend has been particularly rapid in Elcoteq's main sector, electronics for telecommunications. The mobile phone markets continue to expand rapidly and EMS companies are responsible for manufacturing an ever increasing share of mobile phones and their accessories. Construction of new wireless telecom networks will increase and outsourcing of these products is rapidly growing as well.

Elcoteq has modern and competitive capacity at its disposal on three continents. Its operating procedures and processes are consistent at all its plants worldwide. The

Company has a strong market position coupled with a solid track record and expertise in the product areas where outsourcing is fastest.

Mobile phones and their accessories accounted for 73 % (69 %), and other telecommunication products for 4 % (10 %), of the Group's net sales during the reporting period. Industrial electronics represented 5 % (10 %) of net sales. Customers belonging to the Ericsson and Nokia groups contributed 91 % (82 %) of net sales.

Elcoteq gained a new global customer in June following conclusion of an agreement with the Danish company Danfoss. Elcoteq's strategic and global partnership agreement with Danfoss Household Compressors Division calls for the manufacture of electronic thermostat controls.

Prospects to the end of 2000

The EMS markets, and especially outsourcing of wireless telecommunication electronics, will continue to grow vigorously.

Component availability is still somewhat problematical but the situation is showing signs of a gradual improvement.

Based on current market conditions, the Company believes that its full-year net sales will almost triple and its performance will improve even more rapidly.

Elcoteq will publish its interim report on operations in January-September at 9.00 am on Thursday November 2, 2000.

Helsinki August 10, 2000

Board of Directors

Conversion rates:

The following conversion rates are used in this interim report:

1 EUR = FIM 5.94573

1 USD = FIM 6.22199

1 EUR = 0.95560 USD

Elcoteq will hold a press conference for media representatives in the Akseli Gallen-Kallela room, Hotel Kämp (Pohjoisesplanadi 29, Helsinki), at 1.00 pm Eastern European Time on August 11, 2000.

A separate conference and conference call will be held in English for analysts and fund managers in the Akseli Gallen-Kallela room, Hotel Kämp, starting at 3.00 pm Eastern European Time (1.00 pm UK) on August 11, 2000. To participate by phone, please call +44 20 8240 8246, code Elcoteq. A taped recording of the teleconference will be available for three days after the call on +44 20 8288 4459, code 644 532.

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ENCLOSURES

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- 2 Balance Sheet
- 3 Key Figures
- 4 Contingent Liabilities
- 5 Quarterly Figures

APPENDIX 1

INCOME STATEMENT, MEUR	1-6/2000	1-6/1999	Change-%	1-12/1999
Net sales	932.3	272.4	242.2	752.5
Change in stock of work in progress and finished goods	23.3	0.0		5.6
Other income from operations	2.5	2.5	-2.1	2.2
Operating expenses	-915.9	-266.7	243.4	-727.9
Depreciation	-14.3	-8.2	73.9	-17.9
Operating profit	27.9	0.0		14.5
% of net sales	3.0	0.0		1.9
Financial income and expenses	-2.3	-1.3	74.0	-4.6
Profit before extraordinary items	25.5	-1.3		9.8
Income taxes *)	-7.5	-0.1		-3.6
Minority interests	-0.3	-0.9		-1.3
Net income	17.7	-2.3		5.0

*) Taxes for the period are calculated as a proportion of estimated taxes for the full year. Income taxes includes the change in deferred tax liability.

APPENDIX 2

BALANCE SHEET, MEUR	June 30, 2000	June 30, 1999	Change-%	Dec. 31, 1999
Fixed assets	124.0	78.6	57.9	98.7
Current assets				
Inventories	277.6	79.9	247.2	142.4
Other current assets	318.8	123.3	158.6	197.0
Assets	720.4	281.8	155.7	438.1
Share capital	9.7	7.8	23.6	7.8
Convertible capital notes	-	18.5		18.5
Other shareholders' equity	227.5	101.7	123.7	109.6
Minority interests	3.6	2.7	35.4	3.1
Provisions	0.0	0.0	0.0	0.0
Long-term liabilities	28.7	23.0	24.7	26.2
Short-term liabilities	450.9	128.0	252.2	272.8
Shareholders' equity and liabilities	720.4	281.8	155.7	438.1

APPENDIX 3

KEY FIGURES	1-6/2000	1-6/1999	Change-%	1-12/1999
Personnel on average during the period	8,643	4,142	108.7	4,733
Gross capital expenditure, MEUR	45.8	14.5	216.6	50.2
Return on equity (ROE), %*)	10.0	-1.2		5.4
Return on investment (ROI), %*)	10.8	0.5		8.2
From 12 preceding months:				
Return on equity (ROE), %	14.5	4.0		5.4
Return on investment (ROI), %	17.4	6.0		8.2
Earnings per share (EPS), EUR	0.72	-0.10		0.21
Adjusted for diluting effect (EPS **)	0.69	-		-
Current ratio	1.3	1.6		1.2
Solvency Ratio 1 ***)	-	39.8		27.5
Solvency Ratio 2 ****)	33.6	46.4		31.7
Gearing 1 ***)	-	0.4		0.7
Gearing 2 ****)	0.4	0.2		0.5
Equity per share, EUR	8.23	4.66	76.7	5.04
Interest-bearing liabilities, MEUR	129.9	53.0	145.0	89.3
Incl. convertible capital notes, MEUR	129,9	71,5	81,6	107,8
Non-interest-bearing liabilities, MEUR	349,7	98,0	256,8	209,7

*) The key figures have been calculated using figures specific to each accounting.

**) EPS (diluted) has not been presented for 1999 since it is larger than the undiluted figure owing to interest expenses on capital loans.

***) 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

	June 30, 2000	June 30, 1999	Change-%	Dec. 31, 1999
FOR OWN LIABILITIES				
Mortgages on real estate				
Loans from financial institutions	4.3	5.8	-25.5	5.1
Mortgages	11.1	11.2	-1.5	11.1
Mortgages on movable assets				
Loans from financial institutions	0.2	0.6	-64.7	0.4
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 estate	-	0.1		-
ON BEHALF OF OTHERS				
Guarantees	0.7	1.0	-30.6	1.0
LEASING COMMITMENTS	21.3	1.0		5.3
DERIVATE CONTRACTS				
Foreign exchange derivative financial instruments				
Foreign exchange forward contracts				
- Notional value	188.3	51.4	266.0	95.0
- Book value	0.7	-0.3	-333.3	0.5
- Market value	-0.1	-0.4	-86.4	0.5
Currency options				
- Notional value	62.7	24.0	161.1	44.7
- Book value	0.0	-0.1	-100.0	-0.1
- Market value	0.1	-		0.1
Interest rate derivatives				
- Notional value	-	50.0		50.0
- Book value	-	-		-
- Market value	-	-		0.0
Interest and currency swap contracts				
- Notional value	4.0	5.2	-22.9	4.6
- Book value	-	-		-
- Market value	1.1	1.1	0.0	1.1

APPENDIX 5

QUARTERLY FIGURES	Q2/ 2000	Q1/ 2000	Q4/ 1999	Q3/ 1999	Q2/ 1999	Q1/ 1999
INCOME STATEMENT, MEUR						
Net sales	494.1	438.2	277.3	202.8	154.6	117.9
Change in stock of work in progress and finished goods	12.6	10.6	4.1	1.5	0.8	-0.7
Other income from operations	1.0	1.5	0.5	-0.8	2.3	0.2
Operating expenses	-485.4	-430.5	-267.6	-193.6	-151.7	-115.1
Depreciation	-7.6	-6.7	-5.2	-4.5	-4.4	-3.8
Operating profit	14.7	13.2	9.1	5.3	1.6	-1.6
% of net sales	3.0	3.0	3.3	2.6	1.0	-1.3
Financial income and expenses	-1.6	-0.8	-1.9	-1.4	-0.8	-0.5
Profit before extraordinary items	13.1	12.4	7.3	3.9	0.8	-2.1
Income taxes	-3.8	-3.7	-2.5	-1.0	0.1	-0.1
Minority interests	-0.4	0.1	-0.2	-0.2	-0.9	0.0
Net income	8.9	8.8	4.6	2.7	-0.1	-2.2
BALANCE SHEET, MEUR						
Fixed assets	124.0	106.6	98.7	85.3	78.6	77.0
Current assets						
Inventories	277.6	227.6	142.4	99.6	79.9	66.6
Other current assets	318.8	257.0	197.0	157.4	123.3	90.6
Assets	720.4	591.3	438.1	342.3	281.8	234.1
Share capital	9.7	8.3	7.8	7.8	7.8	7.8
Convertible capital notes	-	-	18.5	18.5	18.5	18.5
Other shareholders' equity	227.5	135.3	109.6	104.2	101.7	101.6
Minority interests	3.6	3.2	3.1	2.8	2.7	1.7
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities	28.7	25.8	26.2	24.2	23.0	19.3
Short-term liabilities	450.9	418.5	272.8	184.6	128.0	85.2
Shareholders' equity and liabilities	720.4	591.3	438.1	342.3	281.8	234.1
Personnel on average during the period	9 300	8,080	5 648	4 933	4 371	3,909
Gross capital expenditure, MEUR	25.2	20.6	24.1	11.7	6.0	8.5
From 12 preceding months, ROI, %	17.4	15.7	8.2	7.3	6.0	6.4
Earning per share (EPS), EUR	0.34	0.38	0.20	0.12	0.00	-0.09
Solvency ratio 2	33.6	25.1	31.7	39.0	46.4	55.4

APPENDIX 1

INCOME STATEMENT, MFIM	1-6/2000	1-6/1999	Change-%	1-12/1999
Net sales	5,543.3	1,619.8	242.2	4,474.1
Change in stock of work in progress and finished goods	138.4	0.2		33.3
Other income from operations	14.8	15.1	-2.1	13.4
Operating expenses	-5,445.7	-1,586.0	243.4	-4,328.1
Depreciation	-84.9	-48.8	73.9	-106.6
Operating profit	165.8	0.2		86.1
% of net sales	3.0	0.0		1.9
Financial income and expenses	-13.9	-8.0	74.0	-27.6
Profit before extraordinary items	151.9	-7.8		58.5
Income taxes*)	-44.7	-0.3		-21.2
Minority interests	-1.8	-5.5		-7.6
Net income	105.4	-13.6		29.7

*) Taxes for the period are calculated as a proportion of estimated taxes for the full year. Income taxes includes the change in deferred tax liability.

APPENDIX 2

BALANCE SHEET, MFIM	June 30, 2000	June 30, 1999	Change-%	Dec. 31, 1999
Fixed assets	737.4	467.1	57.9	586.7
Current assets				
Inventories	1,650.3	475.3	247.2	846.9
Other current assets	1,895.6	732.9	158.6	1,171.2
Assets	4,283.3	1,675.3	155.7	2,604.8
Share capital	57.6	46.6	23.6	46.6
Convertible capital notes	-	110.0		110.0
Other shareholders' equity	1,352.7	604.6	123.7	651.8
Minority interests	21.4	15.8	35.4	18.2
Provisions	0.2	0.2	0.0	0.2
Long-term liabilities	170.6	136.8	24.7	155.8
Short-term liabilities	2,680.8	761.2	252.2	1,622.2
Shareholders' equity and liabilities	4,283.3	1,675.3	155.7	2,604.8

APPENDIX 3

KEY FIGURES	1-6/2000	1-6/1999	Change-%	1-12/1999
Personnel on average during the period	8,643	4,142	108.7	4,733
Gross capital expenditure, MFIM	272.3	86.0	216.6	298.6
Return on equity (ROE), %*)	10.0	-1.2		5.4
Return on investment (ROI), %*)	10.8	0.5		8.2
From 12 preceding months:				
Return on equity (ROE), %	14.5	4.0		5.4
Return on investment (ROI), %	17.4	6.0		8.2
Earnings per share (EPS), FIM Adjusted for diluting effect (EPS **)	4.27	-0.58		1.28
	4.08	-		-
Current ratio	1.3	1.6		1.2
Solvency ratio 1 ***)	-	39.8		27.5
Solvency ratio 2 ****)	33.6	46.4		31.7
Gearing 1 ***)	-	0.4		0.7
Gearing 2 ****)	0.4	0.2		0.5
Equity per share, FIM	48.95	27.70	76.7	29.96
Interest-bearing liabilities, MFIM	772.4	315.3	145.0	530.9
Incl. convertible capital notes	772.4	425.3	81.6	640.9
Non-interest-bearing liabilities, MFIM	2,079.0	582.7	256.8	1 247.1

*) The key figures have been calculated using figures specific to each accounting period in question.

**) EPS (diluted) has not been presented for 1999 since it is larger than the undiluted figure owing to interest expenses on capital loans.

***) 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

	June 30, 2000	June 30, 1999	Change-%	Dec. 31, 1999
FOR OWN LIABILITIES				
Mortgages on real estate				
Loans from financial institutions	25.7	34.5	-25.5	30.3
Mortgages	65.8	66.8	-1.5	65.8
Mortgages on movable assets				
Loans from financial institutions	1.2	3.4	-64.7	2.5
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 estate	-	0.5		-
ON BEHALF OF OTHERS				
Guarantees	4.3	6.2	-30.6	6.2
LEASING COMMITMENTS	126.5	5.8		31.7
DERIVATIVE CONTRACTS				
Foreign exchange derivative financial instruments				
Foreign exchange forward contracts				
- Notional value	1,119.3	305.8	266.0	564.7
- Book value	4.2	-1.8	-333.3	2.9
- Market value	-0.3	-2.2	-86.4	3.1
Currency options				
- Notional value	372.6	142.7	161.1	265.9
- Book value	0.0	-0.7	-100.0	-0.7
- Market value	0.3	-		0.4
Interest rate derivatives				
- Notional value	-	297.3		297.3
- Book value	-	-		-
- Market value	-	-		0,0
Interest and currency swap contracts				
- Notional value	23.9	31.0	-22.9	27.3
- Book value	-	-		-
- Market value	6.5	6.5	0.0	6.4

APPENDIX 5

QUARTERLY FIGURES

	Q2/ 2000	Q1/ 2000	Q4/ 1999	Q3/ 1999	Q2/ 1999	Q1/ 1999
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INCOME STATEMENT, MFIM

Net sales	2,937.9	2,605.3	1,648.6	1,205.8	919.1	700.7
Change in stock of work in progress and finished goods	75.2	63.2	24.2	8.8	4.5	-4.3
Other income from operations	5.7	9.1	3.1	-4.8	13.8	1.3
Operating expenses	-2,886.2	-2,559.5	-1,590.9	-1,151.2	-902.0	-684.1
Depreciation	-45.2	-39.7	-30.9	-26.9	-26.0	-22.8
Operating profit	87.3	78.5	54.3	31.6	9.5	-9.3
% of net sales	3.0	3.0	3.3	2.6	1.0	-1.3
Financial income and expenses	-9.3	-4.6	-11.0	-8.6	-4.9	-3.1
Profit before extraordinary items	78.0	73.9	43.3	23.0	4.6	-12.4
Income taxes	-22.8	-21.9	-15.0	-5.9	0.4	-0.7
Minority interests	-2.1	0.3	-1.0	-1.1	-5.5	0.0
Net income	53.1	52.3	27.3	16.0	-0.5	-13.1

BALANCE SHEET, MFIM

Fixed assets	737.4	634.0	586.7	507.0	467.1	457.8
Current assets						
Inventories	1,650.3	1,353.3	846.9	592.4	475.3	395.8
Other current assets	1,895.6	1,528.2	1,171.2	935.6	732.9	538.5
Assets	4,283.3	3,515.5	2,604.8	2,035.0	1,675.3	1,392.1
Share capital	57.6	49.4	46.6	46.6	46.6	46.6
Convertible capital notes	-	-	110.0	110.0	110.0	110.0
Other shareholders' equity	1,352.7	804.6	651.8	619.6	604.7	603.8
Minority interests	21.4	19.3	18.2	16.7	15.8	9.9
Provisions	0.2	0.2	0.2	0.2	0.2	0.2
Long-term liabilities	170.6	153.5	155.8	144.1	136.8	114.9
Short-term liabilities	2,680.8	2,488.5	1,622.2	1,097.8	761.2	506.7
Shareholders' equity and liabilities	4,283.3	3,515.5	2,604.8	2,035.0	1,675.3	1,392.1
Personnel on average during the period	9 300	8,080	5 648	4 933	4 371	3,909
Gross capital expenditure, MFIM	149.6	122.7	143.0	69.5	35.5	50.5
From 12 preceding months						
ROI, %	17.4	15.7	8.2	7.3	6.0	6.4
Earnings per share (EPS), FIM	2.04	2.24	1.17	0.69	-0.02	-0.56
Solvency ratio 2	33.6	25.1	31.7	39.0	46.4	55.4