

INTERIM REPORT JANUARY – SEPTEMBER 2000 (Unaudited)

- Elcoteq's net sales between January and September more than tripled on the same period last year to MEUR 1,531 (477). Third-quarter net sales increased 20.4 % on the previous quarter.
- The January-September operating profit rose more than eight-fold on the same period last year to MEUR 46.3 (5.3), the profit before extraordinary items and taxes was MEUR 39.9 (2.6), and EPS was EUR 1.03 (0.02).
- Full-year net sales are expected to almost triple on 1999 and performance to improve even more rapidly.
- Elcoteq is the world's leading EMS manufacturer of mobile phones. It also aims to achieve a strong position in electronics manufacturing services for communications network equipment.

Elcoteq's net sales growth and increase in profits demonstrate that the services offered by the company's recently built global network of electronics manufacturing services (EMS) plants are competitive. Most of Elcoteq's manufacturing capacity is new, having been built during the past two years, and three-quarters of its capacity is situated in Estonia, Hungary, Mexico and China – countries that are highly competitive with respect to market proximity, good availability of skilled labor and favorable general cost levels. The ramp-up of Elcoteq's new capacity has proceeded rapidly and systematically. The company further raised capacity utilization at its plants.

Elcoteq will strengthen its position as an EMS manufacturer of electronics for communications networks

Elcoteq has gained a leading position in the market as a provider of electronics manufacturing services for mobile phone manufacturers. This shows that Elcoteq is able to improve the competitive efficiency of its customers. Elcoteq aims to further improve the electronics manufacturing services it provides to its mobile phone customers by building more production capacity consistent with its existing facilities, and by enhancing its service range and quality of services. Demand for manufacturing services for mobile phones continues to grow.

For a number of years Elcoteq has also manufactured electronics for communications network suppliers. Demand for manufacturing services for these products is rising strongly, driven by increasing use of mobile phones, the new features and services offered by communication systems and the introduction of new technical standards. For this reason Elcoteq has launched a program intended to consolidate the company's position as a significant EMS manufacturer for these products as well. The Board of Directors has decided to define its communications networks business as a separate business sector alongside mobile phone manufacturing.

Elcoteq also serves the manufacturing needs of industrial electronics customers in addition to its mobile phone and communications networks customers. The company will continue to develop its services for this third business sector to better fulfill the needs of these customers.

Distribution of net sales

Mobile phones accounted for 75 % (73 %), and communications network equipment for 5 % (10 %), of the Group's net sales between January and September. Industrial electronics represented 5 % (8 %) of net sales. Other deliveries amounted to 15 % (9 %). Customers belonging to the Ericsson and Nokia groups contributed 92 % (85 %) of net sales.

More new capacity

Elcoteq is expanding capacity in several countries in order to meet growing demand. Once all the plant expansions hitherto announced are brought into operation in spring 2001, Elcoteq will have more than 150,000 square meters of plant space at its disposal, i.e. more than twice as much as at the end of 1999.

In July Elcoteq started production in Beijing, at the same time more than doubling its plant area in China. The expansion of the Lohja plant in Finland was taken into use in August. The company has also increased manufacturing volume at its plant in St. Petersburg, Russia.

The expansion to Elcoteq's mobile phone plant in Tallinn, Estonia, is currently being brought on stream. An expansion to the plant in Mexico, which will more than double its capacity, has slightly fallen behind the original schedule but will be taken into use during the final quarter of this year.

At the end of July Elcoteq decided to build a new plant in Tallinn to manufacture electronics for communications network equipment. Construction work is proceeding according to schedule and the plant is expected to start up during the first quarter of 2001. This plant is part of Elcoteq's program aimed at strengthening the company's position as an EMS manufacturer of communications network electronics.

The number of Elcoteq employees increased by 1,127 during the third quarter and totaled 10,805 at the end of September: 1,381 in Finland and 9,424 outside Finland. Personnel has more than doubled compared to the end of September 1999, when the Group had 5,131 employees. The average number of employees between January and September this year was 9,152 (4,406).

Financial performance

Elcoteq's growth during the first half of the year continued during the third quarter, fueled by a further strong increase in demand. Net sales between January and September were more than three times higher than in the same period last year and totaled MEUR 1,531 (MEUR 477 one year earlier). All key profit indicators showed even stronger improvement. The operating profit increased more than eight-fold to MEUR 46.3 (5.3) and represented 3.0 % (1.1 %) of January-September net sales. The profit before extraordinary items and taxes was MEUR 39.9 (2.6) while earnings per share were EUR 1.03 (0.02).

The rolling 12-month return on capital employed (ROCE), a central measure of the company's profitability, reached 17.5% (7.3%).

The balance sheet total rose to MEUR 871 (342). Most of this increase resulted from growth in working capital caused by the expansion of business operations.

Gross capital expenditure on fixed assets increased to MEUR 87.7 (26.2), reflecting Elcoteq's rapid growth. The rapid increase in capacity was also visible in depreciation, which totaled MEUR 22.6 (12.7).

The Group had MEUR 108.3 in unused credit lines at its disposal at the end of September 2000.

The third quarter

Elcoteq recorded third-quarter net sales of MEUR 596 between July and September, 20.4 % up on the previous quarter and almost three times higher (+195 %) than on the same period last year. The operating profit was MEUR 18.4, compared with MEUR 14.7 in the previous quarter and MEUR 5.3 one year earlier. Operating profit as a percentage of net sales improved from the previous period's 3.0 % to 3.1 % (2.6 % in the third quarter of 1999). The profit before extraordinary items and taxes was MEUR 14.4 (previous period MEUR 13.1 and one year earlier MEUR 3.9). Earnings per share reached EUR 0.31 (0.12).

In the third quarter capital expenditure totaled MEUR 41.9 (MEUR 25.2 in the second quarter and MEUR 11.7 one year earlier). Depreciation increased to MEUR 8.3 having been MEUR 7.6 in the second quarter and MEUR 4.5 one year ago.

Authorization fully exercised

Following the share issue in May-June, the authorization granted to Elcoteq's Board of Directors by the AGM still covered an increase in share capital by a further 533,000 Series A shares. These shares were sold to international and Finnish institutional investors for EUR 35 per share on September 7, 2000. At the same time Elcoteq's three principal shareholders sold altogether 600,000 of their A shares. This transaction took place under an exemption to the lockup period granted by the lead managers of the share issue carried out in May-June 2000. The issue raised Elcoteq's share capital by altogether FIM 1,066,000 (EUR 179,288). The Board has no further unexercised authorizations.

The subscription period for the "A" warrants of the 1997 Bond with Warrants began on September 1, 2000. By October 2, a total of 73,700 shares had been subscribed with these warrants raising Elcoteq's share capital by FIM 147,000 (EUR 24,791). Following this increase, the company's registered share capital totals FIM 58,837,304 (EUR 9,895,724) and the number of registered shares totals 29,418,652. A further 1,051,300 new Series A shares may be subscribed under the 1997 Bond with Warrants by the end of January 2004.

The component markets

The electronic components markets began to ease slightly during the third quarter. The availability of most radio frequency components has improved as capacity investments by manufacturers have come on stream. The availability of semiconductors and passive components has remained tight. Component availability is not expected to return to normal until during 2001.

Subsequent events

Ericsson and Elcoteq agreed in October that Elcoteq would manufacture a substantially larger volume of mobile phones for Ericsson in Europe during 2001. This agreement will particularly increase the

company's phone manufacturing volume in Hungary. Elcoteq has manufactured Ericsson mobile phones since 1997 in Estonia and, since the start of the current year, also in Hungary.

Prospects to the end of 2000

The electronics manufacturing services markets, and in particular outsourcing of mobile phone and communications network equipment manufacture, will continue to show further strong growth.

The company forecasts that its net sales for the full year will almost triple on the previous year and that its performance will improve even more rapidly.

The outlook for 2001 is encouraging in both mobile phones and communications network electronics. On this basis the company expects its net sales to continue growing at a rate of well over 50 % during 2001 as well.

Helsinki October 22, 2000

Board of Directors

Conversion rates:

The following average conversion rates are used in this interim report:

1 EUR = FIM 5.94573

1 USD = FIM 6.783491

1 EUR = USD 0.87650

Press and media conference at 2.30 pm (EET) on October 23, 2000

Elcoteq will hold a press conference for media representatives in the Marski Room of the World Trade Center in Helsinki starting at 2.30 pm Eastern European Time on October 23, 2000.

Press conference and conference call in English for analysts and fund managers at 4.00 pm on October 23, 2000

A separate conference and conference call will be held in English for analysts and fund managers in the Marski Room of the World Trade Center in Helsinki starting at 4.00 pm Eastern European Time (2.00 pm UK time) on October 23, 2000. To participate by phone, please call +44 20 8240 8244, code Elcoteq. A taped recording of the teleconference will be available for three days after the call on +44 20 8288 4459, code 674 482.

ELCOTEQ NETWORK CORPORATION

Osmo Kammonen

Group Vice President, Communications and Investor Relations

Further information:

Mr Tuomo Lähdesmäki, President, +358-10-413 11

Mr Osmo Kammonen, Group Vice President, +358-10-413 1406, mobile phone +358 50 593 0770

ENCLOSURES

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

APPENDIX 1

INCOME STATEMENT, MEUR	1-9/2000	1-9/1999	Change-%	1-12/1999
Net sales	1 531.1	477.0	221.0	754.7
Change in stock of work in progress and finished goods	24.4	1.5		5.6
Operating expenses	-1 486.6	-460.4	222.9	-727.9
Depreciation	-22.6	-12.7	77.2	-17.9
Operating profit	46.3	5.3	766.6	14.5
% of net sales	3.0	1.1		1.9
Financial income and expenses	-6.4	-2.8	129.5	-4.6
Profit before extraordinary items	39.9	2.6		9.8
Income taxes *)	-12.6	-1.0		-3.6
Minority interest	-0.6	-1.1		-1.3
Net income	26.8	0.4		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	September 30, 2000	September 30, 1999	Change-%	Dec. 31, 1999
Fixed assets	157.5	85.3	84.7	98.7
Current assets				
Inventories	335.9	99.6	237.1	142.4
Other current assets	377.4	157.4	139.8	197.0
Assets	870.8	342.3	154.4	438.1
Share capital	9.9	7.8	25.9	7.8
Convertible capital notes	-	18.5		18.5
Other shareholders' equity	257.0	104.2	146.7	109.6
Minority interest	3.6	2.8	29.4	3.1
Provisions	0.0	0.0	0.0	0.0
Long-term liabilities	42.5	24.2	75.2	26.2
Short-term liabilities	557.8	184.6	202.1	272.8
Shareholders' equity and liabilities	870.8	342.3	154.4	438.1

APPENDIX 3

KEY FIGURES	1-9/2000	1-9/1999	Change-%	1-12/1999
Personnel on average during the period	9,152	4,406	107.7	4,733
Gross capital expenditure, MEUR	87.7	26.2	235.3	50.2
Return on equity (ROE), %*)	14.0	1.3		5.4
Return on investment (ROI), %*)	14.1	3.2		8.2
From 12 preceding months:				
Return on equity (ROE), %	16.7	6.3		5.4
Return on investment (ROI), %	17.5	7.3		8.2
Earnings per share (EPS), EUR	1.03	0.02		0.21
Adjusted for diluting effect EPS **)	0.98	-		-
Current ratio	1.3	1.4		1.2
Solvency Ratio 1 ***)	-	33.6		27.5
Solvency Ratio 2 ****)	31.1	39.0		31.7
Gearing 1 ***)	-	0.6		0.7
Gearing 2 ****)	0.6	0.4		0.5
Equity per share, EUR	9.09	4.81	89.3	5.04
Interest-bearing liabilities, MEUR	201.8	77.8	159.4	89.3
Incl. convertible capital notes, MEUR	201.8	96.3	109.6	107.8
Non-interest-bearing liabilities, MEUR	398.5	131.1	203.9	209.7

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

***) 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

	September 30, 2000	September 30, 1999	Change-%	Dec. 31, 1999
FOR OWN LIABILITIES				
Mortgages on real estate				
Loans from financial institutions	4.7	5.6	-15.5	5.1
Mortgages	11.0	11.2	-1.6	11.1
Mortgages on movable assets				
Loans from financial institutions	0.2	0.5	-62.1	0.4
Mortgages for other loans	6.7	6.7	0.0	6.7
Other assets pledged 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	25.0	1.3		5.3
DERIVATE CONTRACTS				
Foreign exchange derivative financial instruments				
Foreign exchange forward contracts				
- Notional value	276.3	62.2	344.4	95.0
- Book value	-0.9	0.6		0.5
- Market value	-1.3	0.8		0.5
Currency options				
- Notional value	138.8	44.1	215.0	44.7
- Book value	0.3	0.0		-0.1
- Market value	0.7	-		0.1
Interest rate derivatives				
- Notional value	-	50.0		50.0
- Book value	-	-		-
- Market value	-	-		0.0
Interest and currency swap contracts				
- Notional value	4.4	5.0	-13.0	4.6
- Book value	-	-		-
- Market value	1.5	1.0		1.1

APPENDIX 5

QUARTERLY FIGURES

	Q3/ 2000	Q2/ 2000	Q1/ 2000	Q4/ 1999	Q3/ 1999	Q2/ 1999	Q1/ 1999
INCOME STATEMENT, MEUR							
Net sales	596.2	495.1	439.7	277.8	202.0	156.9	118.1
Change in stock of work in progress and finished goods	1.2	12.6	10.6	4.1	1.5	0.8	-0.7
Operating expenses	-570.7	-485.4	-430.5	-267.6	-193.6	-151.7	-115.1
Depreciation	-8.3	-7.6	-6.7	-5.2	-4.5	-4.4	-3.8
Operating profit	18.4	14.7	13.2	9.1	5.3	1.6	-1.6
% of net sales	3.1	3.0	3.0	3.3	2.6	1.0	-1.3
Financial income and expenses	-4.1	-1.6	-0.8	-1.9	-1.4	-0.8	-0.5
Profit before extraordinary items	14.4	13.1	12.4	7.3	3.9	0.8	-2.1
Income taxes	-5.1	-3.8	-3.7	-2.5	-1.0	0.1	-0.1
Minority interest	-0.3	-0.4	0.1	-0.2	-0.2	-0.9	0.0
Net Income	9.1	8.9	8.8	4.6	2.7	-0.1	-2.2
BALANCE SHEET, MEUR							
Fixed assets	157.5	124.0	106.6	98.7	85.3	78.6	77.0
Current assets							
Inventories	335.9	277.6	227.6	142.4	99.6	79.9	66.6
Other current assets	377.4	318.8	257.0	197.0	157.4	123.3	90.6
Assets	870.8	720.4	591.3	438.1	342.3	281.8	234.1
Share capital	9.9	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	257.0	227.5	135.3	109.6	104.2	101.7	101.6
Minority interests	3.6	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	0.0
Long-term liabilities	42.5	28.7	25.8	26.2	24.2	23.0	19.3
Short-term liabilities	557.8	450.9	418.5	272.8	184.6	128.0	85.2
Shareholders' equity and liabilities	870.8	720.4	591.3	438.1	342.3	281.8	234.1
Personnel on average during the period	10,174	9,300	8,080	5,648	4,933	4,371	3,909
Gross capital expenditure, MEUR	41.9	25.2	20.6	24.1	11.7	6.0	8.5
From 12 preceding months							
ROI, %	17.5	17.4	15.7	8.2	7.3	6.0	6.4
Earnings per share (EPS), EUR	0.31	0.34	0.38	0.20	0.12	0.00	-0.09
Solvency ratio 2	31.1	33.6	25.1	31.7	39.0	46.4	55.4

APPENDIX 1

INCOME STATEMENT, MFIM	1-9/2000	1-9/1999	Change-%	1-12/1999
Net sales	9,103.2	2,835.8	221.0	4,487.5
Change in stock of work in progress and finished goods	145.4	9.0		33.3
Operating expenses	-8,838.9	-2,737.3	222.9	-4,328.1
Depreciation	-134.2	-75.7	77.2	-106.6
Operating profit	275.5	31.8	766.6	86.1
% of net sales	3.0	1.1		1.9
Financial income and expenses	-38.0	-16.6	129.5	-27.6
Profit before extraordinary items	237.5	15.2		58.5
Income taxes *)	-74.8	-6.2		-21.2
Minority interest	-3.3	-6.6		-7.6
Net income	159.3	2.4		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	September 30, 2000	September 30, 1999	Change-%	Dec. 31, 1999
Fixed assets	936.3	507.0	84.7	586.7
Current assets				
Inventories	1,997.2	592.4	237.1	846.9
Other current assets	2,243.9	935.6	139.8	1,171.2
Assets	5,177.5	2,035.0	154.4	2,604.8
Share capital	58.7	46.6	25.9	46.6
Convertible capital notes	-	110.0		110.0
Other shareholders' equity	1,528.2	619.5	146.7	651.8
Minority interest	21.6	16.7	29.4	18.2
Provisions	0.2	0.2	0.0	0.2
Long-term liabilities	252.4	144.1	75.2	155.8
Short-term liabilities	3,316.5	1,097.9	202.1	1,622.2
Shareholders' equity and liabilities	5,177.5	2,035.0	154.4	2,604.8

APPENDIX 3

KEY FIGURES	1-9/2000	1-9/1999	Change-%	1-12/1999
Personnel on average during the period	9,152	4,406	107.7	4,733
Gross capital expenditure, MFIM	521.5	155.5	235.3	298.6
Return on equity (ROE), %*)	14.0	1.3		5.4
Return on investment (ROI), %*)	14.1	3.2		8.2
From 12 preceding months:				
Return on equity (ROE), %	16.7	6.3		5.4
Return on investment (ROI), %	17.5	7.3		8.2
Earnings per share (EPS), FIM	6.10	0.10		1.28
Adjusted for diluting effect EPS **)	5.85	-		-
Current ratio	1.3	1.4		1.2
Solvency ratio 1 ***)	-	33.6		27.5
Solvency ratio 2 ****)	31.1	39.0		31.7
Gearing 1 ***)	-	0.6		0.7
Gearing 2 ****)	0.6	0.4		0.5
Equity per share, FIM	54.08	28.57	89.3	29.96
Interest-bearing liabilities, MFIM	1,199.7	462.5	159.4	530.9
Incl. convertible capital notes	1,199.7	572.5	109.6	640.9
Non-interest-bearing liabilities, MFIM	2,369.2	779.5	203.9	1,247.1

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

***) 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

	September 30, 2000	September 30, 1999	Change-%	Dec. 31, 1999
FOR OWN LIABILITIES				
Mortgages on real estate				
Loans from financial institutions	27.9	33.0	-15.5	30.3
Mortgages	65.7	66.8	-1.6	65.8
Mortgages on movable assets				
Loans from financial institutions	1.1	2.9	-62.1	2.5
Mortgages for other loans	40.0	40.0	0.0	40.0
Other assets pledged 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	148.6	7.9		31.7
DERIVATE CONTRACTS				
Foreign exchange derivative financial instruments				
Foreign exchange forward contracts				
- Notional value	1,642.9	369.7	344.4	564.7
- Book value	-5.1	3.6		2.9
- Market value	-7.9	4.9		3.1
Currency options				
- Notional value	825.2	262.0	215.0	265.9
- Book value	1.5	-0.2		-0.7
- Market value	3.9	0.6		0.4
Interest rate derivatives				
- Notional value	-	297.3		297.3
- Book value	-	-		-
- Market value	-	-		0.0
Interest and currency swap contracts				
- Notional value	26.1	30.0	-13.0	27.3
- Book value	-	-		-
- Market value	9.0	5.7		6.4

APPENDIX 5

QUARTERLY FIGURES	Q3/ 2000	Q2/ 2000	Q1/ 2000	Q4/ 1999	Q3/ 1999	Q2/ 1999	Q1/ 1999
INCOME STATEMENT, MFIM							
Net sales	3,545.1	2,943.6	2,614.4	1,651.7	1,201.0	932.9	702.0
Change in stock of work in progress and finished goods	7.0	75.2	63.2	24.2	8.8	4.5	-4.3
Operating expenses	-3,393.2	-2,886.2	-2,559.5	-1,590.9	-1,151.2	-902.0	-684.1
Depreciation	-49.3	-45.2	-39.7	-30.9	-26.9	-26.0	-22.8
Operating profit	109.7	87.3	78.5	54.3	31.6	9.5	-9.3
% of net sales	3.1	3.0	3.0	3.3	2.6	1.0	-1.3
Financial income and expenses	-24.1	-9.3	-4.6	-11.0	-8.6	-4.9	-3.1
Profit before extraordinary items	85.6	78.0	73.9	43.3	23.0	4.6	-12.4
Income taxes	-30.1	-22.8	-21.9	-15.0	-5.9	0.4	-0.7
Minority interest	-1.5	-2.1	0.3	-1.0	-1.1	-5.5	0.0
Net income	54.0	53.1	52.3	27.3	16.0	-0.5	-13.1
BALANCE SHEET, MFIM							
Fixed assets	936.3	737.4	634.0	586.7	507.0	467.1	457.8
Current assets							
Inventories	1,997.2	1,650.3	1,353.3	846.9	592.4	475.3	395.8
Other current assets	2,244.0	1,895.6	1,528.2	1,171.2	935.6	732.9	538.5
Assets	5,177.5	4,283.3	3,515.5	2,604.8	2,035.0	1,675.3	1,392.1
Share capital	58.7	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	1,528.2	1,352.7	804.6	651.8	619.6	604.7	603.8
Minority interest	21.6	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	0.2
Long-term liabilities	252.4	170.6	153.5	155.8	144.1	136.8	114.9
Short-term liabilities	3,316.4	2,680.8	2,488.5	1,622.2	1,097.8	761.2	506.7
Shareholders' equity and liabilities	5,177.5	4,283.3	3,515.5	2,604.8	2,035.0	1,675.3	1,392.1
Personnel on average during the period	10,174	9,300	8,080	5,648	4,933	4,371	3,909
Gross capital expenditure, MFIM	249.2	149.6	122.7	143.0	69.5	35.5	50.5
From 12 preceding months							
ROI, %	17.5	17.4	15.7	8.2	7.3	6.0	6.4
Earnings per share (EPS), FIM	1.83	2.04	2.24	1.17	0.69	-0.02	-0.56
Solvency ratio 2	31.1	33.6	25.1	31.7	39.0	46.4	55.4