Annual Report 1999 Helsinki Telephone Corporation

Shareholder information

Annual General Meeting

The 2000 Annual General Meeting of Helsinki Telephone Corporation will be held at the Marina Congress Center, Katajanokanlaituri 6, Helsinki at 12 noon on 10 April 2000.

Shareholders should notify of their intention to attend the Annual General Meeting by 4.00pm on 5 April 2000, either in writing to Helsinki Telephone Corporation, Connection Services, PO Box 148, 00131 Helsinki, by telephoning +358 800 0 6242 or by faxing +358 9 606 5572.

Shareholders registered by 5 April 2000 in the company's share register kept by the Finnish Central Securities Depository (APK) are eligible to attend the Annual General Meeting.

Dividend

The Board of Directors is to recommend to the Annual General Meeting that a dividend of FIM 2.60 per E Share be paid for 1999.

The dividend approved by the Annual General Meeting will be paid to shareholders on the company's share register kept by the Finnish Central Securities Depository at the record date. The Board of Directors is to recommend to the Annual General Meeting that the record date for the payment of dividend is 13 April 2000 and that dividends are paid out from 20 April 2000.

Changes of name and address

Any changes of name and address should be notified to the book-entry securities register where the book-entry account is registered.

Financial information

Helsinki Telephone Corporation will publish its annual report in March and interim report on 3 May 2000. Helsinki Telephone Corporation's financial statements relating to the merger will be published on 29 August 2000. The annual and interim reports are published in Finnish, Swedish, English and German.

Copies of these reports are available from Helsinki Telephone Corporation, Corporate Communications, tel. +358 9 606 7371.

The annual report, interim reports, information about the Annual General Meeting and other investor information are also posted on Helsinki Corporation's web site under the heading Investor Relations at www.elisa.fi.

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Overview of the group

Helsinki Telephone Corporation Group is Finland's largest privately-owned provider of local, national and international telecommunications services. The group's history dates back to 1882 and the founding of Helsinki Telephone Association, whose principal operations were incorporated in 1994. During its six years of business, Helsinki Telephone Corporation and its subsidiaries have grown into a group providing a broad spectrum of telecommunications services.

Helsinki Telephone Corporation, the group's parent company, is both a network operator and a telecommunications services provider. The company has been listed on the Helsinki Exchanges since November 1997. Helsinki Telephone Corporation's largest shareholder is HPY Holding Corporation, formerly Telephone Cooperative HPY. The cooperative became HPY Holding Corporation on 1 July 1999. At the end of 1999, HPY Holding Corporation had a 68.4 per cent stake in Helsinki Telephone Corporation.

Helsinki Telephone Corporation Group provides local, national and international telecommunications services. Together with its associates, the group's portfolio of services includes local, long-distance, international and gsm mobile calls, data transmission and the planning and implementation of tailored business telecommunications services.

Group structure

Helsinki Telephone Corporation Group is divided into five strategic business areas: Personal Communications (PC), telecommunications services for private and business customers, Mobile Communications (MC), telecommunications services based on mobile technology, Business Solutions (BS), integrated telecommunications services for business customers, Operator Network Services (ONS), the provision and sale of network services to operator customers and Information and Communication Solutions (ICS), services based on IT or content provision.

Helsinki Telephone Corporation Group comprises Helsinki Telephone Corporation and its subsidiaries, the most significant of which are Oy Radiolinja Ab, Mäkitorppa Yhtiöt Oy, Comptel Plc, Oy Datatie Ab, Oy Heltel Ab, FINNETCom Oy, Helsinki TeleCom Deutschland GmbH and INTERURBANA Holdings GmbH.

Additionally, the company also has substantial minority interests in companies handling local, national and international telecommunications. The most significant of these associates are Tampere Telephone Plc, Finnet International Ltd, Finnet Nine Ltd, Suomen Keltaiset Sivut Oy, Oy Omnitele Ab, Oy Finnet Media Ab, Lounais-Suomen Puhelin Oy, Arcus Software Oy and Finnish International Telecommunications GmbH. The group's interest in four German-based city carriers is channelled into INTERURBANA Holdings GmbH.

Helsinki Telephone Corporation

Principal subsidiary undertakings

- *Oy Radiolinja Ab*
  - *Radiolinja Eesti AS*
  - *Tresmec Puhelimet Oy*
  - *Globalstar Northern Europe Oy*
- *Mäkitorppa Yhtiöt Oy*
  - *Mäkitorppa Oy*
  - *Setele Oy*
  - *Mobinter Oy*
  - *Mäkitorppa GmbH*
- *Comptel Plc*
- *Oy Datatie Ab*
- *Oy Heltel Ab*
- *FINNETCom Oy*
- *Helsinki TeleCom Deutschland GmbH*
- *INTERURBANA Holdings GmbH*
  - *Citykom Münster GmbH*
  - *Hannovers Telefon Partner GmbH*
  - *Nordkom Bremerhaven Telekommunikations GmbH*
  - *JelloCom GmbH & Co. KG*

Principal associated undertakings

- *Tampere Telephone Plc*
- *Finnet International Ltd*
- *Lounais-Suomen Puhelin Oy*
- *Finnet Nine Ltd*
- *Suomen Keltaiset Sivut Oy*
- *Arcus Software Oy*
- *Oy Omnitele Ab*
- *Oy Finnet Media Ab*
- *Finnish International Telecommunications GmbH*

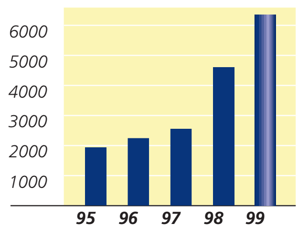
Group interests in subsidiaries and associates are given on page 58.

Key figures

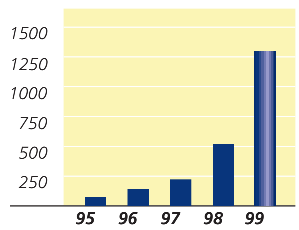
	1999	*1998*	*Change*
Turnover, FIM million	*6 364*	*4 666*	*36%*
EBITDA, FIM million	*2 506*	*1 137*	*120%*
Operating profit, FIM million	*1 297*	*520*	*150%*
Profit before exceptional items, FIM million	*1 218*	*477*	*155%*
Research and development, FIM million	*91*	*68*	*34%*
Acquisition of shares, FIM million	*1 697*	*1 039*	*63%*
Gross fixed asset investments, FIM million	*1 307*	*1 311*	*0%*
Equity ratio, %	*51,4*	*59,6*	*–*
Employees, average	*5 489*	*4 589*	*20%*

In business review, the group's business is divided into three parts: Mobile Services, Fixed Networks and the group's Other Operations. This move has been made in a bid to enhance the clarity and transparency of reporting and make comparison easier with similar Finnish and international companies. Mobile Services comprises the operator business of the Oy Radiolinja Ab Group. The mobile distribution business is discussed under Other Operations. Fixed Networks covers the business of the parent company Helsinki Telephone Corporation and the fixed network operations of subsidiary and associated undertakings. This includes the business of Datatie, Finnet Nine, Finnet International and Tampere Telephone as well as that of Finnish and international associates and partners. Other activities discusses the operations of Comptel, Mäkitorppa Yhtiöt, Heltel and Helsinki TeleCom Deutschland and those of certain other associates, as well as the group's research and development.

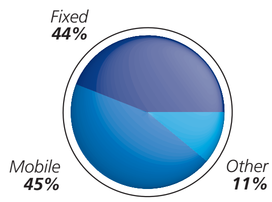
Group turnover, FIM million



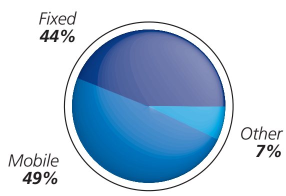
Group operating profit, FIM million



Turnover by business 1999



Operating profit by business



Highlights in 1999

- During the year under review Helsinki Telephone Corporation Group's ownership of Radiolinja A Shares rose to 69.5 per cent.

- In January Mäkitorppa Yhtiöt established a German subsidiary, Mäkitorppa GmbH, announcing that it would open its first store in spring 1999.

- On 1 February, Helsinki Telephone and Comptel agreed ownership arrangements under which the companies would take a 40 per cent stake in Arcus Software.

- On 18 March, Radiolinja received one of four government licences awarded to build a third generation mobile communications network in Finland. The company announced it would aim to provide consumer access to UMTS services in early 2002.

- On 24 March, Helsinki Telephone's stake in Datatie rose to 50.04 per cent. At year-end, the company had a 60.5 per cent interest in Datatie.

- On 16 April, Helsinki Telephone Corporation Group signed a deal under which it would obtain a 20.4 per cent strategic minority interest in JelloCom GmbH & Co KG, which operates in and around Jena in Germany.

- On 29 April, Helsinki Telephone subscribed 1,545 shares, 17 per cent of the total, in Lounais-Suomen Puhelin Oy in a private placing.

- On 7 May, Helsinki Telephone signed an agreement with Fortum to provide telecommunications services. The services are valued at FIM 50 million a year and the agreement is valid until the end of 2002.

- On 29 June, an agreement was signed under which Helsinki Telephone's wholly-owned subsidiary INTERURBANA Holdings GmbH took a 50 per cent stake in Hannovers Telefon Partner GmbH.

- On 7 July, Oy Radiolinja Ab acquired the Radiojätti chain.

- On 27 September, Helsinki Telephone's extraordinary general meeting unanimously approved the plan to merge Helsinki Telephone Corporation with and into HPY Holding Corporation.

- On 7 October, Helsinki Telephone and Finnet International set up a German company to begin offering long-distance and international calls in the German market.

- On 2 November, Radiolinja launched an extensive WAP service package, which initially included some 150 services.

- On 15 November, Radiolinja and Telia signed an agreement under which Telia would begin providing services in Radiolinja's network from the beginning of December.

- November saw Helsinki Telephone's wholly-owned subsidiary Comptel Plc gain a listing on the Helsinki Exchanges. After the IPO and sale of shares, Helsinki Telephone's interest in Comptel fell to 60.5 per cent.

- Helsinki Telephone Corporation Group's interest in Tampere Telephone Plc rose to over 33 per cent.

- On 15 December, Sanoma-WSOY's subsidiary Startel and Radiolinja announced that they would set up a joint venture to provide financial information to mobile telephone networks and the internet network.

- On 17 December, Helsinki Telephone and its subsidiary Datatie decided to merge their data businesses.

- On 23 December, deals transacted took Helsinki Telephone Corporation Group's interest in Lounais-Suomen Puhelin to 20 per cent.

A job well done

In its various corporate legal forms, Helsinki Telephone Corporation has influenced telecommunications development in Finland for the past 118 years. Throughout this period, even when the telecommunications monopoly was at its strongest, the company has been characterised by its entrepreneurial attitude to the task given. Not satisfied with upholding the established system, the company has striven almost impatiently in its quest to move forward.

Endeavours in earlier years were usually aimed at improving technology. However, when data transmission became possible in the 1970s, the world of telecommunications began to take on new dimensions. Vast infrastructures - transmission networks and telephone exchanges - were digitalised in the 1980s. Since then it has been natural to focus our efforts on utilising our new-found technological freedom in wireless gsm systems.

At this stage our visions were already gaining shape. We knew it was necessary to consign telecommunications monopolies to the history books and to introduce open competition on all fronts. The wheels of politics grind slowly and it was over six years before deregulation became reality. As one of the persons involved, I can testify that the road to victory was not an easy one. Nevertheless, in 1994 a milestone was achieved, and Helsinki Telephone ceased being just a local telephone company. Timing could not have been better, since telecommunications services were already increasingly becoming national and even international.

In the second half of the 1990s it was Helsinki Telephone's turn to undergo radical restructuring. This was based on two principal objectives. Firstly, the change had to take place so that Helsinki Telephone Association members retained their ownership of the group - this was in fact considered an axiom. Secondly, measures were needed to raise the company's market capitalisation, because the recession of the early 1990s had left the value of membership certificates far too low. There was also a third important objective: to create as competitive a group of companies as possible to capitalise on the enormous growth potential in the telecommunications industry.

It was against this background that the company embarked on a complex transformation process, which will culminate in the merger of two publicly listed companies on 1 July 2000. Elisa Communications Group, which will be formed from the merger of HPY Holding Corporation and Helsinki Telephone Corporation, is a straightforward answer to the ownership and business equation that faced us in the mid-1990s.

The objectives we set ourselves have been fully achieved. The group's market capitalisation is FIM 35 billion at today's closing prices, compared to just under FIM 2 billion in early 1997. Around 250,000 former Helsinki Telephone Association members have retained their interest in the company. In this respect the result is far better than we dared even imagine when we embarked on the restructuring process.

What about competitiveness? Judging by our performance last year, this too is on track. I also think that we have achieved the right balance between shareholder value and customer interests. This is something that is clearly reflected in the group values specified by Matti Mattheiszen, Helsinki Telephone Corporation's President and CEO. These values are known as AVEK from the Finnish words for customer-orientation, responsibility, leadership and profitability.

My own long contribution as a director, first 17 years as technology director followed by 10 years as chief executive officer and finally the past three years as full-time chairman of the Board of Directors, ends with the emergence of Elisa. I shall retire at the end of August, without nostalgia, but with great peace of mind at the result achieved.

Over the years, I have especially learnt to respect the prominent persons serving in our governing bodies. They have demonstrated their singleness of purpose in transforming the group to respond to the needs of the information society, even though the path they chose signifies the end of their own responsibilities. I would like to thank them sincerely for their support through the years.

I would also like to thank the members of our Board of Directors, close colleagues and all group employees for many years of seamless cooperation. Our work has enabled our company to remain at the leading edge in the telecommunications industry. Finally, I would like to thank our loyal customers, whose best interests have guided our efforts.

Kurt Nordman
Chairman of the Board of Directors

For Helsinki Telephone Corporation, the Elisa Communications Group and the entire telecommunications industry, 1999 was characterised by global megatrends.

Corporate takeovers and mergers took place on an unprecedented scale. Figures suggest that in the strong quest for growth and benefits of scale, restructures involving almost USD 3 trillion took place within the telecommunications industry last year.

The heralded convergence of media, communications and information technology began to materialise through ownership arrangements, the setting up of new companies and alliances. A vision of a breakthrough in new media, e-commerce and service provision and the far-reaching impacts of these on society and business strongly governed the strategic choices made by players in the industry.

Review by the President and CEO

Y2K projects, ensuring IT functions in virtually all areas of life, showed just how much modern society really depends on IT and communications. At the same time I also think it shows the sense of responsibility and ability of players in the business to manage extremely broad, complex concepts. Elisa Communications Group worked closely with customers and the authorities to make thorough preparations to ensure the transition into the year 2000 went smoothly, with no significant Y2K issues emerging.

As regards our owners and investors, one interesting positive aspect during the year was the dynamic growth, in some cases incredible growth, of the market capitalisation of communications companies. Money talks, and in some companies it seems that the quest to utilise high capitalisation values and speculative increase in value has driven management's strategic decisions.

In this business environment, Elisa Communications Group's chosen strategy to provide core solutions and tools in the information society has been successful. In the light of the financial indicators for 1999, we have also been successful in our commitment to enhancing shareholder value through long-term growth and profitable business. We managed to consolidate our market position on several core business fronts irrespective of greater competition.

I consider this to be evidence that customers and markets have welcomed our company, which is committed to customers in Finland and to providing a comprehensive array of turnkey communications solutions. Consumers and business customers in Finland have proved to be pragmatic and quick to adopt new technologies and ways of doing business. Since Finland, which is ranked as a leader in new technologies and related infrastructures, has, as I see it, taken merely the first few steps forward in developing the information society, there is every reason to believe that growth in our business will remain strong. This potential forms the core of the business growth of the Elisa Communications Group at home.

Our successful international activities are based on our know-how and tools acquired with Finnish customers in the Finnish market. In 1999, we focused on the Baltics and Germany, where we improved and expanded our earlier foothold in these markets. Most progress in this respect was made with city carrier cooperation in Germany, where we acquired interests in several local telecommunications companies. We also set up Finnish International Telecommunications, a company focusing on domestic and international long-distance traffic. Our subsidiary Mäkitorppa opened nine mobile phone stores in Berlin on a pilot basis.

In late 1999, the group's international flagship, Comptel, went public on the Helsinki Exchanges, where it quickly rose to become one of the ten largest Finnish listed companies in terms of market capitalisation. The success of this company also lies in a specialist niche that arose in the parent company's technology environment. Comptel's principal export product is MDS mediation software, which has become a world leader and is marketed in cooperation with leading companies in the business.

At home, the group developed by acquiring major holdings in strategic companies. As group companies, both Radiolinja and Datatie significantly strengthened their overall control of national operations. Arrangements and acquisitions of interests in local telephone companies in Tampere, Central and Southwest Finland and, in early 2000, in Joensuu strengthened group partnerships in various business sectors and in local customer interfaces. The group is committed to carefully adding similar partnerships based on ownership should such opportunities arise.

A growing company, rapid changes in business content and nature and a need to develop group management fuelled the reshaping taking place during the year. This was preceded by a thorough review of our strategy, dealing with the aims of the Elisa Communications Group on the basis of future business prospects. The results of this led, in early 2000, to an organisation built around strategic business areas. This organisation is tasked with operating flexibly as a network, using independent decisions to implement the aims for different areas of responsibility.

The end of the millennium also literally marked the end of a long era in the group's history. The group forged ahead into the new millennium with a new organisation and new image: Elisa Communications Group. The new group inherits a sound tradition based on innovative entrepreneurship, extensive customer relations and a competent staff of individuals. Supported by strong competence, bold R&D and the best alliances, these resources arm the group to operate in the rapidly changing communications business and to seek success in all areas of communications and related areas.

I would like to thank our customers and owners for the confidence shown in us during the past year and our motivated employees for their contribution in making 1999 such a successful year.

"In the light of the financial indicators for 1999, we have also been successful in our commitment to enhancing shareholder value through long-term growth and profitable business."

Matti Mattheiszen
President and CEO

Group strategic business areas

During the year under review, Helsinki Telephone Corporation Group replaced its group administration and management system in the wake of the dynamic restructuring taking place within the group over the past few years. The management system is based on dividing operations into five strategic areas, which are sub-divided into business units. The activities of group subsidiaries and associates have also been placed in different business concepts.

Our new business segments are customer driven and support the growth and expansion of both existing and new activities in the domestic market and outside Finland.

Personal Communications, PC

Telecommunications services for private and business customers

The PC segment includes the provision and sale of calls and solutions to private customers and traders. The most important services in this segment are telephony services and subscriptions, ISDN, ADSL and multimedia.

PC is responsible for

- *sales and marketing to private customers, technical customer service for private customers and the public telephone service,*
- *CityPhone activities and developing the use of wireless LANs,*
- *ISDN and ASDL activities and*
- *the new generation of multimedia services currently under development.*

Associates Finnet Nine Ltd and Finnet International Ltd also form part of this business segment. PC employs 459 people.

Mobile Communications, MC

Telecommunications services based on mobile technology

The MC segment covers mobile activities including network operation, service operation activities and service. MC's principal functions are in group companies.

MC

- *comprises Radiolinja Oy and its international arms Radiolinja Eesti AS and Globalstar Northern Europe Oy and*
- *is responsible for the sale of mobile phones and associated operator services and for the provision of maintenance, installation and periphery services.*

This segment includes Mäkitorppa Oy, Setele Oy and Tresmec Puhelimet Oy (Radiojätti) in Finland. International activities are handled by Mobinter Oy and its subsidiaries in the Baltics and Mäkitorppa GmbH in Germany. MC employs 1,367 people.

Business Solutions, BS

Integrated telecommunications services for business customers

The BS segment includes business customer services, data services and Kolumbus services

BS

- *acts as a partner in the development and implementation of telecommunications solutions for major Finnish businesses and for organisations on a nationwide and partly global basis,*
- *is responsible for the delivery and performance processes of customer solutions for large and business customers,*

● *is responsible for the sale and marketing of telecommunications services to SMEs and*
● *provides Kolumbus internet services to national companies and households and various server-based e-commerce and use of the web services to companies.*

Principal products in the BS segment are data and voice solutions for companies, property and security products and cable TV and video products. Subsidiaries Oy Datatie Ab, FINNETCom Oy and Oy Heltel Ab are part of this segment. BS employs 1,592 people.

Operator Network Services, ONS

Provision and sales of network services to operator customers

The ONS segment builds and maintains the basic telecom network used by customers to transmit voice, data and multimedia content.

ONS
● *provides fixed and packet-switched network, operations, product management and expert services to the group's other business units and to outside operators,*
● *is responsible for providing transmission services to the group's other business units and to outside operator customers,*
● *is responsible for planning, building and operating the transmission network and for building the trunk network and*
● *is responsible for selling cable and radio network capacity for the use of in-house and outside customers.*

ONS employs 959 people.

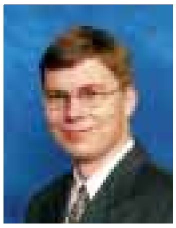
Information and Communications Solutions, ICS

Services based on information technology or content production

The ICS segment includes directory services, R&D activities and the development of operator activities in Finland and Germany.

ICS is responsible for
● *Directories, Number Enquiries and Electronic Directories services,*
● *developing customer-driven services and business activities based on new technology and the integration of technologies in a new way at home and abroad,*
● *operator activities in Germany, where Elisa offers services to business and public sector administration customers through the group's new German operators. Four of these are so-called city carriers operating in towns, and the fifth carries international traffic on a nationwide basis.*
● *local operator activities in Finland, where national operator activities are being developed through existing associates Tampere Telephone Plc, Keski-Suomen Puhelin Oyj and Lounais-Suomen Puhelin Oy.*

Subsidiaries Comptel Plc and Helsinki TeleCom Deutschland GmbH and associates Oy Omnitele Ab, Arcus Software Oy, Suomen Keltaiset Sivut Oy and Oy Finnet-Media Ab are part of the segment. ICS employs 762 people.

Executives of strategic business areas. From the top: Jukka Alho, PC and ICS; Matti Carpén, BS; Jarmo Kalm, MC; Jukka Veteläsuo, ONS

Mobile Services

Elisa Communications Group's Mobile Services arm comprises Radiolinja Group's gsm mobile telephony services in Finland and abroad and the dynamically expanding network of distribution companies. Radiolinja Group's turnover soared throughout the year. In 1999, mobile telephony accounted for over 45 per cent of group turnover.

The mobile telephony market continued growing in 1999, although at a much slower rate than we have been accustomed to in recent years. At the end of the year under review, there were more than 3,300,000 mobile phone subscriptions in Finland, up by 7 per cent on the year. By the end of 1999 mobile penetration in Finland had risen to over 65 per cent, second only to Iceland which ousted Finland from top place in early 2000.

The Finnish mobile communications market was characterised by a sharp rise in SMS (Short Message Service) traffic and the breakthrough of new content services, culminating in the launch of WAP (Wireless Application Protocol) services towards the end of the year. On a more gloomy note, market growth somewhat slowed owing to a delay in launching new generations of hardware on the market and the ensuing negative impact this had on the overall sales trend for terminal equipment.

Radiolinja consolidated its position

Oy Radiolinja Ab's position in the group became clearer and strengthened during the year under review. Helsinki Telephone Corporation increased its stake in Radiolinja over the 1999 financial year and held 66.7 per cent of Radiolinja's A Shares at year-end. Share deals taking place at the start of the year 2000 took Helsinki Telephone Corporation Group's consolidated stake in Radiolinja's A Shares to 69.8 per cent. Group companies altogether own a total of 71.7 per cent of Radiolinja's A Shares. In early 2000, Oy Datatie Ab became a wholly-owned subsidiary of Helsinki Telephone Corporation. Consequently group ownership of Oy Radiolinja Ab's A Shares became clearer and strengthened. At 3 February 2000, Helsinki Telephone had 21,348 Radiolinja A Shares, with wholly owned subsidiaries owning a further 1,782 A Shares. Of this latter figure, Oy Älytalo Ab had 282 and Oy Datatie Ab 1,500 shares. This took the group's direct holding of Radiolinja A Shares to 71.91 per cent.

The group's business segment strategy has carefully taken into account the peculiar features of the rapidly expanding mobile communications business. The group is committed to creating a sound platform for the growth and development of Radiolinja, which is preparing for the third generation of mobile technology, and of the group's national distribution channel companies.

Radiolinja had another successful year on the Finnish market and in Estonia, with turnover for 1999 rising to FIM 3,037 million, up 41 per cent on the corresponding figure for 1998. The company's result developed encouragingly over the year to stand at FIM 210 million, up 28 per cent on the corresponding figure a year earlier.

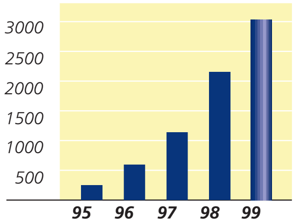
A total of FIM 609 million was invested in Radiolinja's gsm network during the year. As in earlier years, Radiolinja increased its own share of overall investment in the network, contributing FIM 274 million in 1999. Investment focused on raising the capacity of Radiolinja's gsm network, expanding its national two-frequency network and preparations for GPRS (General Packet Radio Service) technology.

Radiolinja Group had 998 employees at the end of 1999, compared to 682 a year earlier. Of these employees, 803 (603) worked for Oy Radiolinja Ab.

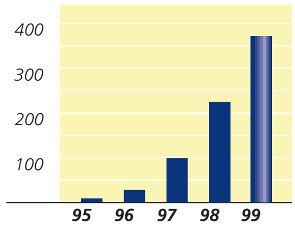
Radiolinja had 1,160,000 network subscriptions at the turn of the year, equivalent to 37 per cent of Finnish GSM subscriptions. The fact that Radiolinja won a 47 per cent share of the net increase in mobile subscriptions during 1999 bears witness to the strong position

Companies in the Elisa Communications Group have benefited in many ways from cooperation with athletics associations. During the present Olympiad, Helsinki Telephone and Radiolinja were the main corporate partners of the Finnish Olympics Committee.

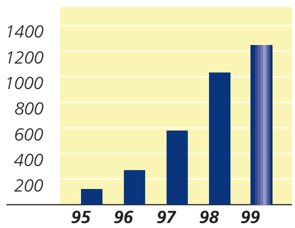
Radiolinja Group's turnover, FIM million



Radiolinja Group's profit before exceptional items, FIM million



Growth in Radiolinja mobile subscriptions, 1000



of the Radiolinja brand and the effectiveness of our distribution channels.

The churn rate has increased with the growth in the overall number of mobile subscriptions. Radiolinja's churn rate was 13.6 per cent in 1999, compared to 9.8 per cent a year earlier. The churn rate in Finland is very low by international comparison. Likewise, Radiolinja's churn rate has also remained much lower than that of its domestic competitors.

There was also a sharp rise in the number of call minutes as the number of subscriptions rose. We have just reason for saying that an increasing share of voice traffic is taking place in mobile networks. Radiolinja's networks carried a total of 1,407 million call minutes in 1999, up 47 per cent on the figure a year earlier. Average monthly use per line during the year under review was 110 minutes (103 minutes in 1998).

User profile has changed as mobile telephony has become more widespread. There has been a dramatic upswing in the proportion of young people owning a mobile phone. Even though Radiolinja has traditionally had a strong position in the corporate customer sector, the change in user profile has had no significant impact on, for example, average revenue per user (ARPU). Monthly ARPU rose from FIM 226 to FIM 228.

Radiolinja gains new partners as services diversify

Aside from increased voice traffic, mobile services also saw a rise in the transmission of text messages (short message services) and especially content services during the year under review. Text messages and other so-called value added services accounted for 7 per cent of Radiolinja's turnover for the year.

The year under review saw the launch of Ilmari, a new gsm e-mail facility. Ilmari can be used to read and send e-mail messages by gsm phone. Radiolinja and its partners also opened the world's first network auction, eTori, where business is transacted using gsm phone text messages and e-mail.

In November, Radiolinja announced its extensive WAP service package, which at the time included more than 150 different services. Radiolinja implements the service in partnership with some 50 content providers including the Finnish Meteorological Institute, Startel and Helsingin Sanomat, Kauppalehti Online, Merita Bank, Osuuspankkikeskus and Finnair.

In keeping with the overall strategy of the Elisa Communications Group, Radiolinja built on its alliances during the year. December saw the announcement of a joint venture between Sanoma-WSOY's subsidiary Startel Oy and Oy Radiolinja Ab to produce financial information services for wireless telephone networks and the fixed internet network. Aimed at companies and private individuals, the services are scheduled to be launched in spring 2000.

Yahoo! Inc. of the United States is both a world leader and forerunner in provisioning internet services. In early 2000 Radiolinja concluded a cooperation agreement with Yahoo! to provide international news and financial information in English and Swedish to Radiolinja's WAP customers. Under the agreement, cooperation is to be extended to other applications linking the internet and mobile telephony.

In November Radiolinja announced its extensive WAP service package, which at the time included more than 150 different services. Radiolinja implements the service in partnership with some 50 content providers including the Finnish Meteorological Institute, Startel and Helsingin Sanomat, Kauppalehti Online, Merita Bank, Osuuspankkikeskus and Finnair.

In 1999, Radiolinja concluded roaming agreements with around 60 new operators. At year-end, Radiolinja had roaming agreements with 160 operators in 84 different countries.

Telia began providing services in Radiolinja's gsm network

Finnish mobile communications made history towards the end of the year when Oy Radiolinja Ab and Telia Mobile AB concluded an agreement allowing Telia to use Radiolinja's gsm network. Accordingly, Telia began providing services in Radiolinja's network in December.

When the letter of intent was signed between Radiolinja and Telia in October 1999, Telia announced that it would withdraw its complaints about Radiolinja with the Finnish Competition Authority and Competition Directorate of the European Commission (DG IV).

Radiolinja receives licence for third generation mobile communications system

In March 1999, the Finnish Ministry of Transport and Communications awarded Radiolinja one of four nationwide licences to build a third generation mobile communications system, Universal Mobile Telecommunication Standard (UMTS). Radiolinja considers the third generation solution to be a natural extension of gsm services. UMTS is based on gsm technology and is also compatible with it. This means Radiolinja is poised to be one of the first operators in the world to begin offering UMTS.

UMTS will bring private customers a versatile smart phone enabling them to access multimedia services featuring high quality video image based on rapid data transmission, more advanced solutions for e-commerce and payment transactions, as well as a host of entertainment services.

Business interest is likely to be in the considerable range of diverse, more effective broadband services of which the internet is an essential part. These services will be available to customers from the first half of 2002.

UMTS will further increase the global use and usability of mobile services.

Before switching to the advanced services offered by the UMTS network, Radiolinja will increase the capacity of its mobile network, particularly through the use of GPRS technology. This will pave the way for higher transmission speeds and otherwise support use of the mobile network, for example, in connection with internet services.

To this end, in January 2000 Radiolinja and Nokia concluded an agreement under which Nokia Networks will deliver the first phase of a GPRS network in spring 2000. It was also agreed that Nokia will upgrade Radiolinja's base station network for GPRS.

GPRS brings internet services to mobile telephony and enables, for instance, constant Internet and e-mail connections. Packet switched GPRS also enables customer billing according to the volume of data transmitted as well as charging on a time basis.

Radiolinja Eesti AS consolidated its position in the Estonian market

The Estonian mobile phone market has developed in pace with the country's overall economic growth. Radiolinja's nationwide gsm service consolidated its position in the Estonian market. Radiolinja Eesti AS had a turnover of FIM 96 million, up 47 per cent on the corresponding figure a year earlier. At year-end, Radiolinja Eesti had 87,000 subscribers, compared to 51,000 at the end of 1998.

Distribution channels in a key position in the mobile market

Part of Radiolinja's success lies in its strategically developed distribution network.

Helsinki Telephone Corporation Group's mobile phone and Radiolinja's sales and distribution network is discussed on pages 27 and 28 of this annual report.

Globalstar - satellite mobile services through Radiolinja

Globalstar, a consortium of leading global international satellite and telecommunications companies, announced its satellite mobile phone service in October at the Telecom 99 Exhibition. Initially, Globalstar's services include voice transmission, an answering service, international roaming, and the transmission of emergency numbers and text messages. Telefacsimile and data services, service numbers as well as positioning information on the handset display will be added in the year 2000.

Globalstar Northern Europe, owned by Radiolinja and Italian-based Elsacom, will roll out its service commercially in Scandinavia and the Baltics in April 2000. Radiolinja acts as retailer for the service in Finland.

Future prospects in the mobile communications business

Mobile communications growth is likely to be slower than we have been accustomed to in previous years, although ARPU is expected to increase somewhat. We will be seeking new business through additional mobile telephony services.

The significant change witnessed in the mobile distribution market has led the company to continue work on acclimatising its companies and stores to the new environment. The Mäkitorppa chain is poised to further expand its activities in Germany.

In this annual report, fixed network operations includes the parent company, Helsinki Telephone Corporation's activities, with the exception of administration and R&D, and the activities of Finnish and foreign subsidiaries that are closely linked to fixed network operations. Under Helsinki Telephone Corporation's new strategic business areas, PC, BS and ONS activities are primarily viewed as fixed network operations. This means that Fixed Networks also includes those associated undertakings that are strategically part of the segments mentioned.

Turnover of the Helsinki Telephone Corporation Group has risen much faster than in the industry as a whole in all telecommunications sectors. Nevertheless, the general changes taking place within the industry are also reflected in the group's business activities and financial indicators. Although the number of calls has fallen in the fixed network, the number of call minutes has continued to rise because of the growing share of internet traffic. Expanding mobile penetration has resulted in more and more voice traffic being carried in mobile networks.

Fixed Networks

Internet and ISDN driving growth in the fixed network

In 1999, the fixed network generated turnover of FIM 2,793 million, equivalent to around 44 per cent of total group turnover.

The number of lines in active use in Helsinki Telephone Corporation's fixed network rose by 3.3 per cent on the year to stand at 730,834 at year-end. Dynamic growth in ISDN connections has offset the fall in demand for traditional subscriptions.

1999 witnessed a breakthrough in the internet. This is reflected in Helsinki Telephone Corporation's business in many ways. Sales of ISDN connections soared and by the end of May had broken the 50,000 mark, rising to almost 65,000 at year-end. At best as many as 1000 ISDN connections were being sold per week. Autumn saw the launch of a low-cost ADSL product portfolio for business and private customers. This is a new type of subscriber line enabling faster access to internet services, effective LAN type functions and benefits from new types of multimedia services including internet calls. Initially, ADSL has been available only in the Helsinki Central Business District. Nevertheless, Helsinki Telephone Corporation is committed to gradually extending the service throughout the entire Helsinki Metropolitan Area.

In winter 1999, the company announced a solution enabling it to provide a high quality IP call service in the fixed telephone network at a lower rate than a normal local call. The service is based on internet traffic being routed in the fixed network to make better use of network and switching capacity and thus reduce the need to invest in the network. Although the service was ready to enter commercial service in May, its launch has been shelved until further notice pending investigation by the Finnish competition authorities as to whether its pricing complies with competition legislation. The technological innovation related to the IP call service has aroused international interest.

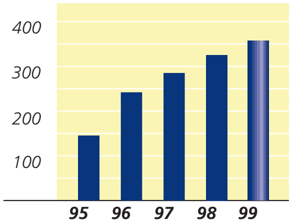
The expansion of internet traffic and mobile services began to be reflected in the change in profile of fixed network traffic as traffic carried also began to be more evenly spread throughout the day. Cooperation between operators and the authorities during the year under review gave rise to a new local access charge, which lowered the earlier network compensation, known as a local call charge, for calls leaving the company's network. Based on these changes, the company introduced new local call charges, which have only a minor overall impact on phone bills. Although the new local call charge rose by around 10 per cent, the change in the local access charge reduced overall costs by virtually the same amount.

2000.hel.fi

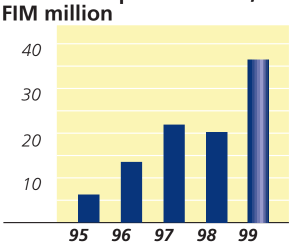
The Helsinki City of Culture 2000 project is one of Helsinki Telephone's key cooperation projects at the turn of the millennium. Elisa Communications is one of the principal corporate partners behind the City of Culture Foundation responsible for the events during Helsinki's year as a European City of Culture. The main emphasis of the software is on information networks and the resulting challenging productions provide the company with ample opportunity to display its expertise.

December 1999 saw the opening of the Communication Exhibition at Heureka the Finnish Science Centre in Vantaa. The exhibition will also tour other European cities of culture in the year 2000.

Datatie´s turnover, FIM million



Datatie´s profit before exceptional items, FIM million



Kolumbus services are thought to have captured over a quarter of the total Finnish Internet services market. In 1999, Kolumbus enhanced its position as a service provider to companies throughout the country with their own fi domain names and rose to become the largest provider of internet services to private households. Kolumbus continues to address development of the infrastructure for e-commerce and use of the web. Kolumbus is now Finland's largest provider of electronic directories. In an open competition for tenders held by the Finnish Population Register Centre, Kolumbus was chosen to provide the HST (electronic personal identification) index service.

Oy Datatie Ab becomes a group subsidiary

The first quarter of 1999 saw associate Oy Datatie Ab become a group subsidiary when Helsinki Telephone Corporation's stake in Datatie rose to more than 50 per cent. Datatie is responsible for developing and producing national Datatie and EDI services and is also a nationwide data transmission operator. The company operates a national backbone network, thus enabling the transmission of voice, data and image in both the fixed network and mobile networks throughout Finland.

Datatie's status as a subsidiary provides the group with better opportunities to achieve synergetic benefits both in developing mobile telephony services and in developing national network services and solutions offered to business customers. Under an agreement signed in December, Helsinki Telephone Corporation and Oy Datatie Ab decided to merge their data business. The agreement aims at focusing the companies' activities relating to the data business and at the same time further consolidate the group's position in the business customer data transmission market.

During the year under review Helsinki Telephone Corporation increased its stake in Datatie to 60.5 per cent. Under deals taking place in February 2000, Helsinki Telephone Corporation acquired the remaining outstanding shares in Datatie. Consequently it was decided to assign the entire data business to Oy Datatie Ab as an intragroup business transfer.

Oy Datatie Ab's 1999 turnover was FIM 358 million, up 10.1 per cent on the figure for the previous year. The company's result was FIM 25 million, up 102.4 per cent on the year. Datatie had an average of 75 employees over the year.

Strong market position

Helsinki Telephone's fixed network business is naturally centred on the Helsinki Metropolitan Area, which is home to a fifth of Finland's population and where some four fifths of the country's 100 largest companies have their head office. Most government administration centres are located in the area along with major research bodies, educational and commercial institutions. Our activities in the Helsinki Metropolitan Area are also a platform for the group's business nationwide.

For business customers, Helsinki Telephone Corporation Group is a service integrator that can utilise the benefits provided by the fixed network and mobile services in many national solutions. The company is in the forefront of many solutions innovated for several industries. These solutions have been built on technological tools provided by IT companies such as IBM and ICL and Helsinki Telephone Corporation's communications and integration competence in response to customers' developing business needs.

The group has been closely involved in the processes of development and structural change currently taking place in many industrial sectors. This has given the group a deep insight into its customers business, at the same time consolidating its position as a responsible, yet innovative service provider.

Numerous new services were engineered for business customers in 1999. These services particularly enable SMEs to enhance their business. VirtuaaliSantra is a new telephone sys-

Kolumbus is Finland's largest provider of electronic directories. In the year 2000 work will give priority to developing the e-commerce and web service infrastructure.

tem for companies where telephony services are implemented in Helsinki Telephone exchanges. The service is tailored and avoids companies having to invest in exchange hardware, which becomes rapidly obsolete as technology progresses. Radiolinja mobile phones and HTC's CityPhones can also be connected to VirtuaaliSantra. Maksuvarmennus is an ISDN D channel-based point of sale facility for card authorisation. The facility allows a small company to access banks and Luottokunta (a credit card issuer) within 10 seconds. Tietopakki-palvelu is a service developed jointly by Startel and Kolumbus to provide financial information to SMEs. The service provides entrepreneurs with a tailored electronic news package and other financial information to entrepreneurs to cater to the specific requirements of each industry. YhteysPäällikkö is a solution to meet the data transmission needs of SMEs and organisations. The facility contains fixed connections to transfer and distribute data between a company's own offices and partners, e-mail and internet access and connections to banks and other electronic services. Additionally YhteysPäällikkö offers telecommuting and firewall services.

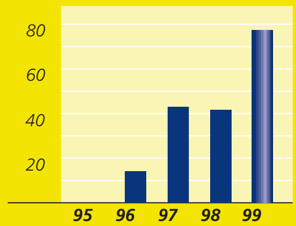
The year under review saw the integration of Helsinki Telephone subsidiary FINNETCom Oy into the group, where it plays an active part in the group's business customer sales, especially in those areas where large customer services provided by the group and its partners were not earlier available.

Most of FINNETCom's business continued to consist of national fixed network voice services and related billing and reporting services to large corporate customers. The company's principal product is the 010 corporate prefix. Turnover generated by voice services almost doubled during the year under review.

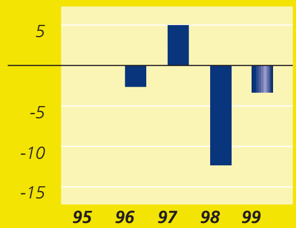
FINNETCom Oy posted a loss of FIM 3.4 million on turnover of FIM 77.6 million for 1999. Turnover rose 85 per cent on the year.

Within the group's business customers there is a distinct group of active forerunners who expect their communications provider to be at the leading edge of development. In 1999, Helsinki Telephone gave

FINNETCom´s turnover, FIM million



FINNETCom´s profit before exceptional items, FIM million



priority to enhancing its know-how, products and services to ensure it retains its competitiveness in the market. As a result of the company's efforts in service delivery performance, installation times for ISDN connections remained reasonable despite soaring popularity.

In 1999, Helsinki Telephone began work on thoroughly reorganising and expanding its chain of stores to better cover the entire Helsinki Metropolitan Area. The stores operate as HTC's communications department stores, where customers can buy all the communications services, hardware and solutions they need on a one-stop shop basis.

Finnet Nine Ltd

Viewed from the traditional business aspect, national long-distance calls have lost their significance. This is partly due to pricing, but is largely also because businesses are increasingly switching over to using national call services within a company and also offering nationwide call services charged at local call rates to their own customers and interest groups.

Nevertheless, Finnet Nine Ltd and its services continued to do well in the market in 1999. Finnet Nine's share of long-distance calls leaving Helsinki Telephone's network was over 50 per cent.

Company turnover rose by 42 per cent to reach FIM 277.1 million. The result was down by 28.8 per cent on the year and stood at FIM 49,8 million. At year-end the company had 37 employees.

At year-end Helsinki Telephone's holding in Finnet Nine Ltd was 35.4 per cent.

Finnet International Ltd

Finnet International continued to perform encouragingly throughout 1999, the most positive trend being in the sale of data and network services. The most important investment during the year under review was a submarine cable to Estonia, which entered commercial service in early 2000.

In line with its strategy, Finnet International expanded in Germany and the Baltics. Finnet International and Helsinki Telephone Corporation established a joint venture, Finnet International Telecommunications GmbH (FIT), in Germany. FIT provides telecom services on a global basis. Finnet has channelled its 50 per cent stake in the company into its German-based holding company, Cirrus GmbH. SIA Linener Latvia, a Finnet International subsidiary, acquired a 49 per cent stake in SIA Latnet Serviss, one of Latvia's leading internet service providers.

Finnet International's 1999 turnover was FIM 374.0 million, up 54 per cent on the figure a year earlier. Profit was down 1.7 per cent and stood at FIM 47.1 million. The company had an average of 73 employees over the year.

At year-end Helsinki Telephone Corporation, Joensuun Puhelin and Keski-Suomen Puhelin had a 41 per cent stake in Finnet International Ltd.

New synergies from regional partners

Recent years have seen strategic changes take place within mutual relationships between privately-owned local telephone companies (telcos). Opening up the market to competition has led telcos to begin offering their customers an increasing array of goods and services that compete with each other. Transformation of legal form and the earlier flotation of some telcos have also resulted in other telecos and outsiders becoming increasingly interested in the ownership of these companies.

As well as its interest in commercial and professional cooperation, Helsinki Telephone has also expressed an interest in owning well-run companies in the same industry that share the same vision of the future as itself. Ownership seeks to generate added value for partners seeking synergies arising through earlier cooperation.

At the end of the year under review, companies that can be included as Helsinki Telephone's partners on an ownership basis were Tampere Telephone Plc, in which Helsinki

Telephone Corporation Group has a 33.22 per cent stake, Keski-Suomen Puhelin Oyj, in which the group and Tampere Telephone have a 45.79 per cent stake, of which the group's stake was 12.9 per cent, and Lounais-Suomen Puhelin Oy, in which the group had a 20.6 per cent stake.

Immediately at the beginning of the year 2000, Joensuun Puhelin Oy issued a private placing for subscription by Helsinki Telephone. This gave Helsinki Telephone a 16.7 per cent stake in Joensuun Puhelin.

In order to ascertain the position arising through ownership, especially with regard to the provisions of the Restrictive Practices Act, Helsinki Telephone notified the Finnish Competition Authority of the fact that it might have obtained a controlling interest, as provided by the Restrictive Practices Act, in Tampere Telephone Plc, Keski-Suomen Puhelin Oyj and Finnet International Ltd, of which total ownership of the aforementioned companies is 50.8 per cent. The Finnish Competition Authority has yet to take a stand on the company's notification.

Partnerships have also rapidly spawned actual cooperation projects, where all parties have been able to benefit from the individual competences of the parties concerned. Such projects include Finncommerce Oy, which, headed by Keski-Suomen Puhelin, has actively begun to develop e-commerce services. Helsinki Telephone also took an active part in the project in its capacity as owner. Likewise, Lounais-Suomen Puhelin Oy has been given a Setele franchise in Turku, on the southwest coast of Finland. Setele is part of Helsinki Telephone Corporation Group. There are other similar examples. Through Tampere Telephone, Helsinki Telephone is involved in major multimedia development projects where core partners include Oy Nokia Ab, Tampere University of Technology and SITRA - the Finnish National Fund for Research and Development.

City carrier companies provide competition in German telecoms

Helsinki Telephone has taken further steps to strategically develop its business outside Finland. Vigorous long-term consultancy work has created demand for the company's expertise acquired at home. One example of this is in German city carrier companies. Through its subsidiary Helsinki TeleCom Deutschland GmbH (HTD), Helsinki Telephone has long been gaining an insight into the developing German telecom market, which is opening up to competition. The group's reputation as a local telecommunications company coupled with HTD's expert consultancy services has paved the way for exceptionally professional cooperation and later for a relationship with several city carriers based on ownership. At the end of the year under review, the company had interests in companies operating in Münster, Bremen, Bremerhaven, Hannover, Jena, Weimar and Gera. Shareholdings varied between 20.1 and 50 per cent.

Helsinki Telephone has channelled its holdings in Germany into INTERURBANA Holdings GmbH, a wholly owned subsidiary registered in Germany. The group has invested a total of some FIM 100 million in Germany.

City carriers seek to grow into strong companies competing with Deutsche Telekom as providers of fixed network voice and data services and especially internet facilities to business and private customers in their own respective areas.

Finnish International Telecommunications GmbH (FIT) also began providing long-distance and international calls in Germany in December 1999. Helsinki Telephone Corporation has a 50 per cent stake in FIT through its German subsidiary INTERURBANA Holdings and Finnet International owns the other 50 per cent. FIT has been given clearance by the German licensing authorities to begin trading. The company especially serves the needs of city carrier companies close to the Helsinki Telephone Corporation Group.

Other operations and corporate research and development

This section of the annual report looks at the businesses and activities of the Helsinki Telephone Corporation Group that are neither part of Mobile Services nor Fixed Networks or directly related to their activities at home or abroad. This part of the report discusses Comptel Plc, the Mäkitorppa Group and R&D activities.

Comptel Plc

Comptel Plc is a solutions provider, developing and delivering high quality mediation software for the telecommunications industry. Delivered to more than 140 customers in 40 countries, Comptel's Mediation Device Solutions (MDS) are today one of the leading solutions in the field of vendor-independent product packages. Comptel's MDS comprises billing mediation and service activation features that are widely used in mobile, satellite and data networks worldwide.

Comptel Plc's 1999 turnover was FIM 232 million, up by 53 per cent on the figure a year earlier. The operating profit soared by 170.6 per cent during the year under review to reach FIM 76.9 million. Comptel employed 339 people at year-end.

Comptel became a wholly-owned subsidiary of Helsinki Telephone in February 1999, when Helsinki Telephone acquired the remaining 3.8 per cent of Comptel shares from the Sampo Group. November saw Helsinki Telephone's wholly-owned subsidiary Comptel Plc gain a listing on the Helsinki Exchanges. After the IPO and sale of shares, Helsinki Telephone's interest in Comptel fell to 60.5 per cent.

Major cooperation agreements

In February 1999, Comptel and Microsystems Inc. concluded a global cooperation agreement to make Comptel's MDS products work on a Sun platform. Mediation products act as smart interpreters between the telecom network and billing system and between call data and service functions. As a result of these agreements, systems integrators and Comptel's partners can sell and support Comptel's MDS products globally as part of a turnkey solution using a Sun Solaris platform. This makes Comptel's products even more vendor independent and suitable for large and small telecom operators alike.

In February 1999, Comptel also signed an agreement with Logica. Under the agreement, Logica offers Comptel's MDS devices globally in connection with its own billing and customer management software. In June, Comptel and Logica concluded an extensive agreement on mutual cooperation, especially in North America. This cooperation will be coordinated and developed from the San Francisco-based office.

Global demand for Comptel's products remained buoyant. SITS EQUANT of France placed an order for a Comptel MDS solution to gather call data in its global voice network in Paris and London. The network, which is used to manage airline telephone traffic is one of the world's largest and covers more than 220 countries.

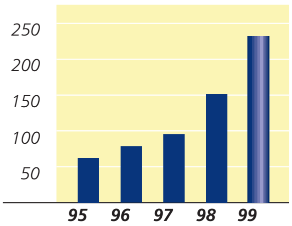
Under an agreement signed in June, the company also expanded earlier cooperation with Hewlett-Packard. HP acts as the responsible systems integrator of Comptel's MDS products on a global basis. A remarkable part of the company's MDS solutions are delivered on an HP-UX platform.

Earlier in May, Hewlett-Packard, Helsinki Telephone and Comptel agreed a collection project utilising HP's new e-speak technology for the protection of multimedia material and controlled circulation through the network. Development work on this resulted in the parties introducing a distance learning pilot project in Finland.

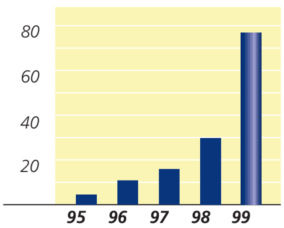
In summer 1999, Helsinki Telephone was appointed Finnish telecommunications partner for the World Expo 2000 Hannover. At the exhibition, the company will present the Finnish information society at Finland's stand and deliver innovative telecommunications to the Finnish pavilion.

Comptel's billing data and service activation functions are widely used in fixed networks, mobile telephony, satellite and data networks throughout the world.

Comptel's turnover, FIM million



Comptel's profit before exceptional items, FIM million



New products and customers

September 1999 saw Comptel launch its MDS for GPRS product based on integrating Comptel's MDS solution and HP's Smart internet Usage products. Many Comptel customers have announced that they will be launching GPRS services in 2000. Comptel will use its new product to consolidate its competitiveness and to serve mobile operators who offer their customers wireless internet services such as WAP queries.

During the year under review, Comptel won several new customers including KPN Orange (Belgium), RadioMobil a.s. (Czech Republic), Swisscom AG (Switzerland), Axtel (Mexico) and Starttub (Singapore).

Comptel's IPO on the Helsinki Exchanges

In October 1999, Helsinki Telephone began to study the possibility of listing its wholly-owned subsidiary Oy Comptel Ab on the Helsinki Exchanges. In November, the companies´ Boards of Directors decide to take practical steps to hold a share offering and sale and to make Comptel a listed company.

The share offering and sale took place in late November and was exceptionally popular with the public and institutional investors alike. The institutional offering was roughly 50 times oversubscribed and the public sale and offering was around 12 times oversubscribed. Almost 80 per cent of Comptel's employees participated in the employee offering.

The issue price of Comptel shares was confirmed at 19 euro per share in the institutional offering and at 16.50 and 14.85 euro per share in the public and employee offerings respectively.

Subsequent to the offerings and the right to additional shares exercised by Alfred Berg the lead manager, Helsinki Telephone's stake in Comptel Plc fell to 60.5 per cent.

The trading price of Comptel shares on the Helsinki Exchanges rapidly rose to many times the issue price.

Mäkitorppa Group

Sales and distribution of mobile phones and Radiolinja subscriptions

Mäkitorppa Yhtiöt Oy is a group specialising in distribution of mobile phones and is fully owned by Helsinki Telephone. Mäkitorppa's subsidiaries are Mäkitorppa Oy, Setele Oy, Mäkitorppa GmbH and Mobinter Oy.

During 1999, Helsinki Telephone Corporation Group strengthened it sales and distribution network of mobile phones and Radiolinja subscriptions. Immediately after the turn of the year, Helsinki Telephone Corporation and its subsidiaries Oy Radiolinja Ab and Mäkitorppa Yhtiöt Oy reorganised the ownership of mobile telephone retail chains within the group through intragroup deals. Consequently Helsinki Telephone owns the entire share capital of Mäkitorppa Yhtiöt Oy. Accordingly Setele Oy is now fully owned by Mäkitorppa Yhtiöt Oy, whereas 38 per cent of Setele shares were previously held by Radiolinja.

In the early part of the year under review, the Mäkitorppa Group added a total of six stores to its Mäkitorppa and Setele chains. This move was in a bid to achieve cost-effective operations using national chain brands. We now have a network of 75 outlets covering all major areas and all large and medium towns in Finland. Eleven of these outlets operate on a franchise basis.

The 1999 financial year saw the Mäkitorppa Group expand dynamically outside Finland. The group's German subsidiary, Mäkitorppa GmbH, opened no less than nine new Mäkitorppa outlets in Berlin between June and December. Five new outlets were also opened in Estonia. Mäkitorppa now operates a chain of 20 retail stores outside Finland. At the same time, the group reduced its wholesale activities by withdrawing from operations in Russia and Ukraine. There was also a major fall in wholesale operations in Latvia and Lithuania.

Performance for 1999

The Mäkitorppa Group's 1999 turnover fell to FIM 486 million. Turnover rose in Finland and Germany, but was down by more than FIM 90 million in the Baltics, Russia and Ukraine, where the group's subsidiary Mobinter operates. The total number of mobile phones supplied and subscriptions sold was also below the figure for 1998. A total of some 266,000 mobile phones were sold compared to 294,000 a year earlier. The number of phones delivered in Finland rose, while those delivered abroad fell. Growth of the Finnish mobile market slowed because delivery volumes and delivery times of the new popular terminals failed to meet the demand.

The group reported a loss of FIM 79.3 million for the year. This compares with a profit of FIM 4.5 million a year earlier. The principal reason for the loss was a non-recurring depreciation of FIM 51.5 million on goodwill. Planned depreciation was FIM 11.3 million and there was a loss of FIM 9.4 arising from launching operations in Germany and Estonia.

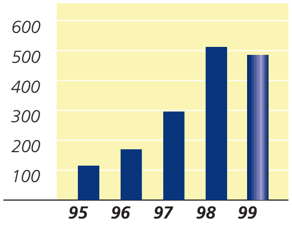
The Mäkitorppa Group had 363 employees at year-end and a total of 95 retail outlets.

Mäkitorppa Oy

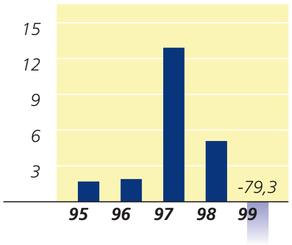
Although mobile penetration rose to around 65 per cent in 1999, sales of mobile phones levelled off and the sale of new mobile subscriptions began to decline after having enjoyed an unprecedented period of dynamic growth. At year-end, Mäkitorppa Oy had 43 retail outlets, ten of which were run on a franchise basis.

During the current year, Mäkitorppa is committed to profitable business and cost effectiveness in the light of the changed business climate and will seek growth through corporate sales, maintenance and the mobile data business. Mäkitorppa Oy also aims to improve store profitability.

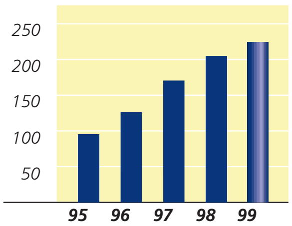
Mäkitorppa Group's turnover, FIM million



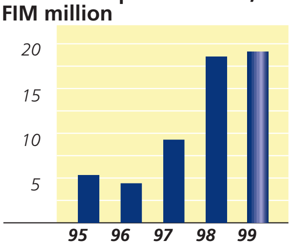
Mäkitorppa Group's profit before exceptional items, FIM million



Heltel´s turnover, FIM million



Heltel´s profit before exceptional items, FIM million



Setele Oy

The company's financial year was marked by major restructuring and changes on the one hand and a changing, difficult market environment on the other.

During the year under review, Setele Holding Oy and Setele Oy formed a group until 30 September 1999, when the subsidiary company Setele Oy merged with the parent Setele Holding Oy. The merged companies took the name Setele Oy from 1 October 1999. Setele grew into a chain of 31 outlets. This gives the company an adequate market position and paves the way for nationwide operations, forming a base on which to improve sales and profitability in the year 2000.

Mäkitorppa GmbH

Mobile penetration in Germany progressed as envisaged during the year under review, rising to around 28 per cent. Mäkitorppa GmbH opened nine stores in Berlin. This has not passed unnoticed on the market and at the MAPIC Awards in Cannes in 1999, Mäkitorppa was placed among the top three companies in the Services series. Other entrants included IKEA, Mango, Swatch, Wal-Mart, Haagen Dazs and Media Markt.

The year 2000 will see new Mäkitorppa stores opening in Berlin and North Rhine-Westphalia. Marketing campaigns will be used to strengthen the company's brand and boost sales.

Mobinter Oy

The Mobinter Group's wholesale operations failed to perform as expected. There were three principal reasons for this. Firstly, the impact of a declining Russian economy on demand throughout the marketing territory, secondly, difficulties in supplying the most popular models of mobile phone and thirdly, the surge in parallel imports.

In Estonia, the group's subsidiary focused on the retail trade. The Mäkitorppa chain opened five new stores during the year in addition to the six already open.

The subsidiary ceased operating in the Ukraine market in October 1999. In Latvia and Lithuania wholesale operations continued as earlier, albeit at greatly reduced volume. Deliveries to Russia also remained very modest.

In future, the company will primarily concentrate on developing its retail business in Estonia, where it plans to add its own and franchised stores to its existing chain.

Radiojätti (Tresmec Puhelimet Oy)

Under a deal signed in July, Helsinki Telephone Corporation's subsidiary Oy Radiolinja Ab acquired the entire share capital in Tresmec Puhelimet Oy. Tresmec provides national mobile telephony services and sells mobile phones under the name Radiojätti. The Radiojätti chain has 40 outlets throughout Finland and employs 85 people. In its financial year ending in October 1999, Radiojätti reported a turnover of FIM 85.4 million.

Oy Heltel Ab

Oy Heltel Ab focuses on importing, merchandising and marketing telecommunications and data network products and solutions and on developing and producing related technical and other added value services. During 1999, Heltel significantly increased its training and consultancy activities and launched information security operations. The company works closely with some of the world's leading telecommunications, data network and internet technology innovators and producers.

The company particularly addressed the development and utilisation of e-commerce systems during the year under review.

Heltel's turnover in 1999 rose 9.8 per cent over the year to reach FIM 224 million. The company's operating profit remained unchanged at FIM 19 million. Heltel employed 60 people at year-end.

Helsinki TeleCom Deutschland GmbH

Helsinki TeleCom Deutschland GmbH (HTD) is Helsinki Telephone Corporation's German-based competence centre. HTD offers optional local or regional city carriers in the German market an opportunity to develop their business in a goal-driven way. Besides offering consultancy, HTD is increasingly providing telecommunications services. HTD's competence is based on its raft of experience obtained in the Finnish market and its insight into the German market. The financial year 1999 saw the company begin work on building NCC (Network Competence Centre, e.g. access networks O&M) and IN (intelligent network service, i.e. added value services).

HTD's turnover in 1999 rose 33 per cent to reach FIM 16 million. The pre-tax profit was around FIM 0.6 million. Helsinki TeleCom Deutschland is a wholly-owned subsidiary of Helsinki Telephone Corporation.

At year-end HTD employed around 30 people.

Oy Omnitele Ab

Omnitele is Finland's leading telecommunications consultants. Its clients include operators, systems suppliers, financial institutions, telecommunications legislative and regulatory bodies, media firms and service user organisations.

The 1999 financial year saw significant growth in the share of international customer projects and the arrival of the third generation mobile market was strongly reflected by a shift in the focus of the company's work.

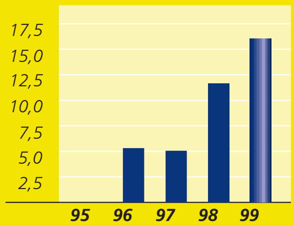
Omnitele's turnover grew 13 per cent over the year to reach FIM 69 million. Despite strong growth, the company's operating profit remained at about FIM 2 million. At year-end, Omnitele employed 72 people. Helsinki Telephone has a 29 per cent interest in Omnitele.

Arcus Software Oy

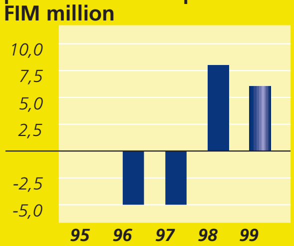
In February 1999, Helsinki Telephone and its subsidiary Comptel agreed on ownership arrangements with Arcus Software Oy, which specialises in developing 3-D virtual city models, and related applications and technology, for publication on the internet. Under the agreement, Helsinki Telephone and Comptel took a joint 40 per cent stake in Arcus Software. The arrangements were announced through a private placing.

In February 2000, Arcus Software implemented a private placing as a result of which, Comptel's holding in the company rose to more than 20 per cent. Together Helsinki Telephone and Comptel own more than 40 per cent of Arcus Software shares.

Helsinki TeleCom Deutschland's turnover, FIM million



Helsinki TeleCom Deutschland´s profit before exceptional items, FIM million



Group research and development activities

In 1999 Helsinki Telephone Corporation invested heavily in research and development in its own Research Centre, technology, industrial and product units within its business units and in independent group companies. R&D has also played an important part in developing Helsinki Telephone Corporation's business in Germany.

Helsinki Telephone Corporation's Research Centre also acted as the Finnet companies' research competence centre. The group was also involved in projects in various National Technology Agency (TEKES) programmes in cooperation with companies in different industries. Helsinki Telephone Corporation also contributed to research and teaching cooperation with Finnish universities.

Areas of focus at the Research Centre in 1999 included wireless communications technology, optical data transmission, broadband IP network technology, web-based applications, application integration and digital television.

Helsinki Telephone's Research Centre was also actively involved in international research cooperation including:

- *Information Technologies User Friendly Information Society within the EU's fifth framework programme.*
- *the European telecom operators research organisation EURESCOM*
- *the World Wide Web consortium at the Massachusetts Institute of Technology, where a Helsinki Telephone researcher was a visiting researcher taking part in internet development work in Boston.*

Helsinki Telephone Corporation invested heavily in R&D in respect of information security solutions utilising the PKI (Public Key Infrastructure). September saw the launch of a joint project to apply these information security solutions in a wireless environment.

In May 1999, Helsinki Telephone, Hewlett-Packard and Comptel announced a development project using HP's new e-speak platform for the protection of multimedia material and controlled circulation through the network.

Helsinki Telephone Corporation coordinated the Piimäki (Silicon Hill) research project in the Pitäjänmäki district of Helsinki to create an innovative environment to develop new leading edge telecommunications services. The project also involved companies working in Pitäjänmäki such as Nokia, ICL and Amiedu. The Piimäki project is part of the National Development Agency's Creating a Global Village technology programme.

In June 1999 Helsinki Telephone Corporation and Otaverkko Oy concluded a cooperation agreement under which the parties' broadband networks, built using the latest network technology, were linked to each other. The networks linked are Helsinki Telephone's research network in Pitäjänmäki and the MediaPoli development environment network covering Helsinki University of Technology's entire campus site.

Terrestrial digital television broadcasts are scheduled to begin in Finland in the year 2000. The group's joint DigiTV project piloted and developed business potential in digital television operations.

Helsinki Telephone Corporation developed a solution to produce new fixed network broadband services and customer-driven information services based on Helsinki Telephone's IN competence.

The Arena 2000 project continued to work on further development of the 3D virtual city model in cooperation with Arcus Software Oy, in which Helsinki Telephone acquired a major interest during the year under review.

R&D activities also made progress with data transmission technologies, particularly in respect of xDSL applications for copper subscriber lines and WDM applications for the optic *fibre transmission network. Network platform technologies were also developed in co-operation with the Finnet companies' R&D programmes.*

Radiolinja's R&D addressed GPRS solutions, localisation systems and PKI solutions relating to secrecy and data security systems. In late September, Radiolinja announced it had carried out a localisation systems trial, unique by global standards. The localisation system operates in the present gsm network and is based on existing gsm phone parameters. Radiolinja also gave priority to developing WAP (Wireless Application Protocol) services.

Comptel's R&D focused on the new software generation of basic MDS (Mediation Device Solutions) Software, usage data collection and management software for GPRS and other IP networks and the company's latest products MDS Credit Guard, which controls the credit limit and MDS/AMD-DB databank-based call data collecting software.

IIn 1999, Helsinki Telephone Corporation filed 39 patent applications, up 30 per cent on the figure a year earlier and the fourth highest number in the Finnish IT business after Nokia, Valmet and the Technical Research Centre of Finland (VTT).

Contents

Report of the Board of Directors

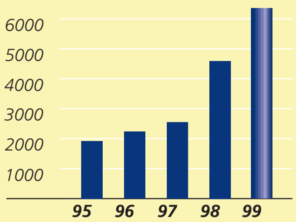
A growing Finnish economy and the prevailing enthusiasm for telecommunications and IT in all sectors of business life, public administration and private households have created a sound platform for telecommunications to grow into a major industrial and service business.

Market growth is particularly evident in mobile and internet services. In 1999, mobile penetration rose to more than 65 subscriptions per hundred inhabitants. At year-end, Finland headed global statistics for mobile penetration. Nevertheless, there were signs of a slowdown in the growth of mobile subscriptions. This is partly owing to existing high penetration and the delay in launching new generation mobile phones.

The fixed network was marked by an overall increase in capacity and dynamic increase in data transmission speeds. This has paved the way for the development of new services and rapid implementation of applications in businesses and private households. Strong growth in the sale of ISDN subscriptions also bears witness to how Finland is genuinely transforming into a European information society and shows how internet services have become an integral part of our everyday lives.

The communications industry saw fiercer competition in 1999. In the mobile market, Telia began operating as a service provider in Radiolinja's network. Several new internet-based service providers also started trading during the year.

Group turnover, FIM million



Helsinki Telephone Corporation (HTC) Group had a successful year in the domestic market. Group indicators show that most group sectors grew faster than the market as a whole. Radiolinja further consolidated its market position in the mobile business in terms of subscriptions. Radiolinja had a share of 47 per cent of the net increase in gsm subscriptions. In other sectors, such as long-distance and international voice services there were no major changes compared to the previous year.

It is worth noting that last year witnessed a record number of requests for investigations being filed with the competition authorities. Those operators having a dominant or significant market position in general or in a certain telecommunications area were particularly subject to investigation. Request for investigations into HTC's activities mainly concerning the tariff structure in respect of fixed network services.

HTC Group continued to make progress with restructuring in a bid to make the group more customer-driven and cost-efficient. As part of its strategic solutions above, the company's Board of Directors resolved to implement a new steering and management system from 1 January 2000 and confirmed the group's new strategic business areas accordingly.

Meeting in September 1999, Helsinki Telephone Corporation Group's extraordinary general meeting approved the merger plan, under which HTC will merge with and into HPY Holding Corporation so that the new company can begin trading on 1 July 2000. The Board of Directors of HPY Holding has decided to propose to the annual general meeting of shareholders meeting on 10 April 2000 that the company's trading name be changed to Elisa Communications Corporation upon the merger.

Relating to this, the Board of Directors of Helsinki Telephone decided in January 2000 to adopt Elisa Communications as its new marketing logo. Since then group companies have actively used the Elisa Communications logo in marketing.

Turnover

Group turnover in 1999 was FIM 6,364 million, an increase of FIM 1,698 million (+36%) on the year. When the 1999 and 1998 figures are adjusted on a pro forma basis to take into account ownership of Oy Radiolinja Ab and the changes in booking interconnection charges, 1999 turnover rose by around 24 per cent.

Turnover analysis for principal group companies in 1999:

FIM million	1999	1998	Change
Helsinki Telephone Corporation Group	6 364	4 666	36%
Parent company Helsinki Telephone Corporation	2 995	2 474	21%
Radiolinja Group	3 037	2 147	41%
Comptel Plc	232	152	53%
Oy Datatie Ab	358	325	10%
Mäkitorppa Group	486	512	- 5%

Some two-thirds (FIM 2,995 million) of the parent company Helsinki Telephone Corporation's turnover was generated by traffic, connection and network services. The parent company's net income from telephone traffic rose by around 7 per cent, with a marked increase in the volume of mobile and internet traffic. The vigorous growth in demand continued for business customers' network services, which generated a 24 per cent higher turnover than during the corresponding period a year earlier. Likewise income derived from subscription services rose by 25 per cent. This is owing to the increase in monthly charges introduced in September 1998 and the rapid rise in the number of ISDN subscriptions.

The turnover of the Radiolinja Group rose by 41 per cent to reach FIM 3,037 million, compared to FIM 2,147 million in 1998. Radiolinja became a group subsidiary in April 1998. At year-end, the number of gsm users in Radiolinja's network had grown to around 1,160,000 (981,000 a year earlier). Radiolinja's Estonian subsidiary, Radiolinja Eesti, had a total of 87,000 subscriptions at year-end.

Comptel Plc's turnover rose by 53 per cent to reach FIM 232 million (FIM 152m). This was essentially owing to growing exports and licence fees.

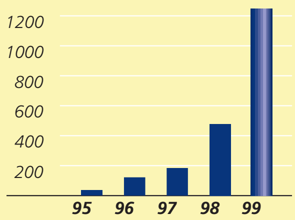
Mäkitorppa Group's turnover was down by 5 per cent at FIM 486 million (FIM 512m). Turnover was effected by slowing sales of mobile phones resulting from delays in rolling out new models.

Oy Datatie Ab's turnover was up by 10 per cent to stand at FIM 358 million (FIM 325m).

Oy Heltel Ab's turnover was similarly up by 10 per cent to stand at FIM 224 million (FIM 204m). FINNETCom Oy reported a turnover of FIM 78 million (FIM 42m).

International activities accounted for FIM 396 million (FIM 400 million) of group turnover. Comptel's earnings from exports were FIM 143 million and those of Mäkitorppa Group FIM 105 million. German-based consultancy services company Helsinki TeleCom Deutschland GmbH reported a turnover of FIM 16 million (FIM 12m).

Group profit before exceptional items, FIM million

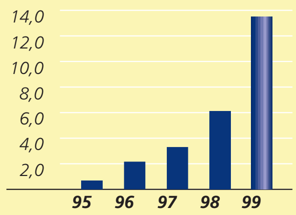


Performance

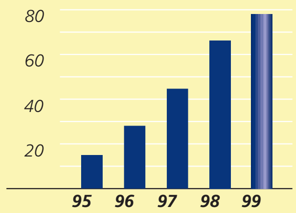
Group operating profit in 1999 was FIM 1,297 million (FIM 520m), an increase of 150 per cent on the previous year. The parent company's operating profit was FIM 970 million (FIM 241m), that of the Radiolinja Group FIM 391 million (FIM 240m) and that of Comptel FIM 80 million (FIM 29m). Group operating profit includes non-recurring gains of FIM 869 million on the disposal of Comptel shares and value adjustments and depreciation on consolidation goodwill and fixed assets totalling FIM 391 million.

FIM 20 million (FIM 60m) of the group operating profit was derived from the results of associates. This figure was sharply down on the figure a year earlier owing to the consolidation of Radiolinja and Datatie, losses made by the German city carriers and a FIM 23 million depreciation on the consolidation goodwill of associated undertakings. The largest associates are Tampere Telephone Plc, Finnet Nine Ltd, Finnet International Ltd, Oy Omnitele Ab and city carriers in Germany.

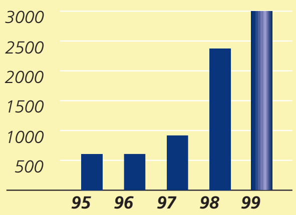
Earnings per share, FIM



Shareholder's equity per share, FIM



Group investments (gross), FIM million



Share acquisitions taking place in 1999 increased the consolidation goodwill to FIM 2,033 million, of which the consolidation goodwill of subsidiaries was FIM 1,658 million and that of associates FIM 375 million. Depreciation on consolidation goodwill in respect of subsidiaries was FIM 116 million (FIM 29m), in addition to which FIM 78 million on consolidation goodwill was booked as value adjustment costs. Depreciation on the consolidation goodwill of associates was FIM 23 million (FIM 12m).

Group depreciation on fixed assets amounted to FIM 1,015 million (FIM 588m). This figure includes FIM 313 million additional depreciation arising from a shortening of the depreciation period and value adjustments. The increase in planned depreciation primarily resulted from Radiolinja's own investments, which rose considerably as a share of the gross investments in Radiolinja's network.

Consolidated net financial charges were FIM 79 million (FIM 43m). Financial charges rose essentially owing to borrowings to finance share purchases.

Exceptional charges include FIM 50 million non-recurring charges in respect of the change in accruing sales commissions relating to subscriber connections and directory advertisements.

Consolidated net profit after taxes and minority interests was FIM 667 million (FIM 302m). Because depreciation on consolidation goodwill is not tax-deductible, the effective tax rate has risen in the consolidated financial statements.

Group earnings per share (EPS) were FIM 13.77 (FIM 6.10). Non-recurring income and charge items contributed FIM 7.19 to 1999 EPS figure. Shareholders' equity per share was FIM 78.15 (FIM 66.25).

Investments

Gross fixed asset investments by group companies amounted to FIM 1,307 million (FIM 1,311m) and FIM 1,697 million (FIM 1,039m) was spent on acquisitions of shares and companies.

Acquisitions of companies and shares primarily comprised holdings in Oy Radiolinja Ab, Oy Datatie Ab, Tampere Telephone Plc, Lounais-Suomen Puhelin Oy and German-based city carriers. Helsinki Telephone financed some of the cost of Radiolinja shares through a convertible bond. The Annual General Meeting of 8 April 1999 resolved to issue a convertible bond loan of approximately FIM 305 million.

The parent company invested FIM 709 million in fixed assets, Radiolinja 517 million and other subsidiaries FIM 81 million.

Financial position

Group equity ratio was 51 per cent (60%). Group interest-bearing liabilities amounted to FIM 2,451 million (FIM 1,189m), of which FIM 1,627 million (FIM 952m) was long-term debt.

On 23 April 1999, Helsinki Telephone issued a convertible loan of around FIM 305 million.

The first bonds, worth 71.5 million euro (FIM 425m), under Helsinki Telephone's domestic note programme were issued notes on 18 June 1999. The notes will be repaid in full on 18 June 2007.

In September, Helsinki Telephone signed a lease/leaseback agreement (so-called QTE facility) with US capital investors. The agreement covers network equipment and was worth around FIM 1,201 million.

Employees

The number of employees grew in the parent company and subsidiaries alike. During the year, group companies employed an average of 5,489 (4,589) people, 3,771 of which were employed by the parent company, 862 by the Radiolinja Group , 352 by the Mäkitorppa Group, 314 by Comptel and 190 by other subsidiaries.

At year-end, the group employed 5,684 people.

Changes in group structure

Oy Radiolinja Ab's position within the group became clearer and strengthened during the year. The group had a 69.5 per cent holding in Radiolinja A Shares at year-end.

During the year under review, Helsinki Telephone also increased its interest in Oy Datatie Ab and held 706 Datatie shares, 60.5 per cent of the share capital at the end of the year. Share deals taking place in January and February 2000 resulted in Datatie becoming a wholly-owned subsidiary of Helsinki Telephone.

February 1999 saw Helsinki Telephone acquire 3.8 per cent of Oy Comptel Ab's shares owned by the Sampo Group to take Helsinki Telephone's holding in Comptel to 100 per cent. An IPO taking place in November-December led to Helsinki Telephone's stake in Comptel Plc falling to 60.5 per cent.

Group subsidiary Mäkitorppa Yhtiöt Oy established a subsidiary, Mäkitorppa GmbH, in Germany. Mäkitorppa GmbH opened its first gsm mobile phone outlet in Berlin in May 1999. At year end the company had a total of 9 outlets in Berlin.

Under an agreement signed in July, Oy Radiolinja Ab acquired the entire share capital of Tresmec Puhelimet Oy. Tresmec provides national mobile telephony services and sells mobile phones under the name Radiojätti. Tresmec chain has 40 outlets throughout Finland and employs 100 people. In its financial year ending in October 1999, Tresmec reported a turnover of FIM 78 million.

Arrangements implemented in 1999 resulted in the Helsinki Telephone Corporation Group's holding in Tampere Telephone Plc rising to 33.2 per cent. The year under review saw the Group and Tampere Telephone's interest in Keski-Suomen Puhelin Oyj rise to 45.8 per cent, of which Helsinki Telephone has a stake of approximately 12.9 per cent.

During the year under review, Lounais-Suomen Puhelin Oy became an associate when share deals took Helsinki Telephone's holding in the company to 20.6 per cent.

Helsinki Telephone has channelled its interests in German city carriers through a wholly-owned subsidiary INTERURBANA Holdings GmbH. Under agreements concluded in 1999, INTERURBANA Holdings GmbH took a 25.1 per cent stake in Bremen-based Communications Bremen GmbH and its Bremerhaven-based sister company Nordkom Bremerhaven Telekommunikations GmbH in early 2000.

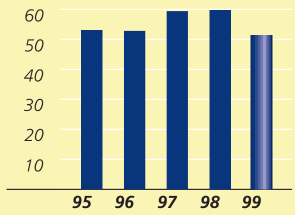
June 1999 saw Helsinki Telephone conclude an agreement with Hannoversche Telekommunikations- und Netzgesellschaft mbH under which INTERURBANA Holdings GmbH took a 50 per cent stake in Hannovers Telefon Partner GmbH.

In November, Helsinki Telephone Corporation and Finnet International Ltd announced the setting up of Finnish International Telecommunications GmbH (FIT) in Germany. FIT was awarded a licence by the German government to provide long-distance and international telephone traffic in Germany. Helsinki Telephone and Finnet International own FIT on a 50-50 basis.

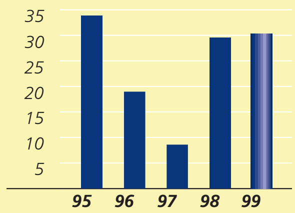
Helsinki Telephone Corporation and its subsidiaries Oy Radiolinja Ab and Mäkitorppa Yhtiöt Oy reorganised the ownership of mobile telephone retail chains within the group through intragroup deals. Consequently Helsinki Telephone owns the entire share capital of Mäkitorppa Yhtiöt Oy. Accordingly Setele Oy is now fully owned by Mäkitorppa Yhtiöt Oy.

The resolution made by the company's Board of Directors on the new steering and management system entered into force at the beginning of the year 2000. As a result, group operations are divided into five strategic business areas: Personal Communications (PC), Mobile Communications (MC), Business Solutions (BS), Operator Network Services (ONS), and Information and Communications Solutions (ICS).

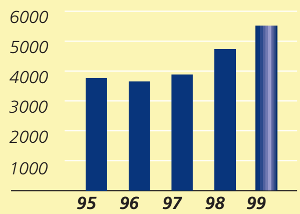
Equity ratio, %



Gearing ratio, %



Group employees



Private placing

Meeting in February 1999, Helsinki Telephone Corporation's Board of Directors decided to disapply the pre-emption rights of existing shareholders and to offer a private placing to Oulun Puhelin Oy and OKO Bank. The private placing offered a total of 300,232 new E Shares at an issue price of FIM 323 each. The pre-emption rights were disapplied because the share offering facility was to fund Helsinki Telephone Corporation's acquisition of Oy Radiolinja Ab's A Shares from Oulun Puhelin Oy and OKO Bank. The issue price was based on the middle quotes for Helsinki Telephone E Shares during the negotiations to acquire Radiolinja shares. Subsequent to the increase in share capital, Telephone Cooperative HPY's holding in Helsinki Telephone Corporation fell from 68.8 per cent to 68.4 per cent and its votes likewise from 68.8 to 68.4 per cent.

Annual general meeting held on 8 April 1999

In accordance with the Board of Directors' proposal, the annual general meeting voted to pay a dividend of FIM 2.50 per E Share, making an aggregate dividend of FIM 129,048,730.

The following persons were re-appointed to the Supervisory Board: Carl Johan Adolfsson, City Counsellor (Hon), Master of Economics and Business Administration, Erkki Helaniemi, Master of Laws, Harri Holkeri, Counsellor of State (Hon), Matti Honkala, Master of Science (Econ), Raimo Ilaskivi, Doctor of Social Sciences, Ingvar S. Melin, Licentiate in Economics and Business Administration, Sole Molander, Licentiate in Social Sciences, Reino Paasilinna, Doctor of Social Sciences, Timo Peltola, Master of Science (Econ), Kari Piimies, Architect and Pekka Sauri, Doctor of Philosophy.

SVH Pricewaterhouse Coopers Oy, authorised public accountants, Leo Laitinmäki (APA) and Lasse Lehti (AA) were re-appointed as the company's auditors. Anneli Lindroos (APA) and Matti Pirnes (AA) were appointed deputy auditors.

The annual general meeting also passed a resolution to authorise the Board of Directors to decide, within one year of the annual general meeting, whether to raise the share capital through one or more rights issues, one or more convertible bond loans and/or options so that in a rights issue or when issuing convertible bonds or options, a maximum of five million of the company's E Shares can be issued for subscription, and the company's share capital may be raised by no more than FIM 25 million.

The authorisation allows the Board of Directors to disapply the pre-emption rights of existing shareholders to subscribe for new shares, convertible bond loans and/or options and to decide the determination principles, issue prices, the terms and conditions of subscribing for new shares and the terms of the convertible bond loan and/or options.

The pre-emption rights of existing shareholders may be disapplied if there exists an important financial reason to do so, such as financing, implementing or enabling company acquisitions, strengthening or developing the company's financial or capital structure or carrying out other arrangements related to the development of the company's operations. The Board of Directors has the right to decide on the distribution of the entitlement of pre-emption rights but may not make such a decision so that benefits any member of the company's inner circle. The Board of Directors has the right to decide whether the shares issued in a rights issue, convertible bond or option can be subscribed for in kind or otherwise subject to certain conditions or by using the right of set-off.

Moreover, the annual general meeting resolved unanimously to authorise a convertible bond loan of a maximum of FIM 305,177,880 as follows. Disapplying the pre-emption rights of existing shareholders, the loan was to be offered to entities from whom the company acquired Oy Radiolinja Ab shares. The Board proposed disapplying the pre-emption rights of existing shareholders because the bond was used to finance part of the acquisition of Radiolinja shares. The loan matures between 24 April 1999 and 23 April 2003, subject to bond holders being entitled to demand redemption of the bond in full or in part from 23 April

2001. Interest will be paid at 1.5 per cent a year on the loan from issue. The subscription period for the loan was 12 to 23 April 1999. Consideration for the bond was payable to the company in one instalment upon subscription and subscribers were entitled to pay by way of set-off against any debts payable by the company.

A maximum of 3,053 bonds having a nominal value of FIM 99,960 were issued. Bond holders are entitled to convert one bond for 245 new Helsinki Telephone Corporation E Shares having a nominal value of FIM 5 (five). Bond holders are entitled to convert the bond into the company's shares annually between 1 January and 30 November during the period from 23 April 2001 to 23 April 2003. By converting the bonds, the company's share capital can be raised by a maximum of FIM 3,739,925 and the number of shares by 747,985.

Extraordinary general meeting held on 27 September 1999

Helsinki Telephone Corporation's extraordinary general meeting unanimously approved the merger plan to merge Helsinki Telephone Corporation with and into HPY Holding Corporation. The proposed merger will take place so that the new company formed can begin trading on 1 July 2000.

Under the confirmed merger plan, shareholders in Helsinki Telephone Corporation will receive as merger consideration 2.16204 HPY Holding A Shares having a nominal value of 0.5 euro in exchange for every Helsinki Telephone Corporation E Share having a nominal value of FIM 5. To the extent that shareholders in Helsinki Telephone Corporation would receive any fractional share as merger consideration, a cash consideration will be given in lieu.

To pay the merger consideration, HPY Holding's share capital is to be raised by at least 0.5 euro and at most 23,050,688.50 euro by issuing a minimum of one (1) and a maximum of 46,101,377 new HPY Holding A Shares having a nominal value of 0.5 euro to Helsinki Telephone Corporation shareholders entitled to merger consideration.

The following persons were appointed as members of the Board of Directors of HPY Holding Corporation from 1 July 2000: Matti Aura, Riitta Backas, Arto Ihto, Matti Ilmari, Rauno Kousa, Keijo Suila, Linus Torvalds, Paavo Uronen and Ossi Virolainen. Aura, Ilmari and Suila retire by rotation in the first annual general meeting after the start of their term of office, Backas, Uronen and Virolainen in the second and Ihto, Kousa and Torvalds in the third.

Preparations for Y2K issues and introduction of the euro

Progress was made with the company's Y2K project as scheduled. The costs of the Y2K exercise were in line with our estimates. The company's main data systems and basic telecom network solutions were already Y2K compliant by the end of Q3.

Customers' variable timetables in ordering modifications meant that work on updating customer's hardware and systems continued virtually up to the change of millennium. We had extra staff and on-call task forces on duty to deal with any problems arising in customer hardware during the critical changeover period.

The transition into the year 2000 went smoothly with no telecom or IT-related issues in our networks or customers systems. At the beginning of the year 2000, the related business units assumed responsibility for Y2K follow-up.

The total cost of our Y2K exercise, including preparations and staff costs over the new year period was FIM 19 million and was within the figure budgeted.

Helsinki Telephone Corporation will switch to using the euro in most of its activities on 1 January 2001. Nevertheless the company has provided shareholder information in euros since 1 January 1999 and offers a limited euro billing service to business customers.

Research and development

In 1999 Helsinki Telephone Corporation invested heavily in research and development in its own research centre, technology, industrial and product units within its business units and in *independent group companies. The Corporate Management Group coordinates R&D at the corporate level.*

Helsinki Telephone Corporation's research centre also acted as the Finnet companies' research competence centre. The group was also involved in projects in various National Technology Agency (TEKES) programmes in cooperation with companies in different industries. Helsinki Telephone Corporation also contributed to research and teaching cooperation with Finnish universities.

Areas of focus at the research centre in 1999 included wireless communications technology, optical data transmission, broadband IP network technology, web-based applications, application integration and digital television.

The research centre was also actively involved in several European research programmes including the IST programme within the EU's fifth framework programme and EURESCOM projects.

Projects of particular interest during the year under review included R&D of information security solutions utilising the Public Key Infrastructure (PKI) and a co-project with Hewlett-Packard and Comptel utilising HP's new e-speak technology for controllable and secure distribution of multimedia materials in information networks.

Comptel's R&D focus areas were the new software generation of basic MDS products, GPRS and IP network usage data collection and management software and new innovations such as MDS Credit Guard and MDS/AMD-DB.

Helsinki Telephone Corporation coordinated the Piimäki (Silicon Hill) research project to create an innovative environment to develop new leading edge telecommunications services in the Pitäjänmäki district of Helsinki. The project also involved companies working in Pitäjänmäki such as Nokia, ICL and Amiedu. The Piimäki project is part of the National Development Agency's Creating a Global Village technology programme.

A Helsinki Telephone researcher also took part in internet development work at the World Wide Web consortium at the Massachusetts Institute of Technology.

In 1999, Helsinki Telephone Corporation filed 39 patent applications, up 30 per cent on the figure a year earlier and the fourth highest number in Finland after Nokia, Valmet and the Technical Research Centre of Finland (VTT).

The company spent FIM 91 million (FIM 68m) on R&D during the year under review.

Legal proceedings

Since 1996, the Finnish Competition Authority (FCA) has been investigating complaints made by certain Helsinki Telephone's competitors that the company has been abusing its dominant market position. The allegations are that Helsinki Telephone has abused its position in pricing local loop and fixed connections and has linked the lease of these to the purchase of other telecom services.

The FCA has referred the matter to Competition Council, proposing that a penalty payment of FIM 30 million be imposed on Helsinki Telephone under the Restrictive Practices Act. Helsinki Telephone has worked with the authorities to actively seek suitable pricing regulations for the rapidly advancing telecommunications industry. The company finds the FCA's attitude both surprising and inconsistent in its reasoning.

In January 2000, a group of holders of Radiolinja L Shares requested the police to investigate the way Radiolinja markets its L Shares. Radiolinja claims that it has not acted wrongly and has denied the allegations. Neither does a statement issued by the Finnish Financial Supervision Authority on 31 December 1999, support the allegations raised.

Meeting in March 2000, the Board of Directors of Radiolinja decided to commence arbitration proceedings in certain circumstances relating to the business operations agreement between telecom operators and Radiolinja. According to Radiolinja, the dramatic changes taking place in the telecommunications market in recent years have prevented the idea behind *the agreement from materialising and that the terms and conditions of the agreement must be revised. This is necessary because telecom operators have announced that they will provision their own gsm services during the current year. These arbitration proceedings will not affect the operations of Radiolinja's network.*

Certain members of Helsinki Telephone Association or Telephone Cooperative HPY whose membership was revoked owing to the rules of the subscription agreement and association/cooperative rules valid at that time have brought action against HPY Holding Corporation and are demanding restoration of their membership rights.

Events taking place after 31 December 1999

A transaction taking place immediately in the new year led to Helsinki Telephone Corporation increasing its stake in Radiolinja's A Shares to 69.8 per cent. When Oy Datatie Ab became a wholly-owned subsidiary of Helsinki Telephone in February 2000, the group's interest in Radiolinja's A Shares rose to 71.9 per cent.

In January 2000, Helsinki Telephone Corporation subscribed all the shares allotted to it in a private placing by Joensuun Puhelin Oy. This gave Helsinki Telephone a 16.7 per cent holding in Joensuun Puhelin, which reported an annual turnover of FIM 100 million and employs some 120 people. There were around 26,000 subscribers in Joensuun Puhelin's network.

Helsinki Telephone's Board of Directors decided to adopt Elisa Communications as the group's new marketing name. This decision anticipates the merger of Helsinki Telephone on 1 July 2000 and the proposal by HPY Holding's Board of Directors to adopt Elisa Communications as the new business name of the company formed from the merger.

In January 2000, Radiolinja announced that it had concluded a cooperation agreement with Yahoo! Inc. of the United States. Yahoo will begin to provide content to Radiolinja's customers through WAP pages.

The Board of Directors of subsidiary company Oy Datatie Ab approved a plan whereby all Helsinki Telephone's data business would be transferred to Datatie with effect from 1 March 2000. This is being done in a bid to further strengthen the group's position in the data market.

Helsinki Telephone's IP Kolumbus announced that it is to be the first Finnish internet operator to offer its customers and opportunity to access their e-mail via a WAP terminal. WapMail can be used to read, write and destroy e-mail messages.

In February 2000, Globalstar Northern Europe, owned jointly by Radiolinja and Italian-based Elsacom, announced that they would be setting up a satellite mobile telephone service in Scandinavia and the Baltics. The service will be rolled out for private customers in April. Radiolinja acts as the retailer for Globalstar's services in Finland.

At the end of February, Radiolinja and LifeChart.com, which provides healthcare reporting and measuring services, signed a cooperation agreement to develop wireless health and well-being services. LifeChart.com services are especially designed to meet the self-care needs of diabetes, asthma and hypertension patients.

In March 2000, Radiolinja's Board of Directors approved a plan to split the nominal value of the company's shares, to increase share capital through an issue of A Shares and to combine Radiolinja's share classes. This move is being made in a bid to simplify Radiolinja's share structure, finance network infrastructure deals and to create an exchange rate for L and A Shares to establish one class of shares.

The Board of Directors of Helsinki Telephone Corporation has decided to comply with the insider holding regulations drawn up by the Confederation of Finnish Industry and Employers, the Central Chamber of Commerce and the Helsinki Exchanges.

The final general meeting of Helsinki Telephone Corporation will take place on 15 September 2000.

Future prospects

A significant arrangement will be put in place when Helsinki Telephone Corporation merges with and into HPY Holding Corporation on 1 July 2000. In this light, the Board of Directors will recommend to the spring Annual General Meeting that the company continue its business under the name Elisa Communications Corporation.

The group has encouraging growth potential and will seek new business from mobile valued added services, Internet-based customer solutions and broadband network services. Management expects approximately 20 per cent growth during the year 2000. This rate is much higher than in the industry as a whole. Corporate acquisitions will also strengthen the progress we are making.

Group profitability is expected to improve for many reasons. The communications industry is on a growth track, we are providing an increasingly diverse portfolio of services and have implemented more effective cost control.

Although call volume in the fixed network is expected to continue falling, this will be offset by the increase in the number of call minutes resulting from the increased diverse use of the Internet. Whilst we expect the group's corporate customers to further build on their network-based services such as e-commerce, the impact on gross earnings from communications may remain insignificant.

Mobile subscriptions are likely to grow at a much slower rate than we have been accustomed to in previous years, but average revenue per user (ARPU) will increase somewhat. We expect rapid growth in the total number of fixed network subscriptions owing to huge demand for ISDN connections and the successful rollout of ADSL subscriptions. Higher monthly charges for telephone lines may generate more income in the second half of the year 2000.

In respect of subsidiaries, Comptel will continue to build on its cooperation with partners, thus further consolidating its position in the international market. Comptel's new products have excellent growth potential, especially once GPRS use of mobile networks becomes increasingly widespread. Radiolinja is gearing up for fast GPRS data transmission services, which are scheduled to enter commercial service within the next year.

The market situation of mobile distribution has changed dramatically and we will continue work on acclimatising the operations of companies and shops to this new business environment. The Mäkitorppa chain is poised for further expansion in Germany.

During the current year, the group is expected to clarify its relations with former Finnet companies through measures aimed at corporate arrangements and at actual business operations.

Germany and the Baltics will remain the focus areas of the group's international operations. Whilst the group has no current plans to enter into actual alliances, the dynamism shaping the communications industry means that we are constantly monitoring and examining opportunities for international partnerships.

Consolidated income statement FIM 1 000

	Notes	1 Jan - 31 Dec 1999	1 Jan - 31 Dec 1998
Turnover	1	6 363 986	4 665 908
Increase (+) decrease (-) in stocks of finished goods and work in progress		515	-1 321
Other operating income	1	908 174	24 008
Materials and services	2	-2 635 009	-1 886 353
Staff costs	3	-1 164 038	-961 375
Depreciation and value adjustments	4	-1 208 805	-617 049
Other operating charges		-987 838	-763 937
Share of associated undertakings' profits		19 605	59 682
		-5 976 085	-4 169 032
Operating profit		1 296 590	519 563
Financial income and charges	5	-78 810	-42 876
Profit before exceptional items		1 217 780	476 687
Exceptional items	6	-50 215	
Profit after exceptional items		1 167 565	476 687
Taxes	8	-428 965	-108 092
Minority interests		-71 677	-66 609
Profit for the financial year		666 923	301 986

Consolidated balance sheet FIM 1 000

	Notes	31 Dec 1999	31 Dec 1998
Assets			
Fixed assets	9		
Intangible assets		324 367	290 955
Consolidation goodwill		1 658 171	410 037
Tangible assets		3 395 228	3 131 577
Shares in associated undertakings		791 392	663 337
Other financial assets		120 894	21 441
		6 290 052	4 517 437
Current assets			
Stocks	10	180 692	142 951
Debtors	11,12	1 113 902	1 063 213
Short-term investments		812 004	409 234
Cash in hand and at banks		250 263	87 565
		2 356 861	1 702 963
		8 646 913	6 220 310
Shareholders' equity and liabilities			
Shareholders' equity	13		
Subscribed capital		258 097	256 596
Share premium account		2 418 541	2 323 067
Retained earnings		690 323	518 304
Profit for the financial year		666 923	301 986
		4 033 884	3 399 953
Minority Interests		359 524	308 671
Provisions for liabilities and charges	14	5 569	16 630
Creditors			
Deferred tax liability	15	184 936	210 527
Long-term creditors	16	1 699 081	952 371
Short-term creditors	17	2 363 919	1 332 158
		4 247 936	2 495 056
		8 646 913	6 220 310

Consolidated cash flow statement FIM 1 000

	1 Jan - 31 Dec 1999	1 Jan - 31 Dec 1998
Operations		
Net cash inflow from operating activities		
Operating profit	1 296 590	519 563
Reconciliation of operating profit	327 187	573 201
Financial income and charges	-78 810	-42 876
Exceptional items	-50 215	
Taxes	-201 292	-55 375
	1 293 460	994 513
Change in net working capital, increase (-)/decrease (+)	123 645	29 357
Net cash inflow from operations	1 417 105	1 023 870
Investments		
Purchases of shares	-1 696 702	1 038 510
Other financial assets	-99 453	
Fixed asset investments	-1 307 470	1 311 068
Disposal of fixed assets and shares	1 012 991	-15 225
	-2 090 634	2 334 353
Financing surplus/deficit	-673 529	-1 310 483
Financing		
Long-term debtors, increase (-)/ decrease (+)	-16 477	1 176
Long-term creditors, increase (+)/decrease (-)	674 199	202 777
Short-term creditors, increase (+)/decrease (-)	587 551	121 903
Dividends paid	-138 579	-19 499
Share issue	133 004	826 460
Increase/decrease in subscription fees	-701	6 892
	1 238 997	1 139 709
Change in liquid assets, increase (+)/decrease (-)	565 468	-170 774
Liquid assets at 1 Jan	496 799	667 573
Liquid assets at 31 Dec	1 062 267	496 799

Parent company income statement FIM 1 000

	Notes	1 Jan - 31 Dec 1999	1 Jan - 31 Dec 1998
Turnover	*1*	*2 994 700*	*2 474 052*
Increase (+) decrease (-) in stocks of finished goods and work in progress		*515*	*-1 321*
Other operating income	*1*	*886 615*	*24 290*
Materials and services	*2*	*-860 337*	*-525 431*
Staff costs	*3*	*-805 840*	*-763 275*
Depreciation and value adjustments	*4*	*-707 857*	*-471 713*
Other operating charges		*-537 836*	*-495 970*
		-2 911 870	*-2 256 389*
Operating profit		*969 960*	*240 632*
Financial income and charges	*5*	*8 577*	*5 404*
Profit before exceptional items		*978 537*	*246 036*
Exceptional items	*6*	*-17 950*	*5 040*
Profit after exceptional items		*960 587*	*251 076*
Appropriations	*7*	*182 827*	*-109 425*
Taxes	*8*	*-330 645*	*-22 977*
Profit for the financial year		*812 769*	*118 674*

Parent company balance sheet FIM 1 000

	Notes	31 Dec 1999	31 Dec 1998
Assets			
Fixed assets	9		
Intangible assets		104 318	86 283
Tangible assets		2 192 211	2 218 024
Financial assets		2 540 057	1 112 084
		4 836 586	3 416 391
Current assets			
Stocks	10	88 590	83 152
Debtors	11,12	1 379 144	788 232
Short-term investments		811 234	408 581
Cash in hand and at banks		61 619	23 354
		2 340 587	1 303 319
		7 177 173	4 719 710
Shareholders' equity and liabilities			
Shareholders' equity	13		
Subscribed capital		258 097	256 596
Share premium account		2 418 541	2 323 067
Retained earnings		27 504	38 579
Profit for the financial year		812 769	118 674
		3 516 911	2 736 916
Accumulated appropriations	7	479 036	661 864
Provisions for liabilities and charges	14	2 500	8 500
Creditors			
Long-term creditors	16	1 307 971	608 557
Short-term creditors	17	1 870 755	703 873
		3 178 726	1 312 430
		7 177 173	4 719 710

Parent company cash flow statement FIM 1 000

	1 Jan - 31 Dec 1999	1 Jan - 31 Dec 1998
Operations		
Net cash inflow from operating activities		
Operating profit	969 960	240 632
Reconciliation of operating profit to cash flows	-187 531	471 713
Financial income and charges	8 577	5 404
Exceptional items	-17 950	5 040
Taxes	-75 520	-22 977
	697 536	699 812
Change in working capital, increase (-)/decrease (+)	-271 254	-189 900
Net cash inflow from operations	426 282	509 912
Investments		
Purchases of shares	-1 505 589	-781 875
Other financial assets	13 375	2 650
Fixed asset investments	-708 980	-644 639
Disposal of fixed assets and shares	974 529	10 797
	-1 226 665	-1 413 067
Financing surplus/deficit	-800 383	-903 155
Financing		
Long-term debtors, increase (-)/ decrease (+)	-96 960	-63 301
Long-term creditors, increase (+)/decrease (-)	630 298	-110 584
Short-term debtors, increase (-)/ decrease (+)	-21 569	
Short-term creditors, increase (+)/decrease (-)	762 307	50 681
Dividends paid	-129 049	-19 499
Share issue	96 975	826 460
Increase/decrease in subscription fees	-701	6 892
	1 241 301	690 649
Change in liquid assets, increase (+)/decrease (-)	440 918	-212 506
Liquid assets at 1 Jan	431 935	644 441
Liquid assets at 31 Dec	872 853	431 935

Notes to the 1999 financial statements

Helsinki Telephone Corporation is a subsidiary of HPY Holding Corporation Group, the parent company of which is HPY Holding Corporation, whose registered office is in Helsinki. HPY Holding Corporation and Helsinki Telephone Corporation's consolidated financial statements for the year ending 31 December 1999 are available for inspection at Korkeavuorenkatu 35-37, 00130 Helsinki.

Accounting principles

1. Scope of the consolidated financial statements

The consolidated financial statements comprise the accounts of the parent company Helsinki Telephone Corporation and those subsidiaries in which the parent company holds directly or indirectly more than 50 per cent of the votes conferred by shares. Those companies in which the parent company has a minimum of 20 per cent and a maximum of 50 per cent of the votes or in which it exercises significant influence are accounted for as associated undertakings. As a rule, subsidiaries are consolidated from the month acquisition of shares took place. Associates are generally consolidated from the moment they become an associate. Those companies in which a group undertaking is jointly responsible for the management of a company with another company outside the group are consolidated as joint ventures. Those subsidiaries remaining dormant during the financial year or having an insignificant impact on the consolidated financial results and equity are not consolidated.

2. Consolidation principles

Intragroup transactions, internal profits on stocks and fixed assets, internal receivables and the internal distribution of profit have been eliminated. The margin included in fixed assets has been essentially eliminated.

Minority interests are separated from the consolidated financial results and from the shareholders' equity and shown as separate items in the income statement and balance sheet. The purchase cost method is used in the elimination of internal ownership. The proportion of the purchase cost of subsidiary shares exceeding shareholders' equity has been booked as consolidation goodwill and depreciated over a period of five years in compliance with the main provision of the law. Exceptions may be made to this rule in the case of strategically important holdings in major companies in the telecommunications industry. Net consolidation goodwill and group reserve are shown in the balance sheet and appear as a separate items in the notes to the financial statements.

Associated undertakings are consolidated using the equity method. In the income statement, the share of associated undertakings' profit for the financial year is shown as a separate item before operating profit.

Income statement and balance sheet items and notes to the financial statements in respect of joint ventures are consolidated on a pro rata basis to group ownership.

3. Comparability with the previous year

The definition of turnover was revised during the year in respect of interconnection charges. This now means that only customer-priced telecom charges passed on intact to other telecom operators are deducted from invoiced sales. On the other hand certain purchases of operator-priced telecom service components are treated in external services as interconnection charges and not subtracted from invoiced sales. This change was implemented in 1999 as a result of the interconnection arrangements under the new Telecommunications Market Act that entered into force in 1999. The change in booking interconnections increases the group and parent company turnover and external services by FIM 160 million. The corresponding figure *for 1998 turnover and external services would have been FIM 150 million. The change has no impact on income.*

The way of matching fees relating to the telephone directory advertisements and telephone lines has been changed so that operating charges include all fees paid in respect of lines and directory advertisements paid during the financial year. In earlier years, some of the fees paid for lines and advertisements sold during the financial year were not booked as a charge until the following year. Charges for the previous year arising from the change in matching appear under exceptional items. The post-tax share of exceptional charges is FIM 50 million, of which the parent company's share is FIM 11 million.

Shorter depreciation periods and value adjustments resulted in extra depreciation and value adjustments of FIM 391 million being booked. The parent company's share of this figure is FIM 235 million. More details of changes in planned depreciation and value adjustments are given in point 7.

Other operating income includes a gain of FIM 869 million on the disposal of Comptel shares.

Any comparison with the previous year should also take into account changes in the group structure, including the change of Radiolinja from an associate to a subsidiary with effect from 1 April 1998 and the change of Datatie from an associate to a subsidiary with effect from 1 January 1999.

4. Turnover and other operating income

Interconnection fees paid by customers and passed on intact to other telephone companies are shown as an item deducted from invoiced sales (KILA 995/1325).

Other operating income includes gains from the disposal of shares and fixed assets, contributions received and rental income from properties.

As a rule, sales by group companies are booked as income at the time the services are provided or equipment is invoiced. Long-term projects of the parent company and Comptel Plc are an exception to this is, and are invoiced and booked on the basis of degree of completion.

5. Valuation of stocks

Stocks are valued at variable cost, the acquisition cost or the likely sale or replacement cost, whichever is the lower.

6. Foreign currency items

The income statements of foreign subsidiaries are translated into Finnish marks at the middle monthly rate quoted by the Bank of Finland, and the balance sheets at the middle rate quoted on the closing date. The resulting translation difference is booked as a separate item under shareholders' equity.

Transactions in foreign currency are booked during the accounting period at the rate quoted on the transaction date. Any open balance sheet items at the end of the financial year are valued at the middle rate quoted by the Bank of Finland on the balance sheet date.

Derivative contracts can be used to hedge against currency and interest rate risks.

Open derivative contracts intended to hedge against currency risks are valued at the market value, with the exception of forward contracts relating to cash flow, which are booked on the basis of their effect on earnings as the cash flow is realised. Exchange rate gains and losses are booked as sales or purchase adjustment items or financing exchange gains or losses depending on what is hedged. The interest difference, if significant, is allocated during the validity of the contract and the allocated part is booked as interest received or interest paid.

Interest rate derivatives are valued at market value. Cash flows of derivatives used to manage interest rate risks are allocated during the validity of the contract and are used to adjust the interest on the item to be hedged.

The nominal values and market value of open derivatives appear as liabilities in the notes to the financial statements, irrespective of whether they have been booked in the income statement.

7. Fixed assets and consolidation goodwill

The book value of intangible and tangible assets shown in the balance sheet is the acquisition cost less accumulated planned depreciation. Fixed assets manufactured and built by the company are valued at variable cost. No value revaluations are included in the book values of fixed assets.

The difference between planned depreciation and total depreciation in the parent company's financial statements is shown in appropriations in the income statement. The accumulated depreciation difference in the parent company's financial statements is shown under accumulated appropriations in shareholders' equity and liabilities in the balance sheet. In the consolidated financial statements, the accumulated depreciation difference is divided between shareholders' equity and tax liabilities. Planned depreciation is calculated on a straight-line basis over expected economic lives.

Consolidation goodwill is depreciated over a five-year period in accordance with the main legal provision. The exception to this is in the case of strategically important interests in major companies in the telecommunications industry. Consolidation goodwill in respect of Oy Radiolinja Ab, Tampere Telephone Plc and Lounais-Suomen Puhelin Oy is depreciated over 15 years. Consolidation goodwill in respect of Oy Datatie Ab is depreciated over 10 years.

In expectation of the significantly weaker financial performance of mobile phone retailers, a charge of FIM 82 million on the value adjustment of consolidation goodwill and goodwill was booked during the financial year. A charge of FIM 6 million was booked on the value adjustment of consolidation goodwill in respect of other companies.

Owing to the faster pace of technological advances being made in the communications industry, the expected economic lives of fixed assets were reviewed at the balance sheet date. The depreciation times for telephone exchanges and the gsm network was changed from 10 to 8 years, development investments in exchange software (upgrades) from 10 to 5 years and SIM cards from 5 to 3 years. The change in planned depreciation was effected by changing the accumulated depreciation accordingly. Furthermore, the acquisition cost remaining on obsolete fixed assets has been booked as a charge. The share of the change in planned depreciation and value adjustment of fixed assets of consolidated depreciation during the financial year is FIM 303 million and the parent company's FIM 235 million.

Planned depreciation times in the group are given below:

Consolidation goodwill	5-15 years
Goodwill	5 years
Formation costs	5 years
Computer programs	3-5 years
Other long-term expenditure	5-10 years
Buildings	25-40 years
Telephone exchanges and gsm network	8 years
Cable network	10 years
Teleterminals (leased to customers)	4 years
Other machinery and equipment	3-5 years

8. Pension costs

Helsinki Telephone Corporation's pension commitments are funded by Helsinki Telephone's Pension Fund. Additionally, the company also has its own direct pension liabilities, primarily for early, fixed-term pensions. The pension commitments of subsidiary companies are covered by pension insurance. The parent company has no unbooked charges for unfunded pension liabilities or any unfunded pension liabilities.

9. Direct taxes

Taxes for the financial year are matched and booked in the income statement. The change in deferred tax liabilities and assets appears in the consolidated financial statements and is calculated from the matching items. No deferred tax liabilities and assets are booked in the parent company income statement. Deferred tax liabilities and assets are calculated at the tax rate valid when the financial statements are prepared.

Deferred tax liabilities and assets in the consolidated balance sheet are itemised in the notes to the balance sheet. In line with the prudence concept, realised losses are not booked as tax receivables nor are they shown in the notes to the financial statements.

Notes to the income statements and balance sheet FIM 1 000

	Group 1999	Group 1998	Company 1999	Company 1998
1. Invoiced sales and turnover				
Invoiced sales (excl. VAT and discounts)	6 848 368	5 251 379	3 578 178	3 059 523
Less interconnection charges to other telephone companies [1)]	-484 382	-585 471	-583 478	-585 471
Turnover	6 363 986	4 665 908	2 994 700	2 474 052
[1)] Interconnection charges booked differently in 1999				
By geographical area				
Finland	5 968 286	4 266 048	2 945 462	2 419 101
International	395 700	399 860	49 238	54 951
Total	6 363 986	4 665 908	2 994 700	2 474 052

Group and parent company turnover principally pertains to one business sector (telecommunications).

Other operating income includes mostly gains on the disposal of shares.

	Group 1999	Group 1998	Company 1999	Company 1998
2. Materials and services				
Materials				
Purchases during the financial year	897 625	704 571	250 384	228 188
Change in stocks	-25 982	-26 846	-9 341	-8 761
	871 643	677 725	241 043	219 427
Radiolinja's access rights, maintenance and connection fees	1 400 957	903 504		
Other external services	362 409	305 124	619 294	306 004
Total	2 635 009	1 886 353	860 337	525 431

	Group 1999	Group 1998	Company 1999	Company 1998
3. Staff costs				
Wages and salaries	1 023 173	842 696	727 492	674 219
Pension costs	145 785	130 696	97 173	103 043
Other social security costs	114 018	92 724	79 442	74 370
	1 282 976	1 066 116	904 107	851 632
Staff costs capitalised under fixed assets				
Wages and salaries	-90 811	-80 776	-75 028	-67 469
Pension costs	-16 359	-14 092	-13 516	-12 148
Other social security costs	-11 768	-9 873	-9 723	-8 740
	-118 938	-104 741	-98 267	-88 357
Staff costs in the income statement	1 164 038	961 375	805 840	763 275
Management salaries and emoluments				
Managing directors and deputies	7 626	5 929		
Members and deputy members of Boards of Directors	2 683	1 917	2 407	1 738
Members and deputy members of Boards of Supervisors	195	157	195	157
Average staff numbers in the group and parent company during the financial year				
White-collar	4 699	3 768	2 981	2 803
Blue-collar	790	821	790	790
Total	5 489	4 589	3 771	3 593

An average of 10 white-collar staff were employed by joint ventures in 1999.

Pension commitments in respect of managing directors and members of Boards of Directors

The retirement age for managing directors of group companies is set at 58 - 65 years.

	Group 1999	Group 1998	Company 1999	Company 1998
4. Depreciation and value adjustments				
Depreciation on tangible and intangible assets	1 005 055	588 511	707 857	471 713
Value adjustment of consolidation goodwill	10 018			
Depreciation on consolidation goodwill	116 061	28 773		
Capitalised group reserve	-464	-235		
Value adjustment of consolidation goodwill	78 135			
Total	1 208 805	617 049	707 857	471 713

A breakdown of depreciation for each balance sheet item is provided under Fixed assets.

	Group 1999	Group 1998	Company 1999	Company 1998
5. Financial income and charges				
Dividends received				
From group undertakings			19 209	5 083
From associated undertakings	592		28 313	21 992
From others	563	324	19 277	450
	1 155	324	66 799	27 525
Interest received from long-term investments				
From group undertakings			1 040	1 281
Other interest received and similar income				
From group undertakings			6 457	1 560
From associated undertakings		313		
From others	22 707	30 505	14 105	24 045
	22 707	30 818	20 562	25 605
Interest received and similar income, total	23 862	31 142	88 401	54 411
Interest paid and similar charges				
To group undertakings	1 826	1 114	3 267	2 189
To associated undertakings		13		13
To others	100 846	72 891	76 557	46 805
Interest paid and similar charges, total	102 672	74 018	79 824	49 007
Financial income and charges, total	-78 810	-42 876	8 577	5 404
6. Exceptional items				
Exceptional income / charges				
Group contributions			-14 000	7 000
Changes in calculation principles	-69 743		-10 931	
Income tax on exceptional items	19 528		6 981	-1 960
Exceptional items, total	-50 215		-17 950	5 040
7. Appropriations				
Difference between planned depreciation and depreciation made in taxation			-182 827	109 425
Accumulated appropriations in the parent company comprise the accumulated depreciation difference.				
8. Taxes				
Income tax for the financial year	449 995	64 009	324 251	31 595
Income tax for previous years	6 422	-8 634	6 394	-8 618
Change in deferred tax liabilities/assets	-27 452	52 717		
Total	428 965	108 092	330 645	22 977

9. Fixed assets [1)]

Group

				Intangible assets			
	Formation expenses	**Intangible rights**	**Goodwill**	**Advance-payments**	**Other long-term expenditure**	**Total**	**Consolidation goodwill**
Acquisition cost at 1 Jan 99	*151 585*	*22 420*	*1 031*	*3 460*	*318 035*	*496 531*	*446 133*
Acquisition of group companies at 1 Jan		*22*			*24 352*	*24 374*	*44 599*
Translation difference	*1*	*-20*			*9*	*-10*	
Increase	*5 492*	*4 456*	*15 323*	*235*	*129 328*	*154 834*	*1 402 991*
Disposal		*-890*			*-666*	*-1 556*	
Decrease	*-613*			*-3 460*	*-27 712*	*-31 785*	*-5 723*
Transfers between items		*-14 633*			*21 500*	*6 867*	
Acquisition cost at 31 Dec 99	*156 465*	*11 355*	*16 354*	*235*	*464 846*	*649 255*	*1 888 000*
Accumulated depreciation and value adjustments at 1 Jan 99	*60 767*	*4 012*	*802*		*139 995*	*205 576*	*36 096*
Translation difference					*1*	*1*	
Accumulation difference on decreases and transfers	*-300*	*-2 717*			*-9 948*	*-12 965*	
Depreciation for the financial year	*30 892*	*2 070*	*2 328*		*86 968*	*122 258*	*115 598*
Value adjustments			*10 018*			*10 018*	*78 135*
Accumulated depreciation at 31 Dec 99	*91 359*	*3 365*	*13 148*		*217 016*	*324 888*	*229 829*
Book value at 31 Dec 99	*65 106*	*7 990*	*3 206*	*235*	*247 830*	*324 367*	*1 658 171*

			Tangible assets			
	Land and water	**Buildings**	**Machinery and equipment**	**Other tangible assets**	**Advance payment and tangible assets in course of construction**	**Total**
Acquisition costs at 1 Jan 99	*43 084*	*855 431*	*4 121 584*	*81 901*	*52 612*	*5 154 612*
Acquisition of group undertakings at 1 Jan			*22 258*			*22 258*
Translation difference			*69*	*11*		*80*
Increase	*64 301*	*12 838*	*952 179*	*22 851*	*100 467*	*1 152 636*
Disposal	*-7 079*	*-22 120*	*-12 708*	*-73*	*-14 316*	*-56 296*
Decrease		*-19 375*	*-872 599*		*-2 726*	*-894 700*
Transfers between items			*19 504*		*-26 371*	*-6 867*
Acquisition cost at 31 Dec 99	*100 306*	*826 774*	*4 230 287*	*104 690*	*109 666*	*5 371 723*
Accumulated depreciation and value adjustments at 1 Jan 99		*405 329*	*1 589 726*	*27 980*		*2 023 035*
Translation difference			*-54*			*-54*
Accumulated depreciation on decreases and transfers		*-31 020*	*-898 263*			*-929 283*
Depreciation for the financial year		*34 408*	*814 086*	*34 303*		*882 797*
Accumulated depreciation at 31 Dec 99		*408 717*	*1 505 495*	*62 283*		*1 976 495*
Book value at 31 Dec 99	*100 306*	*418 057*	*2 724 792*	*42 407*	*109 666*	*3 395 228*
Balance sheet value of machinery and equipment (fixed telecommunications network) at 31 Dec 99			*2 178 180*			

[1)] Acquisition costs only include those tangible assets whose acquisition costs have not yet been booked in full as planned depreciation at the start of the financial year.

9. Fixed assets

Parent company	**Intangible assets**	**Tangible assets**				
	Other long-term expenditure	**Land and water**	**Buildings**	**Machinery and equipment**	**Advance payment and tangible assets in course of construction**	**Total**
Acquisition cost at 1 Jan 99	*189 245*	*20 465*	*642 513*	*3 284 079*	*30 956*	*3 978 013*
Increase	*56 220*	*839*	*12 838*	*640 206*		*653 883*
Decrease	*-27 712*	*-839*	*-17 550*	*-876 640*	*-1 125*	*-896 154*
Acquisition cost at 31 Dec 99	*217 753*	*20 465*	*637 801*	*3 047 645*	*29 831*	*3 735 742*
Accumulated depreciation at 1 Jan 99	*102 962*		*289 165*	*1 470 824*		*1 759 989*
Accumulated depreciation on decreases and transfers	*-27 712*		*-10 819*	*-875 310*		*-886 129*
Depreciation for the financial year	*38 185*		*29 450*	*640 221*		*669 671*
Accumulated depreciation at 31 Dec 99	*-113 435*		*-307 796*	*-1 235 735*		*-1 543 531*
Book value at 31 Dec 99	*104 318*	*20 465*	*330 005*	*1 811 910*	*29 831*	*2 192 211*
Balance sheet value of machinery and equipment (fixed telecommunications network) at 31 Dec 99				*1 382 680*		

9. Fixed assets/Shares in associated undertakings and other financial assets

Group	*Shares in* **Associated undertakings**	*Shares* **Others**	*Debtors* **Associated undertakings**	*Total*
Acquisition cost at 1 Jan 99 [1)]	*663 337*	*21 441*		*684 778*
Change	*271 444*	*65 505*	*3 117*	*340 066*
Disposal		*-48 482*		*-48 482*
Transfers between items	*-143 389*	*79 314*		*-64 075*
Acquisition cost at 31 Dec 99	*791 392*	*117 778*	*3 117*	*912 287*
Book value at 31 Dec 99	*791 392*	*117 778*	*3 117*	*912 287*

[1)] The book value of shares in associated undertakings has been used as their acquisition cost at 1 Jan 99.

9. Fixed assets/Financial assets

Parent company	*Shares* **Group undertakings**	*Shares* **Associated undertakings**	*Shares* **Others**	*Debtors* **Group undertakings**	*Total*
Acquisition cost at 1 Jan 99	*648 987*	*402 925*	*19 472*	*40 700*	*1 112 084*
Increase	*1 424 658*	*63 950*	*16 981*		*1 505 589*
Disposal/decrease	*-3 026*	*-13 144*	*-48 071*	*-13 375*	*-77 616*
Transfers between items	*56 236*	*-135 812*	*79 576*		*0*
Acquisition cost at 31 Dec 99	*2 126 855*	*317 919*	*67 958*	*27 325*	*2 540 057*
Book value at 31 Dec 99	*2 126 855*	*317 919*	*67 958*	*27 325*	*2 540 057*

The new acquisition cost of shares in listed subsidiaries was FIM 5.3 billion higher than the book value at the balance sheet date.

9. Group and parent company holdings at 31 Dec 1999

	Registered office	Group interest, %	Parent company interest, %
Group undertakings			
Oy Arvotel Ab	Helsinki	100 %	100 %
Comptel Plc [1)]	Helsinki	61 %	61 %
Oy Datatie Ab	Helsinki	60 %	60 %
Oy Dianatel Ab	Helsinki	100 %	100 %
Oy Extel Ab	Helsinki	100 %	100 %
Oy Extel-Achterkamer Ab	Helsinki	100 %	0 %
Oy Extel-Bestudeerd Ab	Helsinki	100 %	0 %
Oy Extel-Bevaren Ab	Helsinki	100 %	0 %
Oy Extel-Grenzenloos Ab	Helsinki	100 %	0 %
Oy Extel-Grinniken Ab	Helsinki	100 %	0 %
Oy Extel-Grissen Ab	Helsinki	100 %	0 %
Oy Extel-Noodlottig Ab	Helsinki	100 %	0 %
Oy Extel-Onbeheerd Ab	Helsinki	100 %	0 %
Oy Extel-Opslokken Ab	Helsinki	100 %	0 %
Oy Extel-Opstopper Ab	Helsinki	100 %	0 %
Oy Extel-Parvenu Ab	Helsinki	100 %	0 %
Oy Extel-Pets Ab	Helsinki	100 %	0 %
Oy Extel-Rotsvast Ab	Helsinki	100 %	0 %
Oy Extel-Snaak Ab	Helsinki	100 %	0 %
Oy Extel-Strohalm Ab	Helsinki	100 %	0 %
Oy Telcofounding Ab	Helsinki	100 %	0 %
FINNETCom Oy	Helsinki	51 %	51 %
FMS Dravit Asset Management GmbH	Düsseldorf	100 %	100 %
Helsinki TeleCom Deutschland GmbH	Düsseldorf	100 %	100 %
Oy Heltel Ab	Helsinki	63 %	63 %
INTERURBANA Holdings GmbH	Düsseldorf	100%	0 %
Megabaud Oy	Helsinki	100 %	100 %
Mäkitorppa Yhtiöt Oy	Helsinki	100 %	100 %
Mobinter Oy	Helsinki	100 %	0 %
Mäkitorppa Oy	Helsinki	100 %	0 %
Mäkitorppa GmbH	Düsseldorf	100 %	0 %
Setele Oy	Seinäjoki	100 %	0 %
Oy Radiolinja Ab, A Shares	Helsinki	70 %	66 %
Radiolinja Eesti AS	Tallin	79 %	46 %
SIA Radiolinja Latvija	Riga	70 %	0 %
Tresmec Puhelimet Oy	Helsinki	70 %	0 %
Globalstar Northern Europe Oy	Helsinki	35 %	0 %
Uudenmaan Matkapuhelin Oy	Vantaa	70 %	0 %
Oy Radiolinja Ab, L-shares	Helsinki	51 %	51 %
Rahoituslinkki Oy	Helsinki	100 %	100 %
Kiinteistö Oy Kutomotie 16	Helsinki	100 %	100 %
Kiinteistö Oy Ratavartijankatu 3	Helsinki	64 %	64 %
Kiinteistö Oy Rinnetorppa	Kuusamo	100 %	50 %
Oy Älytalo Ab	Helsinki	100 %	100 %
Other undertakings (dormant)			
Associated undertakings			
Arcus Software Oy	Helsinki	37 %	19 %
Citykom Münster GmbH	Münster	25 %	0 %
Fincommerce Oy	Jyväskylä	25 %	25 %
Finnet International Ltd	Helsinki	41 %	41 %
Finnet Logistiikka Oy	Helsinki	32 %	32 %
Oy Finnet Media Ab	Helsinki	35 %	35 %
Oy Finnet Ventures	Helsinki	42 %	42 %
Finnish International Communications GmbH	Düsseldorf	50 %	0 %
Hannovers Telefon Partner GmbH	Düsseldorf	50 %	0 %
JelloCom GmbH & Co. KG	Jena	20 %	0 %
Finnet Nine Ltd	Helsinki	35 %	34 %
Lounais-Suomen Puhelin Oy	Paimio	21 %	19 %
Oy Omnitele Ab	Helsinki	29 %	29 %
Suomen Keltaiset Sivut Oy	Helsinki	30 %	30 %
Tampere Telephone Plc	Tampere	33 %	12 %
Vantaan Yhteisverkko Oy	Vantaa	24 %	24 %

Undepreciated goodwill of associated undertakings at 31 Dec 99 was FIM 375.4 million. The balance sheet date for all associated undertakings was 31 Dec 99. Associated undertakings have been consolidated using the equity method with the exception of Finnish International Telecommunications GmbH and Hannovers Telefon Partner GmbH, which have been consolidated as joint ventures.

[1)] Comptel Plc options entitle holders to subscribe for shares during the exercise period which may reduce the Helsinki Telephone's right of ownership to 50.6 per cent.

	Group 1999	Group 1998	Company 1999	Company 1998
10. Stocks				
Raw materials and consumables	82 147	54 033	64 354	55 013
Work in progress	9 868	9 353	9 868	9 353
Finished products/goods	70 036	60 779		
Advance payments	18 641	18 786	14 368	18 786
Total	180 692	142 951	88 590	83 152
11. Long-term debtors				
Amounts owed by group undertakings				
Loan receivables			160 320	63 360
Amounts owed by associated undertakings				
Loan receivables	7 600			
Other debtors				
Loan receivables		702		
Other debtors	6 162	3 217		
Prepayments and accrued income	7 656	1 022	7 656	1 022
Long-term debtors, total	21 418	4 941	167 976	64 382
12. Short-term debtors				
Amounts owed by group undertakings				
Trade debtors	57	91	56 940	53 998
Loan receivables			624 591	223 259
Other debtors	11 590	3 555	11 689	10 556
Prepayments and accrued income			3 654	1 136
	11 647	3 646	696 874	288 949
Amounts owed by associated undertakings				
Trade debtors	36 892	102 134	30 698	31 830
	36 892	102 134	30 698	31 830
Amounts owed by others				
Trade debtors	933 152	786 478	424 588	373 284
Loan receivables	17	5 625		
Other debtors	59 197	29 929	36 446	11 136
Prepayments and accrued income	51 579	130 460	22 562	18 651
	1 043 945	952 492	483 596	403 071
Short-term debtors, total	1 092 484	1 058 272	1 211 168	723 850

The most significant prepayments and accrued income consist of accrued subscription fees, accrued interest received and leasing payments. Long-term prepayments and accrued income includes an unbooked issue loss of FIM 6 487 000 for a bond charge.

13. Shareholders' equity

	Group 1999	Group 1998	Company 1999	Company 1998
Subscribed capital at 1 Jan	256 596	236 596	256 596	236 596
New issue	1 501	20 000	1 501	20 000
Share capital at 31 Dec	258 097	256 596	258 097	256 596
Share premium account at 1 Jan	2 323 067	1 516 607	2 323 067	1 516 607
Issue premium	95 474	806 460	95 474	806 460
Share premium account at 31 Dec	2 418 541	2 323 067	2 418 541	2 323 067
Retained earnings at 1 Jan	820 290	529 799	157 253	51 186
Increase (+)/decrease (-) in subscription fees	-700	6 892	-700	6 892
Dividends paid	-129 049	-19 499	-129 049	-19 499
Translation difference	-218	1 112		
Retained earnings at 31 Dec	690 323	518 304	27 504	38 579
Profit for the financial year	666 923	301 986	812 769	118 674
Shareholders' equity, total	4 033 884	3 399 953	3 516 911	2 736 916

The share capital of the parent company is distributed as follows:

	1999		1998	
Share capital by series of share at 31 Dec.	1000 shares	FIM 1000	1000 shares	FIM 1000
K Shares (5 votes per share)			27 295	136 477
E Shares (1 vote per share)	51 619	258 097	24 024	120 119
Total	51 619	258 097	51 319	256 596

Statement of distributable equity at 31 Dec

	Group 1999	Group 1998	Company 1999	Company 1998
Retained earnings	690 323	518 304	27 504	38 579
Profit for the financial year	666 923	301 986	812 769	118 674
- Capitalised formation expenses	-65 106	-90 818		
- Share of accumulated depreciation difference and untaxed reserves booked in shareholders' equity	-406 658	-532 468		
Distributable equity, total	885 482	197 004	840 273	157 253

	Group 1999	Group 1998	Company 1999	Company 1998
14. Provisions for liabilities and charges				
Provision for the year 2000	*3 300*	*14 550*	*2 000*	*8 000*
Other provisions for liabilities and charges	*2 269*	*2 080*	*500*	*500*
Total	*5 569*	*16 630*	*2 500*	*8 500*
15. Deferred tax liabilities and assets				
Deferred tax assets arising from				
mergers	*4 270*	*10 484*		
matching items	*1 695*	*5 164*	*725*	*2 380*
Total	*5 965*	*15 648*	*725*	*2 380*
Deferred tax liabilities arising from				
appropriations	*190 901*	*226 175*	*138 920*	*185 322*
Total	*190 901*	*226 175*	*138 920*	*185 322*
Deferred tax liabilities (net)	*184 936*	*210 527*	*138 195*	*182 942*
16. Long-term creditors				
Amounts owed to associated undertakings				
Other creditors	*3 116*			
Accruals and deferred income	*195*			
	3 311			
Amounts owed to others				
Bonds	*425 120*		*425 120*	
Convertible bond loans	*305 178*		*305 178*	
Loans from financial institutions	*386 355*	*342 279*		
Pension loans	*509 903*	*610 092*	*508 557*	*608 557*
Advances received (QTE leasing)	*69 116*		*69 116*	
Accruals and deferred income	*98*			
	1 695 770	*952 371*	*1 307 971*	*608 557*
Long-term creditors, total	*1 699 081*	*952 371*	*1 307 971*	*608 557*

Convertible bond loan

1.4% of the company's shares and votes can be obtained by virtue of the convertible bond loan.

Subscription period:	12 April 1999 to 23 April 1999
Conversion ratio:	245 shares for each FIM 99,960.00 portion of debt
Conversion period:	23 April 2001 to 23 April 2003
Interest rate:	1.5%
Amortisation:	23 April 2001 in part or in full

The convertible bond loan is more fully explained in the Report of the Board of Directors.

Bond loan

A 335-million euro bond loan programme of which 71.5 million euros has been issued.
The annual nominal interest rate is 4.7%. The loan is repayable in full on 18 June 2007.

	Group 1999	Group 1998	Company 1999	Company 1998
Loans falling due after more than five years				
Bonds	*425 120*		*425 120*	
Pension loans	*454 949*	*554 949*	*454 949*	*554 949*
Total	*880 069*	*554 949*	*880 069*	*554 949*

	Group 1999	Group 1998	Company 1999	Company 1998
17. Short-term creditors				
Amounts owed to group undertakings				
Trade creditors			*71 656*	*24 559*
Other creditors	*252 165*	*1 388*	*401 361*	*41 443*
Accruals and deferred income	*743*	*18*	*1 047*	*1 069*
	252 908	*1 406*	*474 064*	*67 071*
Amounts owed to associated undertakings				
Trade creditors	*47 650*	*67 771*	*46 774*	*32 520*
Accruals and deferred income	*2 832*	*11*		
	50 482	*67 782*	*46 774*	*32 520*
Amounts owed to others				
Loans from financial institutions	*432 811*	*41 857*	*416 201*	
Pension loans	*50 190*	*60 767*	*50 000*	*60 584*
Advances received	*30 694*	*13 094*	*7 899*	
Trade creditors	*703 226*	*534 043*	*231 012*	*159 412*
Other creditors	*163 315*	*185 153*	*122 653*	*136 826*
Accruals and deferred income	*586 353*	*344 888*	*428 212*	*164 292*
	1 966 589	*1 179 802*	*1 255 977*	*521 114*
Amounts owed to Financial Services Office [1)]				
Loans (gross)	*99 507*	*88 880*	*99 507*	*88 880*
Receivables	*-5 567*	*-5 712*	*-5 567*	*-5 712*
Loans (net)	*93 940*	*83 168*	*93 940*	*83 168*
Short-term creditors, total	*2 363 919*	*1 332 158*	*1 870 755*	*703 873*

The most significant accruals and deferred income comprises accrued holiday pay and performance bonuses, including social security contributions, accrued subscription fees, interest paid and leasing payments.

[1)] Financial Services Offices loans have been granted to parent company employees. The loans are small, under FIM 100,000. Beneficiaries include shareholders who are company employees.

	Group 1999	Group 1998	Company 1999	Company 1998
Interest-bearing liabilities				
Long-term	*1 626 556*	*952 371*	*1 238 854*	*608 557*
Short-term	*824 545*	*236 994*	*947 302*	*184 994*
Interest-bearing liabilities, total	*2 451 101*	*1 189 365*	*2 186 156*	*793 551*

18. Surety, contingency and other liabilities

	Group 1999	Group 1998	Company 1999	Company 1998
Mortgages				
For own loans				
Pension loans	259 218	303 268	259 218	303 268
Mortgages given	247 000	247 000	247 000	247 000
Loans from financial institutions	57 000	58 300		
Mortgages given	30 100	30 100		
Mortgages given as surety for pension fund contribution guarantee	13 000	13 000	13 000	13 000
For others' loans				
Mortgages given	500	550	500	550
Mortgages given as surety, total	290 600	290 650	260 500	260 550
Shares pledged		63		
Guarantees given				
For group undertakings' loans			34 500	21 251
For associated undertakings' loans	51 582		51 582	
For management loans	83	99		
For others' loans	3 974	4 627	3 974	4 617
Guarantees, total	55 639	4 726	90 056	25 868
Total	346 239	295 439	350 556	286 418

	Group 1999	Group 1998	Company 1999	Company 1998
Leasing commitments	662 915	667 912	130 431	166 712
Repo commitments	27 119	14 939	27 119	14 939
Leaseback (QTE) commitments	1 201 000		1 201 000	
Other commitments	99 519	1 047	98 318	
Payments on leasing agreements				
Payable during the financial year 2000	111 791	86 773	26 680	29 468
Payable later	551 124	581 139	103 751	137 244

QTE facility

Helsinki Telephone Corporation has entered into a financing arrangement (QTE leasing) in respect of certain parts of the telecommunications network. The parent company has leased telecom network hardware to a consortium of USA capital investors who, at the same time have leased back the hardware to the company. The parent company retains title to the hardware concerned. The overall leasing assets and liabilities arising from the arrangement were paid at the time the facility was arranged. The company received net financial compensation of FIM 79 million, FIM 2 million of which was capitalised in 1999. The financial consideration is to be booked in full as income within ten years. This facility is not expected to generate other cash flows to the company.

The company's liability for leaseback is limited to the situation where the financial institution responsible for passing the leasing payments on is unable to meet its commitment.

Gsm network leasing agreements

Oy Radiolinja Ab has implemented some network investments through long-term delivery agreements based on a business agreement. Under the business agreement, in certain situations Radiolinja has a pre-emption right and obligation to buy the property mentioned in the agreement at the market price or Radiolinja is obliged to buy the property mentioned in the agreements at the residual value. The first agreement period is for ten years and parties may, if they so wish, prolong the agreement. The agreements oblige Radiolinja to make regular payments. Payments under these agreements are weighted towards the final years of the agreement period. The acquisition cost of these delivery agreements from outside the group amounted to about FIM 1.3 billion at the 1999 balance sheet date (FIM 1.2 billion at the 1998 balance sheet date). Calculated in accordance with the interest rates specified in the agreements, future compensation in respect of business agreements outside the group are as follows (FIM million):

2000	2001	2002	2003	2004	2005
208.2	258.0	295.3	319.4	301.7	266.6

2006	2007	2008	2009	2010
203.3	138.5	74.8	15.9	0.1

Data network leasing agreements

Access costs in respect of Oy Datatie Ab's backbone network connections are essentially based on (5) five-year agreements. The estimated leasing liability outside the group was FIM 0.3 billion at the 1999 balance sheet date.

Other financial commitments

Radiolinja's subsidiary Globalstar Northern Europe Oy has undertaken to acquire the earth station equipment to be able to enable Globalstar provisioning in its own operating area.

Derivative instruments (FIM 1000)

	Group 1999	Group 1998	Company 1999	Company 1998
Nominal value				
Exchange rate futures	35 423	25 420		
Interest rate and currency swaps	50 000	50 000		
Market value				
Exchange rate futures	- 1 899	-263		
Interest rate and currency swaps	- 14	-900		

Group financial indicators

Five year group financial summary

	1999	1998	1997	1996	1995
Income statement					
Turnover, FIM million	*6 364.0*	*4 665.9*	*2 565.6*	*2 230.0*	*1 984.3*
Turnover, percentage change	*36.4 %*	*81.9 %*	*15 %*	*12.4 %*	*3.9 %*
Operating profit, FIM million	*1 296.6*	*519.6*	*224.4*	*140.5*	*71.8*
Operating profit as % of turnover	*20.4 %*	*11.1 %*	*8.7 %*	*6.3 %*	*3.6 %*
Result before exceptional items and taxes, FIM million	*1 217.8*	*476.7*	*188.0*	*114.2*	*38.5*
Result before exceptional items and taxes as % of turnover	*19.1 %*	*10.2 %*	*7.3 %*	*5.1 %*	*1.9 %*
Result after exceptional items, FIM million	*1 167.6*	*476.7*	*188.0*	*63.0*	*38.5*
Result after exceptional items as % of turnover	*18.3 %*	*10.2 %*	*7.3 %*	*2.8 %*	*1.9 %*
Return on equity (ROE), %	*19.5 %*	*12.2 %*	*6.7 %*	*5.1 %*	*1.8 %*
Return on investment (ROI), %	*22.4 %*	*13.6 %*	*8.6 %*	*6.4 %*	*3.8 %*
R&D costs, FIM million	*90.9*	*68.2*	*55.2*	*46.8*	*31.2*
R&D costs as % of turnover	*1.4 %*	*1.5 %*	*2.2 %*	*2.1 %*	*1.6 %*
Balance sheet					
Gearing ratio, %	*33.9 %*	*19.0 %*	*8.5 %*	*29.6 %*	*30.3 %*
Liquidity (current ratio)	*1.0*	*1.2*	*2.0*	*1.5*	*1.6*
Equity ratio, %	*51.4 %*	*59.6 %*	*59.6 %*	*53.4 %*	*53.4 %*
Non-interest bearing liabilities, FIM million	*1 796.8*	*1 305.7*	*715.5*	*655.6*	*497.2*
Balance sheet total, FIM million	*8 646.9*	*6 220.3*	*3 915.1*	*3 289.1*	*3 191.3*
Investments					
Gross investments, FIM million	*3 004.2*	*2 349.6*	*737.2*	*585.9*	*584.6*
Gross investments as % of turnover	*47.2 %*	*50.4 %*	*28.7 %*	*26.3 %*	*29.5 %*
Employees					
Employees, average during the financial year	*5 489*	*4 589*	*3 814*	*3 736*	*3 734*
Turnover/employee, FIM 1000	*1 159.4*	*1 016.8*	*672.7*	*596.9*	*531.4*

Formulae for financial summary indicators

$$\text{Return on equity \% (ROE)} = \frac{\text{Result before exceptional items and taxes - taxes}}{\text{Shareholders' equity + minority interests (average for year)}} \times 100$$

$$\text{Return on investment \% (ROI)} = \frac{\text{Result before exceptional items and taxes + financial charges}}{\text{Balance sheet total - non-interest-bearing liabilities (average for year)}} \times 100$$

$$\text{Gearing ratio (\%)} = \frac{\text{Interest-bearing liabilities + advances received - cash in hand and at banks - current asset investments}}{\text{Shareholders' equity + minority interests}} \times 100$$

$$\text{Liquidity (current ratio)} = \frac{\text{Stocks + financial assets}}{\text{Short-term liabilities - advances received}}$$

$$\text{Equity ratio (\%)} = \frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}} \times 100$$

Back orders are not shown because this information is immaterial owing to the nature of the company's business.

Per share data

	1999	1998	1997	1996	1995
Subscribed capital, FIM	258 097 460	256 596 300	236 596 300	201 600 000	201 600 000
No. of K Shares at 31 Dec	0	27 295 400	32 320 000		
No. of E Shares at 31 Dec [1)]	51 619 492	24 023 860	14 999 260		
Total number of shares [2)]	51 619 492	51 319 260	47 319 260	40 320 000	40 320 000
Average number of shares [6)]	52 098 562	49 489 123	41 125 394	40 320 000	40 320 000
Market capitalisation at 31 Dec, FIM million [3)]	25 382	15 550	5 820		
Earnings per share (EPS), FIM	13.77	6.10	3.22	2.18	0.70
Dividend per share, FIM	2.60 [*)]	2.50	1.30	0.20	-
Dividend per earnings, %	18.9 %	41.0 %	40.4 %	9.2 %	-
Shareholders' equity per share, FIM	78.15	66.25	48.25	42.43	41.16
P/E ratio	36	49	38		
Effective dividend yield, %	0.5 %	0.8 %	1.1 %		
Performance of E Shares on the Helsinki Exchanges					
Middle price, FIM	287.89	225.00	123.50		
Price at 30 Dec, FIM	491.71	303.00	123.00		
Lowest price, FIM	212.86	124.00	115.00		
Highest price, FIM	496.47	330.00	131.00		
Trading of E Shares					
Total number of shares traded, 1000	21 685	15 272	946 [(4)]		
Percentage traded of total E Shares, % [5)]	42 %	63.6 %	6.3 %		

[*)] Board of Directors' recommendation
[(1)] There was only one series of share between 1994 and 1996.
E Shares were first quoted on the Helsinki Exchanges on 25 November 1997.
[(2)] On 7 November 1996, the Annual General Meeting of Helsinki Telephone Corporation decided to amend the nominal value of each share from FIM 100,000 to FIM 5.00.
The number of shares is given in accordance with the new nominal value.
[(3)] Calculated on the closing price at 30 December
[(4)] Total 1997 trading figures are for the period 25 November to 30 December 1997.
[(5)] Calculated in relation to the number of E Shares at the balance sheet date.
[(6)] Number of shares takes into account the impact of the convertible bond loan.

Formulae for financial summary indicators

$$\text{Earnings per share (EPS)} = \frac{\text{Result before exceptional items and taxes - minority interests - taxes}}{\text{Adjusted number of shares for the financial year}}$$

$$\text{Dividend per share} = \frac{\text{Dividend}}{\text{Adjusted number of shares at balance sheet date}} \times 100$$

$$\text{Effective dividend yield} = \frac{\text{Dividend per share}}{\text{Adjusted trading price at balance sheet date}} \times 100$$

$$\text{Dividend per earning} = \frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$$

$$\text{Shareholders' equity per share} = \frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at balance sheet date}}$$

$$\text{P/E ratio} = \frac{\text{Adjusted trading price at balance sheet date}}{\text{Earnings per share (EPS)}} \times 100$$

Shares and shareholders

Share capital and shares

The company's registered and fully paid share capital at the balance sheet date was FIM 258,097,460. Under the Articles of Association, the minimum and maximum share capital is FIM 200,000,000 and FIM 800,000,000 respectively.

Helsinki Telephone Corporation shares are divided into K and E Shares.

At the balance sheet date there were 51,619,492 Helsinki Telephone Corporation shares, all of which were E Shares. Each share has a nominal value of FIM 5.

Helsinki Telephone Holding Corporation owns 35,295,400 E Shares. The remaining 16,324,092 shares are held by other owners.

At its meeting on 8 April 1999 Helsinki Telephone Corporation's Annual General Meeting authorised the Board of Directors to decide whether to increase the company's share capital through one or more new issues, to decide whether to issue one or more convertible bond loans and/or grant option rights, provided that such issuance of new shares, the conversion of such bonds or the exercise of such options, in the aggregate, may not result in the issuance of more than five (5) million new E Shares or an increase in the company's share capital of more than FIM 25,000,000. The authorisation is valid until 8 April 2000.

At its meeting on 8 April 1999, the Annual General Meeting decided to issue a convertible bond loan under which the company's share capital can be raised by converting the notes attached to it to shares in the company. The conversion period is from 23 April 2001 to 23 April 2003. There are 3,053 convertible bonds, each of which entitles the holder to subscribe 245 shares during the conversion period. The number of company shares may be increased by a maximum of 747,985 E Shares, which would raise the company's share capital by FIM 3,739,925 to FIM 261,837,385.

The Board of Directors of Helsinki Telephone Corporation has no authorisations to purchare the company's own shares.

Share performance

The company's E Shares closed at 82.70 euro (FIM 491.71) on 30 December 1999 compared to 50.96 euro (FIM 303) on 30 December 1998. The highest and lowest quoted prices during the year were 83.50 euro (FIM 496.47) and 35.80 euro (FIM 212.86) respectively. The middle price was 48.42 euro (FIM 287.89).

The company had a market capitalisation of 4,269 million euro (FIM 25,382 million) at the balance sheet date.

Quotation and trading

Helsinki Telephone Corporation E Shares are listed on the main list of the Helsinki Exchanges under the code HEPEV. A total of 21,685,020 of Helsinki Telephone Corporation E Shares, equivalent to 42 per cent, were traded between 1 January and 30 December 1999, at a total price of 1,050 million euro (FIM 6,243 million).

Management interests

Members of the company's Supervisory Board, Board of Directors and the company's CEO held a total of 7,957 E Shares, equivalent to 0.015 per cent, at 31 December 1999. The shares confer a total of 7,957 votes, corresponding to 0.015 per cent of the total votes.

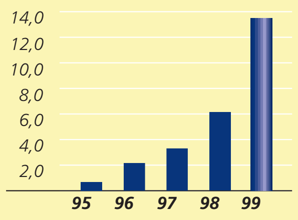
Shareholdings by owner group as at 31 December 1999

	Shares	% of total shares
1a. Public companies	*27 420*	*0.05 %*
1b. Private companies	*36 003 787*	*69.75 %*
2. Finance and insurance companies	*10 874 887*	*21.07 %*
3. Public sector entities	*970 063*	*1.88 %*
4. Non-profit making entities	*345 472*	*0.67 %*
5. Private households	*3 390 180*	*6.57 %*
6. Foreign	*7 631*	*0.01 %*
7. Joint accounts and waiting list	*52*	*0.00 %*
Total	*51 619 492*	*100.00 %*

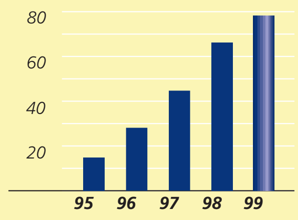
Analysis of shareholdings as at 31 December 1999

Size of shareholding	Number of shareholders	% of total	Number of shares	% of total	Number of votes	% of total
1 – 100	*84 776*	*94.36 %*	*2 638 038*	*5.11 %*	*2 638 038*	*5.11 %*
101 – 500	*4 401*	*4.90 %*	*816 932*	*1.58 %*	*816 932*	*1.58 %*
501 – 1.000	*380*	*0.42 %*	*255 263*	*0.50 %*	*255 263*	*0.50 %*
1.001 – 5.000	*200*	*0.22 %*	*406 764*	*0.79 %*	*406 764*	*0.79 %*
5.001 – 10.000	*28*	*0.03 %*	*201 384*	*0.39 %*	*201 384*	*0.39 %*
10.001 – 50.000	*41*	*0.05 %*	*928 778*	*1.80 %*	*928 778*	*1.80 %*
50.001 – 100.000	*10*	*0.01 %*	*795 163*	*1.54 %*	*795 163*	*1.54 %*
Over 100.000	*11*	*0.01 %*	*45 577 118*	*88.29 %*	*45 577 118*	*88.29 %*
On waiting list		*0.00 %*	*52*	*0.00 %*	*52*	*0.00 %*
Total	*89 847*	*100.00 %*	*51 619 492*	*100.00 %*	*51 619 492*	*100.00 %*

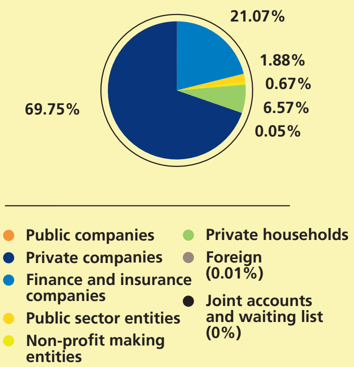
Earnings per share, FIM



Shareholder's equity per share, FIM



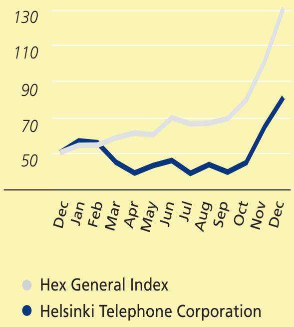
Shareholdings by owner group as at 31 December 1999



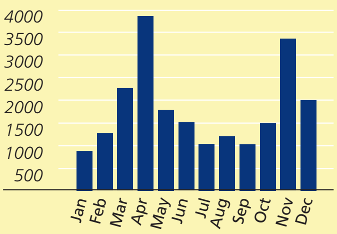
Largest shareholders as at 31 December 1999

		E Shares	Total	Holding %	% of votes
1	**HPY Holding Corporation**	35 295 400	35 295 400	68.38 %	68.38 %
2	**Pohjola Group**	714 022	714 022	1.38 %	1.38 %
	Pohjola Life Assurance Company Ltd	210 000			
	Pohjola Non-Life Insurance Company Ltd	270 000			
	Suomi Mutual Life Assurance Company Ltd	117 022			
	Ilmarinen Mutual Pension Insurance Company	117 000			
3	**Sampo Group**	656 100	656 100	1.27 %	1.27 %
	Industial Insurance Company Ltd	431 390			
	Sampo Insurance Company Plc	89 370			
	Otso Loss of Profits Insurance Company Ltd	90 340			
	Sampo Enterprise Insurance Company Ltd	45 000			
4	**Local Government Pensions Institution**	254 490	254 490	0.49 %	0.49 %
5	**Merita Life Assurance Ltd**	107 210	107 210	0.21 %	0.21 %
6	**Sitra - Finnish National Fund for Research and Development**	105 290	105 290	0.20 %	0.20 %
7	**Tampere Telephone Plc**	100 000	100 000	0.19 %	0.19 %
8	**Osuuspankkien Keskuspankki Oyj**	75 000	75 000	0.15 %	0.15 %
9	**Alko's Pension Foundation**	72 878	72 878	0.14 %	0.14 %
10	**City of Helsinki**	65 420	65 420	0.13 %	0.13 %
11	**Mutual Insurance Company Pension-Fennia**	56 950	56 950	0.11 %	0.11 %
12	**The LEL Employment Pension Fund**	45 842	45 842	0.09 %	0.09 %
13	**OP-Delta Sijoitusrahasto**	43 400	43 400	0.08 %	0.08 %
14	**Tapiola General Mutual Insurance Company**	40 000	40 000	0.08 %	0.08 %
15	**Finnish Cultural Foundation**	36 602	36 602	0.07 %	0.07 %
16	**Seamen's Pension Fund**	31 800	31 800	0.06 %	0.06 %
17	**Verdandi Pension Insurance Company**	30 800	30 800	0.06 %	0.06 %
18	**Okobank Life Insurance Company Ltd**	30 000	30 000	0.06 %	0.06 %
19	**Neste's Pension Foundation**	28 710	28 710	0.06 %	0.06 %
20	**Co-operative Dairies' Pension Fund**	27 439	27 439	0.05 %	0.05 %
	Nominee registered		9 050 098	17.53 %	17.53 %
	Other shareholders, total		4 752 041	9.21 %	9.21 %
	Total		51 619 492	100 %	100 %

Performance of Helsinki Telephone E Shares, 1999, euros



Monthly trading of Helsinki Telephone E Shares Trading (Shares per month), 1999, 1000 pcs



Summary financial information in euros 1999

	1999 FIM million	1998 FIM million	1999 million	1998 million
Consolidated income statement 1 Jan - 31 Dec				
Turnover	6 364	4 666	1 070	784
Other operating income	908	23	153	4
Operating charges	-5 995	-4 229	-1 008	-711
Proportion of associated undertakings' profits	20	60	3	10
Operating profit	1 297	520	218	87
Financial income and charges	-79	-43	-13	-7
Profit before exceptional items	1 218	477	205	80
Exceptional charges	-50		-9	
Result after exceptional items, FIM million	1 168	477	196	80
Taxes	-429	-108	-72	-18
Minority interests	-72	-67	-12	-11
Profit for the financial year	667	302	112	51
Consolidated balance sheet 31 Dec				
Fixed assets				
Intangible assets	324	291	55	49
Consolidation goodwill	1 658	410	279	69
Tangible assets	3 396	3 132	571	526
Shares in associated undertakings	791	663	133	112
Other financial assets	121	21	20	4
	6 290	4 517	1 058	760
Current assets				
Stocks	181	143	30	24
Short-term debtors	1 114	1 063	187	178
Short-term investments	812	409	137	69
Cash in hand and at banks	250	88	42	15
	2 357	1 703	396	286
Assets, total	8 647	6 220	1 454	1 046
Shareholders' equity				
Subscribed capital	258	257	43	43
Share premium account	2 419	2 323	407	391
Retained earnings	690	518	116	87
Profit for the financial year	667	302	112	51
	4 034	3 400	678	572
Minority interests	359	309	60	52
Provisions for liabilities and charges	6	17	1	3
Creditors				
Deferred tax liability	185	210	31	35
Long-term creditors	1 699	952	286	160
Short-term creditors	2 364	1 332	398	224
	4 248	2 494	715	419
Shareholders' equity and liabilities, total	8 647	6 220	1 454	1 046
Key indicators				
Earnings per share, (FIM, euro)	13,77	6,10	2,32	1,03
Shareholders' equity per share, (FIM, euro)	78,15	66,25	13,14	11,14
Return on capital employed (ROI) %	22.4 %	13.6 %	22.4 %	13.6 %
Gross investments	3 004	2 350	505	395
Gross investments as % of turnover	47.2 %	50.4 %	47.2 %	50.4 %
Employees, average	5 489	4 589	5 489	4 589
Liabilities				
Mortgages				
For own	290	290	49	49
For others	1	1	0	0
Guarantees				
For associated undertakings	52		9	
For others	4	4	1	1
Leasing commitments	663	668	111	112
Repurchase agreements	27	15	5	3
Leasing /leaseback agreement commitment (QTE facility)	1 201		202	
Other liabilities	100	1	17	0
Liabilities, total	2 338	979	394	165
Derivative instruments				
Nominal value				
Exchange rate futures	35	25	6	4
Interest and currency swaps	50	50	8	8
Market value				
Exchange rates futures	-2	0	0	0
Interest and currency swaps	0	-1	0	0

Proposal for distribution of the parent company profit

The consolidated shareholders' equity according to the consolidated balance sheet at 31 December 1999 stands at FIM 4,033,884,000, of which FIM 885,482,000 is distributable.

The parent company's shareholders' equity according to the balance sheet at 31 December 1999 stands at FIM 3,516,911,330.39, of which FIM 840,272,674.39 is distributable.

The Board of Directors proposes to the Annual General Meeting that Helsinki Telephone Corporation pay a dividend for 1999 of FIM 2.60 on each E Share.

Helsinki, 8 March 2000

Kurt Nordman *Chairman of the Board*	Ossi Virolainen	Matti Aura
Riitta Backas	Matti Ilmari	Rauno Kousa
Keijo Suila	Paavo Uronen	Matti Mattheiszen *Chief Executive Officer and President of Helsinki Telephone Corporation*

Auditors´ report

To the shareholders of Helsingin Puhelin Oyj

We have audited the accounting, the financial statements and the corporate governance of Helsinki Telephone Corporation for the period from January 1 to December 31, 1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit 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 corporate governance is to examine that the members of the Supervisory Board and the Board of Directors and the CEO have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board and the Board of Directors and the CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies Act.

Helsinki, March 13, 2000

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Leo Laitinmäki	Lasse Lehti	Henrik Sormunen
APA	*AA*	*APA*

Statement by the Supervisory Board

The financial statements and consolidated financial statements of Helsinki Telephone Corporation for the period 1 January to 31 December 1999, the auditors' report and the proposal by the Board of Directors for the distribution of profit have been presented to the Supervisory Board. The Supervisory Board hereby states that it has no comments to make on the material presented.

In its statement, the Supervisory Board recommends to the Annual General Meeting that the financial statements and consolidated financial statements be adopted and that the profit for the year be distributed in the manner proposed by the Board of Directors.

The Supervisory Board also states that the terms of office of all Supervisory Board members are due to expire by rotation at the end of the Annual General Meeting.

Helsinki, 14 March 2000

Supervisory Board

Harri Holkeri
Chairman of the Supervisory Board

Corporate governance

General Meetings of Shareholders

Ultimate decision-making power in Helsinki Telephone Corporation is vested in the General Meeting of Shareholders which, among other things, receives and considers the company's report and accounts and consolidated report and accounts. The Meeting also declares the dividend to be paid and the number of Supervisory Board members. The Meeting appoints members to the Supervisory Board and the company's auditors. Subject to the proposed merger of Helsinki Telephone Corporation with and into HPY Holding Corporation being effected as planned, the final meeting of shareholders will take place on 15 September 2000.

Supervisory Board

The Annual General Meeting appoints between six and fifteen members to the Helsinki Telephone Corporation's Supervisory Board each year. Although there are no employee representatives on the Supervisory Board or on the Board of Directors, statutory employee representation under the Worker Representation Act is effected by the inclusion of employee representatives in corporation bodies at an operational level.

The Supervisory Board is principally responsible for deciding the number of and appointing members to the Board of Directors and the chairman of the Board, electing the company's President and CEO and appointing his or her deputies. The Supervisory Board decides any substantial reductions or expansions of the company's operations and any significant changes in the company's organisation. The Supervisory Board is also responsible for supervising the corporate governance carried out by the President and CEO and the Board of Directors.

Board of Directors

The company has a Board of Directors comprising between four and ten members as determined by the Supervisory Board. Members of the Board of Directors serve for a term of three years, with one third of the members retiring by rotation each year. The present Board of Directors comprises eight members. The Board of Directors has a full-time chairman.

The Board of Directors is responsible for the overall strategic course of the group's business, determining business objectives and for monitoring the development of results. The Board of Directors has prepared an internal working system to assist it in its practical duties.

Chairman of the Board of Directors and President and CEO

The Board of Directors has confirmed the division of roles between the full-time chairman and the President and CEO. This means that the chairman monitors result reporting and the preparation and implementation of strategic plans and, together with the President and CEO, is responsible for maintaining contact with major interest groups and for owner and investor relations.

Auditors

Under the company's Articles of Association, the company shall have three auditors and these shall have two deputies or alternatively a public accounting firm authorised by the Central Chamber of Commerce. All auditors shall be duly authorised by a chamber of commerce of by the Central Chamber of Commerce.

Helsinki Telephone Corporation's Board of Directors from the left: Front row: Paavo Uronen, Riitta Backas, Kurt Nordman and Ossi Virolainen. Back row: Keijo Suila, Matti Ilmari, Matti Aura and Rauno Kousa.

Members of the Supervisory Board

Harri Holkeri *(1937), Counsellor of State (Hon.), chairman, member since 1993*
Reino Paasilinna *(1939), Member of European Parliament, deputy chairman, member since 1993*
Carl Johan Adolfsson *(1933), City Counsellor (Hon.), member since 1993*
Erkki Helaniemi *(1962), Partner, Alexander Corporate Finance Oy, member since 1996*
Matti Honkala *(1945), Chairman and CEO, Kesko Corporation, member since 1998*
Raimo Ilaskivi *(1928), Lord Mayor, member since 1993*
Ingvar S. Melin *(1932), International business consultant, member since 1993*
Sole Molander *(1945), Managing director, Vitaparkk Oy, member since 1998*
Timo Peltola *(1940), CEO, Onninen Oy, member since 1998*
Kari Piimies *(1946), Architect, City of Helsinki, member since 1993*
Pekka Sauri *(s. 1954), Deputy chairman, Helsinki City Board, member since 1998*

Members of the Board of Directors

Kurt Nordman *(1938), Managing director, HPY Holding Corporation, chairman, member since 1993*
Ossi Virolainen *(1944), Deputy chief executive, Outokumpu Oyj, deputy chairman, member since 1997*
Matti Aura *(1943), CEO, Onvest Oy, member since 1999*
Riitta Backas *(1946), Financial manager, Pharma Industry Finland, member since 1997*
Matti Ilmari *(1942), President and CEO, ABB Oy, member since 1997*
Rauno Kousa *(1941), Parliamentary assistant, member since 1997*

Keijo Suila *(1945), President and CEO, Finnair Oyj, member since 1999*
Paavo Uronen *(1938), Rector, Helsinki University of Technology, member since 1997*

The proposed merger of Helsinki Telephone Corporation with and into HPY Holding Corporation is effective from 1 July 2000, when a new Board of Directors begins.

The post-merger Board of Directors will comprise the present members of Helsinki Telephone Corporation with the exception of Kurt Nordman. New members of the Board are ***Arto Ihto*** *(1947), president and CEO, Osuusliike Elanto, and* ***Linus Torvalds*** *(1969), software engineer, Transmeta Corporation.*

Auditors

The company's auditors are ***SVH Pricewaterhouse Coopers Oy****, Authorised Public Accountants with Henrik Sormunen (APA) as principal auditor, as well as* ***Leo Laitinmäki*** *(APA) and* ***Lasse Lehti*** *(AA).*

Corporate Strategic Management Group from 1 January 2000

Matti Mattheiszen *(1942), MSc (Eng), President and CEO. He has served the company since 1971. Mattheiszen served as head of Sales and Marketing since 1984, and as COO and acting CEO between 1988 and 1997.*

Jukka Alho *(1952), MSc (Eng), Senior Executive Vice President, Personal Communications (PC) and Information and Communications Solutions (ICS). He has served the company since 1981. Jukka Alho also chairs the Boards of Directors of Comptel Plc and Finnet International Ltd and is chairman of Helsinki TeleCom Deutschland GmbH's board.*

Jarmo Kalm *(1945), BSc (Tech), Senior Executive Vice President, Mobile Communications (MC). He has served the company since 1972. Jarmo Kalm also chairs the Boards of Directors of Oy Datatie Ab and Oy Radiolinja Ab.*

Matti Carpén *(1960), MSc (Eng), Executive Vice President, Business Solutions (BS), has served the company for two terms beginning in 1987.*

Ann-Maj Majuri-Ahonen *(1946), MSc (Econ & Bus Adm), Senior Vice President, CFO has served the company since 1994.*

Vesa-Pekka Silaskivi *(1966), LicSc (Econ & Bus Adm), LLM, Senior Vice President, Corporate Planning and Strategy, joined the company on 6 March 2000.*

Jukka Veteläsuo *(1951), MSc (Eng), Executive Vice President, Operator Network Services (ONS), has served the company since 1989.*

Other corporate management

Risto Rinta-Mänty *(1948), LicMed, Senior Vice President, Corporate Human Resources, joined the company since 1989.*

Kalevi Suortti *(1949), Senior Vice President, Corporate Communications and External Relations since 1992.*

Sami Ylikortes *(1967), MSc (Bus & Econ Adm), LLM, Senior Vice President, Administration, has served the company since 1996. He is responsible for coordinating shared services and the general development of operations models. He also serves as secretary to the Board of Directors.*

Employee representatives on the internal management board

Teuvo Käyhty *(1948), sales manager, has served the company since 1975.*

Helena Lehtonen *(1942), office employee, has served the company since 1966.*

Kari Mäkikara *(1941), research engineer, has served the company since 1959.*

Seppo Saari *(1952), network installer, has served the company since 1971.*

Managing directors of principal subsidiary undertakings

Oy Radiolinja Ab, ***Pertti Kyttälä*** *(1950), MSc (Econ & Bus Adm), joined the group in 1997.*

Comptel Plc, ***Heikki Tetri*** *(1944), joined the company in 1986.*

Mäkitorppa Yhtiöt Oy, ***Kimmo Manni*** *(1949), MSc (Econ & Bus Adm), joined the company in 1990.*

Oy Datatie Ab, ***Markku Tams*** *(1950), MSc (Eng), joined the group in 1986.*

Oy Heltel Ab, ***Erkki Harju*** *(s. 1947) yhtiön palveluksessa vuodesta.*

Helsinki TeleCom Deutschland GmbH, ***Pekka Perttula*** *(s. 1946), MSc (Eng), joined the group in 1989.*

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Glossary

ADSL *Asymmetric Digital Subscriber Line. A technology for transferring data that uses existing copper wires to provide faster network access the internet and other popular media and data services.*

ATM *Asynchronous Transfer Mode. Extremely rapid broadband switching technology that permits the use of one network for different kinds of information (i.e. voice, data and video).*

GPRS *General Packet Radio Service. A gsm-based packet-switched data transmission technology standard allowing increased data transmission rates over an existing gsm network.*

GSM *Global System for Mobile Communications. Based on digital data transmission technology and network architecture.*

IN *Intelligent Network. Enables users to access various useful value added services.*

IP *Internet Protocol. Protocol used in the internet for communication among multiple networks.*

ISDN *Integrated Services Digital Network. An ISDN transmission system has the capacity to transmit more than one stream of information (voice, text, data or graphics) simultaneously on a single telephone line.*

LAN *Local Area Network. A short distance transmission network designed to interconnect personal computers, workstations and servers, etc. within a localised environment and allows the sharing of files and various hardware.*

SMS *Short Message Services. Text message service in use in digitised networks enabling the sending and receipt of messages on mobile terminals.*

UMTS *Universal Mobile Telecommunications System. A next generation mobile technology capable of supporting voice, data and image services.*

WAP *Wireless Application Protocol. A global standard with which internet services can be linked to wireless terminals.*

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