Annual Report

...2003

Unified Elisa ...

elisa

Elisa Corporation

Elisa provides telecommunication services for fast, efficient and secure communication. Its main market area is Finland.

Elisa's operational model

In addition to an extensive array of telecommunication services, Elisa's portfolio includes the management of call center services, ICT solutions, and overall telecommunication solutions for the Nordic area. Elisa offers its customers international services with such partners as Vodafone and Telenor.

Elisa Corporation's domestic core business organisation comprises three units: Customers, Products and Networks. Elisa's financial result is reported as in the previous years, by mobile business, fixed network business, Germany-based business and others.

Elisa Corporation is listed on the main list of the Helsinki Exchanges.

In Finland, Elisa is the market leader of the fixed network business with over 35-per cent market share, and the second biggest in the mobile business with an approximately 30-per cent proportion. In Germany, the market shares of Elisa's city carrier business range from 5 to 20 per cent.

In addition to its main market area of Finland, Elisa operates in carefully selected international markets, as a mobile operator in Estonia, for instance.

Annual Report 2003

Year 2003 in brief

Group's key indicators

EUR Million	2003	2002
Revenue	**1 538**	**1 563**
EBITDA	**385**	**333**
EBIT	**–34**	**–48**
Profit before extraordinary items	**–74**	**–103**
Net result	**–17**	**–71**
Earnings per share, EUR	**–0.12**	**–0.54**
Research and product development	**24**	**36**
Investments in shares	**28**	**16**
Capital expenditures	**194**	**269**
Equity ratio, %	**40**	**38**
Gearing	**87%**	**95%**
Employees, average	**7 172**	**8 115**

··· For Elisa, 2003 was the year of internal changes:

- The corporate name Elisa Communications Corporation was changed to Elisa Corporation.
- Veli-Matti Mattila was appointed new CEO as of 1 July 2003.
- Elisa streamlined its organisation, revised its operational and steering models, removed structural overlaps and rearranged management groups.
- In November, the group initiated personnel negotiations, which applied to approximately 3 800 employees. The negotiations were completed on 12 January 2004. As a result of the negotiations, the number of personnel will decrease by approximately 900 people during 2004.
- Elisa will merge with its wholly-owned subsidiaries. These companies are Oy Radiolinja Ab, ElisaCom Ltd, Elisa Networks Ltd, Riihimäen Puhelin Oy and Soon Net Ltd. The mergers will take place by 1 July 2004.

··· Other events in 2003:

- Mobile operators Oy Cubio Communications Ltd and Tele 2 Ab, as well as MTV3 Oy and Song Networks Oy signed agreements with Elisa Corporation on utilising its network capacity in their operations.
- Elisa and the Ministry of Labour signed a long-term cooperation agreement that covers a telecommunications network, data, GSM and Internet services as well as voice and switching services, and other services related to telecommunications. The agreement covers the whole of Finland and, in addition to the Ministry of Labour, also includes the Employment Offices.
- Elisa's and Vodafone's cooperation expanded to new areas. These were the Vodafone Eurocall, which offers the customers a fixed, flat-rate roaming pricing, relaying of picture messages (MMS), and evenly-priced GPRS data transfer connections spanning the whole of Europe.
- Elisa and the Population Registration Centre agreed on cooperation, which facilitates a mobile phone-enabled electronic identification and electronic signing for Radiolinja's subscribers.
- Elisa and Telenor signed a Preferred Partner cooperation agreement, according to which the parties act as preferred partners when their customers are offered landline telecom and voice service solutions that extend to the Nordic and Baltic countries.
- Elisa's mobile business for GSM number portability, effective from the end of July, came out well. Number portability was also reflected in the increased churn rate.
- Elisa continued to divest its non-core businesses. A 50 per cent holding in EPStar Ltd was sold to the other principal owner of the company, Jaakko Pöyry Group Oyj. The directory service business of Soon Com Ltd was sold to Oy Eniro DS Ab.

Elisa gives enhanced customer service

Elisa has long traditions, strong market position and professional, committed personnel. Carrying out a reform on this basis is challenging but also rewarding. Elisa is now on the road of committed profound development that leads to a unified Elisa, which gives even higher levels of customer service excellence.

One Elisa – enhanced customer service

An integrated Elisa facilitates rapid and flexible service. This will be achieved by streamlining corporate structures and functions. We are shifting towards a single corporate model and reducing the number of brands. We want our customers to find it easy to do business with us. All services provided by the group are available in one place.

We strongly believe that, in addition to the price, high quality also plays an important role in customers' selection choices. A good service functions on the customers' terms. To put it briefly, a unified Elisa is a customer-friendly Elisa.

Elisa's record demonstrates its good service. For example, Radiolinja's contact center was elected the Contact Center for the Year 2003. We want to maintain a strong position in good service provision.

Success in competition

Competition in 2003 was intensive, especially of mobile and broadband customers. Last year saw two significant changes: the introduction of mobile number portability and robust growth of the broadband market.

The possibility to switch mobile subscriptions from one operator to another and retain the original number came into effect in July 2003. This reform increased competition substantially. In our opinion, the reform was welcome and in line with customers' rights.

Mobile business did well in this new situation. We gained significantly more customers than we lost.

Mobile business also received new service operators to its network: Cubio Communications, Tele2, MTV3 and Song Networks. This illustrates that our expertise and service are valued.

The broadband market experienced explosive growth. The number of broadband subscriptions more than doubled during last year. Elisa maintained its market position despite the intense competition. Our market share is approximately one-third.

Growth and competition in the broadband market are expected to continue strongly.

Finland as the main market area

During 2003 we made strategic choices. Our main market area is Finland, where we offer our customers a full array of telecommunication services.

We also offer our customers new opportunities in providing outsourced call center functions and various types of ICT solutions.

International Finnish customers also have access to comprehensive Nordic solutions and boundary-crossing mobile services. For our customers, cooperation with the world's largest mobile operator Vodafone has enabled the international use of day-to-day services, which have hitherto functioned only in Finland.

In the future Elisa will operate in carefully selected international markets. In Estonia, for instance, we are the second biggest mobile operator in the country. Radiolinja Eesti was also chosen as the second best enterprise in Estonia in 2003.

Divesting the Germany-based business was an important strategic decision. We estimated that the expected returns in Germany will not be sufficient without further substantial investments.

We want our customers to access all services provided by the group in one place.

••• Improving profitability

In 2003 we initiated a programme to improve profitability substantially. It is an extensive programme, which targets at EUR 80 million annual cost savings by the end of 2005.

••• Elisa's profitability is not yet at the required level for us to succeed in an intensifying competition environment. Large Nordic operators, for example, are clearly more profitable than Elisa. Our explicit objective is to lift Elisa's profitability into the front line of operators.

••• The programme includes extensive structural changes which support the operational model of the fast and flexible, unified Elisa. Corporate and business functions have been rationalised and reorganised. Staff reductions have been necessary to carry out the reforms.

Our explicit objective is to lift Elisa's profitability into the front line of operators.

••• At one time Elisa grew strongly through corporate acquisitions. They brought overlaps, which must now be removed.

•••We transferred our headquarters from the company's historical stone mansion in Helsinki City Center to the city's industrial area in Tali. We wanted to have the main office closer to the business operations as Elisa's network services and Research Center were already located in Tali.

••• Most attractive and effective

Elisa's reforms have a clear target. Elisa aims to be the most attractive and effective operator.

••• For customers, this means user-friendliness and the policy of putting everything in order in one go.

••• For the personnel, the most attractive Elisa offers opportunities for personal progress, and the most effective Elisa offers pioneering.

••• For shareholders, attractiveness means competitiveness and efficiency brings financial value.

••• We still have much to do to achieve these targets.

••• I would like to thank our customers and business partners for an eventful year in 2003. I would also like to express my heartfelt thanks to the personnel for the past year. For them being amidst all the momentous changes, must have been demanding.

••• We are constructing a stronger-than-ever Elisa, which can offer customers the best service in the sector and good opportunities for skills promotion to its personnel.

Veli-Matti Mattila
President and CEO
Elisa Corporation

Mobile business

Elisa's mobile business offers digital mobile communication services to private and corporate customers through its own networks in Finland and Estonia. The service provision is supported by a comprehensive retail network.

Operational environment and competitive situation

Elisa mobile's share of the Finnish mobile market revenue was approximately 32 per cent. The number of subscriptions in Finland at the end of the year was almost 4.7 million, equalling a penetration rate of 90 per cent.

During 2003, several new service operators began operations in the Finnish mobile market. The mobile business was affected by continuous fierce price competition and price erosion.

Number portability in mobile networks, which came into effect in late July, allows subscribers to flexibly switch from one operator to another and retain their original numbers. This also contributed to intensifying competition and boosted the sector's churn rate in the latter part of the year.

Position in the market

In 2003 Elisa increased the number of its mobile subscriptions by approximately 32 000. The number of subscription grew by 2.4 per cent. At the end of year, the company's network stood at 1 347 146 subscriptions.

Elisa's mobile business consolidated its position as a provider of network services, by signing service operator agreements with Tele2, MTV3, Song Networks and Cubio Communications in 2003.

Services

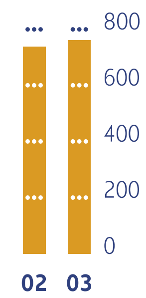
A new positioning service aimed primarily at private customers was launched. The RL Paikannin (RL Positioner) service has absolute protection of privacy, and positioning is not possible without due consent by the person to be tracked.

Elisa and Helsingin Taksi-Data Oy jointly developed a taxi dispatch system, which connects customers' calls to the nearest available taxi. The group has implemented GPRS-based taxi dispatch systems in Tampere, Oulu and Jyväskylä, for

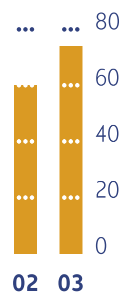
Adjusted key figures of the mobile business,
EUR million

	2002	**2003**
Revenue	739	762
EBITDA	194	215
EBIT	60	74
Number of personnel 31 Dec 2003	1 741	1 577

Revenue



EBIT



instance. Several taxi companies have also adopted Elisa's positioning service.

••• Elisa and German PTV Planung Transport Verkehr AG, which specialises in traffic planning software, jointly developed the first traffic jam reporting service based on traffic information received through the mobile network. The first-phase service applications visualise traffic situations in selected segments of roads.

••• A Messaging Broker service was also launched. The service enables the sending of both SMS and MMS messages plus the embedded entertainment and information services to mobile phones. The special feature of the service is that messages can be sent to all operators' subscriptions. In addition to relaying messages, Messaging Broker facilitates the billing of end-users on one invoice either for the sent or received SMS messages.

••• During the year under review a single-rate Tandem Aina Plus service was launched and a Choice service concept tailored to the Markantalo chain was introduced. The SMS subscription was revamped in December. The GPRS service was included in the basic features of all mobile subscriptions. An alternative solution with a fixed monthly fee was introduced to the GPRS service.

••• Major events in 2003

The major customer units in the mobile and fixed network business were integrated into a single sales unit to administer Elisa's major accounts.

••• Elisa's and Vodafone's cooperation expanded to new areas. These were the Vodafone Eurocall, which offers the customers a fixed, flat-rate roaming pricing, relaying of picture messages (MMS), and evenly-priced GPRS data transfer connections spanning the whole of Europe.

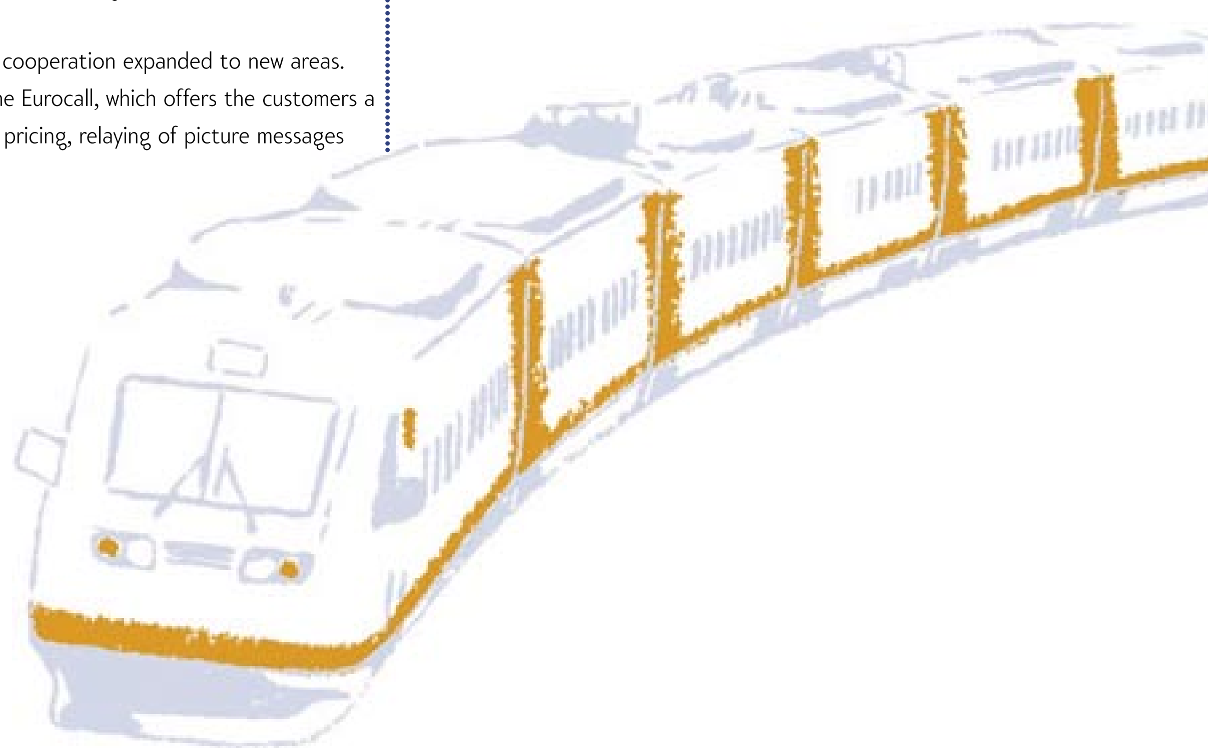
••• In September, the mobile business' contact center was elected Finland's Contact Center for the Year 2003. The selection criteria emphasised customer satisfaction, cost efficiency, versatile utilising of technology and investments in personnel development.

••• Elisa's mobile carrier in Estonia (Radiolinja Eesti) was granted a 3G licence in September.

••• Elisa and the Population Registration Centre agreed on cooperation, which facilitates a mobile phone-enabled electronic identification and electronic signing for Elisa's mobile subscribers.

••• Elisa is participating in a pilot study which tests the use of commercial TV services on mobile devices (IP Datacast technology) with leading Finnish television, content and mobile communication companies. The pilot study is being carried out in collaboration with the Finnish authorities and it monitors end-users' experiences of mobile TV.

In September, the mobile business' contact center was elected Finland's Contact Center for the Year 2003.



Fixed network business

Elisa offers fixed network-based voice and data services to private, corporate and institutional customers in Finland. The service portfolio also covers Nordic and international telecommunication services as well as a wide array of contact center services.

··· Operating environment and competitive situation

The market for broadband services experienced robust growth during 2003. According to the Ministry of Transport and Communications, Finland had approximately 470 000 broadband subscriptions at the end of 2003. The aim of the government's broadband strategy, which was prepared by the Ministry's working committee, is to have 1 000 000 broadband connections in Finland by the end of 2005, taking all technologies into account.

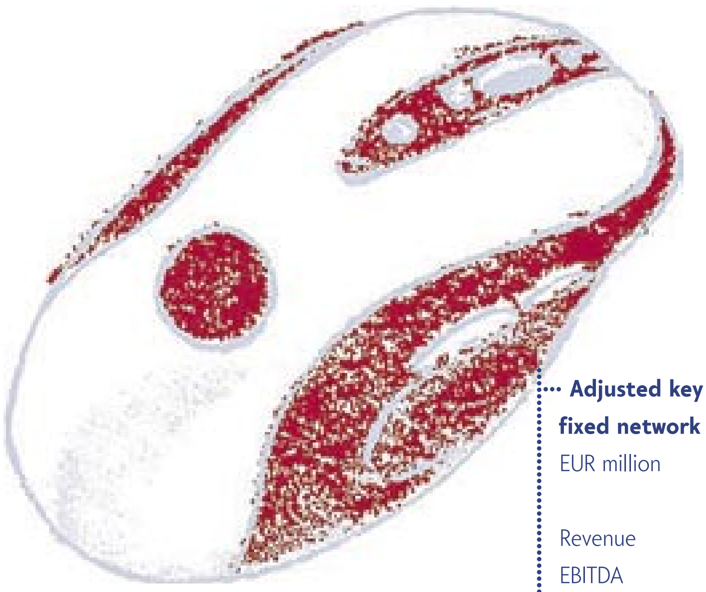
··· Competition in the focus areas of Elisa's fixed network business intensified. On the other hand, Elisa expanded its service provision to new market areas and initiated sales operations in Oulu, Kuopio, Lahti, Lappeenranta, Pori, Rauma, Salo, Kouvola, Kotka, Mikkeli, Vaasa, Hämeenlinna, Imatra and Lohja in 2003. However, the pricing and long delivery times of local network operators have slowed down the geographical expansion.

··· The livelier-than-expected demand and intensified competition had a significant impact resulting in a fall in prices for broadband services. During the year the monthly charges with the level of EUR 50–60 per month decreased to the level of EUR 35–50 per month. This simultaneously increased the overall demand as well. Extensive sales campaigns also had an effect on the price levels of installation fees.

··· Elisa maintained its market position in the broadband business in its focus areas and expanded sales to new selected areas. The demand for broadband services is expected to continue brisk during 2004.

··· The increased competition in the large customer market was manifested in lower prices, but Elisa succeeded in strengthening its market position. Elisa has also been able to widen its role as a supplier of comprehensive ICT solutions.

··· The market for outsourcing services continued its strong growth. Elisa is the market leader as a provider of contact center, teleconferencing, answering and exchange services.



··· Position in the market

The sales of Elisa's ADSL and other broadband subscriptions continued strongly. There were around 127 400 broadband subscriptions (71 900) in total. According to Elisa's estimate, the group's share of the broadband subscriptions in the household sector in Finland is almost 30 per cent.

··· In addition to Elisa's operational core areas, the availability of the Elisa ADSL service expanded to cover the major cities in Finland during 2003. In the future, further expansion of the availability of ADSL will be steered by demand and profitability.

··· At the end of 2003, there were a total of 1.19 million (1.18) fixed subscriptions in the Elisa group. Elisa's market share of the fixed network subscriptions in Finland totalled around 34 per cent. The number of cable TV subscriptions grew steadily and by the end of the year there were around 183 500 CTV subscriptions. Elisa's market share is approximately 17 per cent.

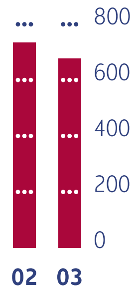
··· Harmonisation of the pricing of local calls also continued.

··· The market for fixed-network subscriptions and calls, ISDN subscriptions and calls, as well as dial-in Internet services

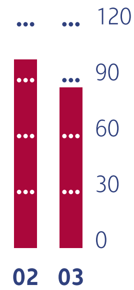
··· Adjusted key figures of the fixed network business,
EUR million

	2002	2003
Revenue	735	677
EBITDA	213	204
EBIT	101	86
Number of personnel 31 Dec 2003	3 482	3 472

Revenue ···



EBIT ···



continued to decrease. This is due to the widespread use of mobile phone and broadband services.

Services

At the end of 2003 Elisa unveiled new services for the fixed network, such as Smart Subscription, which offers alternative pricing for the home phone. This is aimed principally at those customers with little use of the phone and who make short phone calls. Moreover, new Nettikaista services were introduced, which enable the use of the dial-in Internet for a fixed monthly fee. Nettikaista has two options: evening and weekend use or 24-hour use.

Elisa's broadband customers were included in Radiolinja's Benefit Programme from the beginning of July. In October, Elisa and the S Group signed a national cooperation agreement to allow Elisa's broadband subscriptions to be included in the S Group's Bonus Scheme. In practice this means that customer-owners of a cooperative shop covered by the agreement receive bonuses arising from the monthly charges on their broadband subscriptions.

The emphasis for business development in the field of corporate telecom solutions was shifted to outsourced overall solutions. Clear areas of growth include the Elisa Service Agreement, various contact center solutions and IT applications as a part of the overall solutions.

Major events in 2003

During the year, Elisa gained several new customers of which the most significant were Finnair and the Ministry of Labour. In June, Elisa signed an agreement with Finnair for the delivery of voice and data communication services. The agreement is valid until the end of 2008. The long-term cooperation agreement with the Ministry of Labour covers all data, mobile, Internet as well as voice and switching services. Furthermore, Elisa expanded its cooperation with Nordea, Kesko, Siemens, Otava Books and Magazines Group Ltd, the National Ecclesiastical Board and Lassila & Tikanoja, among others.

Elisa and Telenor signed a Preferred Partner cooperation agreement, which will significantly enhance both companies' capacity to serve Nordic customers.

In September, the loyalty customer scheme of the K-Alliance Plussa assigned its whole customer service operations to Elisa's management. The Plussa customer service deals with over 175 000 contacts by phone, mail or email per annum from customers participating in the loyalty scheme as well as the network of business partners.

According to a survey of Taloustutkimus, over one million people visited the Elisa.net portal in October. Owing to the increase in broadband connections, the demand for video content has doubled since the beginning of 2003. The videos of the Elisa.TV site had over 110 000 hits in October, for instance. Other steady favourites of the visitors were the Älypää (Superbrain) quiz, comics-type game Habbo Hotel Kultakala, Koulukaverit and Inttikaverit sites (School and Army Mates), Ohjelmat.info, which contains information on TV and radio programmes in a compact format including a Search function.

In addition to Elisa's operational core areas, the availability of the Elisa ADSL service expanded to cover the major cities in Finland during 2003.

The international telecommunication network of Elisa's subsidiary Finnet International expanded to Latvia. The expansion of the network upgrades the transmission speeds of data communication services and the quality of customers' data communication connections in Latvia. In addition, Finnet International initiated Ethernet services between Helsinki and Tallinn that enable protocol-independent interconnection of corporate customers' LANs at full LAN speed.

During the review period, Elisa continued to withdraw from the directory business, which does not belong to its core business. The directory service business of Soon Com was sold to Eniro.

Elisa and HP renewed their extensive cooperation agreement, which strengthens Elisa's position as a provider of ICT services.

Germany-based business

Elisa has specified its business strategy and determined that the Germany-based business is not included its core businesses.

During the past few years, Elisa has functioned as a telecom operator in Germany through its regional subsidiaries. This group of companies includes 13 city and regional carriers plus a long-distance network company that interconnects the carriers. Customers are offered high-quality voice, data and Internet services, which are based on each carrier's own local network. The most important groups of customers are small and medium-sized enterprises, municipal public utilities and other telecom and Internet operators.

Operating environment and competitive situation

It is estimated that in 2003 the German telecommunication market amounted to EUR 62 billion. The share of the fixed network of the total market accounted for EUR 35.9 billion. The former monopoly company Deutsche Telekom AG still controlled the market. The new operators' share of the fixed network market was 26 per cent.

In the fixed network market, telecom operators base their operations either on the use of their own infrastructure or they act as service operators but without their own networks. During 2003, the German regulatory authorities strove to increase competition for local calls by enacting a local call-by-call service, which enables customers a call-specific carrier pre-selection for local calls irrespective of the subscriber's operator.

Germany is one of the leading broadband countries in Europe. The number of broadband subscriptions continued to soar in 2003, increasing from EUR 3.3 million to EUR 4.5 million subscriptions. Despite competitors' investments in broadband subscriptions, Deutsche Telekom with over 90 per cent of the market share still has a dominant position in the market.

The overall price development stabilised after a fall in prices for a few years and the whole telecom market's price index indicated approximately a 2 per cent growth.

> The Germany-based business has gained and established a firm footing as a provider of high-performance telecom services of superior quality.

Position in the market

In their own market areas, Elisa's regional operators strive to be the leading alternative operators to Deutsche Telekom. Their operations underline locality, acting close to the customer and offering high-quality services and products.

Minority shareholdings and a customer base in Elisa by the cities' electricity companies and banks emphasise a local presence too. The strength of Elisa's regional operators is for each to have its own leading-edge telecom network that covers the whole city. This facilitates more in-depth management of the value chain compared to service operators who do not have their own network.

Services

In addition to standardised ISDN and broadband-based (DSL) voice, data and Internet products, the service portfolio for corporate customers include LAN solutions and fixed data connections. Clear customer focusing increased the number of corporate customers to 21 000 (42 per cent).

Service provision for operator customers includes termination of traffic and Germany-wide fixed connections as well as hosting services. In the operator customer segment competition is very fierce in Germany. The Germany-based business has gained and establised a firm footing as a provider of high-performance telecom services of superior quality.

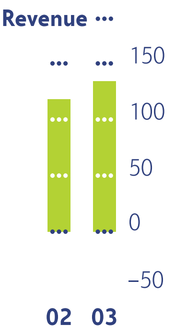
Major events in 2003

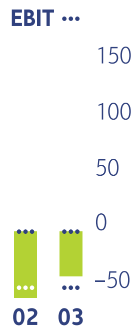
In 2003 the focus was on the streamlining of operations and cost cutting. Cooperation between the companies, standardising of processes and consolidation of operations were accelerated by forming three operationally large regional operators from the city carriers.

Owing to streamlined operations, the number of personnel of this group of carriers decreased by 37 per cent to 426 people. Revenue simultaneously rose by 14 per cent to EUR 134 million. As a result of the increased revenue and enhanced operations, the operative result improved significantly. The increase in EBITDA was over EUR 31 million compared to 2002.

Adjusted key figures of Elisa's Germany-based business,
EUR million

	2002	2003
Revenue	118	134
EBITDA	–21	4
EBIT	–59	–40
Number of personnel 31 Dec 2003	675	426





Other businesses

Elisa has majority holdings in leading IT service companies in Finland.

Yomi

Yomi Plc is Elisa group's competence centre for IT software and a telecom operator in Central Finland. In 2003, the company's revenue amounted to EUR 56.3 million, EBIT was EUR 0.5 million and the average number of employees was 558.

The company's improved focus and revised policy in 2003 were reflected both in Yomi's market and financial performance. In the prevailing challenging situation, the company's profit development made an upswing in mid-2003. The business areas of Telecom Solutions and Operator Solutions reported positive results for the whole year 2003, and their order books were at a good level going into the new year.

Yomi Plc shares have been quoted on the main list of the Helsinki Exchanges since 1998. Elisa has a 51.5 per cent holding in Yomi.

Comptel

Comptel Corporation is a software company, which comprises the two business areas of: Product Business and System Services. Product Business includes the development and sale of mediator and provisioning solutions to operators worldwide. System Services process tailored applications for Finnish telecom operators and integrated services for telecom operators' core business areas.

After the loss-making year of 2002, Comptel's primary target in 2003 was to improve its profitability and be in the black. The set objective was achieved by rationalising operations and increasing revenue. In addition, Comptel strengthened its market position.

In 2003, Comptel's revenue was EUR 54.0 million (49.3) and EBIT EUR 6.6 million (–6.7). At the end of 2003, the number of employees amounted to 402.

Comptel Corporation's shares have been quoted on the main list of the Helsinki Exchanges since 1999. Elisa Corporation's ownership of Comptel is 58.1 per cent.

Estera

Estera is a national company within the Elisa group. It provides real estate IT (KiinteistöIT) solutions. In 2003, the company's revenue amounted to approximately EUR 20 million and it employed around 160 people.

The real estate IT business includes systems for building automation, energy management and technical security, as well as the telecom solutions associated with these.

Estera has its headquarters in Helsinki and regional units in Turku, Kouvola, Lahti, Tampere, Jyväskylä, Kuopio, Joensuu and Oulu.

The Estera group comprises Computec Oy and Estera Oy, which also operate under the auxiliary name Elektroniikkatyö, SoonSec and Atec-Security.

Elisa Research is Elisa Corporation's research and development unit. It acts as a pathfinder and trendsetter, securing the group's future. Elisa Research creates knowledge and competence that lead to new business activities. Competence and expertise support the business' product development and Elisa's long-term choices.

Operating environment

Important trends in the research world were IP technologies, customer-centred approach, and evolution of wireless equipment towards a vision in which ubiquitous telecommunications and information technology serve people in a customer-centric way (ambient intelligence).

Position in research community

In 2003, Elisa Research actively co-operated with the Finnish research community. The partners included universities, higher education institutions, VTT Technical Research Centre of Finland and innovative companies. During the year, the principal task in the European research field was the preparations for the sixth framework programme of the European Union.

Major events in 2003

During 2003, cooperation between business areas was initiated, with the aim of drawing up architecture for a new IP service network and establish a technical strategy for the fixed and mobile network activities. The network architecture is an important cornerstone in constructing a unified Elisa.

The network architecture is an important cornerstone in constructing a unified Elisa.

Assessing the quality and reliability of network connections was enhanced and, as a result, Elisa can guarantee a better service level than its competitors. In addition, means to implement broadband connections in scarcely populated areas were investigated.

In terms of implementing services, integral research areas were Web Services technologies in operator activities, as well as peer-to-peer networks and administering the services offered in them. Future challenges and opportunities are envisaged in the rapid evolution of personal terminals.

Personnel

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The year 2003 was a year of changes in Elisa. Last summer a powerful process was initiated, which aims at making the company more customer-oriented and flexible. New and changing customer needs must be responded to more flexibly. The reorganisation of operations and tasks and the removal of overlaps forced the need for significant reductions in personnel.

Characteristics of 2003 from the personnel perspective

The reshaping of Elisa's operational mode required profound changes, but this was essential in the light of Elisa's future. During 2003, the number of personnel (capacity) decreased from 7 368 to 6 683 people, i.e. a reduction of 685 employees. As a result of the personnel negotiations concluded in January 2004, the number of personnel will further decrease by approximately 900 people.

Elisa has always aimed at being a responsible employer. This entails that all means within the operational and financial limits of the company have been used to avoid direct redundancies. Other ways of reducing the workforce have been through early retirement, internal relocations, encouraging voluntary solutions, retraining and reducing the number of fixed-term employment contracts.

Strong focus has been placed on providing change support. This includes psychological support, a crisis hotline and increasing the opportunities for discussion both in groups and individually. Giving information about changes while difficult negotiations proceed has been made more effective. All supervisors have provided relevant information to the personnel at regular intervals. Our intranet has a special change support site, which provides information online.

The support for those made redundant has included briefings, in which all important facts relating to redundancies and unemployment have been handled with accuracy. 'Adapting to change' courses have also been organised. These courses have dealt with an individual's psychological well-being and concrete issues associated with this new phase of life.

Retraining and setting up new enterprises have been supported in cooperation with the Ministry of Labour, the Employment and Economic Development Centres (TE Centres) and the Jobs and Society in Finland ry. In addition, a 'job seeking office' has been set up on the employer's premises for those facing redundancy. Personnel are given the tools required for job hunting in this office.

Supervisors have been given a thorough training on how to handle redundancies. Instructions have been prepared for this process, so that difficult issues can be dealt with sensitivity and respect for the human dignity of the people concerned. Furthermore, a plan has been formulated to support and commit the organisation of the personnel that will continue in Elisa. This plan is currently being implemented.

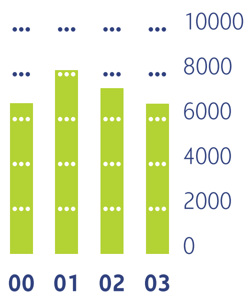
Centralised operations, common tools

During the first stage of the change process the steering of HR and other support functions were centralised. Previously, each company had its own HR activities although guidelines were provided by the group. In the new organisation HR is still company-specific, however the steering of policy has been centralised. This system means a more effective service and requires less HR personnel capacity.

The eHR project continued throughout 2003. It aims to harmonise HR processes in all functions. Uniform processes can be steered with analogous instructions, and results are comparable with each other. The role of supervisors in HR activities will be increased and operating processes will be rationalised. Supervisors will be able to perform several tasks

	2002	2003
Number of employees	7 368	6 683
Gross capacity in total	7 422	7 156
Male	4 657	4 384
Female	2 765	2 772

Development in the number of employees



Staff turnover rate, %

from start to finish which previously needed writing, printing and sending to the HR services for further processing.

A group-wide recruiting project relating to eHR was adopted during autumn 2003. When momentous changes are taking place within the organisation an efficient recruiting system is an integral part of internal job seeking and recruiting. The same system is used for both internal and external recruiting.

Development of the personnel and of operations

Development of the personnel and of operations in the new organisation have been centralised to a joint function. Owing to the effects the changing environment and organisation will have on the processes, the share of operational development has been bolstered in the new model. The challenges in the personnel development are also going to be substantial because so many roles and responsibilities are about to change and some people will have to deal with totally or partly new assignments within the organisation. The reorganisation of development processes will meet the new needs of both expertise and job satisfaction in the best possible way.

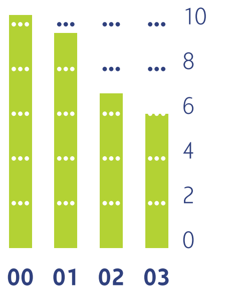
> The reshaping of Elisa's operational mode required profound changes, but this was essential in the light of Elisa's future.

A significant number of various development projects were carried out in 2003. A third consecutive training programme of Elisa Excellence, designed for both new and experienced supervisors, was completed in the autumn. Bearing the new operational situation in mind, the first Broadening of Managerial Knowledge training was initiated. It focuses on management challenges in situations of change.

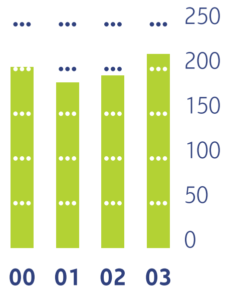
The Development Center, whose aim is to identify potential key persons and offer them opportunities for development, continued its fourth year. The participants were offered an extensive Masterclass management programme, Learning Forum, which consists of presentations and workshops, plus Discovery Group, which focuses on topical issues. In addition, the participants had the opportunity to attend mentoring. The first Executive Center aimed at Senior Management was carried out in May-November. The programme included lectures and workshops.

The second multi-channel mBusiness programme was concluded. The focus of the programme was on customer-centric operations. The programme also included team projects

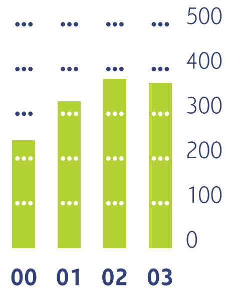
Training expenditure,
EUR million



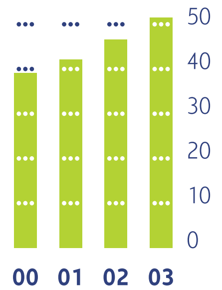
Revenue per employee,
EUR 1000



Personnel costs,
EUR million



Personnel costs per employee,
EUR 1000



for external or internal customers. These projects investigated customer needs or created new service concepts in collaboration with customers.

- Basic skills, such as language, IT, telecommunications and project skills, were improved by using mainly external service providers.
- The EduTele project of the national labour market organisations also continued. The project helps telecommunications professionals update their skills and competence to satisfy current requirements and thus support their future employment. A new training programme, Edutele-ICTMaster, was launched in 2003.
- The wellbeing of the personnel has been a vast challenge during the changes. We have evaluated it by objective surveys, the tools for which are available in the intranet. Results of the surveys have been assessed together with the personnel in small groups. On the basis of these results, operating plans promoting wellbeing have been prepared. The resulting measures have not only been targeted at those who remain in the company, but also at those who were made redundant.
- Occupational health care has been the preserve of our own health care staff. It became necessary to harmonise the operational mode within the whole group in line with the new structure. As a consequence of this, in-house health care services were outsourced in early 2004 and one company takes care of these services in Finland. We will continue to be in charge of the activities concerning the wellbeing and rehabilitation of the personnel.
- Result-based rewards form part of Elisa's bonus scheme. The whole personnel is covered by a bonus scheme. Corporate-level instructions have been drawn up for working up bonus systems. In compliance with these instructions, each working community has created its custom-built bonus system. The instructions and limits are assessed annually.

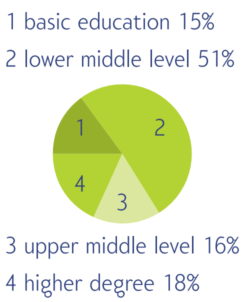
Difficult matters were handled together.

Cooperation

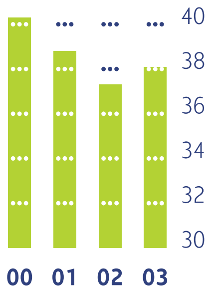
As said earlier, the year 2003 was dominated by difficult cooperation issues. In the negotiations difficult matters were handled together. On the basis of this experience, a new cooperation system will also be built.

- The construction of a unified Elisa will still face many phases where cooperation will be taxing. An important lesson from the past year has been that the personnel must be sufficiently informed of the company's real business and financial situation in relation to the staff itself and competitors. This forms the basis for realistic prospects to reach a broad consensus by all parties on what is possible and what is necessary.

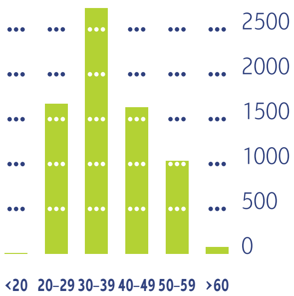
Educational structure



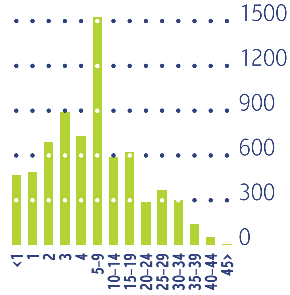
Employees by age



Average employee age structure



Length of employment category



The report by the Board of Directors for the year 2003

Market situation

The market growth in telecommunication services in Finland was moderate during 2003. Although the competition environment was challenging and new service providers entered the market, Elisa was able to maintain its share in both the mobile and fixed network markets.

The demand for broadband subscriptions continued brisk and volumes grew during the whole of 2003. As the market shifted to mobile products the demand and volumes of traditional analogue products decreased. Outsourcing of companies' call center services continued at a lively pace.

The mobile business' number of subscriptions and their use increased. The mobile number portability scheme introduced in July and the continued price competition in the mobile communications sector scaled up the churn rate. The competitive situation caused price erosion both in fixed and mobile network products.

The Germany-based business grew despite the economic slump in Germany and the uncertainties in the sector. The growth was achieved by expanding the regional market shares.

Revenue

The corporation's revenue in 2003 amounted to EUR 1 538 million (1 563). The revenue decreased by 1.6 per cent compared to 2002. The reduction in revenue was caused by the volume and price development of traditional fixed network products. Owing to changes in the billing procedure of IN services and divested non-core businesses in 2002, revenue figures are not fully comparable.

The 2003 revenue of Elisa's mobile business was EUR 762 million (739). The revenue grew by 3.1 per cent on the previous year. Despite the price erosion, favourable volume progress increased the revenue.

The 2003 revenue of the fixed network business was EUR 677 million (735). The change was due to the volume and price development as well as corporate restructuring.

Increase in the 2003 revenue of Germany-based business was EUR 134 million (118). Increased revenue was due to the growth in the market share and an increase in the number of business customers.

Performance

The corporation's 2003 EBIT amounted to EUR –34 million, exclusive of non-recurring items EUR 83 million (–48, exclusive of non-recurring items 32). The non-recurring items that adversely affected the EBIT in 2003 were the EUR 17 million cost provision for domestic restructuring, with a further EUR 5 million increase in the associated pension provision, plus the EUR 94 million value adjustments on the consolidated goodwill and fixed assets of German subsidiaries.

The 2003 EBIT of the mobile business was EUR 72 million, exclusive of non-recurring items EUR 74 million (–68, exclusive of non-recurring items EUR 60 million). The profitability in 2003 was positively affected by increased revenue and streamlined operations. The EBIT was also influenced by the compensation received from TeliaSonera in February 2004, which has been entered as income for the years 2003 and 2004. Profitability, on the other hand, was weakened by the reduced margin in interconnection traffic and decreased service operator earnings.

In 2003, the fixed network business reported EUR 73 million EBIT, exclusive of non-recurring items EUR 86 million (154, exclusive of non-recurring items EUR 101 million). The decrease in revenue and structural changes within the group principally accounted for this profit performance.

••• The EBIT 2003 from the Germany-based business amounted to EUR –134 million, exclusive of non-recurring items the figure is EUR –40 million (–73, exclusive of non-recurring items EUR –59 million). The EBIT was affected by non-recurring write-downs of EUR 94 million. The decrease in the operative business loss was mainly due to lower personnel and other business expenses brought about by the cost saving programme and partly due to increased revenue.

••• The corporation's share of the associated companies' results was EUR –0.3 million (–5).

••• The corporation's other financing income and expenses totalled EUR –40 million (–50). Reduced interest expenses were mainly due to the decreased net debt and a low interest rate.

••• The income taxes in the income statement were EUR +60 million (+3). The positive development was due to value adjustments on the Germany-based business and a total of EUR 89 million deferred tax receivables booked.

••• The corporation's 2003 result after taxes and minority interests were EUR –17 million (–71). The corporation's earnings per share (EPS) amounted to EUR –0.12 (–0.54). The corporation's shareholders equity per share stood at EUR 5.09 (5.21 at the end of 2002).

••• Mobile business

The mobile business in 2003:

- revenue amounted to EUR 762 million (739)
- EBITDA was EUR 213 million (117), EBITDA exclusive of non-recurring items EUR 215 million (194)
- EBIT totalled EUR 72 million (–68), exclusive of non-recurring items EUR 74 million (60)
- EBIT exclusive of amortisation on consolidated goodwill was EUR 110 million (–30), exclusive of non-recurring items EUR 112 million (98).

••• Revenue in 2003 grew over that of the previous year owing to the increased number and use of subscriptions. Revenue growth was slowed by smaller service operator earnings compared to 2002, because Telia Mobile Finland's post-paid subscriptions had been removed from Radiolinja Origo's network to Telia's own network in June 2002.

••• Improved operative EBIT was due to increased customer billing and cost savings achieved by streamlined operations. On the other hand, profitability was weakened compared to the previous year, by smaller service operator earnings and higher interconnection charges.

••• At the end of December 2003, Elisa's network operation in Finland had 1 374 146 subscriptions (1 342 417). The network includes both Radiolinja Suomi's subscriptions and those of the service operators in Radiolinja Origo's network. The number of Radiolinja Suomi's subscriptions continued increasing in the fourth quarter.

••• In 2003, Elisa's mobile subscriptions in Finland:

- annualised churn was 18.6 per cent (15.7)
- average monthly use per customer totalled 146 minutes (136) and customers sent an average of 29 (27) SMS messages per month
- average revenue per subscription (ARPU) was EUR 41.6 (42.2).

••• Due to price erosion and campaign sales, the average revenue per subscription (ARPU) was lower than in 2002, although subscription-specific call volumes increased by 7 per cent and subscription-specific SMS messages by 6 per cent.

••• At the end of December, Radiolinja Eesti, Radiolinja's Estonian subsidiary, had 167 750 subscriptions (155 500).

••• Radiolinja Eesti reported the following figures for 2003:

- revenue EUR 61 million (55)
- EBITDA EUR 17 million (15)
- EBIT EUR 8 million (7).

••• Elisa's mobile business consolidated its position as a provider of network services by signing service operator agreements with Tele2, MTV3, Song Networks and Cubio Communications in 2003.

••• Elisa's Estonian mobile carrier acquired a 3G licence in Estonia for EUR 4.5 million.

••• Fixed network business

The fixed network business in 2003:

- revenue amounted to EUR 677 million (735)
- EBITDA was EUR 191 million (274), exclusive of non-recurring items EUR 204 million (213)
- EBIT stood at EUR 73 million (154), exclusive of non-recurring items EUR 86 million (101).

••• At the end of 2003, the corporation and its associated companies had a total of 1.19 million fixed network subscriptions (1.18).

••• There were approximately 127 400 (71 900) broadband subscriptions. The number of cable TV subscriptions amounted to 183 500 (169 900) at the end of the year.

••• ElisaCom and Hewlett-Packard renewed their extensive cooperation agreement in February. This agreement strengthens Elisa's position as a provider of ICT services for business customers.

- Significant new customers were the Ministry of Labour, the National Opera, as well as Otava Books and Magazines, the latter whose service provision was implemented in cooperation with Hewlett-Packard. Substantial expansion of customer relationships took place with the Ministry of Justice, the National Ecclesiastical Board, Finnair, Nordea, Kesko and Siemens.
- Elisa and Telenor signed a Preferred Partner cooperation agreement, which will significantly enhance their respective capacities to serve their Nordic customers.
- Elisa Networks and Sonera Carrier Networks signed a reciprocal letter of intent about providing operator products and services. The agreement aims at developing and harmonising the sales of operator products between the companies.
- Elisa Networks and Suomen 2G extended their agreement for providing IN services in the fixed-line network.

Germany-based business

In 2003, the Germany-based business reported:

- revenue of EUR 134 million (118)
- EBITDA EUR 4 million (–27, exclusive of non-recurring items –21)
- EBIT EUR –134 million (–73), exclusive of non-recurring items EUR –40 million (–59)
- EBIT exclusive of amortisation on consolidated goodwill and value adjustment EUR –34 million (–59), exclusive of non-recurring items EUR –28 million (–49).

- The EBIT was eroded by non-recurring value adjustments on consolidated goodwill and fixed assets for EUR 94 million in total.
- The revenue grew by 14 per cent and EBITDA improved by EUR 25 million
- The increase in revenue, streamlined operations and savings in personnel expenses were manifested in an improved EBITDA and reduced operating loss. The intended cost saving programme was completed. Due to the cost saving measures, the number of personnel decreased by approximately 200 people during 2003.
- Focusing on business customers in line with strategy, increased the market share and promoted profitability. In 2003, the number of business customers grew by around 42 per cent to 21 000 (14 800 at the end of 2002).

Research and development

In 2003, the corporation invested EUR 24 million (36) in research and development. During the review period, the drawing up of a new IP service network architecture and establishing a technical strategy for the fixed and mobile network activities were initiated. The network architecture is an important cornerstone in constructing a unified Elisa.

Changes concerning the corporation

Changing the name Elisa Communications Corporation to Elisa Corporation was entered in the Trade Register on 11 April 2003.

- In May, Elisa sold a 64 per cent stake of its shares in Kiinteistö Oy Ratavartijankatu 3.
- Elisa continued to restructure its non-core businesses and sold a 50 per cent holding in the network design and telecommunications consultancy company EPStar Ltd to the company's other principal owner Jaakko Pöyry Group Oyj. Elisa still has a 17.5 per cent stake in EPStar.
- In July, Münster's electricity utility exercised its right to sell its 4.95 per cent stake in Tropolys GmbH to Elisa Corporation's German subsidiary Elisa Kommunikation GmbH for EUR 19 million. Elisa Kommunikation's holding in Tropolys rose to 70.85 per cent by means of the transaction.
- After the court of arbitration had set the redemption price of Riihimäen Puhelin shares at EUR 2 077 per share on 6 October 2003, Elisa's ownership of Riihimäen Puhelin Oy rose to 100 per cent.
- In October, Elisa's holding in Oy Heltel Ab rose to 100 per cent from 74 per cent at the beginning of 2003.
- In October, the Board of Directors signed merger plans, according to which all Elisa Corporation's 100%-owned subsidiaries (such as Oy Radiolinja Ab, ElisaCom Ltd, Riihimäen Puhelin Oy with their subsidiaries, plus Elisa Networks Ltd and Soon Net Ltd) will in principle merge with Elisa Corporation by 1 July 2004.

Personnel

By the end of 2003, the corporation employed 6 683 people (7 368). The mobile business employed 1 577 (1 741), the fixed network business 3 472 (3 482), Germany-based business 426 (675), other companies 905 (1 133) and the parent company Elisa employed 303 (337) people. During the year, the average number of employees was 7 172 (8 115).

- Several labour negotiations took place within the corporation in 2003. As a consequence of these negotiations and also due to natural wastage, the number of personnel decreased by 685 people in 2003.

••• In addition, on 28 October 2003, Elisa published an extensive restructuring programme. The programme aims at increasing the corporation's customer-centricness and efficiency, as well as streamlining of corporate structure and operations. Elisa also initiated negotiations with the personnel on 28 October 2003, which were based on productivity and reorganising. The negotiations were completed on 12 January 2004. As a result of the negotiations, the number of personnel will decrease by approximately 900 people during 2004.

••• Changes in the Board of Directors and corporate management

The Annual General Meeting in spring on 4 April 2003 confirmed the number of Board members six (6) and the following members were appointed for the following one-year term: Keijo Suila, Ossi Virolainen, Matti Aura, Pekka Ketonen and Jere Lahti, plus a new member Mika Ihamuotila, Senior Executive Vice President of Sampo Plc. The members due to retire through rotation were Riitta Backas, Arto Ihto and Linus Torvalds. The Board of Directors appointed Keijo Suila, President and CEO of Finnair, chairman and Ossi Virolainen, MSc (Econ.), LL.M., deputy chairman.

••• On 3 April 2004, Elisa Corporation's Board of Directors appointed Veli-Matti Mattila, MSc (Eng.), MBA, the corporation's new President and CEO. He joined Elisa on 1 May 2003 and assumed his position as CEO on 1 July 2003.

••• At the end of 2003, the Executive Board appointed by Elisa Corporation's Board of Directors comprised CEO Veli-Matti Mattila, Tuija Soanjärvi (finance), Pasi Lehmus (fixed network, services), Tapio Karjalainen (mobile), Jukka Veteläsuo (fixed network, networks), Hannu Turunen (Germany), Asko Känsälä (business development, R&D, IT and communications) and Sami Ylikortes (administration and HR).

••• Management groups, which report to the Executive Board, were renewed and strengthened mainly through intra-group rotation.

••• Matti Mattheiszen, Elisa Corporation's CEO until 30 June 2003, retired on 1 September 2003. Deputy CEO Jarmo Kalm until 1 July 2003 began his retirement on 1 January 2004.

••• Investments

The corporation's gross capital expenditures amounted to EUR 194 million (269) and acquisition of shares to EUR 28 million (16).

••• The corporation's capital expenditures were as follows:

- EUR 98 million (133) on the mobile business,
- EUR 74 million (104) on the fixed network business, and
- EUR 18 million (25) on the Germany-based business.

••• The mobile business investments include GSM leasing liability buy-backs from telcos for EUR 28 million (50).

••• Financial position

On 13 March 2003, the credit rating agency Moody's Investor Services downgraded the corporation's credit rating A3 (review for downgrade) to Baa2 (stable).

••• The credit rating agency Standard & Poor's lowered its long-term credit rating of Elisa twice: On 17 April 2003, from A– to BBB+ (negative); and on 23 December 2003, from BBB+ to BBB (stable). Standard & Poor's affirmed its A–2 short-term corporate credit rating for the company.

••• On 16 June 2003, Elisa signed a five-year EUR 170 million syndicated loan. The loan arrangement is a committed credit line and it is for general corporate purposes and replaces the similar arrangement signed in March 1998.

••• The corporation's financial position and liquidity strengthened. At the end of 2003, the net debt stood at EUR 654 million (757 at the end of 2002). The corporation's gearing was 87.5 per cent (94.8 per cent at the end 2002) and the equity ratio was 40.4 per cent (38.3 per cent at the end of 2002). The cash flow after investments, in accordance with the consolidated cash flow statement, was EUR 105 million in 2003 (89).

••• Shifting to IAS/IFRS financial statements

Preparations for shifting to IAS/IFRS compliant financial statements began in Elisa in 2002. During 2003, the impact of changes on accounting practices was assessed. It is currently estimated that initially the changes in accounting principles are going to have effect on the handling of consolidation goodwill, financing leasing agreements and pensions. Elisa will adopt the IAS/IFRS standards (International Financial Reporting Standard) as of the beginning of 2005. The first interim report that conforms to the IAS/IFRS system will be for the period of January-March 2005.

••• Share

The company's total number of shares was 138 011 757. The market capitalisation on 31 December 2003 stood at EUR 1 455 million.

••• In 2003, a total of 87.9 million A shares of the company were traded on the Helsinki Exchanges for an aggregate of EUR 670 million. The exchange was 64.0 per cent of the number of A shares in the market.

The number of Elisa Corporation's A options for the year 2000 was 3 600 000 and B options for the year 2000 was 3 600 000. At the end of the year, the market capitalisation of options amounted to EUR 2.2 million.

On 31 December 2003, the entitlement of HPY Research Foundation to convert Elisa Corporation's A shares into B shares became void in accordance with a time frame stipulated by the company's Articles of Association. Pursuant to the Articles of Association, Elisa Corporation may from now on have only series A shares.

Board of Directors' authorisations

The Annual General Meeting of 2003, authorised the Board of Directors to decide on increasing the company's share capital within one year from the decision. The board was to achieve this through one or more new issues, one or more convertible bonds and/or warrants so that, in a new issue the subscription of shares in exchange for the convertible bonds and pursuant to warrants may be 27.6 million shares at the maximum, and the company's share capital can be increased by a maximum of EUR 13.8 million in total. The authorisation at the maximum corresponds to 20 per cent of the company's votes and shares. The Board of Directors has not exercised the aforementioned authorisations.

The company's Board of Directors has no valid authorisation to acquire or assign treasury shares.

Treasury shares

The total number of Elisa Corporation's A Shares owned by the subsidiaries was 781 563 (781 563 at the end of 2002). The value of the shares totalled EUR 390 781.50, and their proportion of the share capital and voting rights was 0.57 per cent. The book value of these company shares has been deducted from the distributable assets of the corporation.

Moreover, the corporation's pension funds owned 722 363 A shares (1 575 463 at the end of 2002).

Major legal issues

A redemption procedure concerning approximately 4 700 shares in accordance with Section 14 Paragraph 19 of the Finnish Companies Act regarding Oy Radiolinja Ab's minority shares is pending in the local court. In its ruling on 29 May 2001, the court of arbitration confirmed the redemption right and decided the redemption price of Radiolinja shares be FIM 47 000 per share (EUR 7 905). Elisa demands a redemption price of FIM 29 000 (EUR 4 877) per share. The court of appeal rejected the action for annulment regarding the decision made at Radiolinja's Annual General Meeting.

Radiolinja Origo Oy and TeliaSonera Mobile Networks Ab have claimed damages from each other in the arbitration procedure initiated in 2002 regarding the service provider agreement between both parties. The parties settled the dispute in January 2004.

In addition, other investigations and clarifications associated with the competition and telecommunication legislation concerning the pricing of Elisa group companies' services and network products are pending at the Finnish Communications Regulatory Authority and the Finnish Competition Authorities. Within the framework of their business operations, companies belonging to the group are also parties to other disputes and legal proceedings, as well as to procedures by the authorities, the outcomes of which are not regarded as having a substantial effect on Elisa's financial position or performance.

Events after the financial period

Elisa Corporation revised its structure in January. The new organisation of domestic core business comprises three units: Customers, Products and Networks. The corporation's performance will be reported as previously, by mobile business, fixed network business, Germany-based business and others.

In line with a strategic decision, the Germany-based business is not included in the Elisa corporation's core business. The corporation has initiated measures to divest the Germany-based business.

Outlook

The telecommunications market in Finland is envisaged to grow at a slow pace and the competition situation to remain challenging. No changes in Elisa's market position are expected.

The comparable revenue for 2004 is estimated to remain at the previous year's level and the operational result to improve. The impact of the cost saving programme relating to the restructuring of business operations will manifest itself more substantially from the beginning the second quarter.

Investments will be a maximum of 15 per cent of the revenue and the cash flow is estimated to be positive.

Income statement

EUR 1000	Note	1.1.–31.12. 2003 Group	1.1.–31.12. 2002 Group	1.1.–31.12. 2003 Parent company	1.1.–31.12. 2002 Parent company
Revenue	1	1 538 186	1 563 073	35 462	37 137
Other operating income	2	33 898	91 393	10 811	19 565
Materials and services	3	–580 712	–698 197	–246	–600
Personnel expenses	4	–373 332	–379 504	–32 222	–27 070
Depreciation, amortisation and write-downs	5	–418 307	–381 511	–9 064	–12 474
Other operating expenses		–233 382	–243 738	–48 438	–54 892
		–1 605 733	–1 702 950	–89 970	–95 036
EBIT (earnings before interests and taxes)		–33 649	–48 484	–43 697	–38 334
Financing income and expenses	6				
Share of associated companies' results		–312	–5 321		
Other financing income and expenses		–39 620	–49 311	–40 076	–45 099
Write-downs of investments				–292 775	
		–39 932	–54 632	–332 851	–45 099
Profit before extraordinary items		–73 581	–103 116	–376 548	–83 433
Extraordinary items	7		3 171	176 976	13 176
Profit after extraordinary items		–73 581	–99 945	–199 572	–70 257
Appropriations	8			1 884	–1 884
Income taxes	9	59 712	2 985	18	22 945
Minority interest		–2 636	26 084		
Net profit for the financial year		–16 505	–70 876	–197 670	–49 196

Balance sheet

EUR 1000	Note	31.12. 2003 Group	31.12. 2002 Group	31.12. 2003 Parent company	31.12. 2002 Parent company
ASSETS					
Fixed assets					
Intangible assets	10	64 240	76 721	2 883	4 893
Consolidated goodwill	10	459 512	582 767		
Tangible assets	10	856 408	962 091	29 521	37 639
Shares in associated companies	11	19 988	21 074		
Other investments	11	12 074	12 745	1 764 807	1 815 628
		1 412 222	1 655 398	1 797 211	1 858 160
Current assets					
Inventories	12	15 910	20 669		
Deferred tax asset	17	81 926	14 394		
Current portion of long-term receivables	13	3 010	7 310	80 617	136 391
Current receivables	14	349 341	326 790	325 341	273 246
Marketable securities		6 480	2 658	4 989	12 287
Cash and bank		60 815	71 027	8 864	19 972
		517 482	442 848	419 811	441 896
		1 929 704	2 098 246	2 217 022	2 300 056
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	15				
Share capital		69 006	69 006	69 006	69 006
Share premium fund		516 672	516 672	516 672	516 672
Contingency fund		3 382	3 382	3 382	3 382
Retained earnings		126 546	197 558	514 095	563 291
Net profit for the financial year		-16 505	-70 876	-197 670	-49 196
		699 101	715 742	905 485	1 103 155
Minority interest		77 354	83 484		
Appropriations					1 884
Provisions for liabilities and charges	16	51 574	71 495	8 334	
Liabilities					
Long-term debt	19	616 500	714 967	551 112	651 112
Short-term debt	20	485 175	512 558	752 091	543 905
		1 101 675	1 227 525	1 303 203	1 195 017
		1 929 704	2 098 246	2 217 022	2 300 056

Cash flow statement

EUR 1000	1.1.–31.12. 2003 Group	1.1.–31.12. 2002 Group	1.1.–31.12. 2003 Parent company	1.1.–31.12. 2002 Parent company
Cash inflow from operating activities				
Net profit for the financial year	–16 505	–70 876	–197 670	–49 196
Adjustments:				
Depreciation, amortisation and write-downs	418 307	381 511	7 180	14 358
Write-downs of investments and securities		809	292 775	
Gains/losses on the disposal of business operations	–1 053	–48 067		
Gains/losses on the disposal of fixed assets and shares	–2 295	–5 065	1 321	–4 936
Expense booking for GSM leasing liability		69 664		
Other adjustments	3 973	–20 410	–772	28 094
Change in deferred tax liability/asset	–67 532	–33 452		
Change in working capital and other items	–30 094	31 372	–14 216	–82 409
	321 306	376 362	286 288	–44 893
Cash inflow from operating activities	304 801	305 486	88 618	–94 089
Cash inflow from investments				
Capital expenditures	–193 762	–268 682	–3 204	–3 508
Disposal of fixed assets	5 032	5 865	3 092	5 776
Investments in shares	–27 729	–6 837	–44 395	–75 709
Disposal of shares and business operations	16 227	53 064	13 137	12 263
Other investments	804	248	100	
Cash flow from investments	–199 428	–216 342	–31 270	–61 178
Cash flow after investments	105 373	89 144	57 348	–155 267
Cash flow from financing				
Change in interest-bearing receivables	–17 614	–7 749	23 826	–82 524
Change in long-term debts	–96 517	74 501	–51 800	44 203
Change in short-term debts	11 958	–208 657	–40 551	221 518
Dividends paid	–1 841	–3 899		
Sale of treasury shares		18 168		
Cash flow from financing	–104 014	–127 636	–68 525	183 197
Change in cash and short-term investments	1 359	–38 492	–11 177	27 930
Financial assets at the beginning of the financial year	65 936	104 428	25 030	40 924
Financial assets transferred for merger/business				–43 824
Financial assets at the end of the financial year	67 295	65 936 [1]	13 853	25 030 [1]

[1] The reporting of the financial assets in the year 2002 cash flow statement has been altered to correspond to the reporting system of 2003.

Elisa Corporation, whose registered office is in Helsinki, is the Parent Company of the Elisa Corporation concern. Elisa Corporation's consolidated financial statements for the year ended on 31 December 2003 are available for inspection at Kutomotie 18, Helsinki.

··· Accounting principles

··· Scope of the consolidated financial statements

The consolidated financial statements comprise the Parent Company, Elisa Corporation, and those subsidiaries in which the Parent Company directly or indirectly holds the authority as set out in Chapter 1, Section 6 of the Bookkeeping Act. Whereas, those participating interests in which the group companies exercise considerable influence in the management of business operations and financing, but which are not group companies, are accounted for as associated companies.

··· As a rule, subsidiaries are consolidated from the month in which the acquisition of their shares took place. Associates are generally consolidated from the moment they became associates. Similarly, disposed companies are consolidated up to the date on which they were sold.

··· Those group and associated companies that remained inactive during the financial year, or whose consolidation is unnecessary to give a true and sufficient view of the corporation's result and financial position, are not consolidated.

··· Consolidation principles

Intragroup transactions, internal margins on inventories, internal receivables and payables, as well as the internal distribution of profits, are eliminated. The margin included in fixed assets essentially has been eliminated.

··· The purchase cost method is used in the elimination of internal ownership. The proportion of the purchase cost of subsidiary shares exceeding shareholders' equity that has not been allocated on purchased property items is booked as consolidated goodwill.

··· Associated companies are consolidated using the equity method.

··· Minority interests are separated from the consolidated financial results and the shareholders' equity. Instead the minority interests have been shown as separate items in the income statement and balance sheet.

··· Where applicable the income statements of foreign subsidiaries are converted into euros according to the monthly mean exchange rate announced by the European Central Bank, and their balance sheets according to the balance sheet date. Any transaction differences arising from this conversion, as well as transaction differences of shareholders' equities, are booked as retained earnings.

··· Treasury shares

Elisa Corporation's shares that are owned by subsidiaries and associated companies (treasury shares) are deducted from the corporation's distributable shareholders' equity. The value of treasury shares owned by associated companies corresponding to the respective holding is deducted.

··· The sale price of the treasury shares and taxes incurred from their sale are booked in the shareholders' equity in the balance sheet. Therefore, the sale of treasury shares has no impact on the financial performance of the corporation.

··· Non-recurring items

Certain income and expense items in the financial statements have been defined as non-recurring items. These items include relevant gains from the disposal of business operations, shares and fixed assets, as well as additional depreciation, amortisation and write-downs on fixed assets and consolidated goodwill. The reallocation of an income or expense item is at the discretion of the management.

··· Adjustments to the information of the previous financial year

The reporting system regarding the cash flow statement of the group and the Parent Company has been changed from the previous year, so that linked insurance deposits are included in the interest-bearing receivables. Previously, the aforementioned items have been included in the financial assets (EUR 7.7 million at the beginning of 2002). The cash flow statements for the year 2002 have been altered to correspond to the new reporting system. The balance sheets of the group and the Parent Company have undergone no changes in this respect.

··· Comparability with the previous year

When comparing the 2003 information with that of the financial year 2002, the following must be taken into account:

··· The group

The financial statements for the year 2003 included the following non-recurring items:

- The expenses contained a EUR 17 million cost provision for restructuring of domestic business operations and a EUR 5 million pension provision.
- EUR 88 million write-downs on the consolidated goodwill of the Germany-based business and EUR 6 million write-downs on the fixed assets of the Germany-based business.
- EUR 89 million tax asset sum was booked as write-down on the Germany-based business.

••• The previous year included the following non-recurring items:

- Other operating income included EUR 73 million gains on disposal of assets.
- A non-recurring expense booking of EUR 77 million for GSM leasing liability was made. The expenses were grouped into external services and treated as provisions for liabilities and charges in the balance sheet.
- Asset write-downs for EUR 67 million and write-downs of EUR 4 million on consolidated goodwill were booked.

••• The parent company

- Other operating income in 2003 included EUR 1.4 million capital losses on the disposal of fixed assets and from receivables. In the previous year, the corresponding capital gains amounted to EUR 5 million.
- The expenses included a EUR 7.5 million expense provision on rearranging domestic business operations and on pensions.
- In 2003, the Parent Company bought from its subsidiary FMS Dravit Asset Management GmbH the entire share capital of the latter's subsidiary Elisa Kommunikation GmbH for EUR 207 million. A EUR 111.2 million write-down was booked on the acquisition cost of the aforementioned company's shares. A EUR 181.6 million write-down was made on the acquisition of Elisa Kommunikation GmbH shares.

••• Revenue and other operating income

Interconnection traffic fees charged to customers and credited to other telcos are booked as a deduction of capital gains (Accounting Board 995/1325).

••• Other operating income includes gains on disposals of business operations, shares and fixed assets, contributions received, and rental income from residential units.

••• In the group companies, sales are generally capitalised at the moment the sales take place. An exception is the long-term projects of certain group companies, which are capitalised on the basis of the value at completion.

••• Valuation principles of inventories

Inventories are valued at variable costs, either at their purchase price or a lower, probable redemption or repurchase price. The weighted medium price is used for pricing the inventories.

••• Non-euro items

Transactions denominated in a foreign currency are booked at the exchange rate quoted on the day the transaction took place. On the balance sheet date, balance sheet items denominated in foreign currencies are valued at the exchange rate of the balance sheet date announced by the European Central Bank.

••• Derivative instruments

Derivative instruments can be used for managing currency and interest rate risks.

••• Open derivative instruments, intended to hedge against currency risks, are valued at their market value and charged against profits. The exception to this is forward contracts related to cash flow that are booked on the basis of their effect on earnings as the cash flow is realised. Exchange gains and losses are booked as sales or purchase adjustment items or financing exchange gains or losses, depending on what is hedged. If significant, the interest difference is allocated during the validity of the contract and is booked as interest received or interest paid.

••• Interest rate derivatives are valued at market value. Cash flows from 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 on the financial statements, irrespective of whether they have been booked in the income statement.

••• Fixed assets and consolidated goodwill

The book value of tangible and intangible assets shown in the balance sheet is the acquisition cost less accumulated scheduled depreciation and write-downs. Fixed assets manufactured, or built by the company are valued as variable costs.

••• The impairment analyses performed in 2003 have been mainly targeted at the assets of the mobile business and Germany-based business, which also include a substantial amount of goodwill. The cash flows generated by the mobile business' assets have been cleared on a cash flow basis by discounting the estimated future cash flows to the present date. On the basis of this analysis, it was observed that there was no need for write-downs on the mobile business assets. The assets of the Germany-based business were evaluated by using the management's best estimate of the market price for the said business. On the basis of this analysis, EUR 88 million write-downs on the goodwill of the Germany-based business, and EUR 6 million write-downs on its fixed assets were made.

- The difference between scheduled depreciation and total depreciation in the Parent Company's financial statements is shown as appropriations in the income statement, and also the accumulated depreciation difference appears under accumulated appropriations in the shareholders' equity and liabilities. The accumulated depreciation difference in the consolidated financial statements is divided into shareholders' equity and tax liability. Scheduled depreciation is calculated on a straight-line basis over expected services lives based on original acquisition cost.
- Consolidated goodwill is amortised over a period of 5–15 years. The exception to this is strategically important interests in major companies in the telecommunication industry, for which the amortisation period is 10–15 years. For example, the consolidated goodwill of Oy Radiolinja Ab, Soon Net Ltd and Yomi Plc will be depreciated over a 15 year period. Consolidated goodwill in respect of Elisa Solutions Ltd, and subsidiaries and associated companies of Elisa Kommunikation GmbH will be depreciated over a 10 year period.
- In the consolidation, the depreciation periods of the fixed assets of subsidiaries and associated companies have been changed to correspond to the depreciation periods adhered to by the group.
- Scheduled depreciation times in the group are given below:

Consolidated goodwill	5–15 years
Goodwill	3–5 years
Formation expenses	5 years
Computer programs	3–5 years
Other capitalised expenditures	5–10 years
Buildings and structures	25–50 years
Telephone exchanges	8–10 years
GSM network	6–10 years
Cable network	10–20 years
Mast sites	10–25 years
Teleterminals (leased to customers)	3–5 years
Other machinery and equipment	3–5 years

- A decision has been made to shorten the depreciation periods for new a radio network and the related software by approximately two years as of the beginning of 2003.
- A group reserve has arisen as a result of share issues implemented in the group during the previous financial years. Shares have mostly been issued to finance acquisitions of subsidiaries and associated companies that have increased consolidated goodwill. Based on its material connection, the group reserve on the balance sheet date has been subtracted from the consolidated goodwill. Amortisation on goodwill has been calculated on the value of the balance after subtraction.

Research and development

Research and development expenses are treated as annual costs on the basis of the date they are incurred.

Provisions for liabilities and charges

Expenses and losses arising from an ended, or a prior financial period and which are regarded as certain, or probable, and for which a compensating income is neither certain, nor probable, will be booked as expenses in the relevant expense item of the income statement. They are shown under provisions for liabilities and charges in the balance sheet, when their exact amount, or time of realisation is not known. In all other cases they are shown under accruals and deferred income.

Pension costs

The company's pension arrangements have been dealt with in accordance with each country's respective legislation.

- The pension commitments of the group companies are covered by the group's pension fund or by pension insurances in the respective pension assurance company. Furthermore, the companies have their own direct pension liabilities, primarily from early, fixed-term pensions.
- The group companies have no unbooked expenses for unfounded pension liabilities or any unfunded pension liabilities of their own.

Extraordinary income and expenses

Income and expenses arising from non-recurring, relevant events that deviate from regular operations are booked as extraordinary items.

- The change in the income recognition principle of long-term projects to comply with the IAS is shown in 'extraordinary items'.

••• Group contributions received and granted as well as merger gains and losses are shown as the Parent Company's extraordinary income and expenses.

••• Direct taxes

Taxes for the financial year are matched and booked in the income statement. In the income statement, the taxes related to extraordinary items are subtracted from extraordinary items.

••• The change in deferred tax liabilities and tax assets is shown in the consolidated financial statements and calculated from matching items. No deferred tax liabilities and tax assets are shown in the Parent Company's balance sheet. Deferred tax liabilities and tax assets are calculated using the tax rate in force at the time the financial statements are prepared. Deferred tax liabilities and tax assets of the group are shown as separate items in the notes on the balance sheet.

••• In line with the prudence concept, realised losses of domestic group companies are booked as tax assets. According to a corporate strategic decision, measures for divesting the Germany-based business have been initiated and write-downs carried out on the basis of this have been booked under deferred tax assets.

••• The tax-related effect of the disposal of Elisa Corporation's (treasury shares) shares owned by the subsidiaries will be registered in the group's shareholders' equity.

••• Minority interests

Minority interests in the Finnish subsidiaries are separated in compliance with the general instructions on preparing consolidated financial statements of the Accounting Board of 21 February 2000.

••• In the consolidation of Tropolys in Germany, the minority interest has been treated in accordance with the IAS compliant procedure as of 31 December 2002. As a consequence of this, no minority interest occurred in the consolidated financial statements for 2002.

•••

Consolidated revenue, EBITDA (earnings before interests, taxes, depreciation and amortisation) and EBIT (earnings before interests and taxes) by business area (BA)

Group	Revenue		EBITDA		EBIT	
EUR million	2003	2002	2003	2002	2003	2002
Mobile business	762	739	213	117	72	–68
Fixed network	677	735	191	274	73	154
Germany-based business	134	118	4	–27	–134	–73
Other operations	132	130	–23	–31	–45	–61
Intra-BA sales	–167	–159				
Group total	1 538	1 563	385	333	–34	–48

Figures adjusted with non-recurring items

Group	Revenue (adjusted)		EBITDA (adjusted)		EBIT (adjusted)	
EUR million	2003	2002	2003	2002	2003	2002
Mobile business	762	739	215	194	74	60
Fixed network	677	735	204	213	86	101
Germany-based business	134	118	4	–21	–40	–59
Other operations	132	130	–16	–44	–37	–70
Intra-BA sales	–167	–159				
Total (adjusted)	1 538	1 563	407	342	83	32

Accounting principles:

The group companies have been grouped into business areas on the basis of their core operations.

Internal sales

– Sales within a business area have been reduced from the revenue of the said business.

– Sales between business areas have been reduced from the aggregate revenue of the business areas.

Consolidated entries

– The group's internal margins have been eliminated from the earnings of the business areas.

– Amortisation of consolidated goodwill has been allocated to the business areas.

Non–recurring items	2003	2002
Gains on disposals of business operations, shares and fixed assets		73
Restructuring and pension provision	–22	
Expense booking for GSM network leasing liability		–77
Write-downs of GSM networks		–51
Write-downs of Cityphone and submarine cable networks		–8
Other write-downs in Finland		–4
Rundown costs of Mäkitorppa GmbH		–8
Other write-downs in Germany	–94	–5
Non-recurring items total	–116	–80
Impact on EBITDA	–22	–9
Impact on EBIT	–116	–80
Impact on result before extraordinary items	–116	–80

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company

1. Invoiced sales and revenue

Invoiced sales	1 601 617	1 631 162	35 462	37 137
Charges for interconnection traffic to telcos and other adjusting items	–63 431	–68 089		
Revenue	1 538 186	1 563 073	35 462	37 137
By geographical area				
Finland	1 299 117	1 350 466	35 287	36 595
Rest of Europe	222 911	200 875	175	542
America	8 993	4 213		
Asia	5 329	5 943		
Australia	797	725		
Africa	1 039	851		
Total	1 538 186	1 563 073	35 462	37 137

Long-term projects, mainly those of Comptel Corporation, are booked as income on the basis on the level of completion. Revenue booked as income on the basis of the level of completion amounted to EUR 16 million (EUR 16 million in 2002).

2. Other operating income

Other operating income includes the rental income from residential units, contributions and capital gains. Other operating income did not include substantial non-recurring items.
In 2002, other operating income of the group included EUR 73 million of non-recurring items.

3. Materials and services

Materials, equipment and goods				
Purchases during the financial year	28 550	52 245	3	180
Change of inventories	2 934	6 420		
	31 484	58 665	3	180
External services				
Radiolinja's access rights, maintenance and connection fees	380 109	383 841		
Expense booking for GSM network leasing liability		69 664		
Other external services	169 119	186 027	244	420
	549 228	639 532	244	420
Total	580 712	698 197	247	600

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company
4. Personnel expenses				
Wages and salaries	286 546	299 758	19 106	16 012
Pension costs	67 568	62 152	12 028	9 816
Other statutory employee costs	23 983	24 370	1 381	1 242
Personnel expenses, total	378 097	386 280	32 515	27 070
Staff expenditure capitalised under fixed assets				
Wages and salaries	–3 309	–4 644	–173	
Pension costs	–741	–557	–33	
Other statutory employee costs	–715	–1 575	–87	
Total	–4 765	–6 776	–293	
Personnel expenses in the income statement, total	373 332	379 504	32 222	27 070
Management remuneration				
Managing directors and deputies	7 911	7 595		
Members and deputy members of Boards of Directors	362	456	174	191
Members and deputy members of Supervisory Boards	5			

Managing directors' pension commitments

The agreed retirement age of the group companies' managing directors is 60–65 years.

	2003 Group	2002 Group	2003 Parent company	2002 Parent company
Personnel of the group and the Parent Company on average	7 172	8 115	317	361

The group's personnel numbers by business areas

	Personnel (31 Dec)	
	2003	**2002**
Mobile business	1 577	1 741
Fixed network business	3 472	3 482
Germany-based business	426	675
Other operations	1 208	1 470
Group, total	6 683	7 368

The number of employees includes personnel with permanent and fixed-term employments, as well as hourly employees in terms of full-time jobs.

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company

5. Depreciation, amortisation and write-downs

Depreciation, amortisation and write-downs on tangible and intangible assets according to plan	273 200	322 327	9 064	12 474
Depreciation on consolidated goodwill and write-downs	145 107	59 184		
Total	418 307	381 511	9 064	12 474

Specification of depreciations by balance sheet items is included in Non-current assets.

6. Financing income and expenses

	2003 Group	2002 Group	2003 Parent company	2002 Parent company
Share of associated companies' results				
Share of the associated companies' results	100	−4 516		
Amortisation of associated companies' group goodwill	−412	−805		
Total	−312	−5 321		
Dividends received				
from group companies			790	2 602
from associated companies			116	107
from others	305	137	15	4
Corporate tax compensations	168	56	377	1 107
	473	193	1 298	3 820
Other interest received and similar income				
from group companies			5 047	4 804
from others	5 572	8 498	973	2 122
	5 572	8 498	6 020	6 926
Interest income and similar income, total	6 045	8 691	7 318	10 746
Write-downs of securities		−809		
Interest costs and other financing expenses				
to group companies			−7 904	−9 489
to others	−45 665	−57 193	−39 490	−46 356
Interest costs and other financing expenses, total	−45 665	−57 193	−47 394	−55 845
Other financing income and expenses, total	−39 620	−49 311	−40 076	−45 099
Write-downs of investments			−292 775	
Financing income and expenses, total	−39 932	−54 632	−332 851	−45 099

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company

7. Extraordinary items

Extraordinary income		4 467		
Merger gain				1 888
Group contributions			176 977	105 320
Extraordinary expenses				
Merger loss				−49 663
Group contributions				−19 400
Income taxes for extraordinary items		−1 296		−24 969
Total		3 171	176 977	13 176

8. Appropriations

Change in depreciation difference			1 884	−1 884

9. Direct taxes

Income tax for the financial year	7 160	43 936		−22 898
Income tax from the previous year	660	71	−18	−47
Change in deferred tax liability/asset	−67 532	−46 992		
Total	−59 712	−2 985	−18	−22 945

10. Non-current assets/Intangible assets, Consolidated goodwill, Tangible assets 1)

GROUP	Intangible assets						Group goodwill
EUR 1000	Formation expenses	Intangible rights	Goodwill	Advance payments	Other capitalised expenditures	Total	
Cost basis at 1 Jan	30 260	32 752	10 153	1 239	135 316	209 720	744 625
Additions		1 868	1 831	41	21 313	25 053	26 154
Sales							
Disposals	−27 498	−3 904	−1 544	−86	−15 901	−48 933	−4 302
Reclassifications		726		−1 191	5 403	4 938	
Cost basis at 31 Dec	2 762	31 442	10 440	3	146 131	190 778	766 477
Accrued depreciation and write-downs at 1 Jan	29 572	21 588	3 778		78 061	132 999	161 858
Accrued depreciation of disposals and reclassifications	−27 472	−3 194	−990		−13 851	−45 507	
Depreciation for the financial year	662	4 685	3 024		26 520	34 891	56 833
Write-downs					4 155	4 155	88 274
Accrued depreciation at 31 Dec	2 762	23 079	5 812		94 885	126 538	306 965
Book value at 31 Dec		8 363	4 628	3	51 246	64 240	459 512

GROUP			Tangible assets			
EUR 1000	Land and water	Buildings and structures	Telecom devices, machinery and equipment	Other tangible assets	Advance payments and purchases in progress	Total
Cost basis at 1 Jan	23 023	291 595	1 622 262	42 078	62 150	2 041 108
Additions	423	15 540	149 600	657	2 489	168 709
Sales	−153	−1 886	−1 003			−3 042
Disposals	−2 384	−27 877	−107 865	−7 243	−3 483	−148 852
Reclassifications		823	23 981	−3	−29 739	−4 938
Cost basis at 31 Dec	20 909	278 195	1 686 975	35 489	31 417	2 052 985
Accrued depreciation and write-downs at 1 Jan		108 147	938 669	32 201		1 079 017
Accrued depreciation of disposals and reclassifications		−17 725	−94 798	−4 071		−116 594
Depreciation for the financial year		12 919	198 183	2 992		214 094
Write-downs			20 060			20 060
Accrued depreciation at 31 Dec		103 341	1 062 114	31 122		1 196 577
Book value at 31 Dec	20 909	174 854	624 861	4 367	31 417	856 408
Book value of machinery and equipment (telecom network) in production at 31 Dec			532 032			

[1] Cost bases mainly include fixed assets whose acquisition cost(s) have not been fully booked as expenses in the form of depreciation according to plan.

··· 10. Non-current assets/Tangible and intangible assets

PARENT COMPANY	Intangible assets			Tangible assets		
EUR 1000	Other capitalised expenditures	Land and water	Buildings and structures	Machinery and equip-ment	Purchases in progress	Total
Cost basis at 1 Jan	11 126	1 205	50 347	26 752	1	78 305
Additions	447		362	600	1 796	2 758
Disposals	−4 073		−5 587	−18 101		−23 688
Cost basis at 31 Dec	7 500	1 205	45 122	9 251	1 797	57 375
Accrued depreciation at 1 Jan	6 233		21 963	18 703		40 666
Accrued depreciation of disposals and reclassifications	−4 073		−1 963	−17 456		−19 419
Depreciation for the financial year	2 457		1 819	4 788		6 607
Accrued depreciation at 31 Dec	4 617		21 819	6 035		27 854
Book value at 31 Dec	2 883	1 205	23 303	3 216	1 797	29 521

11. Investments

GROUP EUR 1000	Shares in associated companies	Shares in others	Receivables Associated companies	Receivables Others	Total
Cost basis at 1 Jan [1]	21 074	10 701		2 044	33 819
Additions	816	2 817	110	11	3 754
Disposals	–1 902	–2 684		–925	–5 511
Cost basis at 31 Dec	19 988	10 834	110	1 130	32 062
Book value at 31 Dec	19 988	10 834	110	1 130	32 062

[1] The book value of shares in associated companies and receivables from associated companies at 1 January 2003 has been used as the cost basis.

PARENT COMPANY EUR 1000	Shares in group companies	Associated companies	Others	Receivables group companies	Total
Cost basis at 1 Jan	1 830 951	5 405	1 963	12 000	1 850 319
Reclassifications	–245		245		
Additions	275 653		2 510		278 163
Disposals	–35 864			–100	–35 964
Cost basis at 31 Dec	2 070 495	5 405	4 718	11 900	2 092 518
Write-downs at 1 Jan 2003	–34 691				–34 691
Change	–292 775		–245		–293 020
Write-downs at 31 Dec	–327 466		–245		–327 711
Book value at 31 Dec	1 743 029	5 405	4 473	11 900	1 764 807

On the closing day, the repurchase price of publicly quoted shares (Comptel and Yomi) was EUR 100 million higher than the book value of the owner companies (EUR 27 million higher on 31 Dec 2002).

Group and parent company holdings at 31 December 2003

	Registered office	Group holding %	Parent company holding %
Group companies			
Oy Arvotel Ab	Helsinki	100%	100%
Comptel Corporation	Helsinki	58%	58%
Oy Probatus Ab	Tampere	35%	0%
Business Tools Oy	Tampere	35%	0%
Comptel Communications Sdn Bhd	Kuala Lumpur	58%	0%
Comptel Communications Inc.	Arlington	58%	0%
Comptel Communications Brasil Limitada	Sao Paulo	58%	0%
Comptel Communications Oy	Helsinki	58%	0%
Comptel PASSAGE Oy	Helsinki	58%	0%
Oy Dianatel Ab	Helsinki	100%	100%
ElisaCom Ltd	Helsinki	100%	100%
Elisa Internet Ltd	Helsinki	100%	0%
Elisa Solutions Ltd	Helsinki	100%	0%
Oy Heltel Ab	Helsinki	100%	0%
Invoicia Ltd	Helsinki	100%	0%
Elisa Kommunikation GmbH	Düsseldorf	100%	100%
ChemTel Telekommunikations GmbH Chemnitz	Chemnitz	75%	0%
Tropolys GmbH	Düsseldorf	71%	0%
TROPOLYS Netz GmbH	Dortmund	71%	0%
Jetz! Kommunikation GmbH & Co.KG	Jena	38%	0%
Jetz! Beteiligungs GmbH	Jena	38%	0%
pulsaar Gesellschaft für Telekommunikation mbH	Saarbrücken	71%	0%
TeleBeL Gesellschaft für Telekommunikation Bergisches Land mbH	Wuppertal	71%	0%
TeleLev Telekommunikation GmbH	Leverkusen	71%	0%
Tropolys Service GmbH	Dortmund	71%	0%
CNE Gesellschaft für Telekommunikation mbH	Essen	71%	0%
Citykom Münster GmbH Telekommunikationsservice	Münster	71%	0%
meocom Telekommunikation GmbH	Oberhausen	71%	0%
TROPOLYS Asset Management GmbH	Düsseldorf	71%	0%
DDkom – Die Dresdner Telekommunikationsgesellschaft mbH	Dresden	36%	0%
HU-KOM Telekommunikation GmbH	Hanau	71%	0%
Mainova Telekommunikation GmbH	Frankfurt/Main	36%	0%
MAINZ-KOM Telekommunikation GmbH	Mainz	52%	0%
tnp telenet potsdam kommunikationsgesellschaft mbH	Potsdam	71%	0%
Elisa Networks Ltd	Helsinki	100%	100%
Elisa Ventures Oy	Helsinki	100%	100%
Estera Oy	Helsinki	100%	64%
Computec Oy	Kouvola	100%	0%
Aretse Oy	Helsinki	100%	0%
JMS Group Oy	Helsinki	100%	0%
Oy Extel-Achterkamer Ab	Helsinki	100%	100%
Oy Extel-Bevaren Ab	Helsinki	100%	100%
Oy Extel-Grenzenloos Ab	Helsinki	100%	100%

	Registered office	Group holding %	Parent company holding %
Group companies (continued)			
Oy Extel-Grinniken Ab	Helsinki	100%	100%
Oy Extel-Grissen Ab	Helsinki	100%	100%
Oy Extel-Noodlottig Ab	Helsinki	100%	100%
Oy Extel-Onbeheerd Ab	Helsinki	100%	100%
Oy Extel-Opstopper Ab	Helsinki	100%	100%
Finnet International Ltd	Helsinki	51%	8%
Linenet Oy	Helsinki	51%	0%
AS Uninet	Tallinn	51%	0%
LNS Kommunikation AB	Stockholm	51%	0%
Preminet Oy	Helsinki	51%	0%
OOO LNR	St Petersburg	51%	0%
Fiotele Oy	Jyväskylä	100%	100%
FMS Dravit Asset Management GmbH	Düsseldorf	100%	100%
Lounet Oy	Turku	50%	46%
Förin Puhelin Oy	Turku	50%	0%
Lounet Oy Call Center	Turku	50%	0%
Kiinteistö Oy Paimion Puhelimenkulma	Paimio	39%	0%
Kiinteistö Oy Brahenkartano	Turku	30%	0%
Oy Radiolinja Ab	Espoo	100%	96%
Ecosite Oy	Espoo	100%	0%
Radiolinja Suomi Oy	Espoo	100%	0%
Kamastore Oy	Espoo	100%	0%
Radiolinja Aava Oy	Espoo	100%	0%
Radiolinja Eesti AS	Tallinn	99%	0%
Mobinest Oü	Tallinn	99%	0%
SIA Radiolinja Latvija	Riga	100%	0%
UAB Radiolinja	Vilnius	100%	0%
Radiolinja Origo Oy	Espoo	100%	0%
Radiolinja Solutions Oy	Espoo	100%	0%
Kiinteistö Oy Espoon Keilasatama 5	Espoo	100%	0%
Keilalahden Pysäköinti Oy	Espoo	71%	0%
Kiinteistö Oy Raision Luolasto	Espoo	100%	0%
Kiinteistö Oy Tapiolan Luolasto	Espoo	100%	0%
Witem Oy	Espoo	100%	0%
Rahoituslinkki Oy	Helsinki	100%	100%
Riihimäen Puhelin Oy	Riihimäki	100%	100%
RPOCom Oy	Riihimäki	100%	100%
Kiinteistö Oy Rinnetorppa	Kuusamo	100%	50%
Soon Com Ltd	Tampere	100%	0%
Soon Net Ltd	Tampere	100%	100%
Tampereen Tietoverkko Oy	Tampere	63%	0%
Tampereen Keskusantenni Oy	Tampere	63%	0%
Tam-Sat Oy	Tampere	63%	0%

Group companies (continued)	Registered office	Group holding %	Parent company holding %
Oy Telcofounding Ab	Helsinki	100%	100%
WW Value Oy	Helsinki	100%	100%
Yomi Plc	Jyväskylä	51%	33%
Fiaset Oy	Jyväskylä	51%	0%
Indata Oy	Espoo	51%	0%
Jyväsviestintä Oy	Jyväskylä	56%	0%
Jyväskylän Keskusantenni Oy	Jyväskylä	56%	0%
Kesnet Oy	Jyväskylä	51%	0%
Kestel Oy	Jyväskylä	51%	0%
Lancom Solutions Oy	Jyväskylä	51%	0%
Yomi Vision Oy	Jyväskylä	51%	0%
Yomi Solutions Oy	Jyväskylä	51%	0%
Yomi Applications Oy	Pori	51%	0%
Fonetic Oy	Pori	51%	0%
Stemca Solutions Oy	Pori	51%	0%
Votek Ltd	UK	51%	0%
Other companies (no activities)			

Group and parent company holdings at 31 December 2003

Associated companies	Registered office	Group holding %	Parent company holding %
Datawell Oy	Espoo	20%	0%
Hlkomm Telekommunikations GmbH	Leipzig	19%	0%
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50%	0%
Kiinteistö Oy Ratavartijankatu 5	Helsinki	34%	0%
Kiinteistö Oy Runeberginkatu 43	Helsinki	30%	9%
Mobicus Oy	Helsinki	12%	0%
Racap Solutions Oy	Espoo	35%	0%
Sofia Digital Oy	Helsinki	27%	0%
Tango Telecom Ltd	Ireland	12%	0%
Tikka Communications Oy	Joensuu	24%	12%
Vantaan Yhteisverkko Oy	Vantaa	24%	24%
Pispalan Televisio Oy	Tampere	28%	0%
Suomen Numerot NUMPAC Oy	Helsinki	33%	0%
Deco Media Ltd	Helsinki	42%	0%

The unamortised goodwill of the associated companies at 31 December 2003 was EUR 6 million (EUR 5 million in 2002).
The date of the balance sheet for all associated companies was 31 December 2003.

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company
12. Inventories				
Materials and equipment	6 587	8 191		
Work in progress	1 095	2 190		
Finished goods	8 210	9 644		
Advance payments	18	644		
Total	15 910	20 669		
13. Long-term receivables				
Amounts owed by group companies [1]				
Loans receivable			79 941	132 986
Amounts owed by associated companies [2]				
Loans receivable	197	71		
Amounts owed by others [3]				
Trade receivables	34	41		
Loans receivable		3 061		2 511
Other receivables		1 494		
Prepayments and accrued income	2 779	2 643	677	894
Total	3 010	7 310	80 618	136 391

[1] Long-term loans receivable from group companies include EUR 50 million (50) loans receivable from German subsidiaries. The prerequisite for the repayment of these loans is that a full margin is calculated on the equity of the debtor.

[2] Long-term loans receivable from associated companies consist of a subordinated loan described in Chapter 5 of the Companies Act. A maximum of 10 per cent annual interest is charged for the loan, provided that it is feasible with regard to distributable funds. The loan will be paid back in one batch after a full margin can be calculated on the restricted capital and other non-distributable items.

[3] Long-term prepayments and accrued income under amounts owed by others include EUR 0.7 million (0.9) of unrecognised issue loss. Long-term loans receivable include a EUR 0 (2.5) million convertible subordinated loan in compliance with Chapter 5 of the Companies Act.

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company

14. Current receivables

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company
Amounts owed by group companies				
Trade receivables			5 603	8 138
Loans receivable			114 869	110 197
Other receivables			176 977	147 500
Prepayments and accrued income			164	235
			297 613	266 070
Amounts owed by associated companies				
Trade receivables	1 129	271	20	22
Loans receivable	346	70		
Other receivables	105	53		
	1 580	394	20	22
Amounts owed by others				
Trade receivables	275 640	247 564	1 477	1 404
Loans receivable	483	556		
Other receivables	37 354	42 584	24 690	3 251
Prepayments and accrued income [1)]	34 284	35 692	1 541	2 499
	347 761	326 396	27 708	7 154
Total	349 341	326 790	325 341	273 246

[1)] Prepayments and accrued income comprise EUR 10 million income tax assets, EUR 2 million of interest receivables and mainly other regular matching of sales and operational expenses of EUR 22 million.

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company
15. Shareholders' equity				
Share capital at 1 Jan	69 006	69 006	69 006	69 006
Share capital at 31 Dec	69 006	69 006	69 006	69 006
Share premium account at 1 Jan	516 672	516 672	516 672	516 672
Share premium account at 31 Dec	516 672	516 672	516 672	516 672
Contingency fund at 1 Jan	3 382	3 382	3 382	3 382
Contingency fund at 31 Dec	3 382	3 382	3 382	3 382
Retained earnings at 1 Jan	126 682	181 020	514 095	563 291
Changes in Elisa Corporation shares (treasury shares) owned by subsidiaries and associated companies		16 763		
Translation and other differences	–136	–225		
Retained earnings at 31 Dec	126 546	197 558	514 095	563 291
Net profit for the financial year	–16 505	–70 876	–197 669	–49 196
Total	699 101	715 742	905 486	1 103 155
Statement of distributable equity at 31 Dec				
Retained earnings	126 546	197 558	514 095	563 291
Net profit for the financial year	–16 505	–70 876	–197 669	–49 196
– Capitalised formation expenses		–688		
– Share of accumulated depreciation difference and untaxed reserve booked in shareholders' equity	–97 645	–115 346		
Distributable funds, total	12 396	10 648	316 426	514 095

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company

16. Provisions for liabilities and charges

Provision for leasing liability of the GSM network (see note 21)	27 342	69 664		
Provision for business arrangements and pensions [1]	22 245		7 531	
Other provisions for liabilities and charges	1 987	1 831	803	
Total	51 574	71 495	8 334	

[1] Due to the completion of statutory labour reduction talks, the group has, in addition to provisions for liabilities and charges, booked payroll costs including statutory personnel costs of EUR 9.2 million, pensions of EUR 11.7 million as well as other expenses of EUR 1.3 million. In the parent company, the corresponding addition in provisions for liabilities and charges of EUR 7.5 million comprises payroll and pension costs.

17. Deferred tax liabilities and assets

Deferrred tax assets				
from mergers	71 778	7 485		
based on the balance sheets of the group companies	39 355	49 888		
Total	111 133	57 373		
Deferred tax liabilities				
from appropriations	20 214	32 475		
from mergers		191		
based on the balance sheets of the group companies	8 993	10 313		
Total	29 207	42 979		
Deferred tax assets/liabilities (net)	81 926	14 394		

18. Liabilities

Interest-bearing debts				
Long-term	608 573	705 090	551 112	651 112
Short-term	137 990	126 032	509 606	501 957
Total	746 563	831 122	1 060 718	1 153 069
Non-interest-bearing debts	355 112	396 403	242 485	41 948
Debts total	1 101 675	1 227 525	1 303 203	1 195 017

19. Long-term debt

Amounts owed to others				
Bonds	471 500	571 500	471 500	571 500
Loans from financial institutions	45 515	53 381		
Loans from pension funds	79 612	79 612	79 612	79 612
Advances received	7 590	8 740		
Other liabilities	12 283	1 734		
Total	616 500	714 967	551 112	651 112

Bond loans

In the framework of its bond, programmes the Parent Company has issued the following bonds:

		31 Dec 2003 EUR million	Nominal interest rate	31 Dec 2003 Interest rate	Maturity date
Bond loan programme 1999 / EUR 335 million					
	I/1999	71.5	4.75%	4.75%	18.6.2007
EMTN programme 2001 / EUR 1000 million					
	I/2001	300.0	6.375%	6.375%	31.1.2006
	II/2002	20.0	6-month euribor + 0.91%	3.072%	8.4.2007
	III/2002	20.0	6-month euribor + 1.02%	3.182%	8.4.2009
	IV/2002	30.0	3-month euribor + 0.93%	3.075%	8.4.2008
	V/2002	10.0	6-month euribor + 1.00%	3.162%	8.4.2009
	VI/2002	10.0	6-month euribor + 1.00%	3.162%	8.4.2009
	VII/2002	10.0	6-month euribor + 0.91%	3.072%	8.4.2007
	VIII/2002	100.0	3-month euribor + 0.93%	3.057%	7.10.2004
Total		571.5			

The loan arrangements include so-called covenant terms.

Warrants

The exercise period for warrant A started on 2 May 2002 and on 2 May 2003 for warrant B. The exercise period for both warrants will end on 31 October 2005.

Rahoituslinkki cannot subscribe for shares by virtue of the warrants attached to the bond. With the decision of the Board of Directors of Elisa Corporation, Rahoituslinkki may offer warrants for subscription by current or future key persons. At 31 December 2003, the division of warrants was as follows:

	Public and personnel	Rahoituslinkki	Total
A warrant	2 938 400	661 600	3 600 000
B warrant	2 825 950	774 050	3 600 000
Total	5 764 350	1 435 650	7 200 000

The number of warrants held by the public, management and personnel at 31 December 2003 equalled the right to subscribe to a total of 5.8 million shares, which accounts for 4.2 per cent of the company's shares and voting rights.
The warrants may be exercised to subscribe to a maximum of 7.2 million shares equivalent to 5.2 per cent of the company's shares and voting rights.

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company
Loans falling due after more than five years				
Bonds	40 000	70 000	40 000	70 000
Loans from pension funds [1]	79 612	79 612	79 612	79 612
Total	119 612	149 612	119 612	149 612

20. Short-term debt

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company
Amounts owed to group companies				
Trade payables			85	2 194
Consolidated account payable			383 897	377 158
Other liabilities			207 247	5 211
Accruals and deferred income			728	935
			591 957	385 498
Amounts owed to associated companies				
Trade payables	716	136		20
Other liabilities		54		
	716	190		20
Amounts owed to others				
Bonds	100 000	51 800	100 000	51 800
Loans from financial institutions	1 728	2 109		
Financial Services Office's loans to the personnel [2]	8 236	12 312	8 236	12 312
Advances received	4 583	5 157		
Trade payables	165 259	161 938	3 148	2 757
Other liabilities	57 128	117 777	20 310	63 121
Accruals and deferred income [3]	147 524	161 275	28 440	28 397
	484 458	512 368	160 134	158 387
Total	485 175	512 558	752 091	543 905

[1] Comprise loans from pension funds, to which no repayment period has been specified.

[2] Financial Services Office's loans have been granted to the group's employees. The loans are small, under EUR 20 000. Beneficiaries also include shareholders who are company employees.

[3] The most significant accruals and deferred income comprises matched holiday pay, including social security contributions EUR 48 million, interest costs 30 million, income taxes EUR 4 million, GSM network buybacks EUR 3 million, advance payments of rental income EUR 12 million, as well as other regular matching of expenses EUR 51 million.

EUR 1000	2003 Group	2002 Group	2003 Parent company	2002 Parent company
21. Security interests, contingencies and other liabilities				
Mortgages				
for own loans				
Loans from pension funds	56 177	56 177	56 177	56 177
Assets mortgaged	47 213	47 213	47 213	47 213
Loans from financial institutions		991		
Assets mortgaged	4 500	4 628		
Other surety	6 782			
Assets mortgaged	18 461	14 731	1 477	1 477
Assets mortgaged, total	76 956	66 572	48 690	48 690
Pledges given				
for own loans				
Consolidated account payable			40 453	45 072
Shares pledged			50 000	56 000
Other loans	18 546	16 056	18 546	16 056
Bank deposits given	23 657	10 454	23 412	7 229
Pledges, total	23 657	10 454	73 412	63 229
Guarantees given				
for group companies			16 328	28 022
for others	10 958	10 975	10 959	10 975
Guarantees, total	10 958	10 975	27 287	38 997
Total	111 571	88 001	149 389	150 916
Leaseback commitments (QTE)	160 712	193 553	160 712	193 553
Payments on leasing and rental agreements	69 959	72 331	2 731	5 549
Amounts payable during the current year	24 447	27 419	1 220	3 485
Amounts payable later	45 512	44 912	1 511	2 064
Repurchase commitments	2 671	2 980	777	2 904
Other commitments	20 554	51 889	3 364	22 239

Liabilities related to the lease/leaseback agreement (QTE facility)/Leasing and rental agreements

In September 1999, Elisa Corporation signed a leaseback agreement (so-called QTE facility) with U.S.-based capital investors. The arrangement concerns certain parts of the telecommunication network to which Elisa Corporation's group companies retain the title in accordance with the agreement. The overall leasing assets and liabilities arising from the arrangement were paid at the time the facility was arranged. The company received net compensation of around EUR 13 million, EUR 1.3 million of which was capitalised in other financing income in 2003. The compensation will be capitalised in full within ten years of the agreement having been signed.

Elisa Corporation previously owned the network infrastructure included in the QTE facility. Owing to incorporations and business transfers, 51 per cent of the liability related to the QTE facility is linked to the network infrastructure of Elisa Networks Ltd and 49 per cent to that of Radiolinja Origo Oy. In addition to Elisa Corporation, the company primarily responsible for the network capital related to the QTE facility, Radiolinja Origo Oy and Elisa Networks Ltd also have certain specified liabilities.

The arrangement is not expected to generate other cash flows to the company than the aforementioned net compensation. The liability of the companies and the group in this arrangement is restricted to a situation in which the financial institution responsible for relaying the company's leases fails to carry out its commitments.

Lease liabilities of GSM network/Leasing and rental agreements

Oy Radiolinja Ab has implemented a part of its network investments through long-term supply agreements. On the basis of these agreements, Radiolinja has, in certain situations, the pre-emptive right and duty to purchase the equipment specified in the agreements for their market value, or Radiolinja is responsible for redeeming the equipment specified in the agreements for their residual value.

Oy Radiolinja Ab leased during 1990–1999 a significant part of the mobile network it uses from telcos. The network was transferred to Radiolinja Origo through a business transaction. The leasing has been based on long-term financing agreements so that in line with those agreements, renting expenses focuse on the latter part of the term of the lease. The first period of agreement is always ten years, after which the contracting parties can continue the duration of the agreement at their discretion. On the basis of the agreements, Radiolinja Origo Oy is committed to regular payments. The acquisition price of these delivery agreements acquired from outside the group totalled around EUR 48 million at the end of 2003. Relating to these agreements, EUR 77 million obligatory reserve was created in the financial period of 2002, of which EUR 27 million (70) remained at 31 December 2003. The reserve will be capitalised against paid access right compensations and potential GSM network buybacks.

Calculated in accordance with the interest rate specified in the agreements valid at 31 December 2003, future rents in respect of business agreements outside the group is as follows (EUR million):

Year	2004	2005	2006	2007	2008	2009	2010
	10.3	9.3	7.3	5.0	2.9	0.8	0.0

Lease liabilities of the data communication network/Leasing and rental agreements

The access right charges of Elisa Solution Ltd's and Elisa Networks Ltd's backbone network connections are based on agreements that usually last five (5) years. The estimated amount of lease liability outside the group at the end of 2003 was approximately EUR 16 million.

Lease liabilities of the telecommunication network of German subsidiaries/Leasing and rental agreements

Elisa Kommunikation GmbH's subsidiaries have long-term leasing agreements for telecommunication networks. Lease liabilities concerning these agreements were EUR 133 million at the end of 2003. The aforementioned liabilities derive mainly from the companies belonging to the Tropolys GmbH Group.

Real estate lease liabilities/Leasing and rental agreements

On the basis of a long-term rent agreement, Yomi Plc is liable for the capital rent, totalling EUR 14.5 million. This is presented as a liability in the notes on the financial statements and is related to its office facilities. The company is also liable for all use and maintenance-related expenses concerning the facilities, as well as for its due share of the corresponding expenses of the building's other rented facilities. Furthermore, unless Yomi Plc itself should exercise the right to purchase the facilities, the option agreement related to the rent agreement provides that, on request, Yomi Plc is entitled to assign a third party to purchase the facilities no later than at the end of the lease period. The purchase price is 60 per cent of the facilities' original total acquisition cost.This capital rent liability is included in other liabilities.

Other commitments

Acquisitions carried out during the year include vendor's standard assurances, which equal the price of the transaction at the maximum. The aggregate maximum liability of these kinds of assurances was around EUR 3 million on 31 December 2003. This sum is included in other liabilities.

Responsibility for the charges caused by the warrant scheme

Group employees are participants in Elisa Corporation's warrant scheme dated on 20 November 2000. Companies are committed to take the responsibility for employer's payments resulting from any implementation or redemption of warrants, in accordance with current valid legislation. Any social security costs incurred by the group as a result of the scheme are to be booked in the income statement based on the difference between the price of the share quoted at the date of the balance sheet and the issue price. Employer obligations of the group arising from the warrrant certificates issued for the personnel was not substantial at the date of the balance sheet.

Derivative instruments

EUR 1 000	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002
Forward contracts				
Value of underlying instrument	14 232	13 348		
Market value	1 734	850		

••• 22. Financial risk management

The Parent Company is principally responsible for the Elisa group's finance, and subsidiaries' financing is done through intra-group loans as a rule. The liquidity of group companies is centralised by means of corporate accounts. The accounting and finance department is in charge of investing liquidity surpluses.

Interest rate risk

In order to manage the interest rate risk, the group's loans and investments have been decentralised into fixed and floating rate instruments. Derivative instruments may be used in managing the interest rate risk. The aim is to hedge from the negative effects caused by fluctuations in interest rates. In 2003, derivative instruments were not used. The Parent Company's accounting and finance department is in charge of managing the interest rate risk.

Foreign exchange risk

A principal part of the Elisa group's cash flow is in euros. In this case the company's exposure to the foreign exchange risk (economic risk and transaction risk) is small. The most significant risk is caused by Comptel Corporation, which manages its foreign exchange risk independently. The translation exposure of Elisa's shareholders' equity, mainly due to Radiolinja Estonia, was moderate at the end of 2003. The translation exposure is not hedged.

Liquidity risk

Management of the liquidity risk aims at ensuring the group's financing in all circumstances. The company's main finance arrangement is the EUR 1000 million EMTN programme, in the framework of which bonds worth EUR 500 million have been issued. During the financial year the company renewed its EUR 170 million syndicated credit line. In addition, the company has a EUR 150 million commercial paper programme. At the end of 2003, the amount of the group's liquid assets and investments stood at EUR 67 million. On the balance sheet date, the long-term committed credit lines for withdrawal amounted to EUR 170 million. The Parent Company's accounting and finance department is responsible for managing the liquidity risk.

Credit risk

Business units are responsible for the credit risk associated with accounts receivable. Financial instruments contain an element of risk, if the respective parties are unable to meet the terms of their contracts. Investments of liquid assets are made within the framework of set limits for targets with high creditworthiness. Investment targets and the limits specified for them are either reviewed annually, or more often if necessary. Current investments are monitored, and the respective parties are not expected to default given their high credit ratings. Exchange rate and interest derivative agreements are only signed with Finnish and foreign banks with good credit ratings.

Credit ratings

To ensure part of its financing, Elisa has acquired international credit ratings. Moody's Investor Services have categorised Elisa's long-term commitments as Baa2 (outlook stable). Standard & Poor's has categorised the company's long-term commitments to BBB (outlook stable) and short-term commitments to A–2.

Financial indicators

Key indicators describing the group's financial development

··· Income statement	2003	2002	2001	2000	1999
Revenue, EUR million	1 538	1 563	1 439	1 244	1 068
Change of revenue, %	–1.6%	8.6%	15.6%	16.5%	36.8%
EBITDA, EUR million	385	333	424	360	409
EBITDA as % of revenue	25.0%	21.3%	29.5%	29.0%	38.3%
EBIT, EUR million	–34	–48	108	149	217
EBIT as % of revenue	–2.2%	–3.1%	7.5%	12.0%	20.3%
Profit before extraordinary items, EUR million	–74	–103	46	94	210
Profit before extraordinary items and taxes as % of revenue	–4.8%	–6.6%	3.2%	7.5%	19.7%
Profit after extraordinary items, EUR million	–74	–100	46	94	202
Profit after extraordinary items as % of revenue	–4.8%	–6.4%	3.2%	7.5%	18.9%
Return on equity (ROE), %	–1.8%	–12.1%	0.5%	4.7%	20.7%
Return on investment (ROI), %	–1.7%	–2.7%	6.6%	9.8%	23.4%
Research and development costs, EUR million	24	36	36	23	15
Research and development costs as % of revenue	1.6%	2.3%	2.5%	1.9%	1.4%
··· Balance sheet					
Gearing ratio, %	87.5%	94.8%	93.8%	96.5%	16.5%
Current ratio	1.1	0.9	0.7	0.5	1.4
Equity ratio, %	40.4%	38.3%	40.1%	40.3%	52.8%
Non-interest-bearing liabilities, EUR million	355	396	388	337	306
Balance sheet total, EUR million	1 930	2 098	2 151	1 734	1 413
··· Financial assets					
Purchases of shares, EUR million	28	16	242	726	285
··· Gross capital expenditures					
Gross investments, EUR million	194	269	373	252	222
Gross investments as % of revenue	12.6%	17.2%	25.9%	20.2%	20.8%
··· Personnel					
Average number of employees during the financial period	7 172	8 115	7 783	6 161	5 489
Revenue/employee, EUR 1000	214	193	185	202	195

The order book is not shown because such information is immaterial owing to the nature of the company's business.

··· Formulae for financial summary indicators

EBITDA = EBITDA is calculated by adding depreciations, amortisations and write-downs to EBIT

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit before extraordinary items – taxes}}{\text{Shareholders' equity + minority interest (on average during the financial year)}} \times 100$$

$$\text{Return on investment (ROI), \%} = \frac{\text{Profit before extraordinary items and taxes + interest costs and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (on average during the financial year)}} \times 100$$

$$\text{Gearing ratio, \%} = \frac{\text{Interest-bearing debts – cash and bank – short–term investments}}{\text{Shareholders' equity + minority interests}} \times 100$$

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Short-term debts – advances received}}$$

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

Per share data

	2003	2002	2001	2000	1999
Share capital, EUR	69 005 878.5	69 005 878.5	69 005 878.5	62 532 533	42 157 725
Number of shares on 31 December	138 011 757	138 011 757	138 011 757	125 065 067	84 315 450
Average number of shares	138 011 757	138 011 757	130 257 868	123 428 136	84 315 450
Number of shares on 31 December, diluted [1]	138 011 757	138 011 757	138 011 757	132 647 840	
Average number of shares, diluted	138 011 757	138 011 757	130 257 868	125 909 180	
Market capitalisation, EUR million [2]	1 455	785	1 847	2 868	3 141
Earnings per share (EPS), EUR	–0.12	–0.54	0.01	0.18	1.11
Dividend per share, EUR	*)			0.07	0.20
Payout ratio, %				39%	18%
Equity per share, EUR	5.09	5.21	5.67	5.29	5.47
P/E ratio	–88	–11	1 361	127	33
Effective dividend yield, %				0.3%	0.5%
Performance of A shares on the Helsinki Exchanges [3]					
Middle price, EUR	7.62	8.21	16.42	38.28	22.92
Closing price on 31 December, EUR	10.60	5.72	13.61	22.93	37.25
Lowest price, EUR	4.67	4.46	8.70	21.00	16.85
Highest price, EUR	11.50	15.50	25.01	58.00	37.25
Trading of A shares					
Total number of A shares traded, 1000 shares [4]	87 873	66 127	85 939	60 114	19 479
Percentage of A shares traded, % [5]	64%	49%	63%	48%	23%

*) The Board of Directors recommends that no dividend be paid for 2003.

1) Diluted by convertible bond loans and notes with warrants.

2) Calculated at the closing price on the last trading day of the year.

3) The shares were first quoted on the Helsinki Exchanges on 1 July 1999.

4) Total trading figures for 1999 are for the period 1 July–30 December 1999.

5) Calculated in relation to the number of A shares at the balance sheet date.

··· Formulae for per share data

$$\text{Earnings per share (EPS)} = \frac{\text{Profit before extraordinary items – taxes – minority interests}}{\text{Adjusted number of shares for the financial year}}$$

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

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

$$\text{Dividend payment ratio, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$$

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

$$\text{P/E ratio} = \frac{\text{Trading price at the balance sheet date}}{\text{Earnings per share (EPS)}}$$

Shares and shareholders

1. Share capital and shares

The company's share capital, paid and registered in the Trade Register, amounted to EUR 69 005 878.50 at the end of the financial year. The minimum capital in accordance with the Articles of Association is EUR 25 000 000, and the maximum capital is EUR 100 000 000.

In accordance with the Articles of Association of Elisa Corporation, it has been possible to divide the company's shares into A and B series of shares. Shares in the A and B series entitle the holder to one vote. According to the Articles of Association, the maximum number of A shares is 200 000 000, while the maximum number of B shares is 10 000. As stipulated by the Articles of Association, the company may only have A shares after 1 January 2004. During the financial period 2003, the company had only A shares in its possession.

Until 31 December 2003, HPY:n tutkimussäätiö – HTF:s forskningsstiftelse (HPY Research Foundation) had the right to convert A shares in its possession into B shares, provided that the conversion kept the number of shares within the minimum and maximum range stipulated for the share series. On 31 December 2003, HPY Research Foundation held 3 000 A shares. HPY Research Foundation did not exercise its right to convert A shares into B shares.

At the end of the financial period, the number of shares in Elisa Corporation was 138 011 757, consisting entirely of A shares. The nominal value of each share is 0.50 euro

2. Treasury shares

Company	Shares	Nominal value	% of shares and votes
Yomi Plc	556 870	278 435.00	0.40%
Lounet Oy	210 000	105 000.00	0.15%
Riihimäen Puhelin Oy	13 900	6 950.00	0.01%
Aretse Oy	450	225.00	0.00%
Computec Oy	343	171.50	0.00%
Elisa group, in total	781 563	390 781.50	0.57%

The Elisa Corporation shares held by the group have no significant effect on the distribution of holdings and voting rights in the company.

The Board of Directors of Elisa Corporation is not authorised to purchase the group's treasury shares.

3. Warrant programme 2000

The extraordinary general meeting of Elisa Corporation on 20 October 2000 decided to offer a loan with warrants to the group's personnel. The loan with warrants was offered to the personnel of the group and to Rahoituslinkki Oy, a fully-owned subsidiary of the group. The shareholders' right to subscription was waived, since the loan is intended to form a part of the group's incentive and employee retention programme.

The value of the loan with warrants was EUR 3 600 000. The loan was non-interest-bearing, and the loan period was from 30 November 2000 to 30 November 2002. The loan is associated with 7 200 000 warrants, 3 600 000 of which are designated by the letter A and the other 3 600 000 by the letter B. The subscription price for an A share is EUR 38.07 using an A warrant and EUR 20.55 using a B warrant. The subscription price will, on the record date for each payment of dividend, be reduced by the amount of any cash dividends paid subsequent to the determination period and before any subscription. The exercise period for warrant A started on 2 May 2002 and for warrant B on 2 May 2003, and the exercise period for both warrants will end on 31 October 2005.

As a result of the subscriptions, the share capital of Elisa Corporation may increase by a maximum of EUR 3 600 000 and the number of shares by a maximum of 7 200 000.

The shares entitle the holder to dividends for the financial period during which they are subscribed. The other rights start when the increase in share capital has been registered in the Trade Register.

On 31 December 2003, Rahoituslinkki Oy possessed 661 600 A warrants and 774 050 B warrants. Rahoituslinkki Oy is allowed to transfer the warrants to persons employed by or recruited into the group in a manner approved by the Board of Directors.

4. Board of Directors' authorisations

The Annual General Meeting of 2003 authorised the Board of Directors to decide on increasing the company's share capital within one year from the decision. The board was to achieve this through one or more new issues, one or more convertible bonds and/or warrants so that, in a new issue the subscription of new A shares in exchange for the convertible bonds and pursuant to warrants may be 27.6 million shares at the maximum, and the company's share capital can be increased by a maximum of EUR 13.8 million in total. The authorisation became valid on 4 April 2003.

The authorisation entitles the board to disapply the pre-emption rights of the existing shareholders to subscribe to new shares, convertible bonds and/or warrants and to decide the determination principles and issue prices, the terms and conditions for subscribing for new shares and the terms of the convertible bond and warrants. The pre-emption rights of shareholders may be waived by means of this authorization if there exists an important financial reason for doing so, such as financing, implementing or enabling corporate acquisitions or other cooperation arrangements strengthening or developing the company's financial or capital structure or carrying out other arrangements related to development of the company's activities. The Board of Directors is allowed to decide on those entitled to subscribe to the aforementioned but such a decision may not be made for the benefit of members of the company's inner circle. The Board of Directors is entitled to decide that the shares to be issued in a new issue, convertible bond or warrant can be subscribed for in kind or otherwise on certain conditions or by using the right of set-off.

The authorisation was not exercised in 2003.

5. Management interests

The members of the Board of Directors, the CEO and his deputy held a total of 32 135 A shares and voting rights on 31 December 2003, corresponding to 0.02 per cent of the shares and voting rights. The members of the Board of Directors or the CEO hold no warrants in their possession.

6. Share performance

The A share of Elisa Corporation closed at EUR 10.60 on 31 December 2003. The highest quotation of the year was EUR 11.50 and the lowest EUR 4.67. The average price was EUR 7.62.

At the end of the financial year, Elisa Corporation had a market capitalisation of EUR 1 455 million.

7. Quotation and trading

The A share of Elisa Corporation is listed on the Main List of the Helsinki Stock Exchange under the symbol ELIAV. From 1 January to 31 December 2003, a total of 87 872 532 shares were traded, corresponding to a total value of EUR 670 million. The trading volume was 64.0 per cent of the average number of shares outstanding during the financial year.

8. Shareholdings by owner group as on 31 December 2003

	Shares	%
1a. Public companies	642 013	0.47%
1b. Private companies	11 950 746	8.66%
2. Finance and insurance companies	13 356 296	9.68%
3. Public sector entities	17 465 189	12.65%
4. Non-profit making entities	3 852 386	2.79%
5. Private households	50 904 686	36.88%
6. Foreign	467 583	0.34%
7. Joints accounts and waiting lists	570 300	0.41%
Nominee registered	38 020 995	27.55%
Elisa group	781 563	0.57%
Total	138 011 757	100.00%

9. Analysis of shareholdings as on 31 December 2003

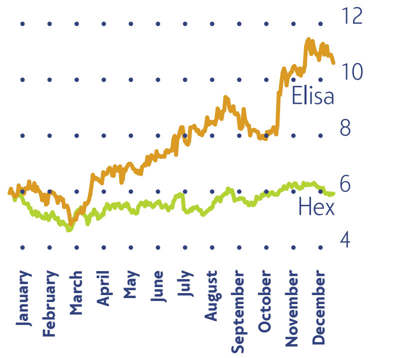
Size of shareholding	No of shareholdings	%	No of shares	%
1–100	19 958	7.09%	1 030 208	0.75%
101–500	251 360	89.32%	44 606 406	32.32%
501–1 000	6 326	2.25%	4 320 784	3.13%
1 001–5 000	3 057	1.09%	5 934 736	4.30%
5 001–10 000	328	0.12%	2 334 535	1.69%
10 001–50 000	266	0.09%	6 002 921	4.35%
50 001–100 000	48	0.02%	3 604 050	2.61%
100 001–	69	0.02%	68 826 254	49.87%
Total	281 412	100.00%	136 659 894	99.02%
On waiting list, total			150	0.00%
In joint accounts			570 150	0.41%
Elisa group			781 563	0.57%
Number issued			138 011 757	100.00%

10. Largest shareholders as on 31 December 2003

	Shares	%
1 Sampo Life Insurance Company	4 000 000	2.90%
2 Varma-Sampo Mutual Pension Insurance Company	3 750 000	2.72%
3 Ilmarinen Mutual Pension Insurance Company	2 495 360	1.81%
4 State Pension Fund	1 470 000	1.07%
5 City of Helsinki	1 124 390	0.81%
6 Mutual Insurance Company Kaleva	1 100 000	0.80%
7 State of Finland / State Treasury	994 865	0.72%
8 Local Government Pension Institutions	841 728	0.61%
9 Tapiola General Mutual Insurance Company	831 400	0.60%
10 Etera Mutual Pension Insurance Company	646 754	0.47%
11 Kesko Pension Fund	609 920	0.44%
12 Suomi Mutual Life Assurance Company	600 000	0.43%
13 Oy Premiere Holding Ab	600 000	0.43%
14 Tapiola General Mutual Insurance Company	579 671	0.42%
15 OP-Delta Equity Fund	576 050	0.42%
16 Pohjola Non-Life Insurance Company Ltd	450 000	0.33%
17 Equity Fund Gyllenberg Finlandia	400 000	0.29%
18 Mutual Insurance Company Pension-Fennia	393 631	0.29%
19 City of Espoo	374 650	0.27%
20 Fortum's Pension Fund	362 358	0.26%
Elisa group, total	781 563	0.57%
Elisa Group Pension Fund	722 363	0.52%
Nominee registered	38 020 995	27.55%
Other than listed	76 286 059	55.28%
Total	138 011 757	100.00%

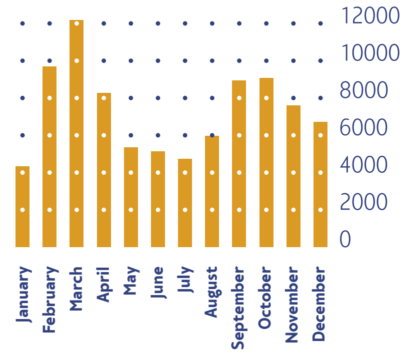
11. Daily share performance

(closing price, EUR)



12. Trading

(shares/month, per 1000 shares)



Proposal by the Board of Directors for the distribution of profit

The consolidated shareholders' equity on the balance sheet of 31 December 2003 is EUR 699 101 000, of which EUR 12 396 000 is distributable.

The parent company's shareholders' equity on the balance sheet of 31 December 2003 is EUR 905 485 523.04, of which EUR 316 425 540.58 is distributable.

The parent company's loss from 1 January to 31 December 2003 is EUR 197 669 578.05.

The Board of Directors proposes that no dividend be paid for 2003 and the loss for the financial year be transferred to retained earnings.

Helsinki, 11 February 2004

Keijo Suila Chairman of the Board	Ossi Virolainen	Matti Aura
Mika Ihamuotila	Pekka Ketonen	Jere Lahti
Veli-Matti Mattila President and CEO		

Auditors' report

To the shareholders of Elisa Oyj

We have audited the accounting, the financial statements and the corporate governance of Elisa Oyj for the period from January 1, 2003 to December 31, 2003. 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 Chief Executive Officer. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted our audit in accordance with the 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 the audit of corporate governance is to examine that the members of the Board of Directors and the Chief Executive Officer 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 Board of Directors and the Chief Executive Officer of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors concerning the distributable assets is in compliance with the Companies Act.

Helsinki, 24 February 2004

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
Authorised Public Accountant

Corporate governance and structure

Elisa Corporation's domestic core business organisation comprises three units: Customers, Products and Networks. Elisa's financial result is reported as in the previous years, by mobile business, fixed network business, Germany-based business and others.

Annual General Meeting

The ultimate decision-making power in Elisa Corporation is vested in the Annual General Meeting. Among other things, the meeting approves the consolidated income statement and balance sheet. It also declares the dividend to be paid at the Board of Directors' proposal, appoints members to the Board of Directors, appoints the auditors, and approves the discharge of the members of the Board of Directors and the CEO from liability.

The 2004 Annual General Meeting of Elisa Corporation will be held at the Helsinki Fair Centre, Messuaukio 1, Helsinki, at 1:00 pm, 31 March 2004.

Board of Directors

Composition and term of office

In accordance with the Articles of Association, the Board of Directors of Elisa Corporation comprises a minimum of 5 and a maximum of 9 members. The Members of the Board are appointed by the Annual General Meeting for a one-year term of office starting at the closing of the relevant appointing General Meeting and ending at the closing of the next General Meeting after the new appointments are made. The Board of Directors elects a chairman and deputy chairman from among its members. At present, the Board of Directors comprises 6 members.

Tasks

The Board of Directors is responsible for administering the company and arranging its operations appropriately. The Board of Directors has confirmed its rules of procedure that include the meeting practices and the tasks of the Board. The general task of the Board of Directors is to focus the corporation's operations so that it will generate the greatest possible added value on invested equity, keeping the interests of the corporation's various interest groups in mind.

In order to reach its objectives, the Board of Directors:

- Confirms the corporation's ethical values and procedures and monitors their realisation;
- Monitors the corporate management's disclosure of information to the shareholders and securities markets and, if necessary, discusses the formation of shareholder interest and market attitudes;
- Makes a dividend proposal to the Annual General Meeting, in accordance with the dividend policy;
- Annually confirms the corporation's basic strategy and the business targets derived from it for the planning period;
- Annually approves the financial and operating plan and the business targets based on it;
- Approves the total sum of annual investments and makes separate decisions on large and strategically significant investments, divestments and acquisitions;
- Approves significant entries into new business areas or foreign countries;
- Annually studies the technical development of the industry and the general situation regarding demand and competition, and assesses the crucial risks of the corporation on the basis of an analysis prepared by the CEO;
- Discusses and approves any interim accounts and interim reports, as well as the annual accounts and the Report by the Board of Directors;
- Confirms the main characteristics of the corporation's organisational structure;
- Appoints and, if necessary, discharges the CEO and his/her immediate subordinates, as well as decide on their employment terms and incentive schemes;
- If necessary, prepares proposals for the Annual General Meeting regarding bonus schemes for the management and personnel;
- Annually assesses its own operations.

Committees

The Board of Directors has established a Committee for Remuneration Evaluation and Appointments and a Committee for Auditing.

The Chair of the Board of Directors' chairs the Committee for Remuneration Evaluation and Appointments. In 2003, Keijo Suila was chairman and Mika Ihamuotila and Pekka Ketonen were members of the Committee. The aforementioned Committee inter alia deals with issues concerning incentive schemes and rewards for the management, as well as prepares a proposal on Board members for the Annual General Meeting.

The Board's vice chairman acts as the chairman of the Committee for Auditing. In 2003, Ossi Virolainen was chairman and Matti Aura and Jere Lahti were members of the Committee. The tasks of this Committee are to monitor that financial

The Board of Directors of Elisa Corporation: from left Mika Ihamuotila, Jere Lahti, Pekka Ketonen, Keijo Suila (chairman), Ossi Virolainen (deputy chairman) and Matti Aura

reporting, accounting and asset management, as well as external and internal auditing and risk management have been duly organised.

••• In 2003, the Committee for Remuneration Evaluation and Appointments convened four times and the Committee for Auditing three times.

••• Meetings and remuneration

The Board of Directors generally convenes monthly. The CEO of Elisa Corporation acts as the presenting official. The members of the Board of Directors are paid the following emoluments, which are decided upon and set by the Annual General Meeting:

- monthly remuneration fee for the Chairman EUR 3 400 per month
- monthly remuneration fee for the Members EUR 1 700 per month
- meeting remuneration fee EUR 250/meeting/participant

••• The monthly remuneration fees (deducted by 60 per cent calculated tax withholding) are used for purchases of Elisa Corporation shares every quarter. The shares are subject to a transfer restriction of four years. In 2003, a total of 1 957 Elisa Corporation shares were issued to chairman of the Board and 1 070 shares to the Board members. Mika Ihamuotila, who was elected member of the Board on 4 April 2003, is an exception. He was given 710 shares during the year under review.

••• In 2003, the Board of Directors convened 16 times. The average participation percentage in the Board meetings was 87.5 per cent.

••• The Members of the Board in 2003 were:

Keijo Suila, 1945, M.Sc. (Econ. & Bus. Adm.), chairman of the Board of Directors, President and CEO, Finnair Oyj, member since 1999.

- Main employment history: Employed by Unilever Oy during 1968–1981, his latest position was Marketing Director. Deputy CEO of Sinebrychoff Oy in 1981–1985. CEO of Leaf in the Huhtamäki Group during 1985–1998. Deputy CEO in Huhtamäki Oy during 1992–1998 and the deputy chairman of the board in 1996–1998.
- Main board memberships and public duties currently undertaken: Deputy chairman of the Supervisory Board in the Finnish Fair Cooperative, Member of the Supervisory Board in Sampo Life Insurance Company Ltd, member of the Board of Directors in the Confederation of Finnish Industry and Employers (TT) and Kesko Oyj.
- Shareholding in Elisa at 31. 12. 2003: 4 448 shares

Ossi Virolainen, 1944, LL.M, M.Sc. (Econ.), deputy chairman of the Board of Directors, member since 1997.

- Main employment history: Deputy Chief Executive of Outokumpu Oyj in 1992–2001, CEO of Avesta-Polarit Oyj in 2001–2003.
- Shareholding in Elisa at 31. 12. 2003: 4 394 shares

Matti Aura, 1943, Master of Laws, Managing Director, Finnish Port Association, member since 1999.

- Main employment history: Managing Director of the Central Chamber of Commerce in 1986–1997, Minister of Transport and Communications in 1997–1999.

Elisa's Executive Board: from left Tuija Soanjärvi, Veli-Matti Mattila, Jukka Veteläsuo, Pasi Lehmus, Tapio Karjalainen, Asko Känsälä Hannu Turunen and Sami Ylikortes

- Main board memberships and public duties currently undertaken: Member of the Board of Directors in Catella Property Consultants Ltd, Harjavalta Oy and Perlos Corporation.
- Shareholding in Elisa at 31. 12. 2003: 3 029 shares

Pekka Ketonen, 1948, D.Tech. (h.c.), President and CEO, Vaisala Oyj, member since 2001.

- Main employment history: CEO of Vaisala Oyj since 1992.
- Main board memberships and public duties currently undertaken: Chairman of the Board of Directors in VTT Technical Research Centre of Finland, member of the Board of Directors in the Confederation of Finnish Industry and Employers (TT) and in the Technology Industries in Finland.
- Shareholding in Elisa at 31. 12. 2003: 2 551 shares

Jere Lahti, 1943, Honorary Mining Counsellor, member since 2002.

- Main employment history: Member of Parliament since 2003, CEO and chairman of the board in S-Group Cooperative Societies in 1988–2002.
- Main board memberships and public duties currently undertaken: Member of the Supervisory Board in Finnvera plc, chairman of the board in Aspectum Finland Oy, member of the Supervisory Board in the Finnish Fair Cooperative, member of the Helsinki Cooperative Society Elanto's (HOK-Elanto) Council of Representatives.
- Shareholding in Elisa at 31. 12. 2003: 2 040 shares

Mika Ihamuotila, 1964, D.Sc.(Econ.), Deputy CEO of Sampo Plc and member of Sampo Bank plc's Executive Committee, member since 4 April 2003.

- Main employment history: Executive Vice President and CEO of Mandatum Bank in 1994–2000
- Main board memberships and public duties currently undertaken: Member of the Board of Directors in HYY Group Ltd.
- Shareholding in Elisa at 31. 12. 2003: 673 shares

Chief Executive Officer

Elisa Corporation has a Chief Executive Officer whose task is to engage in everyday administration of the Corporation in accordance with instructions and orders from the Board of Directors and the Companies Act. The CEO is appointed by the Board of Directors. Matti Mattheiszen acted as Chief Executive Officer until 30 June 2003, and Veli-Matti Mattila assumed the office on 1 July 2003.

Remuneration of the Chief Executive Officer

During the fiscal year CEO Veli-Matti Mattila was paid a total salary of EUR 246 240.00. In addition to the salary, the sum includes taxable benefits for the use of the telephone and company-owned car. He also received a signing fee of EUR 265 382.87, which, in accordance with his executive agreement, was for the purchase of 15 000 Elisa shares for the price of the acquisition date (15 May 2003). The period of notice for the Chief Executive is six months from Elisa's side and three months from the Chief Executive Officer's side. Should the contract be terminated by Elisa, the Chief Executive Officer is entitled to receive a severance payment equalling to the total salary of 24 months minus the salary of the period of notice. Elisa's CEO is entitled to retire after the age of 60 on a total pension at the statutory rate of 60 per cent of his/her pensionable salary.

••• Executive Board

The corporation's Executive Board prepares corporate strategy, monitors the development of results and deals with issues with substantial financial or other impacts on Elisa.

••• The corporation's Executive Board comprises:

Veli-Matti Mattila, 1961, M.Sc. (Eng.), MBA, President & CEO

- He has served the group since 2003.
- Main employment history: CEO of Oy L M Ericsson Ab 1997–2003. Joined the Ericsson Group in 1986 and worked in various assignments in Finland and in the United States. His previous posts also included expert advisory tasks in the Swiss company Ascom Hasler AG.
- Main board memberships and public duties currently undertaken: Member of the Supervisory Board in Sampo Life Insurance Company, member of the Board of Directors in the Confederation of Finnish Industry and Employers, deputy chairman of the Board of Directors in the Confederation of Telecommunications and Information Technology (FiCom ry), deputy chairman of the Board of Directors in the Employers' Association (TIKLI).
- Holding in Elisa at 31. 12. 2003: 15 000 shares

Tapio Karjalainen, 1959, M.Sc. (Eng.), Executive Vice President, Customers unit

- He has served the group for two terms, from 1985 to 1992 and since 2003.
- Main employment history: Several executive tasks in Nokia Networks and its predecessors in 1992–2001. A member of the management group of Nokia Networks and its predecessor Nokia Telecommunications in 1998–2001. A Sales Director and Head of Department, inter alia, in Helsinki Telephone during 1985–1992.
- Holding in Elisa at 31. 12. 2003: 150 shares

Pasi Lehmus, 1962, M.Sc. (Eng.), Executive Vice President, Products unit

- He has served the group since 1989.
- Major employment history: Managing Director of Soon Com Ltd 2002–2003, Executive Vice President of Elisa Communications Corporation's Personal Communications (PC) 2000–2002. In 1995–97 sales in Siemens Hg in Munich, Germany, and at the Technology Counsellor's Office in Tokyo in 1990–1991.
- Holding in Elisa at 31. 12. 2003: 150 shares plus 25 000 A warrants and 25 000 B warrants

Jukka Veteläsuo, 1951, M.Sc. (Eng.), Executive Vice President, Networks unit

- He has served the group since 1989.
- Main employment history: President of Elisa Networks Ltd in 2001–2003. Executive Vice President of Operator Network Services (ONS) in 1999–2001. Development Manager and Head of Department, inter alia, in fixed network development and in construction and maintenance departments of mobile networks. His posts in the Nokia Group during 1976–1989 included supervising the production, technical sales and international project management of radio phone systems.
- Main board memberships and public duties currently undertaken: Member of Comptel Corporation's Board of Directors
- Holding in Elisa at 31. 12. 2003: 1 295 shares plus 25 000 A warrants and 25 000 B warrants

Hannu Turunen, 1963, M.Sc. (Eng.), MBA, Executive Vice President, Elisa Kommunikation GmbH unit.

- He has served the group since 2000.
- Main employment history: Director of Radiolinja's Telematics business unit 2000–2003; Vaisala Oyj, new business development, corporate acquisitions 1998–2000; ABB Group 1991–1998.
- Holding in Elisa at 31. 12. 2003: 250 shares plus 8 650 A warrants and 8 650 B warrants

Asko Känsälä, 1957, M.Sc. (Eng.), Executive Vice President, Business Development, IT, R&D and Communications.

- He has served the group since 2003.
- Main employment history: 2001–2003, Sales Director of the Nordic and Baltic sales unit of the Ericsson Group and member of its management group; Sales Director in Oy LM Ericsson Ab in 1996–2001; National Technology Agency of Finland (TEKES), Head of Japan's industrial secretariat 1993–1996; Hewlett-Packard Oy, Sales Manager 1987–1993.
- Holding in Elisa at 31. 12. 2003: –

Tuija Soanjärvi, 1955, M.Sc. (Econ. & Bus. Adm.), CFO

- Main employment history: Has served the group since 2003. Prior to this, she was employed by the TietoEnator Group since 1986, her latest position being the CFO. 1981–1986 Internal Auditing and Internal Accounting in Kesko.
- Main board memberships and public duties currently undertaken: Chairwoman of Comptel Corporation's Board of Directors and a member of the Board of Directors in Patria Industries Oyj.
- Holding in Elisa at 31. 12. 2003: 284 shares

Sami Ylikortes, 1967, M. Sc. (Econ. & Bus. Adm.), LLM, Executive Vice President, Administration and HR.

- He has served the group since 1996.
- Main employment history: Appointed Senior Vice President responsible for administration in 2000. Secretary to the Board of Directors since 1998. From 1991 to 1996 positions in financial administration at Unilever Finland.
- Holding in Elisa at 31. 12. 2003: 582 shares plus 21 000 A warrants and 21 000 B warrants.

On the basis of the additional group pension insurance, the members of the corporation's Executive Board and certain members of the corporate executive management are entitled to retire after the age of 62 and receive a statutory total pension at 60 per cent of salary.

The Board of Directors has approved a share-based reward and incentive system for the corporate executive management, which aims at increasing share ownership. In 2003, the system included 42 people. The long-term objective is to encourage the key persons to enhance the corporation's profitability and increase its value by rewarding them for achieving the set targets and simultaneously increase the management's shareholding.

No new shares will be issued on the basis of the system. The reward sums are deposited for two years in an account, whose value development is tied to Elisa's share performance. The accrued rewards are paid to the respective participants by buying shares for the persons concerned after the two-year period has elapsed.

Risk management and internal auditing

Risk management is part of Elisa's internal auditing system. It aims at ensuring that the risks affecting the corporation's businesses are identified, monitored and their impact on the group evaluated. The corporation classifies risks into strategic, operative, insurable and financial risks. The Board of Directors' Committee for Auditing supervises that risk management has been duly organised.

The corporation's strategy process includes risk monitoring as well as assessing the scale, potential and feasibility of accepting the identified risks. Strategic goals are achieved by steering operative activities through both an individual and operating unit basis and by setting personal objectives. Operational policies, instructions and risk monitoring ensure that measures conform to the goals. Risks to be insured by the corporation are done via an external insurance broker.

The corporate headquarters include an Internal Auditing unit. An annual auditing plan and audit report are presented to the Board of Directors for information.

Auditors

The corporation has one authorised external auditor. The auditor must be duly authorised by a chamber of commerce or by the Central Chamber of Commerce. Auditors' term of office is the current financial period for which they are appointed. The duties of the auditors shall end at the conclusion of the first Annual General Meeting following the expiry of their terms of office. In the year under review, Elisa's auditor was PricewaterhouseCoopers Oy, authorised public accountants, with Henrik Sormunen (APA) as the principal auditor.

In the fiscal year of 2003, the auditing fees of the Finnish group companies amounted to approximately EUR 440 000, of which the share of the parent company accounted for EUR 110 000. The auditing fees for the foreign group companies were EUR 505 000.

Other remunerations charged to the corporation by the auditing firm amounted to EUR 494 000, of which the parent company accounted for EUR 260 000. Other remunerations mainly related to tax counselling and application of the IAS calculating principles.

Corporate insiders

Elisa has adopted the insider instructions prepared by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. In accordance with law, the permanent insiders of Elisa Corporation include the people holding the following posts:

- Members of the Board
- President & CEO
- Auditors, including the principal auditor for the company within an auditing firm

In addition, the permanent insiders of Elisa Corporation include a number of designated persons, for example, the members of the corporate Executive Board.

The insider register of Elisa Corporation is maintained by the Finnish Central Securities Depository Ltd. Information about the holdings of permanent insiders is available on the ground floor of the HEXGate office at Fabianinkatu 14, Helsinki, as well as on the company's Web site www.elisa.com.

Shareholder information

··· Annual General Meeting

The 2004 Annual General Meeting of Elisa Corporation will be held at the Helsinki Fair Centre, Messuaukio 1, Helsinki, at 1:00 pm on Wednesday, 31 March 2004.

···Shareholders should notify of their intention to attend the meeting by 8:00 pm Finnish time on Tuesday, 23 March 2004, either in writing to Elisa Corporation, Contact Center Services/ Sö A 6210, P.O. Box 170, FIN-00061 ELISA, Finland, by telephoning +358 800 06242 any day of the week from 8:00 am to 8:00 pm, by faxing +358 10 262 2727, or by e-mailing to yhtiokokous@yhteyspalvelut.elisa.fi

···Shareholders registered by Friday 19 March 2004 in the company's shareholders register kept by the Finnish Central Securities Depository are eligible to attend the Annual General Meeting.

··· Dividend

The Board of Directors recommends to the Annual General Meeting that no dividend shall be paid for 2003.

··· Financial information

Elisa Corporation will publish an Annual Report and interim reports on 29 April 2004, 5 August 2004 and 28 October 2004. The annual and interim reports will be published in Finnish, Swedish and English. The annual and interim reports may be ordered by phone at +358 10 262 7371.

··· The annual report, interim reports, information about the Annual General Meeting and other investor information are also posted on the Elisa's Web site under the heading "Investor Relations" at www.elisa.com.

··· Contact person for Elisa Corporation's Investor Relations:

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··· Elisa Corporation, registered domicile Helsinki,
Business ID 0116510–6

Design and layout **Kreab Oy**
Photos **Heikki Tuuli**
Printing **Edita Prima Ltd** 2004

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