

Annual Report **2002**



Elisa Communications Corporation *** Annual Report 2002

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The business areas of Elisa Communications

Corporation are

- Elisa Mobile (mobile operator)
- ElisaCom (service operator)
- Elisa Networks (network operator)
- Elisa Kommunikation (German operations).

Their respective main companies are

- Oy Radiolinja Ab
- ElisaCom Ltd
- Elisa Networks Ltd and
- Elisa Kommunikation GmbH.

Elisa Communications Corporation has a 100 % holding in these companies.

Board members of these main companies are elected amongst the members of the Board of Directors of Elisa Communications Corporation. The Group President and CEO or Senior Executive Vice President act as Chairman of the Board of the respective companies. The applied management structure based on the business areas does not fully comply with the judicial structure of the Group.

Shareholder information

Annual General Meeting *** The 2003 Annual General Meeting of Elisa Communications Corporation will be held at the Helsinki Fair Centre, Messuaukio 1, Helsinki, at 1:00 p.m. on Friday, 4 April 2003.

Shareholders should notify their intention to attend the meeting by 8:00 p.m. Finnish time on 27 March 2003, by writing to Elisa Communications Corporation, Contact Center Services/Sö A 6101, PO Box 170, FIN-00061 ELISA, Finland, telephoning +358 800 0 6242 any day of the week from 8:00 a.m. to 8:00 p.m., faxing +358 10 26 22727, or over the Internet at www.elisa.com/yhtiokokous.

Any shareholder, who has registered as such in the company's shareholders' register, kept by the Finnish Central Securities Depository, no later than on Tuesday 25 March 2003, has the right to participate in the Annual General Meeting.

Dividend *** The Board of Directors recommends to the Annual General Meeting that no dividend shall be paid for 2002.

Financial information *** Elisa Communications Corporation will publish an Annual Report and interim reports on 29 April 2003, 5 August 2003 and 28 October 2003. The annual and interim reports will be published in Finnish, Swedish and English. The annual and interim reports may be ordered by phone +358 10 26 27371.

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

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Elisa's goal is to become
**the leading Finnish tele-
communications company.**



Overview of the Group.

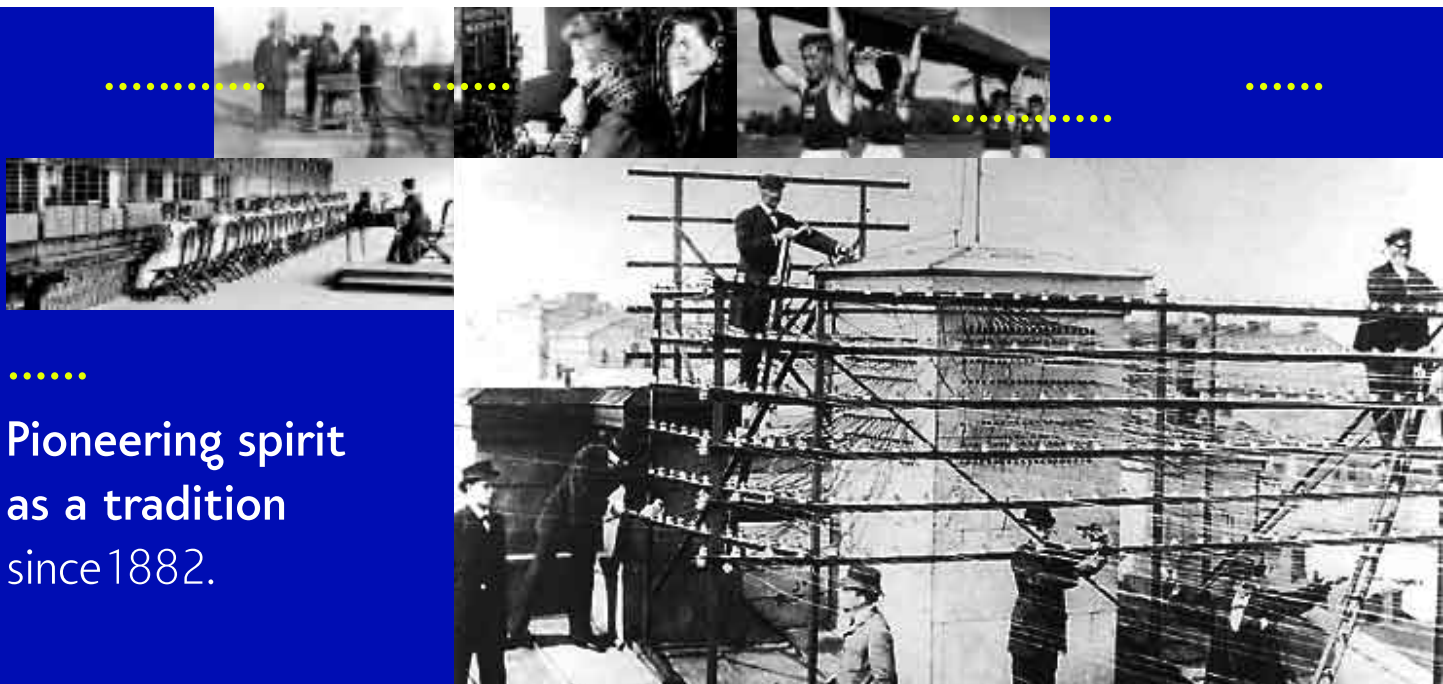
Elisa Communications Corporation, a group listed on the Helsinki Exchanges, provides comprehensive telecommunication services and solutions. Its main business areas are Elisa Mobile, ElisaCom, Elisa Networks and Elisa Kommunikation.

Elisa Mobile business ... Elisa Mobile offers digital mobile services to private and corporate customers over the company's networks in Finland and Estonia. The mission of the operations is to create and promote the wireless lifestyle – to serve people on the move. The vision is to be the leading provider of communication, transaction and experience services in Finland and offer services to its customers through the partnership with Vodafone, the leading mobile operator in the world. The mobile business is supported by an extensive distribution network.

Mobile business in the Group is concentrated in Radiolinja. Radiolinja includes the subsidiaries Radiolinja Eesti, Ecosite, Radiolinja Aava and Radiolinja Origo, as well as the mobile retail chains Mäkitorppa, Kamastore, Radiolinja Piste, Radiolinja Solutions and Mobinest. ... **President Pertti Kyttälä**

ElisaCom business ... ElisaCom's business consists of telecommunication solutions offered to corporate and private customers. These nationwide services are based on state-of-the-art network management and customer support systems. Strong regional presence focused on Finland's most important economic zones is a strategy for success in service operator operations.

The companies responsible for service operator business within the Group are incorporated under the operating management of ElisaCom. The business units of the



Pioneering spirit
as a tradition
since 1882.

Our goal is to become
the leading Finnish
telecommunications
company by 2005.



company include Major Accounts, Residential and Business Customers and Technical Customer Service.

Subsidiaries within ElisaCom's business include Elisa Solutions, Elisa Internet, Invoicia, Heltel and Finnet International.

In addition to ElisaCom, the service operator business is conducted through the regional operators Soon Com, Kestel, Lounet, Riihimäen Puhelin and the associated company TikkaCom. The nationwide co-ordination of operations is the responsibility of a corporate management group chaired by the President of ElisaCom.

... **President Matti Carpén**

Elisa Networks business ... The main products of Elisa Networks comprise services offered in the fixed telephone network and broadband data network, including voice services and broadband connections for corporate and private customers. In order to utilise volume and synergy benefits and optimise investments, the strategic steering of the Group's network business is carried out on a nationwide level.

The Group's network business comprises three companies, namely Elisa Networks, Soon Net and Kesnet. A strategic steering group for the Group's nationwide network operator business co-ordinates the common, nationwide issues related to the network business. ... **President Jukka Veteläsuo**

Elisa Kommunikation business ... Elisa Kommunikation is in charge of the Group's German operations. The operations are concentrated in Tropolys, which holds 14 German city-carrier companies. Through these companies, the Group offers its small and medium-sized customers telecommunication solutions consisting of voice, data and Internet services. In the administrative bodies of these companies, Elisa Kommunikation exercises majority power either directly or through Tropolys. ... **President Pertti Laukkanen**

Other companies ... In addition to the main business areas, the Group comprises a number of other companies, such as Comptel, Elisa Ventures, EPStar, Estera and Yomi's IT companies. Two of these, Comptel and Yomi, are listed on the Helsinki Exchanges.

Research and development ... The Group's research, development and standardising operations have been centralised in the Elisa Research unit. Additionally, Comptel and Radiolinja, among others, carry out research and development.



YOMI



Year 2002 in brief.

The Group focused on its core business and, in accordance with its strategy, sold the following operations:

- Elisa Networks sold its installation business Elisa Instalia to Flextronics Network Services of Sweden.
- Soon Com sold its printed telephone directory business to Eniro.
- Yomi sold its directory business to Fonecta.
- Riihimäen Puhelin sold its printed telephone directory business to Fonecta.

Other events in 2002:

Elisa Mobile business area ... Vodafone and Elisa Communications signed a blanket agreement with the purpose of increasing cooperation within the companies' product and service offerings. In connection with this, a business and partnership contract was signed between Radiolinja and Vodafone. In December, Radiolinja's Estonian subsidiary Radiolinja Eesti signed a similar partnership contract with Vodafone.

Radiolinja began offering picture messaging services (MMS). Huoneistokeskus was the first real estate agent to utilise the service in residence deals. The service extends electronic real estate agent services to mobile terminals.

Radiolinja introduced a system that enables mobile methods of payment. The first method of payment to be connected to the system was mobile money – independent of bank and operator – developed in cooperation with the Nordea and Sampo banks.

ElisaCom business area ... ElisaCom continued ten years of cooperation in telecommunications with Pohjola Yhtiöt by making a new agreement which is valid for three years.

ElisaCom signed an agreement with the Emergency Response Centre Administration on the provision of an emergency response centre information system and associated telephone and recording systems for the emergency response centres.

HP and ElisaCom made an agreement lasting three years with HK Ruokatalo for the provision of IT infrastructure services. HP is in charge of workstation, local support and helpdesk services for the end users, while ElisaCom is in charge of corporate services and local area network services.

The business operations of Soon Communications were divided into two companies that started up on 1 January 2002, with Soon Net in charge of the network business and Soon Com in charge of the service business.

Group's key indicators

	EUR million	
	2002	2001
Revenue	1 563	1 439
EBITDA	333	424
EBIT	-48	108
Profit before extraordinary items	-103	46
Research and product development	36	36
Acquisition of shares	16	242
Gross fixed assets investments	269	373
Equity ratio, %	38	40
Employees, average	8 115	7 783

Soon Com and Elisa Internet signed an agreement to transfer Soon Com's Internet business to Elisa Internet.

Finnet International signed an IP service distribution agreement with SPRINT. The companies jointly supplied a global IP VPN network to Huhtamäki. In addition, Finnnet International introduced data communications POPs in London, Copenhagen and New York.

Lounet signed an agreement with the Turku University Central Hospital for the provision of a new wireless telephone system.

Elisa Kommunikation business area ... Tropolys became a subsidiary of Elisa Kommunikation at the beginning of 2002, which was a significant strategic change of structure in the German group of companies.

The retail sales of mobile telephones and subscriptions within the Group's German business were discontinued, and Mäkitorppa together with its business premises were sold.

Elisa Kommunikation continued the integration of its German operations by selling its holdings in Time CityLink to its own subsidiary Tropolys.

Other companies ... Yomi acquired the entire stock of Indata through an exchange of shares and the entire stock of Votek partly in cash and partly through a directed issue. As a result of this, Elisa Communications Group's holdings in Yomi decreased from 53.13 per cent to a maximum of 51.46 per cent.

Yomi and the multinational Samsung started to market a multi-channel communications solution Samsung Contact. The product is distributed globally through Samsung's sales channels; Yomi is responsible for the marketing in the Nordic countries.

Estera, a nationwide company providing real estate IT systems was established within Elisa Communications in February.

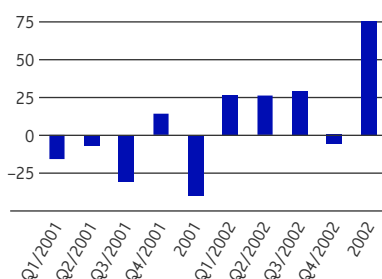
Comptel delivered a customer care solution to the TETRA public authority network, operated by Suomen Erillisverkot.

Jubilee year full of work.

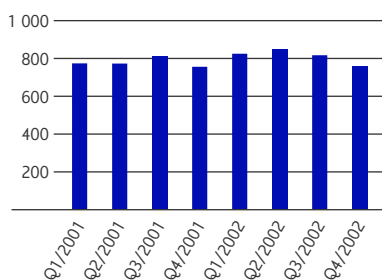
..... In Finland we operate in **main markets** and economic zones.



Cash flow from operations, EUR million



Net Debt, EUR million



January 2002 marked the 120th anniversary of the Group and its predecessors. The main thread of this extraordinarily long history for a communications company has been confidence, the basic value of Elisa. The history of the Group also indicates that we have a tradition of being an innovator and surviving through hard times. In addition to the anniversary, the year 2002 marked the preparation of a new Group strategy targeted for the year 2005.

Elisa set itself the target to be the leading Finnish telecom service company in the domestic market in 2005. The foundations for this were laid in 1997 when the former Helsinki Telephone decided to transform itself from a local market leader into a nationwide challenger. At that time, the domestic market share of the Group was 16 per cent, compared to about 30 per cent, almost double, in 2002.

Prerequisites for growth were realised in Finland ... The Group's entire mobile business is concentrated in the Elisa Mobile business area, which is operated by Radiolinja and its subsidiaries. The growth strategies of the Elisa Mobile business include cooperation with Vodafone, the world's largest mobile operator, as well as the provision of new services such as GPRS and multimedia messaging (MMS). We believe that the Vodafone partnership appeals to heavy users of mobile services. On the other hand, new services will bring gradual growth in the next few years as the number of terminals increases and the services become more versatile.

We gained significant synergy benefits in the domestic fixed network business by combining all of our nationwide broadband networks in Elisa Networks. This way, we can provide comprehensive broadband connections in our operating areas all over Finland. The same is true for subscriber networks under the auspices of ElisaCom on the national level and in the Helsinki metropolitan area, as well as regional companies in Riihimäki, Turku, Tampere, Jyväskylä and Joensuu.

These actions have enabled us to gain significant economies of scale in the domestic fixed network business. We are present in the central markets and economic zones in Finland. The most essential restructuring has already been completed, and from now on, we will focus on the improvement of profitability.



In ICT solutions integrating communications and IT, we use customer-specific partners who ensure that our customers get the most well-suited and reliable solutions. We are a reliable and competent partner for content producers. Furthermore, we focus on the business that we know best: telecommunications.

International operations steered by profitability ... Global availability of Elisa's services based on strong partners is crucial to the Group's international operations. In addition to the Vodafone cooperation, our subsidiary Finnet International, among others, has important international partners such as the American company SPRINT.

Our foreign operations focus on Estonia and Germany. The Estonian business is profitable, and Radiolinja Eesti also provides its customers with a global dimension by means of the Vodafone partnership started in 2002.

In Germany, we achieved the target that we set for the last two years: EBITDA turned positive in the last quarter of 2002. The weakened economic outlook for Germany has not stopped the constant growth of our customer base, and we expect that the targets set for 2003 will be realised. Elisa will evaluate the solutions regarding the next phase of its German operations towards the end of 2003. In the management's opinion, the established position in Germany is a significant opportunity for growing the Group's business in a way that will increase shareholder value.

Increased shareholder value through focusing on core business ... In accordance with its new strategy, the Group will focus on its core business, telecommunications. This way, we will be able to improve our profitability and increase shareholder value. The most essential measures include a continuing integration of the domestic business, utilising synergy benefits, improvement of profitability in Germany, strict control of investments and withdrawal from operations outside our core business.

The cash flow in 2002 was positive, and we were able to decrease our net debt significantly. The Group's financial position is also stable. This positive trend will continue and strengthen in 2003.

Significant decreases in payroll ... The number of employees within the Group decreased by almost 2000 over the two-year period. The greatest decreases are associated with the sale of business operations and outsourcing of functions. The decrease in payroll also includes employment contracts discontinued due to more efficient technology and processes.

The atmosphere at the statutory employer-employee negotiations within the Group in 2002, indicated that the representatives of the personnel and the employer have similar ideas about the actions required for adjusting the business operations. Thanks to this, we have been able to maintain a businesslike atmosphere for the entire year.

Customer relations effort reflected in the market position ... The foundations of the Group's established domestic market position include confidential customer relations, investments in service and the development of overall telecommunications solutions corresponding to customer needs. Success in intensifying competition requires that the Group's customer service and sales personnel engage in continuous development and learning and, above all, listen to the customers. Our personnel have indicated their willingness and ability to respond to the challenge presented by the customers and competitors, reflected in Elisa's progress in customer service experience measurements.

Focus on core business, good business partners and utilisation of Group synergies will be the focal points of Group management also in the future. They guarantee the improvement of our profitability and long-term growth of shareholder value.

I would like to thank our customers, whose sophisticated needs are the most important source of Elisa's competitiveness. The Group's personnel have shown excellent performance during a demanding year of changes in 2002, and I would like to express my gratitude to everyone within Elisa.

Matti Mattheisen, President & CEO

..... Our established position in Germany is a **significant opportunity.**

New mobile opportunities.

- Radiolinja started **cooperation with Vodafone**, the largest mobile operator in the world.





Vodafone cooperation ... Radiolinja signed a partnership agreement with Vodafone at the beginning of 2002. The first actual joint product was the Vodafone Eurocall service, making the mobile services used by Radiolinja customers abroad more coherent and clarifying the prices of calls abroad. While travelling in Finland, Vodafone's prepaid customers can use the Radiolinja network, which provides them with the same services they get in their home countries.

In June 2002, Radiolinja and Vodafone Sweden signed an agreement to cooperate in the sales and marketing of services aimed at corporate customers. Comprehensive, integrated mobile services are offered to corporate customers operating in Scandinavia. The cooperation focuses on service for international customers and was extended to Estonia at the end of 2002, when Radiolinja Eesti signed a partnership agreement with Vodafone. Joint services will be introduced to the Estonian market in the spring of 2003.

Operating environment ... According to Radiolinja's estimates, the value of the Finnish mobile communications market in 2002 was approximately EUR 2 billion. Radiolinja's share was 33 per cent. The number of subscriptions in Finland at the end of the year was almost 4.5 million, equalling a penetration rate of 86 per cent. The mobile business was affected in 2002 by intensifying price competition and price erosion attributable to it.

New services ... Huoneistokeskus was the first real estate agent to start a picture messaging service, which is aimed at prospective home-buyers. The service is jointly implemented by Huoneistokeskus and Radiolinja. It enables would-be buyers to order pictures and additional information about the residences that interest them directly to their mobile phones. This makes the contact between home-buyers and sellers faster and more versatile. In addition, it extends the electronic real estate services that are highly popular on the Internet to mobile terminals.

Radiolinja started to provide certificate services in March 2002. At the same time, the company introduced a certificate for mobile use based on open standards. The certificate is used by Luottokunta, among others, whose mobile credit card payment service uses an electronic signature for confirming purchases.

The OKO Bank group and Radiolinja developed a new GSM service making it simpler for customers to check account details, pay invoices and monitor the transactions in their Visa cards using their GSM phones.

Radiolinja and Kestel are involved in a project concerning the implementation of a taxi dispatching system in the public network for the Jyväskylän Aluetaksi regional taxi company. Radiolinja is responsible for the GPRS data traffic between the dispatch centre and the cars. The system will be launched in June 2003.

Radiolinja and the software company ZenPark started a software partnership. The first service to be launched was an SMS query for companies.

Radiolinja introduced a prepaid subscription, the Nopsa service. It is a mobile phone SIM card ready for immediate use within Finland. It can also be used for calls from Finland to other countries.

At the beginning of the current year, Radiolinja introduced a positioning service aimed primarily at private customers, associations and small companies. The RL Paikannin (Radiolinja Positioner) enables mutual positioning and message relay, for example among groups of friends or relatives.

Major events ... In the summer of 2002, the Cityphone operations in the Helsinki metropolitan area were transferred to Radiolinja within the Elisa Group.

Radiolinja acquired a 40 per cent holding of the Tutunkauppa retail chain. The companies closed an agreement on retail sales, as a result of which the Tutunkauppa chain will begin offering Radiolinja's mobile products and services throughout Finland.

Radiolinja Origo and the Finnish telecom operator Cubio Communications signed a service operator agreement at the beginning of 2003. In addition to network capacity, Radiolinja provides content and expert services to the company, which is starting its mobile business.

Radiolinja commissioned the construction of new telehousing premises in Tapiola and Raisio. The Raisio cave was completed in the summer of 2002, with the Tapiola cave following at the beginning of 2003.



..... Radiolinja's share of the mobile market in Finland was 33 percent.

Broadband breakthrough.

- **Availability of the ADSL service will extend to major Finnish cities.**

The ElisaCom business area started in that business area at the beginning of 2002. Its primary market area is Finland, with the main focus in the Helsinki metropolitan area and the economic zones of Tampere, Jyväskylä, Turku, Riihimäki and Joensuu. More than one-third of Finland's population live in these areas. Moreover, four-fifths of the headquarters of the one hundred largest companies in Finland are located in these areas.

Development of business operations ... Arrangements clarifying the business structure were carried out in the business area during 2002. The improvements in efficiency and restructuring operations resulted in a decrease in the work-force of more than 9 per cent. The implementation of synergy projects will continue in 2003. Kolumbus changed its name to Elisa Internet, and Datatie changed its name to Elisa Solutions.

The Internet business of Soon Com was transferred to Elisa Internet in the spring of 2002. The rationalisation of the product business was continued towards the end of the report period by the signing an agreement. The agreement was for transferring most of Soon Com's product business to Elisa Solutions, which was scheduled to start on 1 January 2003.

During 2002, Elisa continued to withdraw from the directory business, which does not belong to the core business. ElisaCom sold its electronic directory business to TietoEnator and Finnet Media in the spring of 2002. Soon Com sold its telephone directory business to Eniro Finland in November. The Yomi Group and Riihimäen Puhelin Oy sold their telephone directory business to Fonecta during the latter part of the year. The total sales price of all the arrangements amounted to approximately EUR 33 million.

The business operations of Elisa Solutions, Soon Com and Kestel associated with security and building automation were transferred to Estera, a part of the Elisa Group, during the report period. In July, Riihimäen Puhelin sold its minority holding in Telekolmio.

ElisaCom changed its prices for local calls and the local network charge in the greater Helsinki area as of 1 July 2002. The most significant change was to abandon the discount price for evenings. Kestel, a company of the Yomi group, also restructured its pricing for local calls as of 1 July 2002.



.....

The strong demand for broadband services is expected to continue.

Broadband breakthrough ... The availability of the Elisa ADSL service was extended during 2002 to cover a number of other centres besides ElisaCom's core operating regions. The most significant individual contract for the provision of broadband connections was signed with the Tampere Student Housing Foundation (TOAS).

The demand for broadband services is expected to continue at a strong level in 2003. ElisaCom will start to offer broadband subscriptions for corporate customers and households in all large towns in Finland.

IT services as a part of overall solutions ... During 2002, the emphasis for business development in the field of corporate telecom solutions was shifted to outsourcing overall solutions. Clear areas of growth include the Elisa Service Agreement, various types of Contact Center solutions and IT applications as a part of the overall solutions.

Significant new deals included the telecom solution and emergency response centre IT system to be delivered to the Emergency Response Centre Administration during the 2003 to 2005 period, as well as the IT infrastructure agreement with the City of Espoo.

Other significant innovations were the Fintoto web betting application and a VoIP-based overall telecom solution for the Finnish Forest Research Institute. During the latter part of the year, Elisa Internet delivered a new hardware platform, telecommunications connections and technical maintenance for the .fi domain name service administered by the Finnish Communications Regulatory Authority. Elisa also maintains the critical technical systems of the service, the .fi root domain name servers.

International business ... Finnet International signed an IP service distribution agreement with SPRINT. The companies jointly supplied a global IP VPN network to the packaging group Huhtamäki.

Finnet International sold its Latvian subsidiary SIA Latnet Serviss to the company's executive management through an MBO transaction. The transaction was a continuation to the sale of Baltnetos Komunikācijas, a Lithuanian Internet operator, which was carried out at the end of 2001. The transaction strengthened Finnet International's new strategy in the neighbouring areas, according to which the company's foreign operations are concentrated in those countries where the company has its own cable connections.

In June, Finnet International expanded its own international telecommunication network by opening POPs in Copenhagen, London and New York. The company signed a reseller agreement with Infonet Services Corporation. The agreement makes FNI's international data services offering more secure and versatile.



Nationwide cooperation.

- **Our main promise** to customers is that information travels in our networks **reliably and safely.**



The focal points of Elisa's network business in 2002 included rapid expansion of broadband connections, the management of cost efficiency and the overall level of investments. Together with other companies in the Elisa Communications Group, the company aimed to utilise its network capacity more efficiently, coordinate its procurements and make nationwide cooperation more intensive.

Elisa Networks introduced a new voice service based on Internet technology in November. Even though voice transmission in IP networks is rapidly growing, the conventional telephone network remains the basis for the traffic and subscription business.

Subscriptions in the fixed network are changing to broadband at an accelerating pace. The sales of broadband ADSL subscriptions increased rapidly. In addition, the number of broadband subscriptions in cable TV networks significantly increased in 2002.

According to an estimate of Elisa Networks, the aggregate national market share of the Elisa Group's fixed network operators was approximately 34 per cent at the end of 2002.

Major events ... The most major change in the structure of the network business during 2002 was the sale of Elisa Instalia's business to Flextronics Network Services on 1 September 2002.

The purpose of the sale was to transfer the seasonal and economic fluctuations associated with installation operations outside the Group. The new company continues to provide the Elisa Group with network infrastructure construction and maintenance services under a partnership agreement valid for several years.

Elisa Networks sold the production facilities of the Cityphone operations to Radiolinja Origo. The sale clarified internal business responsibilities within the Elisa Group and also targets cost efficiency by means of centralisation.

The new price list for subscriber connections and fixed connections aimed at telecom operators entered into force on 1 January 2002, meaning an average decrease of more than 20 per cent in the basic prices for telecom operators.

A new national ADSL operator product price list was introduced at the beginning of April 2002, further increasing the demand for broadband subscriptions. To strengthen its position in the broadband subscription market, Elisa Networks signed agreements with both Nokia and Siemens at the end of June concerning the provision of next-generation broadband network solutions.

In the network and premises capacity rental business, the competitive situation brought a strong increase in availability requests and rental contracts for lines and premises over the entire year. As regards transmission systems, the increased competition has manifested itself in lower price levels of connections. As a consequence of the above, the national backbone network business has focused on increasing sales volume and initiating measures that would improve the cost level.

In addition to the network business, Soon Net is engaged in the construction and maintenance of a cable TV network. Tampereen Tietoverkko, a subsidiary of Soon Net, rents the network for the distribution of TV programming.

Locally abroad.

- In German operations **Elisa reached its EBITDA target.** The share of Group revenue increased to seven per cent.

In 2002, the German operations focused on creating the prerequisites for profitable business. The acquisition of a majority holding, mainly through exchanges of shares, in our former associated company Tropolys at the beginning of the financial year marked a significant change of structure in the German group of companies.





In addition, Elisa acquired the entire stock of the long-distance network company Time CityLink. Formerly we used to have a 50 per cent holding. The mobile retail business was discontinued and Mäkitorppa was sold. Cost and investment efficiency of the group's operations were optimised, and the group's comparable payroll decreased by 190 people.

Tropolys is one of the leading city-carriers in Germany. It operates its own networks in more than 20 cities. Tropolys offers overall telecom services and solutions at both the local and national level through its city-carrier operators and also its subsidiaries TROPOLYS Service and TROPOLYS Netz, both of which are 100% owned by Tropolys. The most important groups of customers are large and medium-size corporate customers, who constitute one-third of the approximately 100,000 customers of Tropolys. The main products include integrated voice and data service solutions ranging from IP telephony and broadband services to customised Contact Center solutions.

Thanks to its nationwide backbone network, Tropolys is able to provide services for interconnection traffic between operators and fulfil the bandwidth requirements of Internet service providers, for example. The overall service also includes network management, fault repair and telehousing services.

Active research.

- In 2002, the Group invested EUR 36 million in **research and development.**



The focus areas of the R&D activities in the Research Center were service platform technology, data security of information technology, new IP-based network technologies and services, wireless and broadband technologies, and customer-centric research.

The Group submitted 45 R&D-related patent applications during the year, and 27 patents were granted on the basis of earlier applications.

Research cooperation ... Finnish cooperation partners included the National Technology Agency TEKES, VTT Technical Research Centre of Finland, Finnish ICT companies, several universities and higher education institutions, and the Helsinki Institute for Information Technology HIIT, an institution operating under the University of Helsinki and the Helsinki University of Technology. Research cooperation was also conducted together with EURESCOM, the European Institute for Research and Strategic Studies in Telecommunications. A researcher from Elisa participated in the research and development of Internet technologies in the World Wide Web consortium at MIT, the Massachusetts Institute of Technology.

Major events:

3G ... "Beyond" research projects by Eurescom and WWI, investigating the features, new personified service concepts and business models of wireless communications systems.

IP ... Development of technical solutions, new service concepts, platform solutions and service development environments based on IP technology.

WLAN ... Development and pilot projects related to wireless LAN technology (WLAN) and associated new business models and service concepts. The mobilemall network service solution was tested at the Arabia shopping mall, providing wireless local Internet services to customers and retailers at the shopping mall.

IT-data security ... In the field of IT data security, digital signature procedures and data security solutions for wireless communications were developed as a part of the Wireless Value Added Services joint project funded by Tekes.

Business models, technologies and services for digital television were researched as Group-wide cooperation. A digital television mobile distribution test network project was launched in 2002 in cooperation with other players in the industry.

Focus areas of the Group companies' R&D activities

In addition to network architectures, **Radiolinja** also invested in the development of telematics, positioning services and services based on open service architectures and platforms. Radiolinja wants to provide its customers with operating experience in an open environment using applications with a terminal device.

The focus areas of **Elisa Internet's** research projects included: guaranteeing the scalability and usability of the backbone network, guaranteeing the service level and usability of the central service systems, development of customer service systems, research and development of strong user authentication techniques, and finally the development of Web-based supplementary services and value added services for broadband subscriptions.

In its research operations, **Comptel** focused on investigating provisioning and billing models in new operator services for next-generation fixed and mobile networks.

Yomi's product development in 2002 focused mainly on software products and platforms aimed at operators. The group's product development expenses amounted to EUR 4 million. Moreover, some product development expenses are included in the group's staff costs.



Competence across boundaries.

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



Comptel Corporation ... Despite over a 15 per cent decrease in revenue, Comptel maintained a relatively good market position particularly for a global software provider for large operators and operator groups. By the end of 2002, Comptel had delivered its software solutions to more than 210 customers in 64 countries

The company initiated measures to ensure long-term profitability, by cutting costs as well as those functions that were not part of its core business operations. These measures are expected to decrease costs by approximately EUR 6 million during 2003.

Although the telecommunications infrastructure market as a whole stagnated during 2002, mediation and provisioning software for the business of operators and service providers continued to grow. Comptel continued its product development and expansion, and won orders from new customer groups.

Comptel will retain its competitive edge in the challenging telecommunication market of 2003. Uncertainty in the market 2003 will affect the company's business. Revenue is not expected to change significantly from that of the previous year. Comptel's objective is to be in surplus in 2003.



Yomi ... Yomi is the competence centre for information technology and telecommunication-based (ICT) software solutions in Elisa Group. It is also a strong regional telecom operator in Central Finland.

In 2002, Yomi's software business grew. This was achieved by integrating the acquired business operations of Votek Ltd and LPG Innovations with Yomi Vision Ltd to form the Software Applications business area. The acquisitions also provided Yomi with strategically suitable products and technology already on the market as well as the accompanying expertise. Existing sales channels were also strengthened.

The Telecom business unit has been particularly successful and growth is expected to continue. The Corporate business unit is expected to improve after the completion of a number of loss-making projects. The rapid expansion of mobile and intelligent terminals will generate demand for required software solutions.

In the telecom operations, the year 2002 was manifested by an increased demand for broadband services and highly successful sales campaigns of cable TV subscriptions. Profitability of the operator business was also excellent.



Estera ... Estera is a national company within the Elisa Communications Group established in February 2002. It provides real estate IT systems for its customers. The company is headquartered in Helsinki and has regional units in Turku, Kouvola, Tampere, Jyväskylä, Kuopio, Joensuu and Oulu.

The Estera group comprises Computec, Elektroniikkatyö and Estera, which also operates under the auxiliary business names SoonSec and Atec-Security. The company's annual net sales amount to approximately EUR 20 million, and it employs 150 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.

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Report of the Board of Directors

Market situation ... Economic uncertainty and the indebtedness of telecom operators had a considerable impact on the whole telecommunication sector in 2002. This situation was reflected by a number of foreign operators also operating in Finland that went into liquidation. To improve profitability in the slowdown of growth and the tightening competition, costs and investments in the sector have been cut. Competitive edge and growth have been sought, through corporate transactions and cooperation agreements.

Telecommunication competition in Finland was manifested by extensive marketing of mobile and broadband subscriptions to new customers. In addition, new technologies and services, such as GPRS and multimedia messages (MMS), were introduced in 2002. However, their influence on the Group's business has not yet been significant.

The difficult market situation was also reflected in Elisa Communications Corporation Group's performance for the year 2002, which did not meet its objectives.

Revenue ... The Group's year-on-year revenue grew by 8.6 per cent, amounting to EUR 1 563 million (1 439). Owing to the disposals of business operations (inter alia directory and installation businesses) and corporate acquisitions (such as Tropols in 2002, Soon and Yomi in 2001), the revenue figures are not comparable with those of the previous year.

Performance ... The Group's 2002 EBIT exclusive of non-recurring items amounted to EUR 32 million (67). Non-recurring items affecting the EBIT were:

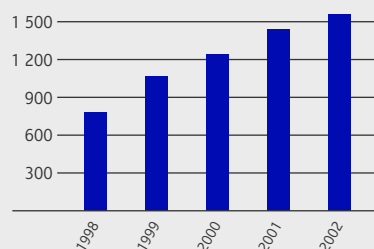
- the expense booking of EUR 77 million for the leasing liability of finance agreements concerning the GSM network
- additional depreciation of EUR 51 million on the GSM networks,
- expense booking of EUR 14 million for Germany-based business, and
- other non-recurring expense bookings of EUR 12 million.

The (reported) Group EBIT in accordance with the Financial Statements for the year 2002 was EUR -48 million (108).

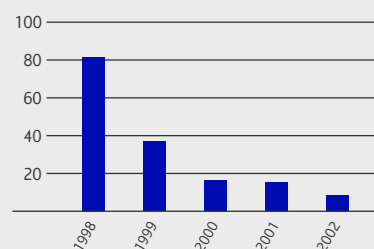
The reported EBIT for the year 2002 included a total of EUR 73 million (104) sales profits from shares, business operations and real estates. During 2002, installation business of Elisa Instalia Ltd and directory businesses of Soon Com Ltd, Yomi Plc and Riihimäen Puhelin Oy were divested.

Owing mainly to the decrease in investments profits, pension fund contributions in 2002 were approximately EUR 10 million higher than in the previous year. The Elisa Group's pension liabilities are fully covered. The Group's planned depreciation and value adjustments on fixed assets totalled EUR 255 million (213). Non-recurring depreciation of EUR 67 million (59) in total was also booked. Additional depreciation was mainly set against the GSM networks. EUR 59 million (45) was

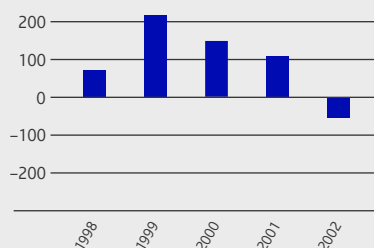
Group revenue, EUR million



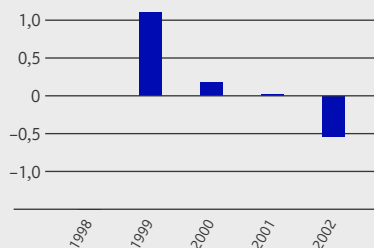
Group revenue, change, %



Group operating profit, EUR million



Earnings per share, EUR



booked as depreciation on the subsidiaries' consolidated goodwill. The sum included EUR 4 million value adjustments written down for subsidiaries in Germany.

The Group's goodwill resulting from the acquisition of subsidiaries amounted to EUR 583 million at the end of the period under review (EUR 588 million at the end of 2001). In early 2002, the associated company Tropolys GmbH was converted into a subsidiary chiefly through an exchange of shares. As a consequence of this, the Group goodwill to be presented in the consolidated Financial Statements grew by around EUR 50 million.

The Group's share of associated companies' results was EUR -5 million (-14).

The Group's financial income and expenses in 2002 totalled EUR -50 million (-48).

On the basis of the expense booking on the GSM network leasing liability, a deferred tax receivable of EUR 22 million was recorded. No deferred tax receivables have been assigned for the losses incurred by German subsidiaries and associated companies.

The corporate taxes for the year 2002 amounted to EUR +3 million (-42). The reported result for the year 2002:

- The Group profit for 2002 after taxes and minority interest amounted to EUR -71 million (1).
- By the end of the year, the Group's earnings per share stood at EUR -0.54 (0.01) and shareholders' equity per share was EUR 5.21 (5.67).

Elisa Mobile business area ... In 2002, the Elisa Mobile business area was affected by the tightening price competition and the subsequent price erosion, as well as the departure of Telia Mobile Finland's subscriptions from Radiolinja's network in Q2. Customer retention was clearly more intensive than in 2001 and the marketing and sales expenses of the subscription sales grew.

Elisa Mobile's key figures for 2002 were as follows:

- revenue EUR 739 million (727)
- EBITDA exclusive of non-recurring items EUR 194 million (197)
- EBIT exclusive of non-recurring items EUR 60 million (76).

Leasing liability of EUR 77 million relating to the GSM network's finance agreements was booked as an expense during the third quarter. In addition, a decision was made to shorten depreciation periods for the investments in new radio networks and their related software by approximately two years, as of the beginning of 2003.

At the end of December 2002, Radiolinja's network in Finland had 1 342 417 subscriptions (1 356 204). Owing to the jettisoning of Telia's post-paid subscriptions, the number of subscriptions by the end of Q3 amounted to 1 301 621. However, the highly successful sales campaign increased the number by 41 000 subscriptions by the end of the year.

In 2002, subscriptions of Radiolinja's service operator in Finland:

- annualised churn for the review period was 15.7 per cent, (14.3), and
- ARPU (average revenue per subscription) amounted to EUR 42.2 (43.5) a month
- the share of added value services from the revenue was 12 per cent (12).

During the period under review, Radiolinja concluded 23 new GSM roaming agreements. These agreements now cover 111 countries and 234 mobile networks. A total of 44 GPRS roaming agreements have been signed.

In early 2002, Radiolinja signed a cooperation agreement with Vodafone, the largest mobile operator in the world, to provide diverse mobile services to its customers abroad. Benefiting from this cooperation and building new products has been one of the most important events during 2002. Radiolinja Eesti, Radiolinja's subsidiary operating in Estonia, reported the following figures for 2002:

- revenue of EUR 55 million (40), (A growth of 20 per cent from the corresponding period of the previous year.)
- EBIT EUR 7 million (4)
- 155 500 subscriptions (146 600) at the end of December.

Fixed network business (ElisaCom and Elisa Networks business areas) ...

The competitive edge of the fixed network business was enhanced by streamlining business structures and divesting non-core businesses.

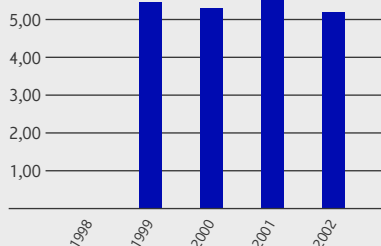
Fixed network business in 2002:

- revenue amounted to EUR 735 million (658)
- EBITDA exclusive of non-recurring items was EUR 213 million (200)
- EBIT exclusive of non-recurring items amounted to EUR 101 million (95).

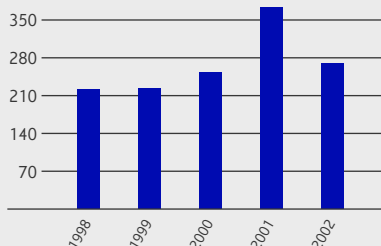
The fixed network business comprises the service business of ElisaCom and the network business of Elisa Networks, both nationwide companies. Owing to the incorporations, divestments and consolidation of business operations, the figures for the fixed network business are not comparable with those of the previous year.

The number of broadband subscriptions continued to soar, and ElisaCom maintained its market leadership in 2002. ElisaCom was highly successful in implementing and outsourcing telecommunication solutions of corporate customers and local government. The volume of call traffic and traditional telephone subscriptions in the fixed network decreased, as the customers' use of the Internet shifted to fixed-price broadband subscriptions and, with regard to voice traffic, to mobile services. The number of fixed subscriptions in the Group's networks at the end of 2002 was 1.18 million (1.19). The number

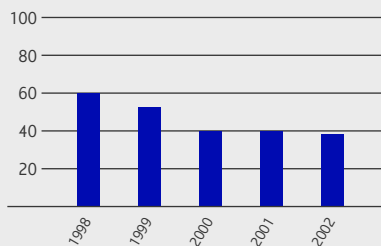
Shareholders' equity per share, EUR



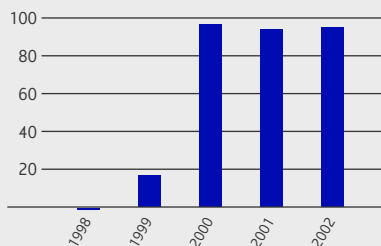
Group investments (gross), EUR million



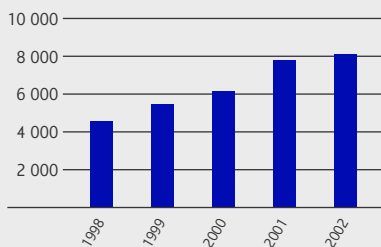
Equity ratio, %



Gearing ratio, %



Group employees



of broadband subscriptions was approximately 71 900 (27 900). The Group with its associated companies had around 169 900 cable TV subscriptions at the end of 2002.

The focus activities of Elisa Networks' network business in 2002 were to meet the demand for broadband connections and subscriptions, cost-efficiency and to manage the total level of investments. Both were accelerated by the consolidation of domestic network business and divestment of installation businesses.

Germany-based business (Elisa Kommunikation business area) ...

The number of customers in Germany-based business grew despite weakened German economy. Elisa Kommunikation GmbH reported positive EBITDA for the last quarter of 2002, and EBITDA adjusted with non-recurring items amounted to EUR -1 million.

In 2002, Elisa Kommunikation GmbH's:

- revenue amounted to EUR 118 million (54)
- EBITDA was EUR -27 million (-30)
- EBIT totalled EUR -73 million (-56)
- net result was EUR -55 million (-69).

Owing first and foremost to the consolidation of Tropolys GmbH, the figures are not comparable.

Elisa's business operations in Germany focused on improving profitability and efficiency of investments in 2002.

The consolidation of Tropolys GmbH as a subsidiary increased the revenue intrinsically. Tropolys GmbH became Elisa Kommunikation's subsidiary at the beginning of 2002, which was a major strategic structural change in the Group's cluster of companies in Germany. The acquisition of the controlling interest was mainly realised through share exchanges. Mäkitorppa GmbH along with its outlets was sold and the retailing of mobile phones and subscriptions was shut down.

Other companies ... Comptel Corporation disclosed its Financial Statements on 14 February 2003 and Yomi Plc on 20 February 2003. The key figures of the companies were:

Comptel Corporation

- revenue EUR 49 million (61)
- EBIT EUR -7 million (14).

Yomi Plc

- revenue EUR 58 million (58)
- EBIT EUR 4 million (10).

Yomi's performance was affected by approximately EUR 9 million sales profits from the disposal of directory and security business operations and by non-recurring depreciation of EUR 4 million, which related to product development.

Research and development ... The Group invested EUR 36 million (36) in research and development in 2002.

The primary focus areas of the R&D activities in the Research Center were service platform technology, data security of information technology, new IP-based network technologies and services, wireless and broadband technologies, and customer-centred research.

Changes in Group structure ... Elisa Communications Corporation's service operator, ElisaCom Ltd., started operations on 1 January 2002.

Soon Communications Plc's business operations were incorporated on 1 January 2002 into the network operator Soon Net Ltd and the service operator Soon Com Ltd. Soon Communications Plc was merged with and into Elisa Communications Corporation on 31 December 2002.

On 7 January 2002, Yomi Plc acquired Indata Oy through an exchange of shares, and Votek Oy in part in cash and in part through a private offering. As a result of these measures, Elisa Communications Group's holding in Yomi Plc decreased from 53.13 per cent to 51.46 per cent.

Radiolinja incorporated its network and mobile infra services. Radiolinja Origo Oy (network) and Radiolinja Aava Oy (mobile infra) began trading on 1 February 2002.

In early 2002, Tropols GmbH was converted into a subsidiary through an exchange of shares in principal. Elisa Communications Group has a 65.9 per cent holding in Tropols.

During 2002, the group companies providing security construction automation and energy management systems were concentrated on Estera Oy. These companies were Computec Oy, Elektroniikkatyö Oy and security business operations of Yomi and Elisa Solutions.

The installation company Elisa Instalia Ltd's business was sold to Flextronics Network Services Finland Oy on 3 September 2002 in accordance with the agreement signed in June. The disposal price was approximately EUR 37 million.

On 12 September 2002, Yomi sold its directory business to Fonecta Oy for approximately EUR 8 million, and on 29 November 2002, Soon Com Ltd sold its directory business to Oy Eniro Finland Ab for some EUR 24 million.

Oy Xtel Ab and Oy Älytalo Ab were merged with and into Elisa Communications Corporation in September.

Lounet Oy was merged with Lounais-Suomen Puhelin Oy at the end of 2002. After the merger, the Group's holding in the new company named Lounet Oy stood at 50.2 per cent.

Personnel ... By the end of 2002, the group companies employed 7 368 people (8 180). During 2002, an average of 8 115 people (7 783) worked in the Group. The number of personnel per Group and business areas were as follows:

- 337 employees in the parent company Elisa Communications Corporation
- 1 741 employees in the Elisa Mobile business area
- 2 542 employees in the ElisaCom business area
- 940 employees in the Elisa Networks business area
- 675 employees in Elisa Kommunikation business area
- 1 133 employees in other companies.

During 2002, the Group conducted collaboration negotiations and rationalisation at Elisa Communications Corporation, ElisaCom Ltd., Elisa Networks Ltd., Comptel Corporation, Yomi Plc and in Germany-based business operations. With these measures, the Group managed to reduce the number of personnel by around 300.

The Group will publish a separate personnel review for the year 2002.

Investments ... The Group's gross investments in fixed assets in January–December amounted to EUR 269 million (373) and acquisition of shares to 16 million (242).

Investments in fixed assets amounted to:

- EUR 138 million in Elisa Mobile,
- EUR 106 million in the fixed network companies, and
- EUR 25 million in Germany-based business.

Elisa Mobile's investments contain repurchases of Radiolinja GSM finance agreements from telcos for approximately EUR 50 million.

Financial position ... The Group's financial position and liquidity remained stable. Currently, the Group has a credit rating of A3 (review for downgrade) for long-term financing by Moody's, and A- (negative outlook) for long-term financing and A-2 for short-term financing by Standard & Poors.

The Group's net debt stood at EUR 757 million by the end of the review period. The Group's equity ratio decreased to 38 per cent (40) owing to the losses incurred in 2002. More detailed information on the financial position is available in the table attached.

Own shares ... The total number of Elisa Communications Corporation's A Shares owned by the subsidiaries was 781 563 by the end of the year. The par value of the shares totalled EUR 390 781.50 and their proportion of the share capital and votes was 0.57 per cent. The book value of these company shares has been deducted from the distributable assets of the Group.

Moreover, the Elisa Group Pension Fund owned 1 575 463 A shares.

On 5 November 2002, Elisa Communications Corporation's subsidiary Soon Communications Plc sold its 1 714 163 Elisa Communications Corporation A Shares through the stock exchange to the Elisa Group Pension Fund on the basis of exemption from funds. The deal price was EUR 9 530 746.28 in total, or EUR 5.56 per share. Soon Communications booked a sales loss of EUR 57 million for the transaction. This trading of own shares was entered under 'Shareholders' equity' in the balance sheet, and the transaction had no impact on the Group's earnings.

The aggregate nominal value of the shares sold was EUR 857 081.50. The shares attributed for 1.24 per cent of Elisa Communications Corporation's share capital and votes. Stock trading had no substantial effect on the allocation of ownership and votes within the company.

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

Shares ... The A Share of Elisa Communications Corporation closed at EUR 5.72 on 30 December 2002. The highest quotation in 2002 was EUR 15.50, and the lowest EUR 4.46. The average rate was EUR 8.21.

As of 30 December 2002, the company's aggregate number of shares was 138 011 757 and market capitalisation was EUR 785 million.

During the period from 1 January 2002 to 30 December 2002, a total of 66.1 million A Shares of the company were exchanged on the Helsinki Exchanges for an aggregate value of EUR 543 million. The exchange was 48.6 per cent of the number of A Shares on the market.

The number of Elisa Communications Corporation's A share options for the year 2000 is 3 600 000. Between 1 July 2002 and 30 December 2002, the total number of A share options traded on the Helsinki

Exchanges was 156 550 at a total price of EUR 26 707. The average rate of the A share options was EUR 0.17. The highest quotation of the A share options in the January–December period was EUR 0.30, and the lowest EUR 0.05. The closing rate of the A share option was EUR 0.25

Annual General Meeting on 4 April 2002 ... Elisa Communications Corporation's Annual General Meeting decided, in accordance with the proposal of the Board of Directors that no dividend be paid for 2001. The Annual General Meeting confirmed the parent company's income statement and balance sheet, and the consolidated income statement and the balance sheet. The members of the Board and the CEO were discharged from liability for 2001.

The confirmed number of the members of the company's Board of Directors was eight. Ossi Virolainen, Riitta Backas and, as a new member, Honorary Mining Counsellor Jere Lahti, CEO of S Group Cooperative Societies, were appointed for the next three-year term. Keijo Suila, Matti Aura, Arto Ihto, Pekka Ketonen and Linus Torvalds, who were not to retire by rotation in this AGM, continue as members of the Board. PricewaterhouseCoopers Oy (authorized public accountants, with APA Henrik Sormunen as the responsible auditor), and Leo Laitinmäki (APA) were appointed the company's auditors. Jaana Salmi (APA) was appointed deputy auditor.

The Annual General Meeting approved the proposal of the Board of Directors to authorize the Board of Directors within one year from the Annual General Meeting to decide on increasing the company's share capital. 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 or when issuing convertible bonds or warrants, a maximum aggregate of 27.6 million of the company's A Shares can be issued for subscription, and the company's share capital can be increased by a maximum of EUR 13 800 000 in total. The authorisations have not been used so far.

At the same time, the Annual General Meeting cancelled the authorisation to raise the share capital, which was valid until 20 April 2002, for the part that had not been used.

On 2 May 2002, the Group's Board of Directors was constituted. Keijo Suila, President and CEO of Finnair, will continue as chairman, and Ossi Virolainen, CEO of AvestaPolarit Oyj Abp, as deputy chairman of the Board of Directors.

Major legal issues ... With reference to Section 14 Paragraph 19 of the Finnish Companies Act regarding the redemption procedure on Oy Radiolinja Ab's minority shares, the title to the shares to be redeemed was transferred to Elisa Communications Corporation after it gave the required security on 27 February 2001. In its ruling on 29 May 2001 the court of arbitration confirmed the redemption right and decided the redemption price be FIM 47 000 per share (EUR 7 905). The matter is pending in the local court and concerns 4 706 shares.

Ten shareholders of Radiolinja's former series L Shares have filed an action for annulment against Radiolinja in respect of the decisions made at the Annual General Meeting of 3 April 2000. The ruling on 6 September 2001 by Helsinki District Court was in favour for Radiolinja. The plaintiffs have appealed against the decision to the court of appeal. The court announced its decision after the period under review, on 11 February 2003, and left the ruling of the district

court unchanged. The plaintiffs' are entitled to a leave to appeal in the Supreme Court.

A court of arbitration appointed by the Central Chamber of Commerce decided on 27 June 2002, to set the redemption price of Elisa Communications Corporation's subsidiary Soon Communications Plc at EUR 7.86 per share. The decision is now valid and the process has ended. The Finnish Competition Council ruled, on 11 December 2001, that on basis of the complaint by Telia Mobile AB filed with the Finnish Competition Authorities in 1998, Radiolinja and Sonera have no joint dominant market position in the network market of mobile communications. Telia has appealed against the decision to the Supreme Court.

On 9 July 2002, Elisa Communications Corporation received a subpoena, in which Jippii Group Oyj made a claim against Elisa Communications Corporation for damages concerning the terminating fees of EUR 5.8 million in total. The matter is pending in Helsinki District Court.

Radiolinja Origo Oy demands compensation for damages in the court of arbitration from Telia Mobile AB's branch operating in Finland for violating a service operator agreement. 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 to have a substantial effect on the Group's financial position or performance.

Events after the period under review ... On 1 January 2003, Soon Com Ltd became ElisaCom Ltd.'s fully owned subsidiary.

On 9 January 2003, Moody's announced to place the A3 long-term ratings of Elisa Group on review for possible downgrade. The decision is based on the rating agency's concern over the instabilities and low growth prospects of the telecom industry, which could negatively affect Elisa's business and profit performance.

On 22 January 2003, the Board of Directors decided to recommend to the Annual General Meeting convening on 4 April 2003, that the parent company Elisa Communications Corporation change its name to Elisa Corporation.

On 19 February 2003, Fidelity International Limited announced that both it and its subsidiaries share of Elisa Communications Corporation's share capital and votes had exceeded five (5) per cent.

Future outlook ... The situation of world economy will reflect in uncertainties for demand for telecom services.

The Board of Directors estimates the Group revenue, EBITDA and result to grow moderately. The positive progress of EBITDA in the Germany-based business will improve the Group's profitability.

Operative investments in relation to revenue will be limited to not more than 15 per cent. The improved profitability and moderate investment level will promote maintaining the Group's cash flow as positive and further reducing of net debt. Restructuring of non-core businesses will continue.

Annual EBITDA of the Germany-based operations will be distinctly positive in 2003. Because of the improving operative efficiency and positive trend in the number of business customers, EBIT is estimated to be in surplus in the first half of 2004.

Consolidated income statement

	NOTES	1.1.- 31.12.2002	1.1.-31.12.2001
		EUR 1 000	EUR 1 000
Revenue	1	1 563 073	1 438 878
Other operating income	2	91 393	126 386
Materials and services	3	-698 197	-568 899
Staff costs	4	-379 504	-327 682
Depreciation and value adjustments	5	-381 511	-316 603
Other operating expenses		-243 738	-244 366
		-1 702 950	-1 457 550
EBIT		-48 484	107 714
Financial income and expenses	6		
Share of associated companies' profits		-5 321	-13 270
Other financial income and expenses		-49 311	-48 195
		-54 632	-61 465
Profit before extraordinary items		-103 116	46 249
Extraordinary items	7	3 171	
Profit after extraordinary items		-99 945	46 249
Income taxes	9	2 985	-42 307
Minority interest		26 084	-3 407
Profit for the financial year		-70 876	535

Consolidated balance sheet

	NOTES	31.12.2002 EUR 1 000	31.12.2001 EUR 1 000
ASSETS			
Fixed assets			
Intangible assets	10	76 721	75 202
Consolidated goodwill	10	582 767	587 569
Tangible assets	10	962 091	928 176
Shares in associated companies	11	21 074	24 890
Other investments	11	12 745	73 673
		1 655 398	1 689 510
Current assets			
Inventories	12	20 669	26 581
Deferred tax receivable	17	14 394	
Long-term debtors	13	7 310	4 211
Short-term debtors	14	326 790	326 165
Short-term investments		2 658	4 503
Cash in hand and at banks		71 027	99 925
		442 848	461 385
		2 098 246	2 150 895
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
	15		
Share capital		69 006	69 006
Share premium fund		516 672	516 672
Contingency fund		3 382	3 382
Retained earnings		197 558	180 485
Profit for the financial year		-70 876	535
		715 742	770 080
Minority interest			
		83 484	85 133
Provisions for liabilities and charges			
	16	71 495	914
Creditors			
Deferred tax liability	17		19 058
Long-term creditors	19	714 967	582 319
Short-term creditors	20	512 558	693 391
		1 227 525	1 294 768
		2 098 246	2 150 895

Consolidated cash flow statement

	1.1.-31.12.2002	1.1.-31.12.2001
	EUR 1 000	EUR 1 000
Cash inflow from operating activities		
Net profit for the financial year	-70 876	535
Adjustments:		
Depreciation and value adjustments	381 511	316 603
Reduction in value of investments	809	
Sales profits from business operations	-48 067	-60 747
Sales profits from the disposal of fixed assets and shares	-5 065	-10 668
Expense booking for GSM leasing liability	69 664	
Other adjustments	-20 410	29 614
Change in deferred tax liability/receivable	-33 452	-24 206
Change in working capital and other items	31 372	4 640
	376 362	255 236
Cash inflow from operating activities	305 486	255 771
Cash flow in investments		
Investments in fixed assets	-268 682	-373 039
Disposal of fixed assets	5 865	28 822
Investments in shares	-6 837	-43 437
Disposal of shares and business operations	53 064	77 810
Other investments	248	-55 264
Cash flow in investments	-216 342	-365 108
Cash flow in financing		
Change in long-term loans	74 501	155 211
Change in short-term loans	-208 657	31 931
Dividends paid	-3 899	-14 480
Sale of own shares	18 168	8 383
Cash flow in financing	-119 887	181 045
Change in financial assets	-30 743	71 708
Financial assets at the beginning of the financial year	104 428	32 720
Financial assets at the end of the financial year	73 685	104 428

Parent company income statement

	NOTES	1.1.-31.12.2002	1.1.-31.12.2001
		EUR 1 000	EUR 1 000
Revenue	1	37 137	472 125
Increase (+)/decrease (-) in stocks of finished goods and work in progress			-329
Other operating income	2	19 565	14 466
Materials and services	3	-600	-192 350
Staff costs	4	-27 070	-122 498
Depreciation and value adjustments	5	-12 474	-64 244
Other operating expenses		-54 892	-105 602
		-95 036	-484 694
EBIT		-38 334	1 568
Financial income and expenses	6	-45 099	-23 074
Profit before extraordinary items		-83 433	-21 506
Extraordinary items	7	13 176	57 971
Profit after extraordinary items		-70 257	36 465
Appropriations	8	-1 884	33 763
Income taxes	9	22 945	-13 949
Profit for the financial year		-49 196	56 279

Parent company balance sheet

	NOTES	31.12.2002 EUR 1 000	31.12.2001 EUR 1 000
ASSETS			
Fixed assets			
Intangible assets	10	4 893	12 019
Tangible assets	10	37 639	74 139
Investments	11	1 815 628	1 806 801
		1 858 160	1 892 959
Current assets			
Inventories	12		1 272
Long-term debtors	13	136 391	126 061
Short-term debtors	14	273 246	220 603
Cash in hand and at banks		32 259	40 924
		441 896	388 860
		2 300 056	2 281 819
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Subscribed capital	15	69 006	69 006
Premium fund		516 672	516 672
Contingency fund		3 382	3 382
Retained earnings		563 291	507 012
Profit for the financial year		-49 196	56 279
		1 103 155	1 152 351
Accumulated appropriations			
		1 884	
Provisions for liabilities and charges			
	16		84
Creditors			
Long-term creditors	19	651 112	491 408
Short-term creditors	20	543 905	637 976
		1 195 017	1 129 384
		2 300 056	2 281 819

Parent company cash flow statement

	1.1.-31.12.2002	1.1.-31.12.2001
	EUR 1 000	EUR 1 000
Cash inflow from operating activities		
Profit for the financial year	-49 196	56 279
Adjustments:		
Depreciation according to plan	14 358	30 481
Sales profits from the disposal of fixed assets and shares	-4 936	-13 263
Other adjustments	28 094	41 915
Change in working capital and other items	-82 409	23 968
	-44 893	83 101
Cash inflow from operating activities	-94 089	139 380
Cash flow in investments		
Fixed asset investments	-3 508	-68 297
Disposal of fixed assets	5 776	51 802
Investments in shares	-75 709	-269 915
Disposal of shares	12 263	9 988
Cash flow in investments	-61 178	-276 422
Cash flow in financing		
Change in long-term debtors	-15 666	-44 725
Change in long-term creditors	44 203	178 147
Change in short-term debtors	-59 629	-5 553
Change in short-term creditors	221 518	55 306
Dividends paid		-8 755
Cash flow in financing	190 426	174 420
Change in financial assets	35 159	37 378
Financial assets at the beginning of the financial year	40 924	3 546
Financial assets transferred with the merger	-43 824	
Financial assets at the end of the financial year	32 259	40 924

Notes to the financial statements

Elisa Communications Corporation, whose registered office is in Helsinki, is the Parent Company of Elisa Communications Corporation Group. Elisa Communications Corporation's consolidated financial statements for the year ended 31 December 2002 are available for inspection at Korkeavuorenkatu 35-37, 00130 Helsinki.

ACCOUNTING PRINCIPLES

1. Scope of the consolidated financial statements

The consolidated financial statements comprise the Parent Company, Elisa Communications Corporation, and those subsidiaries in which the Parent Company directly or indirectly holds the authority provided by Chapter 1, Section 6 of the Bookkeeping Act. 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 shares took place. Associated companies are generally consolidated from the moment they became associated. Similarly, divested companies are consolidated up to the date on which they are sold.

Those Group and associated companies that remain dormant during the financial year or whose consolidation is unnecessary to give a true and sufficient view of the Group's result and financial position are not consolidated.

2. Consolidation principles

Intragroup transactions, internal profits on inventories, internal receivables and debts, as well as the internal distribution of profits, are eliminated. The margin included in fixed assets has been essentially 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 and shown as separate items in the income statement and balance sheet.

The income statements of foreign subsidiaries are converted to euros according to the monthly mean price announced by the European Central Bank, and their balance sheets according to the

mean price of the balance sheet date. Any transaction differences arising from this conversion, as well as transaction differences of shareholders' equities, are booked as retained earnings.

3. The company's own shares

Elisa Communications Corporation's shares that are owned by subsidiaries and associated companies (the company's own shares) are deducted from the Group's distributable shareholders' equity. The company's own shares owned by associated companies are deducted for the value corresponding to the holding.

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

4. Adjustments to the information of the previous financial year

The amount on interest-bearing debts of the Group and the Parent Company has been changed for the year 2001. In the financial statements for the year 2001, the EUR 46.0 million debt concerning the redemption price of the minority shareholders of Soon and Radiolinja, shown in short-term non-interest-bearing debts, has been transferred to short-term interest-bearing debts. The change has been made to the Group's and Parent Company's cash flow statement, notes regarding debts and key figures for the comparable year 2001.

5. Comparability with the previous year

When comparing the 2002 information with that of the financial year 2001, the following must be taken into account:

The Group ... Other operating income in 2002 includes EUR 73 million of sales proceeds. In 2001, other operating income included EUR 104 million of sales profits.

A non-recurring expense booking of EUR 77 million for GSM leasing liability has been made. In the income statement, expenses have been grouped into external services and treated in provisions for liabilities and charges in the balance sheet.

The Group has booked additional depreciation of fixed assets for EUR 67 million. The sum of additional depreciation and value adjustments booked was EUR 59 million in 2001.

As a result of the consolidation of Tropolys, the Tropolys GmbH subgroup has been consolidated as a subsidiary from 1 January 2002, which increased the annual consolidated revenue by approximately EUR 60 million. In the previous financial year, Tropolys was consolidated as an associated company.

In 2001, the directory business of Direktia Ltd was divested, which decreased the Group's annual revenue by approximately EUR 40 million. Soon Communications Plc, Yomi Plc (formerly known as KSP Group Plc), Finnet International Ltd and Riihimäen Puhelin have been consolidated as of 1 July 2001, which increased the Group's 2001 revenue by approximately EUR 90 million.

The change in stocks of finished products and work in progress, EUR 2.0 million (EUR 1.7 million in 2001), has been booked in the consolidated financial statements as an immaterial item under the Change in stocks item of the income statement.

Parent Company ... Corporate arrangements carried out at the beginning of 2002 had an influence on the development of the Parent Company's revenue, profit and balance sheet.

The service operator business was incorporated at the beginning of 2002. The assets and liabilities related to this business activity were transferred to ElisaCom Ltd. through a business transaction. After the incorporation, the activities of the Parent Company comprised the functions of the corporate staff, centralised research and sales of certain internal services to Group companies.

On 31 December 2002, Soon Communications Plc was merged with and into Elisa Communications Corporation, which had a major impact on the Group's balance sheet. Oy Älytalo Ab and Oy Extel Ab were also incorporated into the Parent Company during 2002.

In 2002, the Parent Company's other income from operating activities include EUR 5 million sales profits from the disposal of real estates and shares. In 2002, the other income from operating activities included EUR 9 million sales profits from fixed assets and shares.

6. Non-recurring items

Certain income and expenses in the financial statements have been defined as non-recurring items. These items include relevant gains from the disposal of shares and non-recurring write-offs and value adjustments of fixed assets and consolidated goodwill. The reallocation of an income or expense item as a non-recurring item is at the discretion of the management.

During 2002, the Group assessed the value of GSM networks and the long-term financing agreements related to them. At the same time, they took into account technological development, as well as the option to renegotiate the agreements. On the basis of the assessments, a decision was made to book EUR 77 million of the financing agreements related to GSM networks. The expense booking for GSM leasing liability is regarded a non-recurring expense.

7. Revenue and other operating income

Interconnection traffic payments charged to customers and credited to other telcos as such are booked as a deduction of sales profits (Accounting Board 1995/1325).

Other operating income includes sales profits from shares and fixed assets, contributions received, and rental income from apartments.

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

8. 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.

9. Items denominated in foreign currencies

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 mean price of the balance sheet date announced by the European Central Bank.

10. Derivative instruments

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

Open derivative instruments, intended to hedge against currency change risks, are valued at their market value and charged against profits with the exception of forward contracts related to cash flow which 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 to the financial statements, irrespective of whether they have been booked in the income statement.

11. Fixed assets and consolidated goodwill

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

The difference between planned depreciation and total depreciation in the Parent Company's financial statements is shown in appropriations in the income statement, and 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 debt. Planned depreciation is calculated on a straight-line basis over expected service lives based on original acquisition cost.

Consolidated goodwill is depreciated over a period of 5–15 years.

The exception to this is strategically important interests in major companies in the telecommunication industry, when the depreciation period is 10–15 years. For example, the consolidated goodwill of Oy Radiolinja Ab, Soon Communications Plc 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.

Planned depreciation times in the Group are given below:

Consolidated goodwill	5–15 years
Goodwill	3–5 years
Formation costs	5 years
Computer programs	3–5 years
Other long-term expenditure	5–10 years
Buildings and structures	25–50 years
Telephone exchanges	8–10 years
GSM network	8–10 years
Cable network	10–20 years
Mast sites	10–25 years
Teleterminals (leased to customers)	3–5 years
Other machines and equipment	3–5 years

A decision has been made to shorten the depreciation periods for new radio network and the related software by approximately two years as of the beginning of 2002.

A Group reserve has arisen as a result of share issues effect 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 at the balance sheet date has been subtracted from consolidated goodwill. Depreciation on goodwill has been calculated on the value after subtraction.

An exchange of shares in compliance with corporation taxation legislation is applied to domestic corporate acquisitions. The consolidation into the consolidated financial statements is conducted at the net value of the shareholders' equity of the acquired company, according to statement 1999/1591 of the Accounting Board. As a consequence of this procedure, the said share purchases do not generate goodwill or consolidation reserve. Whenever possible, the corresponding method is also applied to foreign corporate acquisitions.

12. Research and development expenses

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

13. 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. In the balance sheet they are shown under provisions for liabilities and charges, even when their exact amount or time of realisation is not known. In all other cases they are shown under accruals and deferred income.

14. 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 funds 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 unfunded pension liabilities or any unfunded pension liabilities of their own.

15. 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 are shown as the Parent Company's extraordinary income and expenses.

16. Direct taxes

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

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

In line with the prudence concept, realised losses of domestic Group companies are booked as tax receivables.

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

17. Minority interest

In Finnish subsidiaries, minority interests are separated in compliance with the general instructions on preparing consolidated financial statements of the Accounting Board of 21 February 2002.

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

The Group's revenue, EBITDA and EBIT by business areas (BA)

GROUP EUR MILLION	REVENUE		EBITDA		EBIT	
	2002	2001	2002	2001	2002	2001
Elisa Mobile	739	727	117	224	-68	56
Fixed network	735	658	274	262	154	152
Germany	118	54	-27	-30	-73	-53
Other operations	130	97	-31	-31	-61	-47
Sales between BAs	-159	-97				
Group total	1 563	1 439	333	425	-48	108

Figures adjusted with non-recurring items

GROUP EUR MILLION	REVENUE (ADJUSTED)		EBITDA (ADJUSTED)		EBIT (ADJUSTED)	
	2002	2001	2002	2001	2002	2001
Elisa Mobile	739	727	194	197	60	76
Fixed network	735	658	213	200	101	95
Germany	118	54	-21	-34	-59	-49
Other operations	130	97	-44	-39	-70	-55
Sales between BAs	-159	-97				
Total (adjusted)	1 563	1 439	342	324	32	67

Accounting principles:

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

The comparable figures from the previous year have been changed to correspond to the business structure of 2002.

Internal sales

- Sales within a business area have been reduced from the revenue of said business area.
- 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.
- Depreciation of Group goodwill has been allocated to the business areas.

Non-recurring items

Sales profits from disposal of business operations, shares and fixed assets

Sanction fee to the Competition Council

Expense booking for GSM leasing liability

Writedowns of GSM networks

Writedowns of Cityphone and submarine cable networks

Other writedowns in Finland

Rundown costs of Mäkitorppa GmbH

Other writedowns in Germany

Non-recurring items, total

Impact on EBITDA

Impact on EBIT

Impact on profit before extraordinary items

	2002	2001
Sales profits from disposal of business operations, shares and fixed assets	73	104
Sanction fee to the Competition Council		-4
Expense booking for GSM leasing liability	-77	
Writedowns of GSM networks	-51	-46
Writedowns of Cityphone and submarine cable networks	-8	-5
Other writedowns in Finland	-4	
Rundown costs of Mäkitorppa GmbH	-8	
Other writedowns in Germany	-5	-8
Non-recurring items, total	-80	41
Impact on EBITDA	-9	100
Impact on EBIT	-80	41
Impact on profit before extraordinary items	-80	41

EUR 1 000	GROUP	GROUP	PARENT CO.	PARENT CO.
	2002	2001	2002	2001
1. Invoiced sales and revenue				
Invoiced sales	1 631 162	1 508 349	37 137	567 846
Charges for interconnection traffic to telcos and other adjusting items	-68 089	-69 471		-95 721
Revenue	1 563 073	1 438 878	37 137	472 125
By geographical area				
Finland	1 350 466	1 279 694	36 595	468 166
Rest of Europe	200 875	137 443	542	3 959
America	4 213	9 242		
Asia	5 943	10 107		
Australia	725	1 351		
Africa	851	1 041		
Total	1 563 073	1 438 878	37 137	472 125

Long-term projects, mainly those of Comptel Corporation, are booked as income on the basis of the level of completion. Revenue booked as income on the basis of the level of completion amounted to EUR 16 million (EUR 7 million in 2001).

2. Other operating income

Other operating income of the Group includes the sales profit of EUR 33 million generated by the disposal of the directory business, EUR 35 million of sales profits from the installation business, as well as a total of EUR 6 million of sales profits from the disposal of shares and fixed assets.

Moreover, other operating income included rental income from real estates and contributions, for instance.

Other operating income of the Parent Company included EUR 5 million of sales proceeds for real estates.

Other operating income of the Parent Company in 2001 included a total of EUR 9 million of sales proceeds for fixed assets and shares.

3. Materials and services¹⁾

Materials, equipment and goods

Purchases during the financial year

Change of inventories

52 245	87 839	180	19 539
6 420	9 067		1 112
58 665	96 906	180	20 651

External services

Radiolinja's access rights, maintenance and connection fees

Expense booking for GSM leasing liability

Other external services

383 841	349 829		
69 664			
186 027	122 164	420	171 699
639 532	471 993	420	171 699

Total

698 197	568 899	600	192 350
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¹⁾ Grouping of purchases and external services in the previous year's comparable information has been changed.

EUR 1 000	GROUP	GROUP	PARENT CO.	PARENT CO.
	2002	2001	2002	2001
4. Staff costs				
Staff expenses				
Wages and salaries	299 758	267 387	16 012	100 322
Pension costs	62 152	49 557	9 816	22 115
Other social security costs	24 370	26 378	1 242	10 307
	386 280	343 322	27 070	132 744
Staff expenditure capitalised under fixed assets				
Wages and salaries	-4 644	-11 824		-7 703
Pension costs	-557	-2 021		-1 271
Other social security costs	-1 575	-1 795		-1 272
	-6 776	-15 640		-10 246
Total	379 504	327 682	27 070	122 498
Management salaries and emoluments				
Managing directors and deputies	7 595	4 913	564	522
Members and deputy members of Boards of Directors	456	377	191	200
Members and deputy members of Supervisory Boards		2		
Pension commitments in respect of the managing directors and members of Boards of Directors				
The agreed retirement age range of the Group companies' managing directors is 58–65 years.				
Staff of the Group and the Parent Company during the financial year on average	8 115	7 783	361	2 812
The Group's staff numbers by business areas*)				
	STAFF (31 DEC 2002)			
	2002	2001		
Elisa Mobile	1 741	1 744		
Fixed network	3 482	4 486		
Germany	675	355		
Other operations	1 470	1 595		
Group, total	7 368	8 180		

*) Comparable data from the previous year has been modified to correspond to the changes in Group structure.

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

EUR 1 000	GROUP 2002	GROUP 2001	PARENT CO. 2002	PARENT CO. 2001
5. Depreciation and value adjustments				
Depreciation on tangible and intangible assets according to plan and value adjustments	322 327	272 091	12 474	64 244
Depreciation of Group goodwill and value adjustments	59 184	44 512		
Total	381 511	316 603	12 474	64 244
Specification of depreciations by balance sheet items is included in Non-current assets.				
6. Financial income and expenses				
Share of associated companies' profits				
Share from the results of associated companies	-4 516	-12 668		
Depreciation of associated companies' Group goodwill	-805	-602		
Total	-5 321	-13 270		
Dividends received				
from Group companies			2 602	3 966
from associated companies			107	10 122
from others	137	286	4	7
Corporate tax compensation	56	117	1 107	5 757
	193	403	3 820	19 852
Other interest received and similar income				
from Group companies			4 804	3 987
from others	8 498	8 086	2 122	4 295
	8 498	8 086	6 926	8 282
Interest income and other financial income, total	8 691	8 489	10 746	28 134
Reduction in value of investments	-809			
Interest costs and other financial expenses				
to Group companies			-9 489	-4 147
to others	-57 193	-56 684	-46 356	-47 061
Interest costs and other financial expenses, total	-57 193	-56 684	-55 845	-51 208
Other financial income and expenses, total	-49 311	-48 195	-45 099	-23 074
Financial income and expenses, total	-54 632	-61 465	-45 099	-23 074

EUR 1 000	GROUP		PARENT CO.	
	2002	2001	2002	2001
7. Extraordinary items				
Extraordinary income	4 467			
Merger proceeds			1 888	
Group contributions			105 320	87 500
Extraordinary expenses				
Merger loss			-49 663	
Group contributions			-19 400	-5 851
Income taxes for extraordinary items	-1 296		-24 969	-23 678
Total	3 171		13 176	57 971
8. Appropriations				
Change in depreciation difference			-1 884	33 763
9. Direct taxes				
Income tax for the financial year	43 936	53 673	-22 898	3 784
Income tax from the previous year	71	11 798	-47	10 165
Change in deferred tax liability/receivable	-46 992	-23 164		
Total	-2 985	42 307	-22 945	13 949

10. Non-current assets/Intangible assets, Group goodwill, Tangible assets¹⁾

EUR 1 000	GROUP						GROUP GOODWILL
	FORMATION EXPENSES	INTANGIBLE RIGHTS	GOODWILL	ADVANCE PAYMENTS	OTHER LONG-TERM EXPENDITURE	TOTAL	
Acquisition cost at 1 January 2002	27 516	22 118	8 525	75	123 236	181 470	690 243
Acquired Group companies	3 791	8 922		299		13 012	
Increases		5 013	2 455	1 136	25 290	33 894	59 275
Sales					-338	-338	
Deductions	-1 009	-1 719	-827		-15 142	-18 697	-4 893
Transfers between items	-38	-1 582		-271	2 270	379	
Acquisition cost at 31 Dec 2002	30 260	32 752	10 153	1 239	135 316	209 720	744 625
Accrued depreciation and value adjustments at 1 January 2002	26 713	13 128	2 884		63 543	106 268	102 674
Acquired Group companies	1 764	2 956			936	5 655	
Accrued depreciation of deductions and transfers	-252	-1 101	-849		-9 736	-11 938	
Depreciation for the financial year	1 347	6 605	1 743		23 318	33 013	54 950
Value adjustments							4 234
Accrued depreciation at 31 December 2002	29 572	21 588	3 778		78 061	132 999	161 858
Book value at 31 December 2002	688	11 164	6 375	1 239	57 255	76 721	582 767

EUR 1 000

GROUP

	TANGIBLE ASSETS					TOTAL
	LAND AND WATER	BUILDINGS AND STRUCTURES	TELECOM DEVICES, MACHINES AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND PURCHASES IN PROGRESS	
Acquisition cost at 1 January 2002	22 852	260 011	1 392 096	46 628	72 674	1 794 261
Acquired Group companies	619	12 987	107 061	9 262		129 929
Increases	74	11 835	175 474	3 537	43 868	234 788
Sales		-376	-6 581			-6 957
Deductions	-522	-932	-66 724	-17 615	-24 741	-110 534
Transfers between items		8 070	20 936	266	-29 651	-379
Acquisition cost at 31 December 2002	23 023	291 595	1 622 262	42 078	62 150	2 041 108
Accrued depreciation and value adjustment at 1 January 2002		94 785	749 655	21 645		866 085
Acquired Group companies		3 309	28 710	4 818		36 837
Accrued depreciation of deductions and transfers		-2 050	-109 796	-1 373		-113 219
Depreciation for the financial year		12 103	203 085	7 111		222 299
Value adjustments			67 015			67 015
Accrued depreciation at 31 December 2002		108 147	938 669	32 201		1 079 017
Book value at 31 December 2002	23 023	183 448	683 593	9 877	62 150	962 091

Book value of machinery and equipment (telecom network) in production at 31 December 2002

549 040

¹⁾ Acquisition costs mainly include fixed assets whose acquisition costs have not been fully booked as expenses in the form of depreciation according to plan.

10. Non-current assets/Tangible and intangible assets

EUR 1 000

PARENT COMPANY

	INTANGIBLE ASSETS	TANGIBLE ASSETS			TANGIBLE ASSETS IN THE COURSE OF CONSTRUCTION	TOTAL
	OTHER LONG-TERM EXPENDITURE	LAND AND WATER	BUILDINGS AND STRUCTURES	MACHINES AND EQUIPMENT		
Acquisition cost at 1 January	21 642	1 312	45 091	65 499	393	112 295
Increases	690		5 774	22 575		28 349
Deductions	-11 206	-107	-518	-61 322	-392	-62 339
Acquisition cost at 31 December	11 126	1 205	50 347	26 752	1	78 305
Accrued depreciation at 1 January	9 623		14 668	23 489		38 157
Accrued depreciation of deductions and transfers	-5 241		5 223	-13 338		-8 115
Depreciation for the financial year	1 851		2 072	8 552		10 624
Accrued depreciation at 31 December	6 233		21 963	18 703		40 666
Book value at 31 December	4 893	1 205	28 384	8 049	1	37 639

11. Shares in associated companies and other investments

EUR 1 000	GROUP				TOTAL
	SHARES IN ASSOCIATED COMPANIES	SHARES IN OTHERS	DEBTORS IN ASSOCIATED COMPANIES	DEBTORS IN OTHERS	
Acquisition cost at 1 January ¹⁾	24 890	10 677	60 704	2 292	98 563
Increases	3 203	5 273		952	9 428
Sales/deductions	-7 019	-5 249	-60 704	-1 200	-74 172
Acquisition cost at 31 December	21 074	10 701		2 044	33 819
Book value at 31 December	21 074	10 701		2 044	33 819

¹⁾ The book value of shares in associated companies and receivables from associated companies at 1 January 2002 has been used as the acquisition cost.

EUR 1 000	PARENT COMPANY				TOTAL
	SHARES IN GROUP COMPANIES	SHARES IN ASSOCIATED COMPANIES	SHARES IN OTHERS	DEBTORS IN GROUP COMPANIES	
Acquisition cost at 1 January	1 832 831	7 455	1 206		1 841 492
Transfers between items	778	-778			
Increases	383 353	1 571	895	12 000	397 819
Sales/deductions	-386 011	-2 843	-138		-388 992
Acquisition cost at 31 December	1 830 951	5 405	1 963	12 000	1 850 319
Value adjustments at 1 January	-34 691				-34 691
Value adjustments at 31 December	-34 691				-34 691
Book value at 31 December	1 796 260	5 405	1 963	12 000	1 815 628

On the closing date, the repurchase price of shares quoted in public (Comptel and Yomi) was EUR 27 million higher than their book value (EUR 182 million in 2001).

Group and parent company holdings at 31 December 2002

	REGISTERED OFFICE	GROUP HOLDING %	PARENT COMPANY HOLDING %
Group companies			
Oy Arvotel Ab	Helsinki	100%	100%
Comptel Oyj	Helsinki	58%	58%
Oy Probatu Ab	Tampere	31%	0%
Business Tools Oy	Tampere	31%	0%
Comptel Communications Sdn Bhd	Kuala Lumpur	58%	0%
Comptel Communications Inc.	Arlington	58%	0%
Comptel Communications Oy	Helsinki	58%	0%
Comptel PASSAGE Oy	Helsinki	58%	0%
Oy Dianatel Ab	Helsinki	100%	100%
ElisaCom Oy	Helsinki	100%	100%
Elisa Internet Oy	Helsinki	100%	0%
Elisa Solutions Oy	Helsinki	100%	0%
Oy Heltel Ab	Helsinki	74%	0%
Invoicia Oy	Helsinki	100%	0%

Group and parent company holdings at 31 December 2002 (continued)

	REGISTERED OFFICE	GROUP HOLDING %	PARENT COMPANY HOLDING %
Elisa Networks Oy	Helsinki	100%	100%
Elisa Instalia Oy	Helsinki	100%	0%
Elisa Ventures Oy	Helsinki	100%	100%
Epstar Oy	Helsinki	70%	70%
Estera Oy	Helsinki	100%	64%
Computeec Oy	Kouvola	100%	0%
Elektronikkatyö 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%
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%
Oy Finnet International Ab	Helsinki	51%	8%
Linenet Oy	Helsinki	51%	0%
Linenet Eesti As	Tallinn	51%	0%
Uninet As	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%
Elisa Kommunikation GmbH	Düsseldorf	100%	0%
ChemTel Telekommunikations GmbH Chemnitz	Chemnitz	75%	0%
EastLink GmbH	Chemnitz	38%	0%
HANSACOM TELEKOMMUNIKATIONS GmbH	Greifswald	91%	0%
Tropolys GmbH	Düsseldorf	66%	0%
TROPOLYS Netz GmbH	Dortmund	66%	0%
Jetzt! Kommunikation GmbH & Co.KG	Jena	35%	0%
Jetzt! Beteiligungs GmbH	Jena	35%	0%
pulsaar Gesellschaft für Telekommunikation mbH	Saarbrücken	66%	0%
TeleBeL Gesellschaft für Telekommunikation Bergisches Land mbH	Wuppertal	66%	0%
TeleLev Telekommunikation GmbH	Leverkusen	66%	0%
Tropolys Service GmbH	Dortmund	66%	0%
CNE Gesellschaft für Telekommunikation mbH	Essen	66%	0%
Citykom Münster GmbH Telekommunikationsservice	Münster	66%	0%
meocom Telekommunikation GmbH	Oberhausen	66%	0%
TROPOLYS Asset Management GmbH	Düsseldorf	66%	0%
DDkom – Die Dresdner Telekommunikationsgesellschaft mbH	Dresden	34%	0%
HU-KOM Telekommunikation GmbH	Hanau	66%	0%
Mainova Telekommunikation GmbH	Frankfurt/Main	34%	0%
MAINZ-KOM Telekommunikation GmbH	Mainz	48%	0%
tnp telenet potsdam kommunikationsgesellschaft mbH	Potsdam	66%	0%

Group and parent company holdings at 31 December 2002 (continued)

	REGISTERED OFFICE	GROUP HOLDING%	PARENT COMPANY HOLDING%
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	Helsinki	100%	96%
Ecosite Oy	Helsinki	100%	0%
Kamastore Oy	Helsinki	100%	0%
Mäkitorppa Oy	Helsinki	100%	0%
Radiolinja Aava Oy	Helsinki	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	Helsinki	100%	0%
Radiolinja Piste Oy	Helsinki	100%	0%
Radiolinja Solutions Oy	Helsinki	100%	0%
Kiinteistö Oy Espoon Keilasatama 5	Helsinki	100%	0%
Keilalahden Pysäköinti Oy	Helsinki	71%	0%
Kiinteistö Oy Raision Luolasto	Espoo	100%	0%
Kiinteistö Oy Tapiolan Luolasto	Espoo	100%	0%
Witem Oy	Helsinki	100%	0%
Rahoituslinkki Oy	Helsinki	100%	100%
Kiinteistö Oy Ratavartijankatu 3	Helsinki	64%	64%
Riihimäen Puhelin Oy	Riihimäki	90%	90%
Kiinteistö Oy Rinnetorppa	Kuusamo	89%	50%
Soon Com Oy	Tampere	100%	100%
Soon Net Oy	Tampere	100%	100%
Tampereen Tietoverkko Oy	Tampere	63%	0%
Tampereen Keskusantenni Oy	Tampere	63%	0%
Tam-Sat Oy	Tampere	63%	0%
Oy Telcofounding Ab	Helsinki	100%	100%
WW Value Oy	Helsinki	100%	100%
Yomi Oyj	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 2002 (continued)

	REGISTERED OFFICE	GROUP HOLDING %	PARENT COMPANY HOLDING %
Associated companies			
Oy Anglo-Service Ab	Espoo	25%	0%
Datawell Oy	Espoo	20%	0%
Hlkomm Telekommunikations GmbH	Leipzig	18%	0%
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50%	0%
Kiinteistö Oy Ratavartijankatu 5	Helsinki	35%	0%
Kiinteistö Oy Runeberginkatu 43	Helsinki	30%	9%
Mobicus Oy	Helsinki	12%	0%
Racap Solutions Oy	Espoo	35%	0%
Sofia Digital Oy	Helsinki	20%	0%
Tango Telecom Ltd	Ireland	12%	0%
TeleHeino OY	Nokia	40%	0%
Tikka Communications Oy	Joensuu	21%	12%
Vantaan Yhteisverkko Oy	Vantaa	24%	24%
Pispalan Televisio Oy	Tampere	28%	0%

The un-depreciated goodwill of the associated companies at 31 December 2002 was EUR 5 million (EUR 14 million in 2001).

The date of the balance sheet for all associated companies was 31 December 2002.

EUR 1 000	GROUP 2002	GROUP 2001	PARENT CO. 2002	PARENT CO. 2001
12. Inventories				
Materials and equipment	8 191	9 556		817
Work in progress	2 190	2 489		455
Finished products/goods	9 644	14 035		
Advance payments	644	501		
Total	20 669	26 581		1 272
13. Long-term debtors				
Amounts owed by Group companies¹⁾				
Loans receivable			132 986	122 263
Amounts owed by associated companies²⁾				
Loans receivable	71	120		120
Amounts owed by others³⁾				
Trade debtors	41			
Loans receivable	3 061	2 846	2 511	2 511
Other debtors	1 494	78		
Prepayments and accrued income	2 643	1 167	894	1 167
Total	7 310	4 211	136 391	126 061

¹⁾ Long-term loans receivable from Group companies include a capital loan of EUR 1.4 million (2.9), in compliance with Chapter 5 of the Companies Act. The majority of these loans are non-interest-bearing, and collectable, as a full margin is calculated on the restricted capital and other non-distributable items according to the confirmed balance sheet of the previous financial year. Furthermore, the balance sheet item includes EUR 50 million (50) of loans receivable from German subsidiaries. The prerequisite for the repayment of these loans is that a full margin can be calculated on the equity of the debtor.

²⁾ Long-term loans receivable from associated companies consist of a capital loan described in Chapter 5 of the Companies Act. A maximum of 10 per cent of 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 in compliance with the confirmed balance sheet.

³⁾ Long-term prepayments and accrued income under amounts owed by others include EUR 0.9 million (1.2) of non-booked issue loss. Long-term loans receivable include EUR 2.5 million convertible capital loan in compliance with Chapter 5 of the Companies Act.

EUR 1 000	GROUP 2002	GROUP 2001	PARENT CO. 2002	PARENT CO. 2001
14. Short-term debtors				
Amounts owed by Group companies				
Trade debtors			8 138	27 235
Loans receivable			110 197	83 580
Other debtors			147 500	16 039
Prepayments and accrued income			235	641
			266 070	127 495
Amounts owed by associated companies				
Trade debtors	271	2 838	22	30
Loans receivable	70	21		
Other debtors	53			
	394	2 859	22	30
Amounts owed by others				
Trade debtors	247 564	248 546	1 404	78 292
Loans receivable	556	1 916		
Other debtors	42 584	29 256	3 251	10 385
Prepayments and accrued income ¹⁾	35 692	43 588	2 499	4 401
	326 396	323 306	7 154	93 078
Total	326 790	326 165	273 246	220 603
¹⁾ Prepayment and accrued income are comprised of EUR 9 million of tax receivables, EUR 3 million of interest receivables and mainly other regular matching of sales and operational expenses of EUR 24 million.				
15. Shareholders' equity				
Subscribed capital at 1 January	69 006	62 533	69 006	62 533
Increase		6 473		6 473
Subscribed capital at 31 December	69 006	69 006	69 006	69 006
Share premium account at 1 January	516 672	385 901	516 672	385 901
Increase		130 771		130 771
Share premium account at 31 December	516 672	516 672	516 672	516 672
Contingency fund at 1 January	3 382	3 382	3 382	3 382
Contingency fund at 31 December	3 382	3 382	3 382	3 382
Retained earnings at 1 January	181 020	210 142	563 291	515 767
Distribution of dividend		-8 755		-8 755
Changes in Elisa Communications Corporation's shares owned by subsidiaries and associated companies	16 763	-20 995		
Translation and other differences	-225	93		
Retained earnings at 31 December	197 558	180 485	563 291	507 012
Profit for the financial year	-70 876	535	-49 196	56 279
Total	715 742	770 080	1 103 155	1 152 351

EUR 1 000	GROUP 2002	GROUP 2001	PARENT CO. 2002	PARENT CO. 2001
15. Shareholders' equity (continued)				
Statement of distributable equity at 31 December				
Retained earnings	197 558	180 485	563 291	507 012
Profit for the financial year	-70 876	535	-49 196	56 279
– Capitalised formation expenses	-688	-803		
– Share of accumulated depreciation difference and untaxed reserve booked in shareholders' equity	-115 346	-109 189		
Distributable funds, total	10 648	71 028	514 095	563 291
16. Provisions for liabilities and charges				
Expense booking for GSM leasing liability	69 664			
Other provisions for liabilities and charges	1 831	914		84
Total	71 495	914		84
17. Deferred tax liabilities and receivables				
Deferred tax assets				
from mergers	7 485	3 357		
based on the balance sheets of the Group companies	49 888	21 245		24
Total	57 373	24 602		24
Deferred tax liabilities				
from appropriations	32 475	37 706		
from mergers	191	1 478		
based on the balance sheets of the Group companies	10 313	4 476		
Total	42 979	43 660		
Deferred tax receivables/liabilities (net)	14 394	-19 058		24
18. Creditors				
Interest-bearing debts				
Long-term	705 090	571 864	651 112	491 408
Short-term	126 032	334 739	501 957	451 269
Total	831 122	906 603	1 153 069	942 677
Non-interest-bearing debts	396 403	388 165	41 948	186 707
Debts total	1 227 525	1 294 768	1 195 017	1 129 384

EUR 1 000	GROUP	GROUP	PARENT CO.	PARENT CO.
	2002	2001	2002	2001
19. Long-term creditors				
Amounts owed to others				
Bonds	571 500	423 300	571 500	423 300
Loans from financial institutions	53 381	65 189		
Pension loans	79 612	83 068	79 612	68 108
Advances received	8 740	9 702		
Other creditors	1 734	1 060		
Total	714 967	582 319	651 112	491 408

Bond loans

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

	31 DEC 2002 EUR MILLION	NOMINAL INTEREST RATE	INTEREST AT BALANCE SHEET	MATURITY DATE
Bond loan programme 1999 / EUR 335 million				
I/1999	71.5	4.750%	4.750%	18.6.2007
III/2000	51.8	5.340%	5.340%	30.3.2003
EMTN programme 2001 / EUR 1 000 million				
I/2001	300.0	6.375%	6.375%	31.1.2006
II/2002	20.0	6-month euribor + 0.91%	4.041%	8.4.2007
III/2002	20.0	6-month euribor + 1.02%	4.151%	8.4.2009
IV/2002	30.0	3-month euribor + 0.93%	4.184%	8.4.2008
V/2002	10.0	6-month euribor + 1.00%	4.131%	8.4.2009
VI/2002	10.0	6-month euribor + 1.00%	4.131%	8.4.2009
VII/2002	10.0	6-month euribor + 0.91%	4.041%	8.4.2007
VIII/2002	100.0	3-month euribor + 0.93%	4.195%	7.10.2004
Total	623.3			

The loan arrangements include so-called covenant terms.

Warrants

The share subscription period for warrant A started on 2 May 2002 and for warrant B it will start on 2 May 2003, and the share subscription period for both warrants will end on 31 October 2005. Rahoituslinkki Oy cannot subscribe for shares by virtue of the warrants attached to the bond. With the decision of the Board of Directors of Elisa Communications Corporation, Rahoituslinkki Oy may offer warrants for subscription by current or future key persons. In 2002, Rahoituslinkki Oy granted warrants, and, owing to the transfer out of the Group, Rahoituslinkki has regained warrants. At 31 December 2002, the division of warrants was as follows:

	PUBLIC AND PERSONNEL	RAHOITUS- LINKKI	TOTAL
A warrant	2 929 900	670 100	3 600 000
B warrant	2 792 050	807 950	3 600 000
Total	5 721 950	1 478 050	7 200 000

The number of warrants held by the public, management and personnel at 31 December 2002 equalled the right to subscribe to a total of 5.7 million shares, which accounts for 4.1 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 1 000	GROUP 2002	GROUP 2001	PARENT CO. 2002	PARENT CO. 2001
Loans falling due after more than five years				
Bonds	70 000	71 500	70 000	71 500
Pension loans	79 612	68 108	79 612	68 108
Total	149 612	139 608	149 612	139 608
20. Short-term creditors				
Amounts owed to Group companies				
Trade creditors			2 194	63 167
Bond with warrants				542
Consolidated account payable			377 158	136 737
Other creditors			5 211	10 849
Accruals and deferred income			935	494
			385 498	211 789
Amounts owed to associated companies				
Trade creditors	136	2 896	20	566
Other creditors	54	2 775		
	190	5 671	20	566
Amounts owed to others				
Bonds	51 800	152 500	51 800	152 500
Loans from financial institutions	2 109	21 810		
Bond with warrants		2 856		2 856
Advances received	5 157	6 108		571
Trade creditors	161 938	196 732	2 757	74 929
Other creditors	117 777	149 272	63 121	112 681
Accruals and deferred income ²⁾	161 275	144 342	28 397	67 984
	500 056	673 620	146 075	411 521
Amount owed to Financial Services Office¹⁾				
Loans (gross)	12 312	14 934	12 312	14 934
Receivables		-834		-834
Loans (net)	12 312	14 100	12 312	14 100
Total	512 558	693 391	543 905	637 976

¹⁾ Financial Services Office's loans have been granted to the Group's employees. The loans are small, under EUR 20 000. Beneficiaries include shareholders who are company employees. Receivables from the Financial Services Office, EUR 673 000, have been presented in 'Short-term receivables' in 2002.

²⁾ The most significant accruals and deferred income comprises matched holiday pay, including social security contributions, (EUR 49 million), interest charges (EUR 24.0 million) and income taxes (EUR 20 million), GSM network buybacks (EUR 8 million), advance payments of rental income (EUR 13 million), as well as other regular matching of expenses (EUR 47 million).

EUR 1 000	GROUP	GROUP	PARENT CO.	PARENT CO.
	2002	2001	2002	2001
21. Surety, contingency and other liabilities				
Mortgages				
for own loans				
Pension loans	56 177	59 474	56 177	44 673
Mortgages given	47 213	50 577	47 213	40 570
Loans from financial institutions	991	10 329		
Mortgages given	4 628	7 858		
Other surety				
Mortgages given	14 731	9 426	1 477	1 477
Mortgages given as surety, total	66 572	67 861	48 690	42 047
Pledges given				
for own loans				
Consolidated account payable			45 072	
Shares pledged			56 000	
Other loans	16 056	46 008	16 056	46 008
Bank deposits given	10 454	38 243	7 229	37 933
Pledges, total	10 454	38 243	63 229	37 933
Guarantees given				
for Group companies			28 022	32 687
for others	10 975	492	10 975	25
Guarantees, total	10 975	492	38 997	32 712
Total	88 001	106 596	150 916	112 692
Leaseback commitments (QTE)	193 553	230 318	193 553	230 318
Payments on leasing and rental agreements	72 331	91 285	5 549	15 545
Amounts payable during the current year	27 419	25 462	3 485	6 280
Amounts payable later	44 912	65 823	2 064	9 265
Repurchase commitments	2 980	5 697	2 904	5 634
Other commitments	51 889	45 961	22 239	20 621

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

In September 1999, Elisa Communications 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 Communications Corporation's Group companies retains 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 financial income in 2002. The compensation will be capitalised in full within ten years of the agreement having been signed.

Elisa Communications Corporation previously owned the infrastructure of the mobile network 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 Communications 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 for the company other than the aforementioned net compensation. The liabilities of the companies and the Group in this arrangement are 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 delivery 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.

During 1990-1999, Oy Radiolinja Ab leased 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 focused 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 86 million at the end of 2002. Relating to these agreements, EUR 77 obligatory reserve has been created for the financial period, of which EUR 70 million remained at 31 December 2002.

Calculated in accordance with the interest rate specified in the agreements valid at 31 December 2002, future rents in respect of business agreements outside the Group is as follows (EUR million):

YEAR	2003	2004	2005	2006	2007	2008	2009	2010
EUR million	22.7	20.3	17.8	13.2	8.7	4.9	1.6	0.1

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 2002 was approximately EUR 29 million.

Lease liabilities of 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 101 million at the end of 2002. The aforementioned liabilities mainly derive from the companies belonging to the Tropolys GmbH Group, which were consolidated at the beginning of 2002.

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 15 million. This is presented as a liability in the notes to 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 and 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 redemption price is 60 per cent of the facilities' original total acquisition cost. This sum is included in other liabilities.

Other commitments

Acquisitions carried out during the year include vendor's assurances, which equal the price of the transaction at the maximum. The aggregate maximum liability of these kinds of assurances was around EUR 17 million on 31 December 2002. This sum is included in other liabilities.

Social security costs arising from warrants

The Group's employees are participants in Elisa Communications Corporation's warrant scheme (dated 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 and based on the difference between the price of the share quoted at the date on the balance sheet and the issue price. Employer obligations of the Group arising from the warrant certificates issued for the personnel was not substantial at the date of the balance sheet.

22. Derivative instruments

EUR 1 000	GROUP 2002	GROUP 2001	PARENT CO. 2002	PARENT CO. 2001
Forward contracts				
Value of underlying instrument	13 348	5 673		
Market value	850	-51		
Interest rate swaps and currency swaps				
Value of underlying instrument		8 409		
Market value		19		

Group financial indicators

KEY INDICATORS DESCRIBING THE GROUP'S FINANCIAL DEVELOPMENT					
	2002	2001	2000	1999	1998
Income statement					
Revenue, EUR million	1 563	1 439	1 244	1 068	781
Change of revenue, %	8.6%	15.6%	16.5%	36.8%	81.7%
EBITDA, EUR million	333	424	360	409	188
EBITDA as % of revenue	21.3%	29.5%	29.0%	38.3%	24.1%
EBIT, EUR million	-48	108	149	217	72
EBIT as % of revenue	-3.1%	7.5%	12.0%	20.3%	9.2%
Profit before extraordinary items, EUR million	-103	46	94	210	79
Profit before extraordinary items and taxes as % of revenue	-6.6%	3.2%	7.5%	19.7%	10.1%
Profit after extraordinary items, EUR million	-100	46	94	202	125
Profit after extraordinary items as % of revenue	-6.4%	3.2%	7.5%	18.9%	16.0%
Return on equity (ROE), %	-12.1%	0.5%	4.7%	20.7%	12.0%
Return of investment (ROI), %	-2.7%	6.6%	9.8%	23.4%	13.2%
Research and development costs, EUR million	36	36	23	15	11
Research and development costs as % of revenue	2.3%	2.5%	1.9%	1.4%	1.5%
Balance sheet					
Gearing ratio, %	94.8%	93.8%	96.5%	16.5%	- 0.5%
Current ratio	0.9	0.7	0.5	1.4	1.8
Equity ratio, %	38.3%	40.1%	40.3%	52.8%	59.9%
Zero-interest liabilities, EUR million	396	388	337	306	221
Balance sheet total, EUR million	2 098	2 151	1 734	1 413	1 053
Financial assets					
Purchases of shares, EUR million	16	242	726	285	187
Fixed asset investments					
Gross investments, EUR million	269	373	252	222	221
Gross investments as % of revenue	17.2%	25.9%	20.2%	20.8%	28.3%
Personnel					
Average number of employees during the financial period	8 115	7 783	6 161	5 489	4 589
Revenue/employee, EUR 1 000	193	185	202	195	170

Back orders are 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 and value adjustments to EBIT	
Return on equity (ROE), %	=	$\frac{\text{Profit before extraordinary items} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest (on average during the financial year)}} \times 100$	x 100
Return on investment (ROI), %	=	$\frac{\text{Profit before extraordinary items \& taxes} + \text{interest costs \& other financial expenses}}{\text{Balance sheet total} - \text{zero-interest liabilities (on average during the financial year)}} \times 100$	x 100
Gearing ratio, %	=	$\frac{\text{Interest-bearing debts} - \text{cash at hand and in banks} - \text{short-term investments}}{\text{Shareholders' equity} + \text{minority interests}} \times 100$	x 100
Current ratio	=	$\frac{\text{Current assets}}{\text{Short-term debts} - \text{advances received}}$	
Equity ratio, %	=	$\frac{\text{Shareholders' equity} + \text{minority interests}}{\text{Balance sheet total} - \text{advances received}} \times 100$	x 100

PER SHARE DATA

	2002	2001	2000	1999
Subscribed capital, EUR	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	125 065 067	84 315 450
Average number of shares	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	132 647 840	
Average number of shares, diluted	138 011 757	130 257 868	125 909 180	
Market capitalisation, EUR million ²⁾	785	1 847	2 868	3 141
Earnings per share (EPS), EUR	-0.54	0.01	0.18	1.11
Dividend per share, EUR	*)		0.07	0.20
Dividend payment ratio, %			39%	18.8%
Equity per share, EUR	5.21	5.67	5.29	5.47
P/E ratio	-11	1 361	127	33
Effective dividend yield, %			0.3%	0,5%
Performance of A shares on the Helsinki Exchanges ³⁾				
Middle price, EUR	8.21	16.42	38.28	22.92
Closing price on 31 December, EUR	5.72	13.61	22.93	37.25
Lowest price, EUR	4.46	8.70	21.00	16.85
Highest price, EUR	15.50	25.01	58.00	37.25
Trading of A shares				
Total number of A shares traded, 1000 shares ⁴⁾	66 127	85 939	60 114	19 479
Percentage of A shares traded, % ⁵⁾	49 %	63 %	48 %	23 %

^{*)} The Board of Directors recommends that no dividend be paid for 2002.

¹⁾ Diluted by convertible bond loans and bonds 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

Earnings per share (EPS)	=	$\frac{\text{Profit before extraordinary items} - \text{taxes} - \text{minority interests}}{\text{Adjusted number of shares for the financial year}}$	
Dividend per share	=	$\frac{\text{Adjusted dividend}}{\text{Adjusted number of shares at the balance sheet date}}$	
Effective dividend	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the balance sheet date}} \times 100$	
Dividend payment ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$	
Equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the balance sheet date}}$	
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 Communications Corporation, the company's shares can be divided into A and B series of shares. Shares in the A and B series entitle the holder to one vote. A share in the B series entitles the holder to one-tenth of the dividend paid for an A share. 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.

HPY:n tutkimussäätiö – HTF:s forskningsstiftelse (HPY Research Fund) has the right to convert A shares in its possession into B shares, provided that the conversion, keeps the number of shares within the minimum and maximum, stipulated for the share series. An A share becomes a B share when the conversion notice is registered. HPY:n Tutkimussäätiö – HTF:s Forskningsstiftelse is obliged to convert all its B shares into A shares by 31 December 2003. If the conversion request has not been initiated within the specified period, the company's Board of Directors will carry out the conversion on behalf of the shareholder. A shares may not be converted into B shares after 31 December 2003. On 31 December 2002 HPY:n Tutkimussäätiö – HTF:s Forskningsstiftelse held 3 000 A shares in Elisa.

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

2. Own 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%
Comptec Oy	343	171.50	0.00%
Elektroniikkatyö Oy	450	225.00	0.00%
Elisa Communications Corporation Group, total	781 563	390 781.50	0.57%

The Elisa Communications 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 Communications Corporation is not authorised to purchase the Group's own shares.

3. Warrant programme 2000

The extraordinary general meeting of Elisa Communications on 20 October 2000 decided to offer a bond issue with warrants to Elisa Group personnel. The bond with warrants was offered to the personnel of Elisa Communications Group and to Rahoituslinkki Oy, a fully-owned subsidiary of the Group. The shareholders' pre-emptive right to subscription was disappplied, since the bond with warrants is intended to form a part of the Group's incentive and commitment programme.

The number of the bond with warrants was EUR 3 600 000. The bond was non-interest-bearing, and the loan period was 30 November 2000 to 30 November 2002. The bond 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 share subscription period for warrant A started on 2 May 2002 and for warrant B starts on 2 May 2003, and the share subscription period for both warrants will end on 31 October 2005.

As a result of the subscriptions, the share capital of Elisa Communications 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. If the subscriber's employment with a company within the Elisa Communications Group ends before 2 May 2003 for a reason other than retirement or death, he or she must immediately offer the company, or a party designated by the company, the right to all warrants, free of charge, for which the subscription period had not begun on the holder's last day of employment with the Elisa Communications Group.

On 31 December 2002, Rahoituslinkki Oy possessed 670 100 A warrants and 807 950 B warrants. Rahoituslinkki Oy is allowed to transfer the bonds and associated warrants to persons employed by or recruited to the Elisa Communications Group in a manner approved by Elisa's Board of Directors.

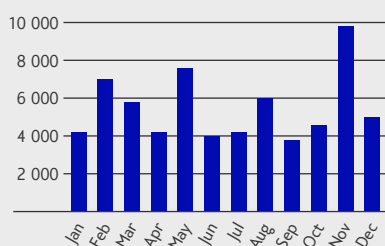
4. Authorisations of the Board of Directors

The Extraordinary Meeting on 4 April 2002 authorised the Board of Directors to decide on the increase of share capital through one or more rights issues, to issue one (1) or more convertible bonds and/or warrants. This was, so that in a rights issue or when issuing convertible bonds or warrants, a maximum of 27.6 million of the Company's A shares may be issued for subscription, and the Company's share capital may be raised by no more than EUR 13.8 million. The authorisation came into force on 4 April 2002.

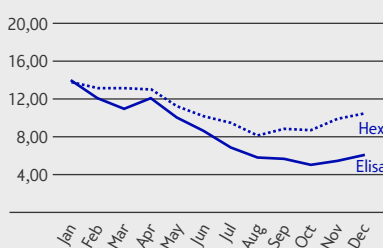
The authorisation gives the right to disapply the shareholders' pre-emptive rights to subscribe for new shares, convertible bond loans and/or warrants and to decide the determination principles, issue prices, the terms and conditions of subscribing for new shares and the terms of the convertible bond loan and/or warrants. The pre-emptive rights of existing shareholders may be disapplied, if there is an important financial reason to do so. Such reasons include financing, implementing or enabling corporate acquisitions, strengthening or developing the

company's financial or capital structure, or carrying out other arrangements related to developing the company's operations. The Board of Directors has the right to decide on the persons or entities entitled to subscribe for the shares but may not make such a decision to the benefit of any member of the company's inner circle. The Board of Directors has the right to decide whether the shares issued in a rights issue, convertible bond or warrant can be subscribed for in kind or otherwise, subject to certain conditions or by using the right of set-off.

Monthly trading of Elisa shares in 2002, per 1 000 shares



Elisa share performance in 2002, closing prices, EUR



5. Management interests

The members of the Board, the President and CEO and his deputy held a total of 17 963 A shares and voting rights on 31 December 2002, corresponding to 0.01 per cent of the shares and voting rights. In addition, the aforementioned people held 140 000 warrants. Management holdings amount to 0.11 per cent if the bonds with warrants and own shares held by the Group are accounted for in full.

6. Share performance

The A share of Elisa Communications Corporation closed at EUR 5.72 on 30 December 2002. The highest quotation of the year was EUR 15.50 and the lowest EUR 4.46. The average price was EUR 8.21. At the end of the financial year, Elisa Communications Corporation had a market capitalisation of EUR 785 million.

7. Quotation and trading

The A share of Elisa Communications Corporation is listed on the Main List of the Helsinki Stock Exchange under the symbol ELIIV. From 2 January to 30 December 2002, a total of 66 127 334 shares were traded, corresponding to a total value of EUR 543 million. The trading volume was 48.6% of the average number of shares outstanding during the financial year.

8. Shareholdings by owner group as on 30 December 2002

	SHARES	%
1a. Public companies	638 883	0.46%
1b. Private companies	13 171 256	9.54%
2. Finance and insurance companies	14 270 577	10.34%
3. Public sector entities	19 234 845	13.94%
4. Non-profit-making entities	3 495 817	2.53%
5. Private households	52 950 554	38.37%
6. Foreign	393 797	0.29%
7. Joint accounts and waiting list	604 800	0.44%
Nominee registered	32 469 665	23.53%
Elisa Communications Corporation Group	781 563	0.57%
Total	138 011 757	100.00%

9. Analysis of shareholding as on 30 December 2002

SIZE OF SHAREHOLDING	NO OF SHAREHOLDERS	%	NO OF SHARES	%
1 – 100	20 811	7.10%	1 082 189	0.78%
101 – 500	261 920	89.34%	46 401 688	33.62%
501 – 1 000	6 481	2.21%	4 430 713	3.21%
1 001 – 5 000	3 217	1.1%	6 267 313	4.54%
5 001 – 10 000	342	0.12%	2 422 601	1.76%
10 001 – 50 000	291	0.10%	6 283 035	4.55%
50 001 – 100 000	46	0.02%	3 431 496	2.49%
100 001 –	78	0.03%	66 306 359	48.02%
Total	293 187	100.00%	136 625 394	99.00%
On waiting list, total			300	0.00%
In joint accounts			604 500	0.44%
Elisa Communications Corporation Group			781 563	0.57%
Number issued			138 011 757	100.00%

10. Largest shareholders as on 30 December 2002

	NO OF SHARES	%
1 Varma-Sampo Mutual Pension Insurance Company	4 208 191	3.05%
2 Sampo Life Insurance Company Ltd	3 958 095	2.87%
3 Ilmarinen Mutual Pension Insurance Company	3 048 460	2.21%
4 Local Government Pension Institution	1 202 968	0.87%
5 City of Helsinki	1 124 390	0.81%
6 State Pension Fund	1 100 000	0.80%
7 Kaleva Mutual Insurance Company	1 056 660	0.77%
8 State Treasury	994 865	0.72%
9 LEL Employment Pension Fund	976 754	0.71%
10 Kesko Pension Fund	813 770	0.59%
11 OP-Delta Mutual Fund	803 050	0.58%
12 Pohjola Non-Life Insurance Company	764 558	0.55%
13 Suomi Mutual Life Assurance Company	698 281	0.51%
14 Oy Premiere Holding Ab	500 000	0.36%
15 Tapiola General Mutual Insurance Company	439 671	0.32%
16 Equity Fund Nordea Optima.fi	411 550	0.30%
17 City of Espoo	374 650	0.27%
18 Central Fund of the Finnish Church	362 410	0.26%
19 Fortum Pension Fund	360 358	0.26%
20 Suomi Insurance Company	350 000	0.25%
Elisa Communications Group, total	781 563	0.57%
Elisa Group Pension Fund	1 575 463	1.14%
Nominee registered	32 469 665	23.53%
Other than listen	79 636 385	57.70%
Total	138 011 757	100.00%

On 25 January 2002, Fidelity International Limited announced that both it and its subsidiaries holding of Elisa Communications Corporation's share capital and voting rights had decreased below five (5) per cent.

On 19 February 2002, Fidelity International Limited announced that both it and its subsidiaries holding of Elisa Communications Corporation's share capital and voting rights had exceeded five (5) per cent.

Proposal by the board of directors for the distribution of profit

The consolidated shareholders' equity on the balance sheet of 31 December 2002 is EUR 715 742 000, of which EUR 10 648 000 is distributable. The parent company's shareholders' equity on the balance sheet of 31 December 2002 is EUR 1 103 155 101.09, of which EUR 514 095 118.63 is distributable. The parent company's loss from 1 January to 31 December is EUR 49 195 894.44.

The Board of Directors proposes that no dividend be paid for 2002 and the loss for the financial year be transferred to retained profit funds.

Helsinki, February 24, 2003

Keijo Suila
Chairman of the Board of Directors

Ossi Virolainen

Matti Aura

Riitta Backas

Arto Ihto

Pekka Ketonen

Jere Lahti

Linus Torvalds

Matti Mattheiszen
President and CEO

Auditor's report

To the shareholders of Elisa Communications Oyj

We have audited the accounting, the financial statements and the corporate governance of Elisa Communications Oyj for the period from January 1, 2002 to December 31, 2002. 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 Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of the audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director 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 Managing Director 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, March 10, 2003

PricewaterhouseCoopers Oy
Authorised Public Accountants

Leo Laitinmäki
Authorised Public Accountant

Henrik Sormunen
Authorised Public Accountant

Corporate governance



Board of Directors from the left: Riitta Backas, Jere Lahti, Ossi Virolainen (deputy chairman), Pekka Ketonen, Keijo Suila (chairman), Arto Ihto and Matti Aura. Linus Torvalds is absent from the photo.

Annual General Meeting ... The ultimate decision-making power in Elisa Communications Corporation is vested in the Annual General Meeting, which, inter alia, approves the consolidated income statement and balance sheet. The Meeting also declares the dividend to be paid, appoints members to the Board of Directors and the company's auditors, and approves the discharge of the members of the Board of Directors and the CEO from liability.

The 2003 Annual General Meeting of Elisa Communications Corporation will be held at the Helsinki Fair Centre, Messuaukio 1, Helsinki, at 1:00 pm on Friday, 4 April 2003.

Board of Directors ... In accordance with the Articles of Association, the Board of Directors of Elisa Communications Corporation comprises a minimum of five and a maximum of nine members. The general task of the Board of Directors is to focus the Group's operations so that it will generate the greatest possible added value on invested equity, whilst keeping the interests of the company's various interest groups in mind. The Members of the Board are appointed by the Annual General Meeting. The Board of Directors elects a chairman and deputy chairman from among its members.

The Members of the Board in 2002 were:

Keijo Suila (1945), President and CEO, Finnair Oyj, chairman, member since 1999, due to retire by rotation in 2004.
Ossi Virolainen (1944), CEO, AvestaPolarit Oyj Abp, deputy chairman, member since 1997, due to retire by rotation in 2005.
Matti Aura (1943), Managing Director, Finnish Port Association, member since 1999, due to retire by rotation in 2004.

Riitta Backas (1946), Financial Manager, Pharma Industry Finland, member since 1997, due to retire by rotation in 2005.

Arto Ihto (1947), President and CEO, Osuusliike Elanto, member since 2000, due to retire by rotation in 2003.

Pekka Ketonen (1948), President and CEO, Vaisala Group, member since 2001, due to retire by rotation in 2004.

Jere Lahti (1943), Honorary Mining Counsellor, member since 4 April 2002, due to retire by rotation in 2005.

Linus Torvalds (1969), software engineer, Transmeta Corporation, member since 2000, due to retire by rotation in 2003.

Members of the Board until the Annual General Meeting 4 April 2003:

Rauno Kousa (1941), Parliamentary Assistant, member since 1997.

Paavo Uronen (1938), Rector, Helsinki University of Technology, member since 1997.

Composition of the Board of Directors ... In the spring 2003, the Annual General Meeting will deal with amending the Articles of Association so that the Board members' term of office be changed to a period of one year. If the proposal is passed all the Board members are due to retire on 4 April 2003.

Committees ... The Board of Directors has established a separate committee for evaluating the compensation paid to operating management and preparing proposals for the Annual General Meeting regarding the composition of the Board of Directors and the compensation paid to the Members of the Board. The committeemembers in 2002 were Chairman Keijo Suila, Deputy Chairman Ossi Virolainen and Member of the Board Matti Aura.

Meetings and compensation ... The Board of Directors generally convenes monthly. The CEO of Elisa Communications Corporation acts as the presenting official at the meeting. The following compensation is paid to the Members of the Board:

- monthly compensation for the Chairman EUR 2 500 per month
- monthly compensation for the Members EUR 1 700 per month
- meeting compensation EUR 250/meeting/participant

The monthly compensation (deducted by 60 per cent calculated tax withholding) is used for quarterly purchases of Elisa Communications Corporation shares. The shares are subject to a transfer restriction of four years.

CEO and Senior Executive Vice President ... Elisa Communications Corporation has a Chief Executive Officer whose task is to engage in everyday administration of the Group in accordance with instructions and orders from the Board of Directors and the Companies Act. The CEO and the Senior Executive Vice President are appointed by the Board of Directors.

CEO's Executive Committee ... The CEO's Executive Committee prepares the Board meetings on the basis of proposals from the business areas. Moreover, it discusses the most significant changes in the Group's organisational structure as well as the main guidelines for domestic and international consolidation. The committee comprises the CEO, the Senior Executive Vice President and the Chief Financial Officer of the Group.

The Strategic Management Group (SMG) ... The Group's strategic management group prepares the corporate strategy, monitors the development of results and discusses matters that involve Group-level interests. The strategic management group serves as a medium for utilising Group synergy. The SMG approves all Group-level operating instructions, for example. The business areas are responsible for their respective businesses within the framework of the approved strategy. The SMG convenes a meeting approximately twice a month. In 2002, it comprised 10 members.

The Strategic Management Group (SMG) in 2002*:

CEO and Senior Executive Vice President

Matti Mattheiszen (1942), M.Sc. (Eng.), President and CEO since 1 May 1997. He has served the Group since 1971. Mattheiszen has served as head of Sales and Marketing since 1984 and as COO and acting CEO between 1988 and 1997. Matti Mattheiszen is also chairman of the Board of Directors of Comptel Corporation, ElisaCom Ltd. and Elisa Networks Ltd.

Jarmo Kalm (1945), B.Sc. (Tech.), Senior Executive Vice President and COO since 1 May 1997. He has served the Group since 1972. He chairs the Boards of Directors of Oy Radiolinja Ab and Elisa Kommunikation GmbH.

Presidents of the business areas

Matti Carpén (1960), M.Sc. (Eng.). He has served the Group for two terms beginning in 1987. Matti Carpén is the President of ElisaCom

Ltd. He also chairs the Boards of Directors of Oy Heltel Ab, Finnet International Ltd, Elisa Internet Ltd and Elisa Solutions Ltd.

Pertti Kyttälä (1950), M.Sc. (Econ. & Bus. Adm.) has served the company since 1997. He is the President of Oy Radiolinja Ab.

Pertti Laukkanen (1955), M.Sc. (Eng.) joined the Group in 2000. He is the President of Elisa Kommunikation GmbH and the chairman of Elisa Group's R&D management group.

Jukka Veteläsuo (1951), M.Sc. (Eng.), has served the Group since 1989. Jukka Veteläsuo is the President of Elisa Networks Ltd.

Other members of the Strategic Management Group

Ann-Maj Majuri-Ahonen (1946), M.Sc. (Econ. & Bus. Adm.), Senior Vice President, Corporate Planning, M & A. She has served the company since 1994. She chairs the Board of Directors of Elisa Ventures Oy.

Kimmo Manni (1949), M.Sc. (Econ. & Bus. Adm.), Vice President at Oy Radiolinja Ab. He has served the company since 1990.

Pekka Perttula (1946), M.Sc. (Eng.), Executive Vice President and Group Spokesman. He is responsible for corporate integrated communications and Group-level marketing, as well as investor relations. He has served the Group since 1989.

Vesa-Pekka Silaskivi (1966), Lic.Sc. (Econ. & Bus. Adm.), LL.M., Executive Vice President, Corporate Finance. He has served the Group since 2000.

Other corporate management

Risto Rinta-Mänty (1948), Lic.Med, Senior Vice President, Corporate Human Resources. He joined the Group in 1989.

Kalevi Suortti (1949), Senior Vice President. He has served the Group since 1992. He is the executive in charge of the public and also special interest groups.

Sami Ylikortes (1967), M.Sc. (Econ. & Bus. Adm.), LL.M., Senior Vice President, Administration. He has served the Group since 1996. He has also served as secretary to the Board since 1998.

Auditors ... The company has two auditors and one deputy auditor. The auditors and the deputy auditor must be duly authorised by a chamber of commerce or by the Central Chamber of Commerce. In the year under review, the company's auditors were PricewaterhouseCoopers Oy, authorised public accountants, with Henrik Sormunen (APA) and Leo Laitinmäki (APA) as the principal auditors and Jaana Salmi (APA) as the deputy auditor.

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

Insiders ... On 8 March 2000 Elisa Communications Corporation 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 Communications Corporation include the people holding the following posts: Members of the Board, President and CEO, Senior Executive Vice President, auditors (including the principal auditor for the company within an auditing firm). In addition, the permanent insiders of Elisa Communications Corporation include a number of designated persons, for example, the members of the strategic management team of the Group.

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

* Pension arrangements: The CEO of Elisa Communications Corporation is entitled to retire after the age of 60 on a total pension of statutory 60% of pensionable salary, and accordingly, retiring after the age of 62 entitles to a total pension of 66%. Correspondingly, the Senior Executive Vice President is also entitled to retire after the age of 58 on a total pension of statutory 60% of pensionable salary. As a rule, on the basis of additional group pension insurance, managing directors of principal Finnish subsidiaries and members of the corporate management are entitled to retire after the age of 62 and receive a statutory total pension of 60%.

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Soon Com Ltd

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Tikka Communications Ltd

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Elisa Networks business area

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Kesnet Ltd

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Elisa Kommunikation business area

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Tropolys GmbH

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Other companies

Comptel Corporation

Visiting address: Lapinrinne 3
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EPStar Ltd

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Estera Ltd

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Yomi Applications Ltd

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Yomi Solutions Ltd

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Research and development

Elisa Research Center

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