

ELISA CORPORATION

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ELISA CORPORATION'S INTERIM REPORT FOR JANUARY-MARCH 2004

Elisa's comparable revenue decreased slightly. The profit before extraordinary items and taxes improved considerably. The market situation was very challenging in early 2004, and competition intensified in mobile communications in particular.

Elisa's key figures for January-March are as follows:

Income statement	Q1/2004	Q1/2003	Pro forma
EUR million			Q1/2003*
Revenue	333	371	339
EBITDA	119	85	86
EBIT	59	7	17
Profit before extraordinary items and taxes	51	-5	6
Earnings per share, EUR	0.23	-0.06	
Investments	43	40	36

Financial position	Q1/2004	Q1/2003	2003
Net debt, EUR million	587	767	654
Equity ratio, %	44	38	40
Cash flow after investments	19	-10	105

*Exclusive of Germany-based business

Market situation

Fierce competition continued in the market. Price erosion in the mobile business also continued and the use of subscriptions increased. The service operator market was divided into two main segments. In traditional full-service subscriptions Elisa maintained its strong position. New operators in the low-rate subscription market increased their market share. Elisa launched new subscriptions in this segment. The robust growth of broadband subscriptions in the fixed network market prevailed and the number of traditional subscriptions decreased.

Change in corporate structure

Elisa revised its structure in January. The new domestic organisation for the core business comprises three units: Customers, Products and Networks. The group's performance will be reported as previously, by mobile business, fixed network business and other business.

Streamlining the corporate structure has removed overlaps and operations of the business segments have been partly regrouped. Therefore, the figures are not fully comparable.

Owing to the divestment of Germany-based business, the figures from the German operations have not been consolidated in Elisa's corporate figures for the year 2004.

Revenue

EUR million	Q1/2004	Q1/2003	Change
Mobile communications	179	174	3%
Fixed network	164	172	-5%
Germany	*	32	-
Other business	23	24	-4%
Sales between segments	-33	-31	6%
Total	333	371	-10%

*The non-consolidated revenue of German operations for January-March amounted to EUR 32 million.

Segment figures for the Q1/2004 and Q1/2003 are not comparable with the previously reported figures for the business areas.

Elisa's revenue for January-March decreased by 10 per cent compared to the corresponding period last year. Excluding the impact of divesting the Germany-based business, the revenue decreased by 2 per cent, i.e. EUR 6 million. In addition to the divested German operations, the reduced revenue was also affected by EUR 10 million from the change in the revenue booking practice as well as the volume development of the fixed network products.

Revenue for the mobile business rose by 3 per cent on the previous year. The revenue was affected by the increase in the average utilisation rate of mobile subscriptions. The growth was slowed down by the continued fierce price erosion during early 2004 and the decrease in the number of subscriptions.

Revenue for the fixed network business decreased by 5 per cent compared to the corresponding period last year. The change in revenue was mainly due to the declining volume development in traditional subscription products and equipment sales and the shifting of voice to mobile networks.

Performance

EUR million	Q1/2004	Q1/2003	Change
Mobile communications			
EBITDA	66	43	53%
EBIT	37	8	372%
Fixed network			

EBITDA	52	45	15%
EBIT	25	17	47%
Germany			
EBITDA	-	-1	-
EBIT	-	-10	-
Other business			
EBITDA	3	-1	-
EBIT	1	-3	-
Corporate staff			
EBITDA	-2	-2	
EBIT	-4	-4	
Total			
EBITDA	119	85	40%
EBIT	59	7	743%

Segment figures for the Q1/2004 and Q1/2003 are not comparable with the previously reported figures for the business areas.

The measures initiated to streamline the business had a boosting impact on Elisa's profitability. The revenue development also had a positive effect on the profitability of the mobile business.

The group's share of the associated companies' results was EUR -0.3 million (-0.5).

The group's other financing income and expenses totalled EUR -8 million (-11). Reduced interest expenses were mainly due to the decreased net debt and a low interest rate.

Income taxes in the income statement amounted to EUR -18 million (-4).

The group's January-March result after taxes and minority interests were EUR 32 million (-8). The group's earnings per share (EPS) amounted to EUR 0.23 (-0.06). The group shareholders' equity per share stood at EUR 5.32 (5.09 at the end of 2003).

Mobile business

	Q1/2004	Q1/2003	2003
Number of subscriptions*	1 319 007	1 348 183	1 374 146
Revenue/subscription**(ARPU),€	38.6	38.5	41.6
Churn*, %	47.4	14.4	18.6
Usage, million minutes*	596	531	2310
Usage, min./subscription/mth**	150	136	146
SMS, million messages*	121	109	453
SMS, msg./subscription/mth**	31	28	29
Value-added services/revenue	13%	13%	12%

* Elisa's network operator in Finland

**** Elisa's service operator**

From the turn of the year, the number of subscriptions decreased by 55 000 subscriptions. In traditional full-service subscriptions Elisa maintained its strong position. New operators in the low-rate subscription market increased their market share. Elisa launched a new Kolumbus subscription into this market.

The usage of subscriptions in Elisa's mobile business continued to grow in the first quarter. The number of calls and SMS messages per subscription a month increased by approximately 10 per cent on the previous year. The average revenue per subscription (ARPU) was at the same level with the period in comparison. This was due to a change in the revenue booking practice which took place in early 2004. This practice means that certain remunerations associated with customer billing and paid to service providers are presented as a deduction of revenue. The effect was EUR 10 million. The comparable ARPU rose by EUR 2.7, or 7 per cent.

The revenue of Elisa's subsidiary operating in Estonia was EUR 15.4 (13.6). EBITDA amounted to EUR 4.5 million (3.7) and EBIT EUR 2.3 million (1.5). At the end of March, there were 173 550 (157 600) subscriptions.

Fixed network business

No. of subscriptions	31.3.2004	31.3.2003	31.12.2003
Broadband subscriptions	148 270	81 871	127 388
ISDN channels	190 921	229 252	200 455
Cable TV subscriptions	186 097	172 375	183 469
Analogue and other subscriptions	669 192	700 814	675 272
Subscriptions, total	1 194 480	1 184 312	1 186 584

Brisk demand for broadband subscriptions continued. The number of subscriptions increased by 81 per cent on the previous year. The number of traditional subscriptions continued to decrease as voice shifts to the mobile network and data to broadband subscriptions.

Elisa is a provider of a certificate service for Finnish banks and Luottokunta, a credit card service company. In the future, the service will facilitate the verification of shops' card payment terminals during data communications connections.

The Finnish Ministry of Justice is revising its voice services by outsourcing the telephone systems of 9 500 employees and over 350 offices under Elisa's service provision.

Finnet International was the first telecommunications operator to launch international Ethernet services between Helsinki and

Tallinn. These services have now been extended to cover routes between Helsinki and Stockholm and also between Tallinn and Stockholm. The Ethernet technology offers customers a more cost-efficient and manageable telecommunications solution for services between Finland, the Baltic countries and Scandinavia.

On 12 March 2004, Nordea and Elisa signed a letter of intent, which states that Elisa will be Nordea's main provider of telecommunication services in Finland as of the beginning of May 2004. The agreement entails voice telephony of the fixed network, mobile communications and data transfer services throughout Finland.

Changes concerning the group

On 30 March 2004, Elisa and the minority shareholders of Tropolys GmbH signed an agreement, according to which Elisa sold the entire share capital of its subsidiary Elisa Kommunikation GmbH to a consortium consisting of the Apax Private Equity Funds and other minority shareholders of Tropolys GmbH. The sale price was EUR 70 million, and after a write-down booked in the financial statements for the year 2003 it will have no substantial effect on the result in 2004.

The Boards of Directors of Elisa and Yomi Plc signed a merger plan, according to which Yomi Plc will merge into Elisa on or about 31 December 2004. Before the merger the group has a 51.46 per cent ownership of Yomi.

Personnel

In January-March, the Elisa group employed an average of 5 909 people (7 365, exclusive of Germany the figure is 6 796).

	31.3.2004	31.3.2003	31.12.2003
Mobile communications	1 435	1 750	1 577
Fixed network	3 364	3 579	3 472
Germany	-	569	426
Other business	902	1 119	905
Corporate functions	232	318	303
Total	5 982	7 335	6 683

The labour negotiations initiated last October were completed on 12 January 2004. As a consequence of these negotiations the number of personnel will decrease by approximately 900 people. During the period under review the aforementioned personnel reduction was applied to about 140 people. As at 31 March 2004, 446 employees have been given notice.

Investments

EUR million	Q1/2004	Q1/2003	Pro forma Q1/2003*
Investments			
- in fixed assets	42	39	35
- in shares	1	1	1
Total	43	40	36
GSM leasing buy-backs included in fixed asset, investments	19	9	9

*Exclusive of Germany-based business

Capital expenditures in the mobile business were EUR 26 million (16) and EUR 15 million (18) in the fixed network business. The mobile business investments included GSM leasing liability buy-backs from telcos for EUR 19 million (9).

Financial position

The group's financial position and liquidity strengthened and remained stable. This was particularly affected by the divestment of Germany-based business. The cash flow from business activities conforming to the present corporate structure amounted to EUR 19 million.

Owing to the disposal of Germany-based business, the group's interest-bearing liabilities were reduced by EUR 65 million and the leasing liabilities outside the balance sheet decreased by EUR 133 million.

Financial key indicators

EUR million	31.3.2004	31.3.2003	31.12.2003
Net debt	587	767	654
Gearing, %	75.9	97.0	87.5
Equity ratio, %	44.5	38.1	40.4
	Q1/2004	Q1/2003	2003
Cash flow after investments	19	-10	105

Ratings per long-term loans

Credit rating agency	Rating	Outlook
Moody's Investor Services	Baa2	Stable
Standard & Poor's	BBB	Stable

Share

At the end of March, the company's total number of shares was 138 011 757. The market capitalisation on 31 March 2004 stood at EUR 1 880 million.

In January-March, a total of 28.8 million A shares of the company were traded on the Helsinki Exchanges for an aggregate of EUR 361.7 million. The exchange was 21.0 per cent of the number of A shares in the market.

The number of Elisa Corporation's A warrants for the year 2000 was 3 600 000 and B warrants for the year 2000 was 3 600 000. At the end of March, the market capitalisation of the warrants amounted to EUR 2.1 million.

Treasury shares

The total number of Elisa Corporation's A Shares owned by the subsidiaries was 781 563 (781 563 at the end of 2003). The nominal value of the shares totalled EUR 390 781.50, and their proportion of the share capital and voting rights was 0.57 per cent. Moreover, the Elisa group's pension fund owned 267 363 A shares (722 363 at the end of 2003).

Annual General Meeting on 31 March 2004

Elisa Corporation's Annual General Meeting decided on 31 March 2004, in accordance with the proposal of the Board of Directors, that no dividend be paid for 2003. The Annual General Meeting accepted the parent company's income statement and balance sheet, and the consolidated income statement and the balance sheet. The members of the Board of Directors and the CEOs were discharged from liability for 2003.

The number of the members of the Board of Directors was confirmed at six (6), and the following members were elected for the following one-year term ending at the closing of the next General Meeting: Keijo Suila, Ossi Virolainen, Matti Aura, Pekka Ketonen, Mika Ihamuotila, plus a new member Jussi Länsiö.

KPMG Wideri Oy Ab (authorized public accountants, with APA Pekka Pajamo as the responsible auditor) was appointed the company's external auditor.

The proposal of the Board of Directors to amend Articles 4, 5 and 15 of the Articles of Association was approved. After registering the amendments the clauses on series A and B shares will be removed from the Articles of Association.

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, the subscription of shares in exchange for the convertible bonds and pursuant to warrants may be 27.6 million

shares at the maximum, and the company's share capital can be increased by a maximum of EUR 13.8 million in total. The authorization is valid for one year, starting from this Annual General Meeting. The authorization entitles the Board of Directors to disapply the pre-emptive rights of existing shareholders, providing there is an important financial reason to do so from the company's point of view.

At the Annual General Meeting the Board of Directors held its organisational meeting on 31 March 2004. The said meeting appointed Keijo Suila the Chairman and Ossi Virolainen Deputy Chairman.

The amendments to the Articles of Association decided at the Annual General Meeting were entered in the Trade Register on 16 April 2004.

Major legal issues

The following changes have taken place in the legal processes referred to in Elisa's annual report of 2003 (published on 19 March 2004):

With regards to the redemption procedure of Oy Radiolinja Ab's minority shares, the Helsinki District Court has given a ruling on the redemption price of 7 379 shares. According to this ruling, the previous decision, EUR 7 904.83 per share, remains valid. Legal proceedings regarding the redemption price of 325 shares are still pending.

The Supreme Court has ruled that a district court must handle the action for annulment, filed against a decision made at Oy Radiolinja Ab's Annual General Meeting in spring 2000, on increasing the share capital, and that the people who filed the action are entitled to have the legality of the decision's content investigated.

Investigations and clarifications associated with the competition and telecommunication legislation concerning the pricing and delivery terms of Elisa group companies' services and network products are pending at the Finnish Communications Regulatory Authority and the Finnish Competition Authorities.

Events after the financial period

Elisa Corporation is to revamp its brand as part of its overall strategy process. The principal umbrella brand of the whole group will be Elisa. However, selected retail and product brands may be used.

On 15 April 2004, the Finnish Government amended the 3G mobile communication licences. Therefore, the terms and conditions of Radiolinja Origo Oy's 3G licence have also been amended. The amended licenses allow partial joint constructing and use of the networks.

Three objections by creditors to the merger of Oy Radiolinja Ab have been entered in the Trade Register. Therefore, consent to the merger cannot be granted before the objections have been withdrawn, or the payment of the debt or a legally valid resolution of a sufficient security by a tribunal has been made. Owing to this, the merger of Oy Radiolinja Ab with Elisa Corporation will not take place on the original scheduled date of 1 July 2004.

Outlook

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

Owing to both the new billing practice of interconnection traffic and price reductions, the comparable revenue is estimated to decrease from the previous year's level. The operational result for 2004 is expected to improve considerably. However, the profitability of the remaining three quarters will be at a clearly lower level compared to the first quarter due to market activities and price erosion.

Information in this interim report is not audited.

ELISA CORPORATION

BOARD OF DIRECTORS

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