Elisa Corporation ••• Annual Report 2004

Annual Report 2004

elisa

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Elisa Corporation

Shareholder information

Annual General Meeting

The 2005 Annual General Meeting of Elisa Corporation will be held at the Helsinki Fair Centre, Messuaukio 1, Helsinki, at 2:00 pm on Monday, 14 March 2005.

Shareholders must announce their intention to attend the meeting by 8:00 pm (Finnish time) on Sunday, 6 March 2005. This should be done either by writing to Elisa Contact Center Services/Sö A 6201, P.O. Box 30, FIN-00061 ELISA, Finland; by telephone: +358 800 06242 any day of the week from 8:00 am to 8:00 pm; by fax: +358 10 262 2727; or by email: yhtiokokous @yhteyspalvelut.elisa.fi.

Shareholders registered by Friday, 4 March 2005 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd are eligible to attend the Annual General Meeting.

Shareholders are entitled to make proposals at the Annual General Meeting and to address the meeting. Shareholders will exercise their voting rights according to their number of shares. Each share carries one vote, and final decisions at the Annual General Meeting are made by voting.

Distribution of profit

In accordance with Elisa's dividend policy, the dividend payment is 40–60 per cent of the profit for the financial period. Distribution of profit includes dividend payment and purchase of treasury shares.

The Board of Directors will propose that a dividend of EUR 0.40 per share be distributed for 2004. The dividend approved by the Annual General Meeting will be paid to shareholders listed in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd on the record date. The record date for the dividend payment is 17 March 2005. The dividends will be paid out starting on 24 March 2005.

Financial information

Elisa Corporation will publish an annual report and interim reports on 28 April 2005, 28 July 2005 and 27 October 2005. The annual report will be published in Finnish, Swedish and English, and the interim reports will be published in Finnish and English. The annual and interim reports may be ordered by phone at +358 10 262 7371.

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

The contact person for Elisa's Investor Relations

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Elisa Corporation

Elisa's mission is to offer its customers telecommunication services for fast, efficient and secure communication. Its vision is to be the most attractive and effective operator.

Elisa operates in Finland and in carefully selected international market areas, and provides international services in association with its partners, Vodafone and Telenor.

Elisa is a full-service telco whose customers comprise large companies, societies, small and medium-sized companies and consumers. Elisa offers diverse voice and data services, connections to the Internet and content services, voice solutions, customised communication and ICT solutions, international communication solutions and network operator services.

Elisa in 2004

- Elisa's juridical corporate structure was reorganised. The group's subsidiaries were merged into the parent company. The merger of Elisa Matkapuhelinpalvelut Oy (previously known as Oy Radiolinja Ab) with Elisa has been delayed.
- On 14 June 2004, Elisa acquired the entire share capital of its subsidiary Elisa International Ltd (Finnet International Ltd), which is a provider of international telecommunication services.
- Elisa revised its structure in January. The company's core business in Finland comprises four units: Customers, Products, Networks and Kolumbus. At the same time, the company adopted a new umbrella brand, Elisa.
- At the end of March, the Boards of Directors of Elisa and Yomi signed a merger plan, according to which Yomi merged into Elisa on 31 December 2004.
- At the beginning of 2004, Elisa sold the entire share capital of its Germany-based subsidiary Elisa Kommunikation GmbH to a consortium of minority shareholders. In terms of the selected strategy, the Germany-based business was not part of the core business.
- Elisa outsourced desktop and data centre services to Fujitsu and payroll services to Pretax.

Other major events in 2004:

- Elisa and Fujitsu Services Oy signed a contract on establishing an extensive partnership. The partnership aims at providing enterprises with the market's most comprehensive service package of IT and telecommunication solutions.
- Elisa expanded the coverage area of its broadband to embrace almost all of Finland. It simultaneously reduced prices and increased broadband speeds.
- On 13 February 2004, Elisa introduced new affordable mobile phone subscriptions. The subscriptions are under the Kolumbus brand and targeted at the low-cost subscription market.
- Elisa sold its properties located at Korkeavuorenkatu 35–37 and Kasarmikatu 36 to Sponda.
- Elisa introduced mobile broadband services to connect laptops to the Internet. The service deploys the 3G network, which was opened for commercial use.
- Elisa and Radiolinja Eesti were the first in the world to facilitate the use of positioning services that exceed national boundaries.
- On 14 December 2004, Elisa and the Ministry of Trade and Industry signed an agreement on the four-year provision of fixed line phone, mobile phone and telecommunication services for nearly the whole administrative sector of the ministry.

Key indicators

EUR million	2004	2003
Revenue	1 356	1 538
EBITDA	432	385
EBIT	191	–34
Profit before extraordinary items	166	–74
Net result	107	–17
Earnings per share, EUR	0.78	–0,12
Research and product development	17	24
Investments in shares	61	28
Capital expenditures	170	194
Equity ratio, %	51	40
Gearing, %	46	87
Employees, 31 Dec	5 376	6 683

The most attractive and effective

Elisa's vision is to be the most attractive and efficient operator.

2004 stands out as the year in which we laid the foundation to implement our vision. Customer orientation, streamlining and improving profitability are the cornerstones of this foundation.

Customer orientation can most clearly be seen as one 'desk' and a single brand. Customers have access to all telecommunication services under the Elisa sign.

Our way of operating was streamlined to be flexible and quick. This required eliminating overlaps and clarifying operational modes. An integrated Elisa is now in a better position to respond to the rapid changes in the market.

A single brand, one desk and overall customer service form an entity that can best respond to the expectations of the customers.

To improve profitability we have implemented a two-year programme, which will be completed by the end of 2005. The programme includes reduction in costs by approximately EUR 80 million. In 2004, we were ahead of schedule, and we will certainly exceed the overall target. However, improving profitability will not end there. We will continue rationalising our operations in the future, too. Everyday we will work to achieve improved profitability.

Elisa on the right track

In autumn 2004 we underwent a revision of strategy. The aim was not to change our strategy as an end in itself, but to examine the issues and evaluate the needs for change.

The conclusion of the strategy analysis was that Elisa is on the right track. The decisions made so far to revamp Elisa have been the right ones. We want to keep upgrading our performance.

We will strengthen customer orientation through overall customer service. It is for the benefit of the customers to use Elisa for all their telecommunications needs.

We want to offer our customers a comprehensive service and sales channel, the best exclusive provider benefits and the highest quality service.

A single brand, one desk and overall customer service form an entity that can best respond to the expectations of the customers.

Competition drives the sector forward

Elisa managed well in the competition of 2004. The number of broadband subscriptions grew by approximately 95 000. Weighed against the large operators, we succeeded best in mobile communications after a slip at the beginning of the year.

Competition was fierce, particularly in mobile communications in early 2004, and in broadband at the end of the year. Prices fell significantly throughout the year.

Competition is a driving force in the sector, but in addition to prices, it would be desirable to compete with better services. Mobile phone customers were offered free calls in early 2004, but it is clear that selling for free makes it difficult to invest in new services.

Not all consumers value price as a decisive factor in choosing an operator. Like in other markets, the low-cost segment has its specific share in telecommunications. However, many consumers consider the entire entity of the service, which comprises price, customer service and quality.

At Elisa we strongly believe that good service will retain its integral position when customers make comparisons between operators. Elisa plans to do well in this race.

It is important that the prerequisites for competition are harmonised. In broadband, there still have been situations in which the circumstances to compete on different sides have not been equal. The authorities have worked to remedy the situation, but there is still plenty to do.

Emergence of 3G

The third generation (3G) mobile communication networks began operating in Finland in autumn 2004. Elisa launched its own network for commercial use in November as reported last summer.

The third generation has kept us waiting for some time now. The technical ability for the new generation has existed, but the market lacked a sufficient number of new-generation terminals. The situation has now matured and we are ready to start providing new services.

The third generation will not bring a revolution to the market, but will be an entirely normal technical progress. New technology offers even broader wireless broadband, which facilitates more high-quality services.

In Elisa, we are not expecting 3G services to explode in 2005. We believe that a few thousand customers will adopt 3G.

At the early stage, business customers will be the most active users of the new-generation services. Constructing more high-speed wireless connections into corporate networks will upgrade companies' operations. Independency of time and place are of particular importance to companies.

Later on 3G solutions will reach consumers on a larger scale. This phase, naturally, will require new services and also reasonably-priced 3G devices.

For Elisa, new services are more important than new technology. We intend to offer our customers up-to-date services irrespective of which generation network they use. We will also expand our 3G network on the basis of customers' needs. Every time we expand our network we want to guarantee the highest possible technical quality from stage one.

In people's day-to-day lives

Discussions about whether telecommunications is a rising or falling sector come at regular intervals. The wild growth figures which have recently become more moderate would indicate that the sector is heading downward. This, however, is not the case.

Telecommunications in its various forms is closely integrated into people's day-to-day lives. People use mobile phones or home broadband to take care of a growing number of chores. For example, millions of Helsinki City Transport tram tickets have been purchased with mobile phones.

The use of telecommunication services keeps increasing, and it would be difficult to see a future with less use of telecommunications. New things to access via telecommunications emerge continuously. We should not forget that even in the short term the annual growth number of broadband subscriptions is several dozen percentage points.

Competition is a driving force in the sector, but in addition to prices, it would be desirable to compete with better services.

A single service as such does not necessarily generate high margins for operators. The challenge issued to operators relates to creativity and efficiency. The most creative and efficient operator provides the best service and is the most competitive.

Elisa people have excelled

The actual achievers of the changes in Elisa have been the employees, who have excelled at all levels and throughout Finland.

Our sales persons have done well, our customer service personnel have persevered in a challenging situation, and our installation technicians have installed subscriptions at a furious pace, just to mention a few examples.

I would like to express my heartfelt thanks to every Elisa employee for the wonderful year of 2004.

I would also like to thank our customers, shareholders and business partners for the year 2004.

Together with Elisa people, we are building a more competitive company, which will be able to provide enhanced customer service, offer added value to its shareholders and profitable associations for its business partners.

Veli-Matti Mattila
President and CEO
Elisa Corporation

Mobile communication business

Elisa offers mobile communication services to private and corporate customers through its own networks in Finland and Estonia. Elisa's service provision is supported by a comprehensive retail network, which is based on its own retail outlets and a network of representatives.

In spring 2004 Elisa also started using the Elisa brand in its mobile communication business. Consumer awareness of Elisa as a provider of mobile communication services developed favourably and achieved the pre-change level of Radiolinja in autumn 2004.

Operating environment and competitive situation

Competition in the mobile communication business was fierce in 2004. The competition was manifested by a decrease in prices of average call minutes and increased usage of subscriptions. Elisa invested heavily in sales and continued dynamic marketing. The number of mobile phone subscriptions grew favourably for Elisa and for the service operators in its network. At the end of the year, Elisa had in its network in Finland almost 1.4 million subscriptions. The corresponding market share was approximately 28 per cent.

On 15 April 2004, the Finnish Government amended 3G mobile communication licences. The amended licenses allow partial joint construction and use of the networks.

Position in the market

During 2004, Elisa increased the number of its mobile subscriptions in Finland by approximately 9 400. At the end of 2004, the company's network stood at 1 383 515 subscriptions. The number of subscriptions grew by 0.7 per cent.

The service operator market was divided into two main segments. Elisa maintained its strong position in traditional full-

Adjusted key figures of the mobile communication business

EUR million

	2003	2004
Revenue	757	713
EBITDA	212	219
EBIT	74	101
Personnel 31 Dec	1 678	1 477

service subscriptions. A new low-cost segment emerged in which new service providers increased their market share. Elisa's Kolumbus subscription that was launched in this segment succeeded well, increasing its number of subscriptions in the market. On the whole, Elisa maintained its position in the Finnish mobile communication market.

Elisa's business continued favourably in Estonia. Both revenue and earnings increased.

Elisa's mobile operator in Estonia, Radiolinja Eesti AS, and fixed network operator, Uninet AS, merged in February 2005 to form a single mobile communication company. The company immediately adopted the Elisa name and Elisa's visual identity in its operations. The juridical merger of Radiolinja Eesti and Uninet will take place at the end of 2005.

Services

Enabled by the 3G network, Elisa introduced high-speed data transfer connections in November. The first customers to benefit from the new speeds were users of the Vodafone Mobile Connect 3G/GPRS data card, which is easily connected to laptops.

The whole dispatch system of Helsingin Ympäristön Taksikeskus, or Local Taxi Centre, will be changed from the old area-restricted and closed taxi radio network to Elisa's public GPRS network. After adopting the new system, all Local Taxis, about 1000 vehicles, can be dispatched throughout Finland if required.

Elisa and Saunalahti agreed on initiating mobile network cooperation. The Saunalahti Prepaid subscription, launched at the beginning of the fourth quarter, operates in Elisa's network, like part of the other new Saunalahti subscriptions.

Elisa and Bookit Ltd implemented a handy mobile phone-enabled check-in service for Finnair. The service enables passengers to check-in in advance with an SMS message.

Elisa also introduced fixed-rate Kolumbus subscriptions, which allow customers to choose the amount of call minutes and SMS messages according to their needs. The subscriptions succeeded well against the competition.

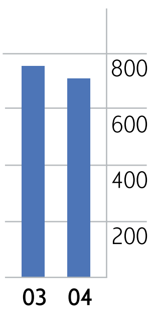
Elisa was the first mobile operator in the world to start offering wireless antivirus services to its smart phone customers. The service is based on the F-Secure Mobile Anti-Virus™ service solution.

In collaboration with shipping companies and other operators, Elisa implemented a project that facilitates the functionality of mobile phone connections in the interior spaces of ships.

Elisa was the first mobile operator in the world to start offering wireless anti-virus services to its smart phone customers.

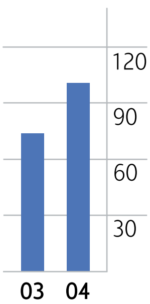
Revenue

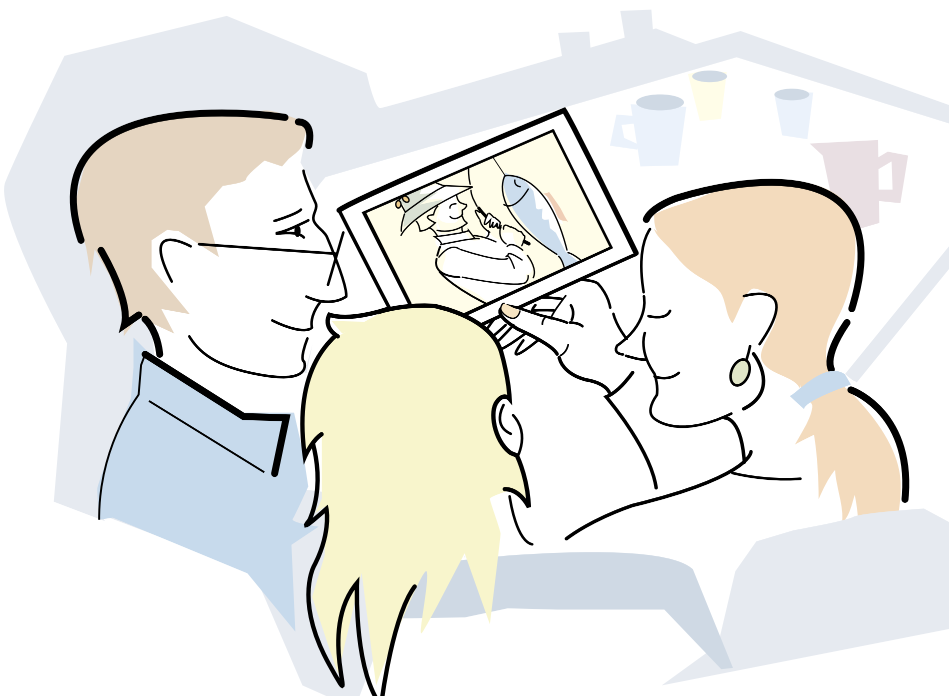
EUR million



EBIT

EUR million





Fixed network business

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

Operating environment and competitive situation

Competition in Elisa's fixed network business was intensive throughout 2004. However, the number of broadband subscriptions experienced robust growth. On the other hand, the number of traditional subscriptions decreased as voice calls shift to the mobile communication network and data transfers shift to broadband subscriptions.

There are approximately 1.23 million Internet subscriptions in Finland, around one-third of those are broadband. According to the Ministry of Transport and Communications, over 710 000 households in Finland had a broadband subscription at the end of 2004. The aim of the national broadband strategy is to have a million connections in Finland by the end of 2005, with the majority using a minimum speed of 2Mbps.

Broadband competition remained fierce, particularly in the focus areas of Elisa's fixed network business. Correspondingly, Elisa expanded its offering to cover all of Finland; Elisa's broadband services are available in approximately 400 municipalities. However, the pricing and long delivery times of local network operators have slowed down the geographical expansion.

The livelier-than-expected demand and intensified competition had a significant impact that resulted in a fall in prices for broadband services, but this simultaneously increased the overall demand as well. During the year, connection speeds were upgraded twice, i.e. the customers received an increase in speed for the old price in the most popular categories. The prices of the greater speed categories were also reduced. At its most advantageous, an ADSL connection could be purchased for EUR 19.90 a month. Extensive sales campaigns also had an effect on the price levels of installation fees.

Elisa maintained its market position in the broadband business. The demand for broadband services is expected to continue brisk during 2005.

The traditional fixed network business includes subscriptions, local calls, local networks, long-distance calls and international calls. The trend towards a reduction in the number of subscriptions continued at a steady pace. Volumes decreased along with the reduced number of subscriptions and data transfer shifted to broadband. This process is expected to continue in 2005.

Fixed network number portability came into effect in 2004. Users may retain their fixed network telephone numbers when changing operators or moving to another locality. In 2005, the regulation concerning the pricing of calls dialled from the fixed network to mobile phones and the possibility to choose the operator providing the connection will go into effect. Number portability will also include nationwide reachability service numbers, corporate numbers and special service numbers.

Adjusted key figures of the fixed network business

EUR million

	2003	2004
Revenue	686	654
EBITDA	180	185
EBIT	58	79
Personnel 31 Dec	3 572	3 015

The office and corporate network business includes various data services, corporate PBXs and switching services, LAN services and equipment as well as their service and maintenance, and overall telecommunication service agreements. Prices of telecommunication connections in office and corporate networks have continued to fall sharply. Demand for Voice over Internet Protocol (VoIP) solutions has increased, and Elisa signed significant agreements on implementing its corporate customers' solutions.

The market development is likely to continue in a similar manner in 2005.

Elisa maintained its market position in the broadband business.

The cable TV business grew steadily and Elisa maintained its market position. The growth of digital TV will support the growth of cable TV.

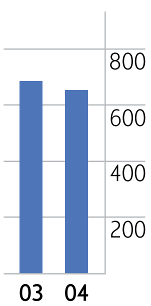
Position in the market

The sales of Elisa's broadband subscriptions continued strong. There were around 222 300 broadband subscriptions (127 400) in total, of which an integral part were ADSL subscriptions. According to an estimate, Elisa's market share of all broadband subscriptions in Finland was approximately 29 per cent.

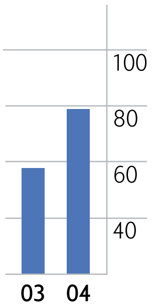
At the end of 2004, Elisa had a total of 1.22 million (1.19) fixed subscriptions. The number of cable TV subscriptions grew steadily and by the end of the year there were approximately 198 500 CTV subscriptions (183 500). Elisa's market share was estimated at 17 per cent.

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

Revenue
EUR million



EBIT
EUR million



The market for outsourcing services continued to grow strongly. Elisa is the market leader in providing contact centre, teleconferencing, and answering and exchange services.

Services

The Ministry of Justice renewed its voice services by outsourcing the phone systems of 9 500 employees and over 350 offices to Elisa's service production. The new Salmisaari Courthouse in Ruoholahti, Helsinki is one of the principal targets where Elisa's VoIP technology-enabled voice systems have been implemented.

Elisa and Nordea signed an agreement, which states that Elisa acts as Nordea's principal provider of telecommunication services in Finland. The agreement entails fixed network voice communications, mobile communications and data transfer services throughout Finland.

Elisa expanded its call centre services by opening a new contact centre in Kemijärvi where all calls to the switchboards of the job centres in Finland are directed.

Elisa Corporation and Fujitsu Services Oy signed a contract on establishing an extensive partnership. Customers receive an overall service from a single supplier, which includes both fixed and mobile telecommunication services by Elisa, and IT infrastructure services according to Fujitsu's Patja operating model. The collaboration will reach its full scale during 2005.

Other businesses

Elisa has majority holdings in leading service providers in Finland.

Comptel

Based on profound expertise, Comptel provides customers utilising telecommunication networks with mediator and provisioning software products and solutions that increase companies' competitive edge, open up new business opportunities and enable cost savings. Comptel's objective is to grow faster than the market within its own field of operations, and at the same time ensure that profitability and cash flow are secured in all circumstances.

In the challenging market situation of 2004, Comptel increased its revenue and substantially improved its profitability. Comptel maintained, and according to its own estimate, even consolidated its global market position.

In 2004, Comptel's revenue was EUR 59.7 million (54.0) and EBIT EUR 14.5 million (6.6). At the end of 2004, the number of employees was 422.

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

Yomi Software

After Yomi Plc's merger into Elisa Corporation at the end of 2004, Yomi Software Ltd continues as Elisa's competence centre for telecommunication software.

Yomi Software's core competence comprises smart phone applications, service and network management systems for operators, and associated business solutions.

Yomi Software's operations strengthened in 2004. The revenue grew by 14 per cent and operations were profitable. It amounted to EUR 17.3 million and EBIT before amortisation of goodwill was EUR 0.4 million. The average number of employees was 257.

Contract manufacturing of Yomi Software mobile applications grew, especially for Symbian smart phones. The Operator Solutions unit expanded its operations into the service provision. This decision to act as a distribution channel for Yomi's communication applications for operators and service providers proved a success. The Professional Services unit succeeded in transferring the focus of its operations to end-users' mobile communication services, and consolidated its expertise in network and service management. The company's order books were at an excellent level going into the new year, and profitable growth is expected to continue in 2005.

Estera

Estera is a national company within Elisa which provides real estate IT (KiinteistöIT) solutions to its customers.
The real estate IT business includes systems for building automation, energy management and technical security, as well as telecom solutions associated with these.

In 2004, the company's revenue amounted to approximately EUR 20 million and it employed around 160 people.

Elisa R&D

Elisa R&D is Elisa Corporation's research and development unit. It acts as a pathfinder and trendsetter, securing the company's future. Elisa R&D develops know-how and competence that lead to new business activities. Competence and expertise support the business' product development and Elisa's long-term options.

Operating environment

Important trends are IP technologies, the customer-centred approach, and the evolution of wireless equipment. The architectures of open interfaces, the convergence of mobile and fixed networks, and the associated services independent of connection types are emphasised in IP technologies.

Mobile terminals have undergone a radical transformation and the open operating system platform facilitates the development of new manufacturer-independent applications and services.

Customer-centred research, which takes the user's perspective into account, has a key role in creating new services. New services are developed and tested in collaboration with Elisa's customers.

Research cooperation

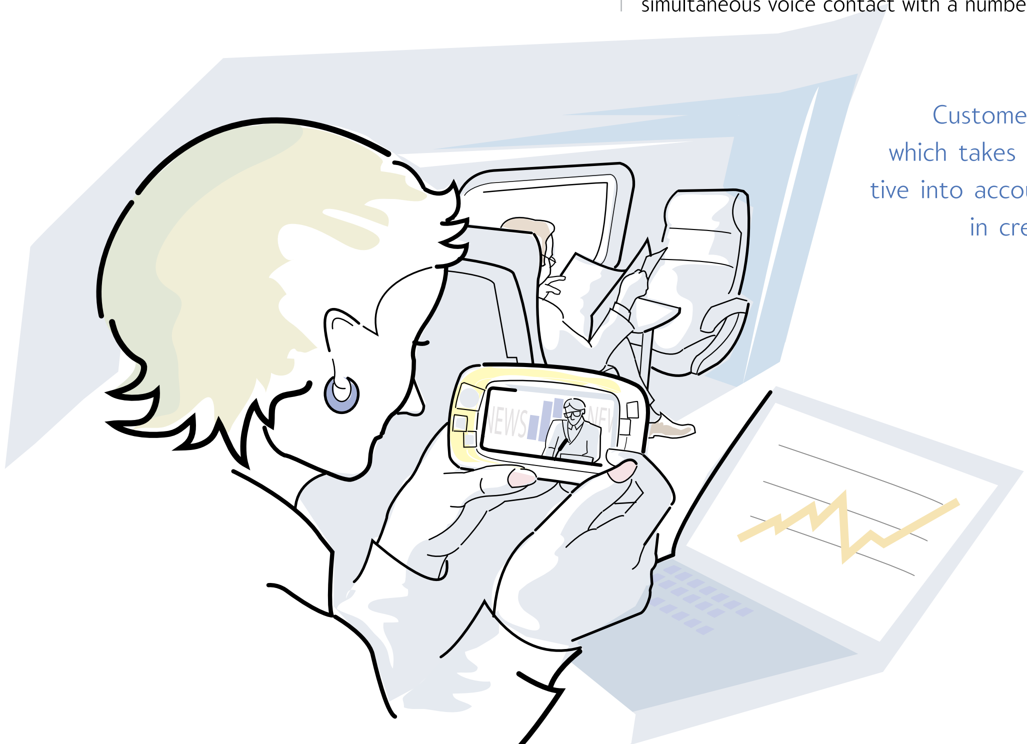
Elisa R&D actively takes part in Finnish and international research projects. Domestic partners include universities, higher education institutions, the VTT Technical Research Centre of Finland and innovative companies.

The greatest investment objective in long-term research has been MobiLife, the EU's sixth generation framework project. MobiLife investigates everyday applications and services enabled by technological development from a user-centric point of view. This project contributes to a development vision where Elisa creates opportunities for its customers to transmit information, services and experiences electronically irrespective of time, place or means.

In association with Finnish television, content and mobile communication companies, Elisa participated in a pilot project which collected end-users' mobile TV experiences. The service is based on a standard that is widely accepted by companies operating in the sector. Therefore, it promotes the objective to develop reasonably priced mobile equipment and services for consumers.

During 2004, Elisa actively participated in the Finnish Government's Information Society programme and in its various development projects. At the same time, Elisa is enhancing its business operations to promote the information society development. An example of this is the registration of a citizen certificate on a GSM SIM card.

In association with its corporate customers, Elisa is testing a new kind of instant connection solution called Push-to-Talk that operates between mobile terminals. Basically, this technology resembles a radio phone that enables a user to have simultaneous voice contact with a number of subscriptions.



Customer-centred research, which takes the user's perspective into account, has a key role in creating new services.

Personnel and environment

The year 2004 was about building a unified Elisa. A new business model was adopted at the beginning of the year. Large organisational changes and personnel reductions took place in early 2004, and new operations were established to comply with Elisa's values. New values were determined as follows: customer orientation, responsibility, renewal and profitability.

Personnel survey

A personnel survey was carried out in April. The results indicated that the speed of change both at Elisa and in the sector was very challenging for the personnel.

According to the survey, the efficiency of employees' own working groups and the immediate superior's management skills formed a sound basis for the development work. A vision of common benefit, information distribution between units, opportunities for promotion, rewards and well-being at work were regarded as particular problem areas.

A number of development projects were carried out. Internal communication was enhanced through the corporate intranet, briefings for superiors were increased in connection with interim reports, and Elisa Today events were organised. Furthermore, evaluating the demands of the jobs and roles provided a platform for a systematic personnel and salary structure in Elisa and defined the basis for a special bonus. Opportunities for personal promotion were greatly improved through internal recruiting, which concerned several hundred employees during 2004.

Personnel fund

At the end of 2003, Elisa's Board of Directors decided to implement a performance-based bonus system, and the personnel decided to establish a fund, which the Ministry of Labour registered on 12 May 2004. The aim of the personnel fund is to commit the personnel to long-term goals and strengthen interest in Elisa's financial success and its indicators. The evaluation tool for the performance-based bonus system is the earnings per share, based on an audited performance and calculated in a manner defined by the Board of Directors.

All Elisa employees belong to a bonus or reward scheme, or to another incentive scheme. These are based on the objectives that guide the business operations.

A uniform policy for staff benefits

A unified Elisa has a single and uniform policy for staff benefits. The definition of the policy was started in cooperation negotiations. Benefits include comprehensive occupational health services, staff dining, support for leisure activities and hospital services for the staff's children.

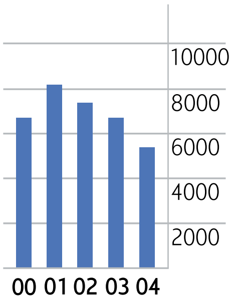
Development of personnel and operations

The focus of personnel development in 2004 was supporting the implementation of planned changes and the creation of a unified Elisa. In January-February, the emphasis in supervisors' training was on coping with the environment of change.

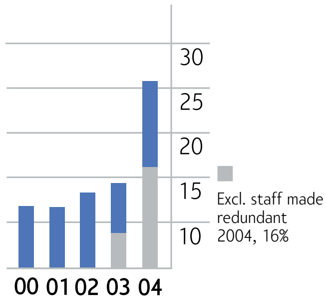
In early March, the company's management created a vision, strategy and the elements of leadership, which were communicated to the whole organisation. The new organisation,

	2002	2003	2004
Number of the employees	7 368	6 683	5 376
Gross capacity in total	7 422	7 156	5 821
Male	4 657	4 384	3 432
Female	2 765	2 772	2 389

Development in the number of employees



Staff turnover rate, %



management and targets were introduced to the entire personnel at the end of March. On this occasion, approximately 3000 Elisa employees got acquainted with the operations of the profit-and-loss centres and support units.

The Development Center, which identifies potential key personnel and offers them opportunities for development, continued for the fifth year. The programme consists of Learning Forums and Discovery Groups that focus on topical management issues and have in-depth analyses on specific subjects. The first Executive Masterclass, which targeted the present key personnel, was initiated in August. A total of 80 Elisa people attended these programmes for key and potential key personnel.

All Elisa employees belong to a bonus or reward scheme, or to another incentive scheme. These are based on the objectives that guide the business operations.

Recognising Elisa's main processes and promoting the associated skills were strongly emphasised in spring, when a number of events regarding the issue were organised. Moreover, information system projects during the year were linked to personnel skills promotion, which will continue actively in 2005.

Basic skills, such as IT, telecommunications, language and project skills, were improved by using mainly external service providers. In addition, an emphasis was placed on increasing web-enabled learning by initiating a new network environment and designing a pilot project.

The reorganisations and the subsequent changes in work tasks increased the need for a systematic description and assessment of jobs and learning requirements.

Cooperation

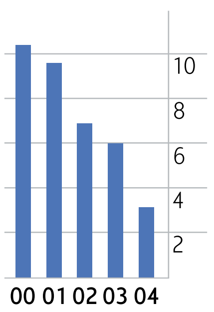
The restructuring launched regular, weekly meetings between the employer and Elisa's chief shop stewards. Inclusive of the personnel benefit negotiations, there were over one hundred meetings during the year under review.

The cooperation procedure was reorganised. In addition to a company-level negotiation committee, i.e. the Managing Director's meeting and the chief shop stewards, the main emphasis is on continuous cooperation in the profit-and-loss centres and in the departments. The employees' representation in the corporate administration was revamped so that, starting in 2005, they have representatives in the unit management groups. Industrial safety was organised to comply with the new structure. The employees also elected new shop stewards in autumn.

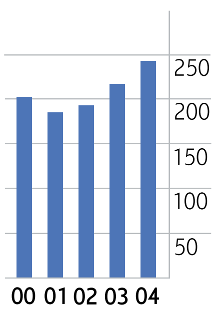
Industrial safety

After the merger of Elisa's subsidiaries, an agreement was made on cooperation fundamentals in industrial safety. Work environment groups established in business units and operating areas act as statutory safety committees. Elisa's work environment committee, which comprises seven industrial safety delegates, two employer representatives and the leading company physician, deal with work environment development targets for the entire company. Besides

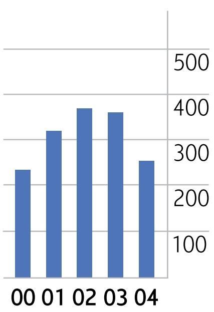
Training expenditure
EUR million



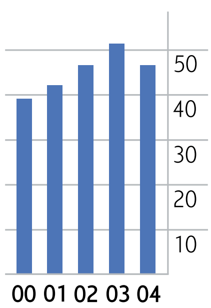
Revenue per employee
EUR 1000



Personnel costs
EUR million



Personnel costs per employee
EUR 1000



preventing accident risks relating to the work of over 400 installation technicians, several projects have been initiated to promote well-being at work.

Principles of corporate responsibility

During 2004, the principles of corporate responsibility were also determined in Elisa. In line with these principles:

- Elisa acts in a responsible manner relating to its interest groups and the society.
- Elisa promotes continuous dialogue and long-term relationships with equipment suppliers, customers, employees and other interest groups.
- Elisa's corporate responsibility is divided into financial, environmental and social responsibility, in compliance with the international 'Triple Bottom Line' concept.
- From the environmental perspective, Elisa operates in a sensible and sustainable manner. The aim is to ensure that the environmental effects of products are taken into account during their entire life cycle, and that the processes used have minimal effects on the environment.

The aim is to ensure that the environmental effects of products are taken into account during their entire life cycle.

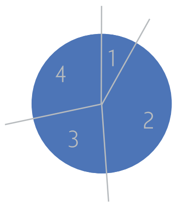
Environment

Elisa carries out high-quality and environmentally friendly telecommunication services. The aim of the company's confirmed environmental policy is

- to promote sustainable development at local, national and international levels as a part of competitive business,
- to commit to protecting the environment affected by Elisa's operations and to take into account environment, quality and security issues in decision-making and in the management system,
- to comply with national and international environmental regulations.

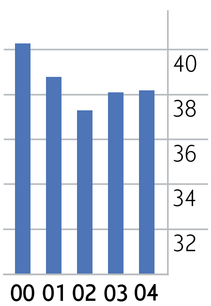
The principal projects in 2004 were the processing of a reporting system for environmental load data and organising of a seminar for the personnel involved in environmental issues. Elisa's outlets act as collection points for customers' electrical goods and electronic scrap. Cooperation with the environmental management company has been versatile. Eighteen waste substances are sorted in Elisa, of which only four cannot be recycled. In environmental issues, Elisa collaborates with ETNO, the European Telecommunications Network Operators' Association.

Educational structure

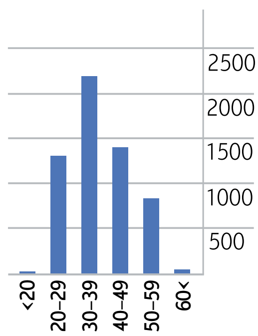


1 basic education 8%
2 lower middle level 41%
3 upper middle level 23%
4 higher degree 38%

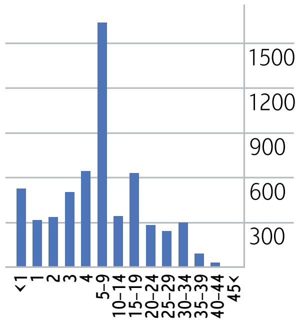
Employees by age



Average employee age structure



Length of employment category



Financial statements

The Report by the Board of Directors for the year 2004

Market situation

The market situation was tight throughout 2004. Prices continued to fall for the average call minute rate in the mobile phone business, and subscriber usage increased. The robust demand for broadband subscriptions in the fixed network market prevailed, whereas the number of traditional subscriptions decreased.

Elisa invested heavily in sales and continued extensive marketing. Consumer awareness of the umbrella brand increased substantially. The number of Elisa's own mobile phone subscriptions and those of service operators in Elisa's network continued to develop favourably. The decrease in subscriptions in early 2004 was reversed already in the second quarter, and the number of subscriptions at the year-end was larger than a year earlier. New operators increased their market share in the low-end segment. Elisa's Kolumbus subscription that was launched in this segment succeeded well, and increased its number of subscriptions. The number of broadband subscriptions in the fixed network business continued to grow strongly. The number of traditional subscriptions decreased as voice shifts to mobile subscriptions.

In April, Elisa revamped its brand as part of the corporate strategy process. Elisa became the principal umbrella brand of the whole group. In addition, Elisa will use selected retail and product brands.

Changes in corporate structure

The group's judicial structure was radically changed. The mergers of the following companies into Elisa were entered in the Trade Register: Elisa Networks Ltd and Soon Net Ltd on 30 April 2004; Soon Com Ltd, Oy Heltel Ab, ElisaCom Ltd, RPOCom Oy and Riihimäen Puhelin Oy on 1 July 2004. In accordance with an announced plan, the following companies merged into their parent company Oy Radiolinja Ab: Radiolinja Aava Oy, Radiolinja Suomi Oy, Radiolinja Origo Oy and Witem Oy. The change of Oy Radiolinja Ab's name to Elisa Matkapuhelinpalvelut Oy was entered in the Trade Register on 1 July 2004. The merger of Oy Radiolinja Ab into Elisa was delayed due to a district court process on the annulment of the decision made at Oy Radiolinja Ab's shareholders' meeting in spring 2000 to increase the share capital.

Soon Net Ltd of Elisa and Eltel Networks signed an agreement on transferring the installation business. Along with the transaction, 67 Soon Net employees joined Eltel Networks on 1 April 2004. The business transfer applied to the construction, maintenance and repairing of the telecommunication network.

Elisa abandoned the Germany-based business and divested the entire share capital of its subsidiary Elisa Kommunikation GmbH to a consortium led by Apax Partners. Due to the transaction, which took place in early 2004, the Germany-based business has not been consolidated into Elisa for 2004. The financial impact of the transaction was recorded for the year 2003.

On 27 May 2004, extraordinary meetings of Yomi and Elisa approved a merger plan, according to which Yomi merged into Elisa on 31 December 2004. For each Yomi share, Yomi's shareholders received a merger consideration of 0.5654 of a new Elisa share. The acquisition cost of the shares within the group amounted to EUR 52 million.

Elisa increased its holdings in its subsidiary Finnet International Ltd, a provider of international telecommunication services, from 51.2 per cent to 100 per cent. The purchase price was EUR 7.7 million. The selling parties were minority shareholders which comprise local telcos.

On 30 June 2004, Elisa and Fujitsu Services Oy signed an agreement on outsourcing Elisa's desktop and data centre services to Fujitsu. The agreement came into force on 1 July 2004. At the same time, approximately 100 employees from Elisa joined Fujitsu.

Revenue

EUR million	Financial statements 1-12/2004	1-12/2003	Comparable 1-12/2004	1-12/2003*
Mobile communications	713	757	713	735
Fixed network	654	686	654	686
Germany-based business	–	134	–	–
Other businesses	111	98	111	98
Sales between segments	–121	–137	–121	–137
Total	1 356	1 538	1 356	1 382

*Exclusive of the Germany-based business, and adjusted to correspond to the change in the revenue booking procedure in mobile communications, effective as of early 2004.

Elisa's revenue for January-December decreased by 12 per cent over the last year. The reduced revenue was affected by the divested German operations, the volume of the traditional fixed network products, as well as by the reduced interconnection fees in the mobile communications business, the fall in prices, and the change in the revenue booking procedure. The comparable revenue decreased by 2 per cent.

Comparable revenue for the mobile communication business decreased by 3 per cent over the previous year. The fall in prices slightly exceeded the increased usage. Revenue was boosted by the enhanced operations of the Estonian subsidiary.

Revenue for the fixed network business decreased by 5 per cent over last year. The change in revenue was mainly due to the declining volume in traditional subscription products and equipment sales. The increased number of broadband subscriptions improved the revenue.

Performance

Elisa's EBITDA increased by 12 per cent over the previous year, and relative profitability rose to 32 per cent (25) of the revenue. Improved profitability was substantially affected by streamlining measures executed in the business, reduction in pension fund payments and disposal of the Germany-based business. Elisa sold its former main office and booked a EUR 13 million capital gain on the transaction. Owing to the change in calculating principles of the pension provision, the company also recognised EUR 5 million in revenue. All these have been handled as non-recurring items.

The group's other financing income and expenses totalled EUR -27 million (-40). The financing income also included the share of the associated companies' results, EUR 0.7 million (-0.3). Reduced financing expenses were mainly due to the decreased net debt.

Income taxes in the income statement amounted to EUR -52 million (+60, including a EUR 89 million tax asset booked from the losses of the Germany-based business). Altering the tax base from 29 per cent to 26 per cent at the beginning of 2005 increased tax expenses by EUR 2 million due to a change in the deferred tax asset.

The group's January-December results after taxes and minority interests were EUR 107 million (-17). The group's earnings per share (EPS) amounted to EUR 0.78 (-0.12). At the end of 2004, the group shareholders' equity per share stood at EUR 6.00 (5.09) at the end of 2003.

EUR million	Financial statements 1–12/2004	1–12/2003	Comparable 1–12/2004*	1–12/2003**
Mobile communications				
EBITDA	219	210	219	212
EBITDA, %	31	28	31	29
EBIT	101	73	101	75
Fixed network				
EBITDA	185	167	185	180
EBITDA, %	28	24	28	26
EBIT	79	45	79	58
Germany-based business				
EBITDA	–	4	–	–
EBIT	–	–134	–	–
Other businesses and corporate functions				
EBITDA	28	4	10	12
EBIT	14	–17	–4	–10
Total				
EBITDA	432	385	414	403
EBITDA, %	32	25	31	29
EBIT	193	–34	175	122

*Exclusive of EUR 13 million capital gain on real estate, and EUR 5 million revenue recognition due to a change in calculating principles of pension provision

** Exclusive of the Germany-based business, and adjusted to correspond to the change in the revenue booking procedure in mobile communications, effective as of early 2004, as well as exclusive of substantial non-recurring items

Mobile communications

	1-12/2004	1-12/2003	Change-%
Number of subscriptions on 31 Dec*	1 383 515	1 374 146	1
Revenue/subscription**(ARPU), €	37.8	41.6	–9
Churn**, %	33.7	18.6	
Usage, million minutes*	2 498	2 310	8
Usage, min./subscription/mth**	156	146	7
SMS, million minutes*	537	453	19
SMS, msg/subscription/mth**	34	29	18
Value-added services/revenue	14	12	

* Elisa's network operator in Finland
** Elisa's service operator

In 2004, the number of Elisa's network operator subscriptions in Finland rose by approximately 9 400 excluding MVNO subscriptions. The share of Elisa's own service operator accounted for approximately 2 300 subscriptions of the increase.

The usage by subscribers continued to grow throughout the year. The number of call minutes increased by approximately 8 per cent, and the number of SMS messages sent grew by approximately 19 per cent.

Revenue per subscription (ARPU) decreased by approximately 9 per cent over last year. This was partly due to a change in the revenue booking procedure. Comparable ARPU decreased by approximately 4 per cent because of reduced interconnection fees and consumer prices. The revenue booking procedure was changed in early 2004, so that remunerations payable to providers of value-added services and interconnection costs to be invoiced are directly booked as a deduction of revenue.

Elisa's subsidiary in Estonia succeeded well. Revenue was EUR 75.3 million (60.9), EBITDA EUR 22.5 million (17.5) and EBIT EUR 13.2 million (8.2). At the end of 2004, there were 225 500 subscriptions (167 750).

On 15 April 2004, the Finnish Government amended 3G mobile communication licences. The amended licenses allow partial joint constructing and use of networks.

On 23 November 2004, Elisa launched its 3G network for commercial use and simultaneously began offering the Vodafone Mobile Connect 3G/GPRS data card, which is connected to laptops.

Elisa and Saunalahti agreed on initiating mobile network cooperation. A part of Saunalahti's new customers use Elisa's network, and the 3G services to be launched will function on Elisa's network.

Fixed network business

Number of subscriptions	31 Dec 2004	31 Dec 2003	Change-%
Broadband subscriptions t	222 307	127 388	75
ISDN channels	159 591	200 455	–20
Cable TV subscriptions	198 447	183 469	8
Analogue and other subscriptions	639 202	675 272	–5
Subscriptions, total	1 219 547	1 186 584	3

Brisk demand for broadband subscriptions continued during the whole 2004. In autumn, the speeds in slower categories were doubled, and the prices of the greater speed categories were reduced. The number of broadband subscriptions increased by 75 per cent over the previous year. The number of traditional subscriptions continued to decrease as voice is shifting to the mobile network and data to broadband subscriptions.

Elisa continued to substantially expand the coverage area of broadband during 2004. By the end of the year, the availability of broadband was extended to every municipality in Finland. Sales in the new areas had a very positive start.

Nordea and Elisa signed an agreement, which states that Elisa acts as Nordea's principal provider of telecommunication services in Finland. The agreement entails fixed network voice communications, mobile communications and data transfer services throughout the country.

The Ministry of Justice renewed its voice services by outsourcing the phone systems of 9 500 employees and over 350 offices to Elisa's service production. The new Salmisaari Courthouse in Ruoholahti, Helsinki, was one of the principal targets of the agreement.

Elisa is the first commercial enterprise in Finland, which has been registered as a CERT organisation (Computer Emergency Response Team) with 24-hour CERT operations. A CERT team is a group of experts specialised in information security emergencies and situations requiring immediate action.

Personnel

During 2004, the average number of personnel at Elisa was 5 590 (7 172). By the end of 2004, the number of personnel was 5 376 (6 683).

	31 Dec 2004	31 Dec 2003	Change-%
Mobile communications	1 477	1 678	–12
Fixed network	3 015	3 572	–16
Germany-based business	–	426	–
Other businesses	814	905	–10
Corporate functions	70	102	–31
Total	5 376	6 683	–20

Labour negotiations, initiated in October 2003, were completed on 12 January 2004. As a result, the number of personnel was reduced by approximately 900 people.

On 22 April 2004, Elisa's employees established a personnel fund. The fund includes approximately 4 000 members with membership based on employment. The fund is owned by the employees, and they administer the funds paid as rewards by the company, and the proceeds received from the invested capital.

Investments

EUR million	1–12/2004	1–12/2003	Comparable 1–12/2003*
Investments			
- in fixed assets	170	194	176
- in shares	61	28	8
Total	231	222	184
Aforementioned investments include GSM leasing liability		28	

*Exclusive of the Germany-based business

Capital expenditures in the mobile business were EUR 83 million (98) and EUR 83 million (74) in the fixed network business. The investments included GSM leasing liability buy-backs from telcos for EUR 20 million (28).

Investments in shares were mainly the increase in Elisa's holdings to 100 per cent of Yomi and Finnet International.

Financial position

The group's financial position and liquidity strengthened clearly in 2004. This was particularly affected by positive performance, the divestment of the Germany-based business and the disposal of real estate. The January-December cash flow after investments amounted to EUR 204 million (105).

The disposal of the Germany-based business reduced the group's interest-bearing liabilities by EUR 65 million, and the leasing liabilities outside the balance sheet decreased by EUR 133 million. During 2004, the group's net debt decreased by one-third from the level in 2003, amounting to EUR 410 million (654) on 31 December 2004.

Elisa sold its former main office real estate to Sponda. The selling price was EUR 25.5 million and a capital gain of approximately EUR 13 million was booked from the transaction.

On 20 September 2004, Elisa completed a note exchange offer. As a consequence of this, the average maturity of loans was extended from 3 years to 5.5 years. A new long-term benchmark bond was also issued. Of the old loans, 66.4 per cent were exchanged for notes maturing on 22 September 2011. All in all, the notes issued amounted to EUR 260 010 000.

Financial key indicators

EUR million	31 Dec 2004	31 Dec 2003
Net debt	410	654
Gearing, %	46.4	87.5
Equity ratio, %	51.1	40.4
	1–12/2004	2003
Cash flow after investments	204	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 2004, the company's total number of shares was 141 989 109. The market capitalisation on 31 December 2004 stood at EUR 1 682 million.

In 2004, a total of 121.4 million company shares were traded on the Helsinki Stock Exchange for an aggregate of EUR 1 380 million. The exchange was 88.3 per cent of the number of shares in the market.

The number of Elisa'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 the year, the market capitalisation of the warrants amounted to EUR 0.3 million.

Treasury shares

At the end of 2004, the total number of Elisa's shares owned by the subsidiaries was 210 672 (781 563 at the end of 2003). The nominal value of the shares totalled EUR 105 336, and their proportion of the share capital and voting rights was 0.15 per cent.

During the period of 2–3 November 2004, Yomi sold its 556 870 Elisa shares with a nominal value of EUR 278 435 in total on the Helsinki Stock Exchange. The sale price totalled EUR 6 388 573.55, on average EUR 11.47 per share. The transaction related to the restructuring of Yomi's balance sheet.

Moreover, the Elisa Group Pension Fund owned 202 263 Elisa shares (722 363 at the end of 2003) at year-end.

Research and Development

In 2004, the group invested EUR 17 million (24) in research and development. Important research trends were IP technologies, the end-user's perspective, and the evolution of wireless equipment. Customer-centred R&D is of key importance in developing new services.

Shifting to IFRS reporting

Elisa will adopt International Financial Reporting Standards (IFRS) at the beginning of 2005. The first interim report conforming to IFRS will be for the period of January-March 2005. On 14 February 2005, Elisa publishes a release on the effects of shifting to IFRS.

The Board of Directors' authorisations

On 31 March 2004, the Annual General Meeting authorised the Board of Directors to decide on increasing the company's share capital through one or more new issues, taking a convertible bond and/or granting warrants, so that in a new issue the subscription of new shares in exchange for the convertible bonds and pursuant to warrants, a maximum aggregate of 27.6 million of the company's shares can be issued and the company's share capital can be increased by a maximum of EUR 13.8 million in total. The authorisation is valid for one year from the Annual General Meeting. The pre-emption rights of shareholders may be waived by means of this authorisation if there is an important financial reason for doing so.

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

Private offering

On 28 March 2004, the Boards of Directors of Elisa and Yomi signed a merger plan, which was approved by an extraordinary meeting of Yomi on 27 May 2004. According to the plan, Yomi merged with Elisa on 31 December 2004.

As a merger consideration, Yomi's shareholders received 0.5654 of an Elisa share for each Yomi share. All in all 3 977 352 new Elisa shares were given as merger consideration. The shares were entered in the Trade Register on 31 December 2004, whereupon they received full shareholder rights. These shares entitle their holders to a dividend for the financial year ending on 31 December 2004. Due to this share issue, the company's share capital increased by EUR 1 988 676. After the share issue, the company's shares amounted to 141 989 109 and the share capital entered in the Trade Register increased to EUR 70 994 554.50.

Major legal issues

Processes pending in regard to Elisa Matkapuhelinpalvelut Oy (formerly known as Oy Radiolinja Ab) are the action for annulment of the decision made at the spring 2000 shareholders' meeting to increase the share capital, an appeal against the resolution by Helsinki District Court to dismiss the action (with which Oy Multiclearing Ltd demands increasing the redemption price of 255 shares from EUR 7 904.83 to approximately EUR 50 000), plus an action for annulment demanding the cancellation of the merger decision made at the shareholders' meeting in December 2003.

Processes relating to the merger of Yomi and Elisa are the request of shareholders who oppose the merger decision on the redemption price of approx. 636 000 shares, and an appeal against a decision by Turku Administrative Court, in which the Administrative Court dismissed the request for a special audit.

TeliaSonera Finland Oyj is demanding EUR 13.2 million in compensation from Elisa Matkapuhelinpalvelut Oy for patent infringement and damages. It also requests that using the system pursuant to the alleged patent must be prohibited. The patent dispute relates to the implementation of Elisa Heimopalvelu. Elisa denies the patent infringement allegations.

On 2 November 2004, the Finnish Communications Regulatory Authority (Ficora) initiated an investigation on the pricing of Elisa Matkapuhelinpalvelut Oy's terminating traffic. Elisa Matkapuhelinpalvelut Oy has forwarded clarifications to Ficora. The matter is still pending.

Events after the financial period

On 18 January 2005, Elisa and IBM signed a letter of intent to concentrate Elisa's application management services in IBM. The seven-year agreement will come into force on 1 March 2005. On that date, 150 employees from Elisa will join IBM as established employees.

Outlook

The competition in the telecommunications market in Finland is envisaged to remain tight. It is estimated that usage of both the mobile and fixed network products will increase. Elisa aims to strengthen its market position.

Elisa's revenue for 2005 is estimated to increase slightly. Due to the implemented and ongoing revamping of operations, the company's competitive edge will continue to improve and profitability will remain good. The comparable EBITDA and EBIT for the first half of the year are estimated to remain at the same level as in the fourth quarter of 2004. Capital expenditure will amount to 15 per cent of the revenue at most, and the cash flow will continue to be clearly positive.

Income statement

EUR 1000	Note	Group 1 Jan–31 Dec 2004	Group 1 Jan–31 Dec 2003	Parent Company 1 Jan–31 Dec 2004	Parent Company 1 Jan–31 Dec 2003
Revenue	1	1 356 020	1 538 186	405 976	35 462
Other operating income	2	30 918	33 898	25 445	10 811
Materials and services	3	–484 376	–580 712	–131 884	–246
Personnel expenses	4	–260 387	–373 332	–100 611	–32 222
Depreciation, amortisation and write-downs	5	–238 803	–418 307	–57 456	–9 064
Other operating expenses		–209 979	–233 382	–101 651	–48 438
		–1 193 545	–1 605 733	–391 602	–89 970
EBIT		193 393	–33 649	39 819	–43 697
Financing income and expenses	6				
Share of associated companies' results		708	–312		
Other financing income and expenses		–27 920	–39 620	98 584	–40 076
Write-downs of investments					–292 775
		–27 212	–39 932	98 584	–332 851
Profit before extraordinary items		166 181	–73 581	138 403	–376 548
Extraordinary items	7			–61 661	176 976
Profit after extraordinary items		166 181	–73 581	76 742	–199 572
Appropriations	8			63 205	1 884
Income taxes	9	–52 238	59 712	–710	18
Minority interest		–7 413	–2 636		
Net profit for the financial year		106 530	–16 505	139 237	–197 670

Balance sheet

EUR 1000	Note	Group 31 Dec 2004	Group 31 Dec 2003	Parent Company 31 Dec 2004	Parent Company 31 Dec 2003
ASSETS					
Fixed assets					
Intangible assets	10	62 512	64 240	43 264	2 883
Consolidated goodwill	10	440 583	459 512		
Tangible assets	10	649 953	856 408	292 686	29 521
Shares in associated companies	11	16 183	19 988		
Other investments	11	12 458	12 074	1 335 902	1 764 807
		1 181 689	1 412 222	1 671 852	1 797 211
Current assets					
Inventories	12	15 139	15 910	12 886	
Deferred tax asset	18	13 517	81 926		
Current portion of long-term receivables	13	57 832	3 010	77 112	80 617
Current receivables	14	310 074	349 341	247 133	325 341
Marketable securities	15	96 147	6 480	112 201	4 989
Cash and bank		66 779	60 815	7 409	8 864
		559 488	517 482	456 741	419 811
		1 741 177	1 929 704	2 128 593	2 217 022
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	16				
Share capital		70 995	69 006	70 995	69 006
Share premium fund		561 857	516 672	530 412	516 672
Contingency fund		3 382	3 382	3 382	3 382
Retained earnings		108 201	126 546	316 425	514 095
Net profit for the financial year		106 530	−16 505	139 237	−197 670
		850 965	699 101	1 060 451	905 485
Minority interest		33 646	77 354		
Appropriations				57 175	
Provisions for liabilities and charges	17	17 074	51 574	7 867	8 334
Liabilities					
Long-term debt	19	565 520	616 500	561 285	551 112
Short-term debt	20	273 972	485 175	441 815	752 091
		839 492	1 101 675	1 003 100	1 303 203
		1 741 177	1 929 704	2 128 593	2 217 022

Cash flow statement

EUR 1000	Group 31 Dec 2004	Group 31 Dec 2003	Parent Company 31 Dec 2004	Parent Company 31 Dec 2003
Cash inflow from operating activities				
Profit before extraordinary items	166 181	–73 581	138 403	–376 548
Adjustments:				
Depreciation, amortisation and write-downs	238 803	418 307	57 456	299 955
Other financing income and expenses	27 212	39 620	–98 584	40 076
Gains and losses (–/+) on the disposal of fixed assets	–16 572	–2 803	15 851	–46
Gains and losses (–/+) on the disposal of shares	–2 848	–430	2 482	1 367
Gains and losses (–/+) on the disposal of business operations	–2 750	–1 483		
Change in provisions and liabilities in the income statement	–23 329	–4 307	–9 185	8 334
Other adjustments	310	735		
Cash inflow before change in working capital	387 007	376 058	74 721	–26 862
Change in working capital	4 911	–15 988	47 664	9 187
Cash inflow before financial items and taxes	391 918	360 070	122 385	–17 675
Interests paid and interests and dividends received	–42 904	–40 684	57 905	–40 452
Taxes paid	–15 955	–14 585	–710	–754
Cash inflow from operating activities	333 059	304 801	179 580	–58 881
Cash inflow from investments				
Capital expenditures	–170 159	–193 762	–56 886	–3 204
Disposal of fixed assets	36 637	5 032	34 652	3 092
Investments in shares and other financial assets	–10 370	–26 925	–9 299	–44 395
Proceeds from disposal of shares and other financial assets	12 000	15 174	38 446	13 238
Disposal of business operations	2 750	1 053		
Cash flow from investments	–129 142	–199 428	6 913	–31 270
Cash flow after investments	203 917	105 373	186 493	–90 151
Cash flow from financing				
Change in interest-bearing receivables	24 332	–17 614	34 746	23 825
Change in long-term debts	–9 154	–96 517	–7 603	–51 800
Change in short-term debts	–116 853	11 958	–270 740	–40 551
Dividends paid	–13 000	–1 841		
Disposal of treasury shares	6 389			
Group contributions received			120 090	147 500
Cash flow from financing	–108 286	–104 014	–123 507	78 974
Change in cash and short-term investments	95 631	1 359	62 986	–11 177
Financial assets at the beginning of the year	67 295	65 936	13 853	25 030
Financial assets transferred for merger/business			42 771	
Financial assets at the end of the financial year	162 926	67 295	119 610	13 853

Notes on the financial statements of 1 January – 31 December 2004

Elisa Corporation, whose registered office is in Helsinki, is the Parent Company of the Elisa Corporation concern. Elisa Corporation's consolidated financial statements for the year that ended on 31 December 2004 are available for inspection at Kutomotie 18 in Helsinki.

Accounting principles

Scope of the consolidated financial statements

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

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

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

Consolidation principles

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

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

Associated companies are consolidated using the equity method.

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

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

Treasury shares

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

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

Non-recurring items

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

Comparability with the previous year

The group

When comparing the 2004 information with that of the financial year 2003, it must be taken into account that the disposal of the entire Germany-based business in early 2004 was the principal reason for the substantial decrease in revenue and in the derived expenses as well as in the balance sheet and liabilities. In addition, the financial statements included substantial non-recurring items.

The non-recurring items in the financial statements for 2004:

- EUR 5.1 million revenue recognition due to the change in calculating principles of the pension provision.
- EUR 12.8 million capital gain from the disposal of the main office real estate.

The comparison year 2003 included the following non-recurring items:

- An expense provision of EUR 16.6 million for reorganising domestic business operations and a EUR 5.7 million increase in the pension provision.
- EUR 88.3 million write-down on the consolidated goodwill of the Germany-based business, and EUR 5.8 million write-down on the fixed assets of the Germany-based business.
- EUR 89 million tax asset from the asset write-down of the Germany-based business.

The Parent Company

When comparing the financial period of 2004 with that of 2003, it must be taken into account that that there were several mergers into the Parent Company, which is the principal reason for the substantial increase in revenue and in the derived expenses as well as in the balance sheet and liabilities. In addition, the financial statements included substantial non-recurring items.

The non-recurring items in 2004 were:

- EUR 5.1 million revenue recognition due to the change in calculating principles of the pension provision.
- EUR 12.8 million capital gain from the disposal of the main office real estate.
- Merger gains of EUR 20.5 million and merger losses of EUR 126.8 million included in non-recurring items.

The non-recurring items of the comparison year 2003:

- A total of EUR 7.5 million expense provision on rearranging domestic business operations and an increase in the pension provision.
- In 2003, the Parent Company bought from its subsidiary, FMS Dravit Asset Management GmbH, the entire share capital of the latter's subsidiary, Elisa Kommunikation GmbH, for EUR 207 million. A EUR 111.2 million write-down was booked on the acquisition cost of the aforementioned company's shares. A EUR 181.6 million write-down was made on the acquisition of Elisa Kommunikation GmbH shares.

Revenue and other operating income

Interconnection traffic fees charged to customers and credited to other telcos are booked as a deduction of capital gains (Accounting Board 1995/1325).

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

In the group companies, sales are generally capitalised at the moment the sales take place. An exception is the long-term projects of certain group companies, which are capitalised based on the degree of completion. However, minor projects are capitalised based on the moment of delivery.

The degree of completion of a project is determined by the relation of accrued work hours to estimated overall work hours. Projects in which work performance is not included will be capitalised in connection with delivery. The capitalisation of projects complies with the prudence concept. A separate warranty reserve will be written to cover costs under warranty periods following the close of the project.

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.

The change in inventories of work in progress and finished goods as well as production for own use have been consolidated into the change in inventories at the group.

Non-euro items

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

Derivative instruments

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

Open derivative instruments, intended to hedge against currency risks, are assessed at their market value and charged against profits. The exception to this is forward contracts related to cash flow that are booked based on 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 assessed at market value. Cash flows from derivatives used to manage interest rate risks are allocated during the validity of the contract and are used to adjust the interest on the item to be hedged.

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

Fixed assets and consolidated goodwill

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

The impairment analyses performed in 2004 have been mainly targeted at the mobile and fixed network business. The analyses were complied according to the instructions accepted by the Board of Directors. On the basis of the analyses, it was observed that there was no need for asset write-downs.

The difference between depreciation according to plan and total depreciation in the Parent Company's financial statements is shown as appropriations in the income statement. Also the accumulated difference between actual and planned depreciation appears under accumulated appropriations in the shareholders' equity and liabilities. The negative accumulated difference between planned and actual depreciation from the merging companies has been capitalised. The accumulated difference between actual and planned depreciation in the consolidated financial statements is divided into shareholders' equity and tax debt. Depreciation according to plan is calculated on a straight-line basis over expected services based on original acquisition cost.

Consolidated goodwill is amortised over a period of 5–15 years. The exception is strategically important interests of major companies in the telecommunication industry, for which the amortisation period is 10–15 years.

In the consolidation, the amortisation periods of the fixed assets of subsidiaries and associated companies have been changed to correspond to the depreciation periods adhered to by the group.

Scheduled depreciation times of the group are given below:

Consolidated goodwill	5–15 years
Goodwill	3–5 years
Formation expenses	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	6–10 years
Cable network	10–20 years
Mast sites	10–25 years
Teleterminals (leased to customers)	3–5 years
Other machinery and equipment	3–5 years

A group reserve has arisen as a result of share issues implemented in the group during the previous financial years. Shares have mostly been issued to finance acquisitions of subsidiaries and associated companies that have increased consolidated goodwill. Based on its material connection, the group reserve on the balance sheet date has been subtracted from the consolidated goodwill. Amortisation on goodwill has been calculated on the value of the balance after subtraction.

Research and development

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

Provisions for liabilities and charges

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

Pension costs

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

The pension commitments of the group companies are covered by the group's pension fund or by pension insurances in the respective pension assurance company. Furthermore, the companies have their own direct pension liabilities, primarily from early, fixed-term pensions.

The group companies have no unbooked expenses for unfounded pension liabilities or any unfunded pension liabilities of their own.

Extraordinary income and expenses

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

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

Direct taxes

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

The change in deferred tax liability and tax asset is shown in the consolidated financial statements and calculated from matching items. No deferred tax liability and tax asset are shown in the Parent Company's balance sheet. Deferred tax liability and tax asset are calculated using the tax rate in force at the time the financial statements are prepared (26% in 2005). Deferred tax liabilities and tax asset of the group are shown as separate items in the notes on the balance sheet.

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

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

Consolidated revenue, EBITDA and EBIT by segment

Group		Revenue		EBITDA		EBIT
EUR million	2004	2003	2004	2003	2004	2003
Mobile communications	712.8	757.3	218.7	210.0	100.9	72.7
Fixed network	653.6	686.0	185.3	166.6	78.8	44.5
Germany-based business		134.1		3.8		−133.7
Other operations	110.8	97.9	28.2	4.3	13.7	−17.1
Sales between segments	−121.2	−137.1				
Group total	1 356.0	1 538.2	432.2	384.7	193.4	−33.6

Figures adjusted with non-recurring items

Group		Revenue (adjusted)		EBITDA (adjusted)		EBIT (adjusted)
EUR million	2004	2003	2004	2003	2004	2003
Mobile communications	712.8	757.3	218.7	211.6	100.9	74.3
Fixed network	653.6	686.0	185.3	179.7	78.8	57.6
Germany-based business		134.1		3.8		−39.6
Other operations	110.8	97.9	10.3	11.8	−4.2	−9.6
Sales between segments	−121.2	−137.1				
Total (adjusted)	1 356.0	1 538.2	414.3	406.9	175.5	82.7

Accounting principles:

Internal sales

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

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

Consolidated entries

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

– Amortisation of consolidated goodwill has been allocated to the segments.

The figures for the financial period have been changed to correspond to the new organisation structure of 2004 and allocation rules.

Non-recurring items	Group 2004	Group 2003
Capital gain on main office real estate	12.8	
Restructuring and pension provision	5.1	−22.2
Write-downs of Germany-based business		−94.1
Total	17.9	−116.3
The impact of non-recurring items on EBITDA	17.9	−22.2
The impact of non-recurring items on EBIT	17.9	−116.3
The impact of non-recurring items on result before extraordinary items	17.9	−116.3

Notes on the Income Statement and Balance Sheet

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
1. Invoiced sales and revenue				
Invoiced sales	1 428 052	1 601 617	447 041	35 462
Charges for interconnection traffic to telcos and other adjusting items.	–72 032	–63 431	–41 065	
Revenue	1 356 020	1 538 186	405 976	35 462
By geographical area				
Finland	1 223 537	1 299 117	404 930	35 287
Rest of Europe	113 992	222 911	1 046	175
America	9 516	8 993		
Asia	5 738	5 329		
Australia	1 560	797		
Africa	1 677	1 039		
Total	1 356 020	1 538 186	405 976	35 462

Long-term projects, mainly those of Comptel Corporation, are booked as income based on the level of completion. Revenue booked as income based on the level of completion amounted to EUR 20.7 million (EUR 15.9 million in 2003). The number of undelivered long-term projects capitalised during the financial year and previous years EUR 12.8 million (EUR 12.2. million).
Back-orders of long-term projects capitalised according to the level of completion EUR 7.9 million (EUR 8.2 million).
Accruals entered due to capitalisation based on the level of completion EUR 2.8 million (EUR 1.5 million).
Deferred income entered due to capitalisation based on the level of completion EUR 1.7 million (EUR 3.9 million).

2. Other operating income				
Proceeds from the disposal of fixed assets	16 572	5 242	15 834	46
Proceeds from the disposal of shares and business operations	5 598	324	80	–69
Other [1]	8 748	28 332	9 531	10 834
Other operating income	30 918	33 898	25 445	10 811

[1] Other operating income mainly includes rental income from residential units, contributions and compensations received for damages.

3. Materials and services [*]				
Materials, equipment and goods				
Purchases during the financial year	80 113	82 305	41 269	3
Change of inventories	–290	2 934	–12 886	
	79 823	85 239	28 383	3
External services	404 553	495 473	103 501	243
Total	484 376	580 712	131 884	246

[*] The 2003 data has been adjusted to correspond to the 2004 grouping.

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
4. Personnel expenses				
Wages and salaries	220 582	286 546	90 518	19 106
Pension costs	24 058	67 568	3 391	12 028
Other statutory employee costs	19 727	23 983	8 328	1 381
Personnel expenses, total	264 367	378 097	102 237	32 515
Staff expenditure capitalised under fixed assets				
Wages and salaries	–2 552	–3 309	–936	–173
Pension costs	–512	–741	–181	–33
Other statutory employee costs	–916	–715	–509	–87
Total	–3 980	–4 765	–1 626	–293
Personnel expenses in the income statement, total	260 387	373 332	100 611	32 222
Management remuneration				
Managing directors and deputies	3 216	7 911		
Members and deputy members of Boards of Directors	346	362	185	174
Members and deputy members of Supervisory Boards	10	5		

Managing directors' pension commitments

The agreed retirement age of the group companies' managing directors is 60–63 years.

Personnel of the group and the Parent Company on average	5 590	7 172	2 155	317

The group's personnel numbers by segment

	Personnel (31 Dec) 2004	2003 *)
Mobile communications	1 477	1 678
Fixed network	3 015	3 572
Germany-based business		426
Other operations	884	1 007
Group, total	5 376	6 683

*) The personnel numbers of the comparison year 2003 have been modified to correspond to the year 2004 organisation.
The number of employees includes personnel with permanent and fixed-term employment, as well as hourly employees in terms of full-time jobs.

Staff rewards, incentive systems and pension arrangements

Bonus scheme

All personnel are covered by a performance or commission-based bonus scheme. The rewards of the Chief Executive Officer, Executive Board and other senior executives are based on achieving group objectives, and achieving unit or profit and loss centre objectives, as well as achieving the most important operative or personal targets. Rewards for persons outside senior management are based on financial metrics of the group, unit or profit and loss centre, and on either personal or team-specific operative metrics. Values used in determining the rewards and their maximum amounts are confirmed annually.

Warrant programme 2000

At the extraordinary meeting of Elisa Corporation on 20 October 2000, it was decided to offer a loan with warrants to the group's personnel. The purpose of the loan was to form part of the group's incentive and employee retention programme.

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

Management's incentive system

Elisa Corporation's Board of Directors made a decision to adopt a share-based and share ownership bonus and incentive scheme from July 2003. During the 2004 financial period, it included the Chief Executive Officer, Executive Board, immediate subordinate managers of the members of the Executive Board, and other key persons, 81 people in total. The scheme aims at committing key persons to enhance the corporation's profitability and increase its value by rewarding them for achieving set targets and simultaneously increasing management's shareholding.

Based on the metrics accepted by the Board of Directors, the annual reward sum is deposited for two years in an account, whose value index is directly tied to Elisa's share performance. The reward is paid to the participants after two years, with 40 per cent used for buying company shares and 60 per cent reimbursed as cash to pay taxes. Every participant has a personal objective to own a number of company shares that corresponds to six months' net salary.

The evaluation tool for the performance-based bonus system is the adjusted earnings per share (EPS), based on the Elisa group's audited performance and calculated in a manner defined by the Board of Directors. If the adjusted result is negative, the incentive is always nil. The Board of Directors annually decides on the bonus system and defines the values that determine the reward amount.

Staff bonus system (personnel fund)

Elisa Corporation's Board of Directors passed a resolution to adopt a performance-based bonus system from the beginning of 2004. The aim of the personnel fund is to commit the personnel to the company's long-term objectives, and strengthen interest in the company's financial success and its metrics.

The evaluation tool for the performance-based bonus system is the adjusted earnings per share (EPS), based on the Elisa group's audited performance and calculated in a manner defined by the Board of Directors. If the adjusted result is negative, no bonus is generated. The Board of Directors decides on the bonus system annually, and defines values that determine the reward amount.

Performance-based bonus is distributed on the basis of work hours performed by personnel fund members in conjunction with quotas.

The members of the personnel fund are the Elisa Corporation staff and its 100 per cent owned subsidiaries and also the staff of their 100 per cent owned subsidiaries, providing that the respective subsidiary's Board of Directors has decided to join Elisa Corporation's personnel fund. In 2004, the members of the personnel fund included the staff of the Elisa Corporation and the subsidiaries that merged into it during 2004, and the staff of Ecosite Oy.

Staff pension arrangements

Pension security for the personnel is handled by the Elisa Group Pension Fund, or by pension assurance companies. Pension arrangements in foreign subsidiaries have been dealt with in accordance with each country's respective legislation and practice.

The Pension Fund comprises statutory (TEL Employees' Pensions Act) and supplementary pension security. The Pension Fund's supplementary pension security is closed. During the financial period, the Pension Fund paid a total of EUR 34.8 million as pensions and compensations.

The Pension Fund's supplementary pension security rules were amended on 31 December 2004. The reason for the amendment was to abolish TEL's concept of pensionable earnings, and to change the age limit in pensions. The pensionable earnings of the supplementary pension were tied to the situation at the end of 2004, and thereafter it will be index-monitored until the day retirement begins. Moreover, those in the sphere of supplementary pension were offered an opportunity to take a free policy and waive the accruing of supplementary pension after 31 December 2004. The offer was accepted by approximately 500 of those covered by the supplementary pension.

Elisa Corporation's CEO is entitled to retire after the age of 60 on a total pension at the statutory rate of 60 per cent of his/her pensionable salary. On the basis of the additional group pension insurance, the members of Elisa's Executive Board and certain members of the corporate management are entitled to retire at the age of 62 and receive statutory total pensions at 60 per cent of their salaries.

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
5. Depreciation, amortisation and write-downs				
Depreciation, amortisation and write-downs on tangible and intangible assets	195 519	273 200	57 456	9 064
Depreciation on consolidated goodwill and write-downs	43 284	145 107		
Total	238 803	418 307	57 456	9 064

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

6. Financing income and expenses				
Share of associated companies' results				
Share of the associated companies' results	889	100		
Amortisation of associated companies' group goodwill	–181	–412		
Total	708	–312		
Dividends received				
from group companies			93 098	790
from associated companies			232	116
from others	110	305	46	15
Corporate tax compensations	41	168	38 135	377
	151	473	131 511	1 298
Other interest received and similar income				
from group companies			2 413	5 047
from others	8 423	5 572	4 301	973
	8 423	5 572	6 714	6 020
Interest income and similar income, total	8 574	6 045	138 225	7 318
Write-downs of investments				–292 775
Interest costs and other financing expenses				
to group companies			–4 064	–7 904
to others	–36 494	–45 665	–35 577	–39 490
Interest costs and other financing expenses, total	–36 494	–45 665	–39 641	–47 394
Other financing income and expenses, total	–27 920	–39 620	98 584	–40 076
Financing income and expenses, total	–27 212	–39 932	98 584	–332 851

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
7. Extraordinary items				
Extraordinary income				
Merger gain			20 510	
Group contributions			44 630	176 976
Extraordinary expenses				
Merger loss			–126 801	
Group contributions				
Income taxes for extraordinary items				
Total			–61 661	176 976
8. Appropriations				
Depreciation in excess of / less than plan			63 205	1 884
9. Direct taxes				
Income tax for the financial year	–20 533	7 160		
Income tax from the previous years	698	660	710	–18
Change in deferred tax liability/asset	72 073	–67 532		
Total	52 238	–59 712	710	–18

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

GROUP — Intangible assets

EUR 1000	Formation expenses	Intangible rights	Goodwill	Advance payments	Other capitalised expenditures	Total	Group goodwill
Cost basis on 1 Jan 2004	2 762	31 442	10 440	3	146 131	190 778	766 477
Additions		1 764		9 427	12 590	23 781	27 227
Sales	−2 762	−19 688	−896			−23 346	−2 872
Disposals		−1 606	−2 761		−21 008	−25 375	
Reclassifications		−1 189	−2 631	4 977	2 949	4 106	
Cost basis on 31 Dec 2004		10 723	4 152	14 407	140 662	169 944	790 832
Accrued depreciation and write-downs on 1 Jan 2004	2 762	23 079	5 812		94 885	126 538	306 965
Accrued depreciation of disposals and reclassifications	−2 762	−16 267	−4 658		−19 649	−43 336	
Depreciation for the financial year		1 225	1 473		21 532	24 230	43 284
Accrued depreciation on 31 Dec 2004		8 037	2 627		96 768	107 432	350 249
Book value on 31 Dec 2004		2 686	1 525	14 407	43 894	62 512	440 583

GROUP — Tangible assets

EUR 1000	Land and water	Buildings and structures	Telecom devices machinery and equipment	Other tangible assets	Advance payments and purchases in progress	Total
Cost basis on 1 Jan 2004	20 909	278 195	1 686 975	35 489	31 417	2 052 985
Additions	83	7 265	104 438	2 545	32 047	146 378
Sales		−6 293	−203 071	−15 416	−2 209	−226 989
Disposals	−2 777	−32 882	−148 126	−18 142	−1 390	−203 317
Reclassifications	678	−83	−6 999	32 614	−31 157	−4 947
Cost basis on 31 Dec 2004	18 893	246 202	1 433 217	37 090	28 708	1 764 110
Accrued depreciation and write-downs on 1 Jan 2004		103 341	1 062 114	31 122		1 196 577
Accrued depreciation of disposals and reclassifications		−11 927	−238 087	−3 695		−253 709
Depreciation for the financial year		10 674	159 268	1 347		171 289
Accrued depreciation on 31 Dec 2004		102 088	983 295	28 774		1 114 157
Book value on 31 Dec 2004	18 893	144 114	449 922	8 316	28 708	649 953
Book value of machinery and equipment (telecom network) in production						
on 31 Dec 2004			403 496			
on 31 Dec 2003			532 032			

[1)] Cost bases 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

PARENT COMPANY — Intangible assets

EUR 1000	Intangible rights	Goodwill	Other capitalised expenditures	Purchases in progress	Total
Cost basis on 1 Jan 2004			7 500		7 500
Transferred in mergers	737	6 956	50 701	4 661	63 055
Additions	373	1 413	5 845	5 927	13 558
Disposals	–12	–751	–10 162		–10 925
Reclassifications	–62		165	1 537	1 640
Cost basis on 31 Dec 2004	1 036	7 618	54 049	12 125	74 828
Accrued depreciation on 1 Jan 2004			4 617		4 617
Transferred in mergers	153	2 899	27 251		30 303
Accrued depreciation of disposals and reclassifications	–12	–751	–9 840		–10 603
Depreciation for the financial year	101	751	6 395		7 247
Accrued depreciation on 31 Dec 2004	242	2 899	28 423		31 564
Book value on 31 Dec 2004	794	4 719	25 626	12 125	43 264

PARENT COMPANY — Tangible assets

EUR 1000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Purchases in progress	Total
Cost basis on 1 Jan 2004	1 205	45 122	9 251		1 797	57 375
Transferred in mergers	3 981	81 070	573 435	1 273	2 430	662 189
Additions	68	4 338	37 305	2 538		44 249
Disposals	–449	–24 005	–112 432	–1 896	–22	–138 804
Reclassifications		–83	–32 670	32 614	–1 537	–1 676
Cost basis on 31 Dec 2004	4 805	106 442	474 889	34 529	2 668	623 333
Accrued depreciation on 1 Jan 2004		21 819	6 035			27 854
Transferred in mergers		51 578	320 151	942		372 670
Accrued depreciation of disposals and reclassifications		–11 221	–133 112	24 245		–120 088
Depreciation for the financial year		3 533	45 468	1 208		50 209
Accrued depreciation on 31 Dec 2004		65 709	238 542	26 395		330 646
Book value on 31 Dec 2004	4 805	40 733	236 347	8 134	2 668	292 686

11. Investments

GROUP 1000 euro	Shares in associated companies	Shares in others	Receivables Associated companies	Receivables Others	Total
Cost basis on 1 Jan 2004 [1)]	19 988	10 834	110	1 130	32 062
Additions	1 576	50		38	1 664
Disposals	−4 621	−1 281	−110		−6 012
Reclassifications	−1 651	1 687			36
From consolidation measures	891				891
Cost basis on 31 Dec 2004	16 183	11 290		1 168	28 641
Book value on 31 Dec 2004	16 183	11 290		1 168	28 641

[1)] The book value of shares in associated companies and receivables from associated companies on 1 January 2004 has been used as the acquisition cost.

PARENT COMPANY 1000 euroa	Shares in group companies	Associated companies	Others	Receivables group companies	Others	Total
Cost basis on 1 Jan 2004	2 070 495	5 405	4 718	11 900		2 092 518
Transferred in mergers	54 914	5 721	4 770	611	1 143	67 159
Additions	28 265	1 030			25	29 320
Disposals	−729 747	−43	−21	−11 900		−741 711
Reclassifications			36			36
Cost basis on 31 Dec 2004	1 423 927	12 113	9 503	611	1 168	1 447 322
Write-downs on 1 Jan 2004	−327 466		−245			
Change	216 291					
Write-downs on 31 Dec 2004	−111 175		− 245			− 111 420
Book value on 31 Dec 2004	1 312 752	12 113	9 258	611	1 168	1 335 902

On the closing day, the repurchase price of publicly quoted shares (Comptel Corporation) was EUR 115 million higher than the book value of the owner companies (Comptel and Yomi EUR 100 million higher on 31 Dec 2003).

Group and parent company holdings on 31 December 2004

Group companies	Registered office	Group holding %	Parent company holding %
Oy Arvotel Ab	Helsinki	100	100
Comptel Corporation	Helsinki	58	58
Oy Probatus Ab	Helsinki	35	0
BusinessTools Oy	Helsinki	35	0
Comptel Communications Sdn Bhd	Kuala Lumpur	58	0
Comptel Communications Inc.	Arlington	58	0
Comptel Communications Brasil Limitada	Sao Paulo	58	0
Comptel Communications Oy	Helsinki	58	0
Comptel Passage Oy	Helsinki	58	0
Oy Dianatel Ab	Helsinki	100	100
Elisa Ventures Oy	Helsinki	100	100
Estera Oy	Helsinki	100	100
Computec Oy	Kouvola	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 FinnetInternational Ab	Helsinki	100	100
Linenet Oy	Helsinki	100	0
Uninet As	Tallinn	100	0
LNS Kommunikation AB	Stockholm	100	0
Preminet Oy	Helsinki	100	0
OOO LNR	St Petersburg	100	0
Fiotele Oy	Helsinki	100	100
FMS Dravit Asset Management GmbH	Düsseldorf	100	100
Lounet Oy	Turku	50	46
Förin Puhelin Oy	Turku	50	0
Lounet Oy Call Center	Turku	50	0
Kiinteistö Oy Paimion Puhelimenkulma	Paimio	39	0
Kiinteistö Oy Brahen kartano	Turku	30	0
Elisa Matkapuhelinpalvelut Oy	Espoo	100	100
Ecosite Oy	Espoo	100	0
Kiinteistö Oy Espoon Keilasatama 5	Espoo	100	0
Keilalahden Pysäköinti Oy	Espoo	71	0
Kiinteistö Oy Raision Luolasto	Espoo	100	0

Group companies (continued)	Registered office	Group holding %	Parent company holding %
Kiinteistö Oy Tapiolan Luolasto	Espoo	100	0
Radiolinja Eesti AS	Tallinn	99.5	0
Mobinest Oü	Tallinn	99.5	0
SIA Radiolinja Latvija	Riga	100	0
UAB Radiolinja	Vilnius	100	0
Rahoituslinkki Oy	Helsinki	100	100
Kiinteistö Oy Rinnetorppa	Kuusamo	92	60
Tampereen Tietoverkko Oy	Tampere	63	0
Tampereen Keskusantenni Oy	Tampere	63	0
Tam-Sat Oy	Tampere	63	0
Oy Telcofounding Ab	Helsinki	100	100
Fiaset Oy	Jyväskylä	100	100
Fonetic Oy	Jyväskylä	100	100
Jyväsviestintä Oy	Jyväskylä	100	100
Jyväskylän Keskusantenni Oy	Jyväskylä	100	0
Kesnet Oy	Jyväskylä	100	100
Kestel Oy	Jyväskylä	100	99
Lancom Solutions Oy	Jyväskylä	100	0
Yomi Applications Oy	Jyväskylä	100	100
Yomi Software Oy	Jyväskylä	100	100
Yomi Service Oy	Jyväskylä	100	100
Yomi Vision Oy	Jyväskylä	100	100
Votek Ltd	UK	100	100
Associated companies			
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50	0
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42	42
Kiinteistö Oy Ratavartijankatu 5	Helsinki	34	34
Kiinteistö Oy Runeberginkatu 43	Helsinki	30	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40	40
Pispalan Televisio Oy	Tampere	28	0
Racap Solutions Oy	Espoo	35	0
Suomen Numerot NUMPAC Oy	Helsinki	25	0
Tango Telecom Ltd	Ireland	12	0
Tikka Communications Oy	Joensuu	26	12
Vantaan Yhteisverkko Oy	Vantaa	24	24

The unamortised goodwill of the associated companies on 31 December 2004 was EUR 3 million (EUR 6 million in 2003). The date of the balance sheet for all associated companies was 31 December 2004.

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
12. Inventories				
Materials and equipment	8 974	6 587	6 812	
Work in progress	1 178	1 095	1 067	
Finished goods	4 986	8 210	5 007	
Advance payments	1	18		
Total	15 139	15 910	12 886	
13. Long-term receivables				
Amounts owed by group companies [1)]				
Loans receivable			19 329	79 941
Prepayments and accrued income			105	
Amounts owed by associated companies				
Loans receivable		197		
Amounts owed by others				
Trade receivables		34		
Loans receivable [2)]	43 050		43 050	
Other receivables	1 063		909	
Prepayments and accrued income [3)]	13 719	2 779	13 719	676
Total	57 832	3 010	77 112	80 617

[1)] Long-term loans receivable from group companies include receivables from a subordinated loan EUR 2.1 million (EUR 50.0 million in 2003) and interest-bearing loans receivable EUR 17.2 million (EUR 29.9 million in 2003). Long-term loans receivable have decreased due to the disposal of the Germany-based business.

[2)] As a result of the disposal of the Germany-based business, Elisa has EUR 43.0 million in loans receivable from Tropolys GmbH. The loans fall due during the years 2006–2008. Certain owner banks and municipal business institutions of Tropolys have issued a guarantee for the loan receivable from the EUR 40.0 million share capital. The nominal interest rate of the loans is 4% p.a. Loan agreements are assignable.

[3)] Prepayments and accrued income include EUR 11.3 million of matching of issue loss.

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
14. Current receivables				
Amounts owed by group companies				
Trade receivables			9 822	5 603
Loans receivable			33 273	114 869
Other receivables			56 887	176 977
Prepayments and accrued income			475	164
			100 457	297 613
Amounts owed by associated companies				
Trade receivables	296	1 129	296	20
Loans receivable	96	346	96	
Other receivables		105		
	392	1 580	392	20
Amounts owed by others				
Trade receivables	235 257	275 640	90 235	1 477
Loans receivable	896	483	605	
Other receivables	5 731	37 354	3 511	24 690
Prepayments and accrued income [1)]	67 798	34 284	51 933	1 541
	309 682	347 761	146 284	27 708
Total	310 074	349 341	247 133	325 341

[1)] Prepayments and accrued income within the group comprise EUR 45 million (10) tax assets, EUR 4 million (2) of interest receivables and mainly other regular matching of sales and operational expenses of EUR 17 million (22).

15. Marketable securities

Securities mainly comprise investments in money market funds and short-term cetificates of deposits and commercial papers. Investments in money market funds have been recorded at the repurchase price. Investments in certificates of deposits and commercial papers have been booked at the acquisition cost - the difference between the repurchase price and acquisition cost is not significant.

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
16. Shareholders' equity				
Share capital on 1 Jan	69 006	69 006	69 006	69 006
Increase in share capital	1 989		1 989	
Share capital on 31 Dec	70 995	69 006	70 995	69 006
Share premium account on 1 Jan	516 672	516 672	516 672	516 672
Share issue	45 185		13 740	
Share premium account on 31 Dec	561 857	516 672	530 412	516 672
Contingency fund on 1 Jan	3 382	3 382	3 382	3 382
Contingency fund on 31 Dec	3 382	3 382	3 382	3 382
Retained earnings on 1 Jan	110 041	126 682	316 426	514 095
Changes in Elisa Corporation shares (treasury shares) owned by subsidiaries and associated companies	8 096			
From cancellation of revaluations in mergers	−11 053			
From consolidation of indirect minority	1 091			
Translation and other differences	26	−136		
Retained earnings on 31 Dec	108 201	126 546	316 425	514 095
Net profit for the financial year	106 530	−16 505	139 237	−197 670
Total	850 965	699 101	1 060 451	905 485
Statement of distributable equity				
Retained earnings	108 201	126 546	316 425	514 095
Net profit for the financial year	106 530	−16 505	139 237	−197 670
− Share of accumulated difference between planned and actual depreciation booked in shareholders' equity	−72 163	−97 645		
Distributable funds on 31 Dec, total	142 568	12 396	455 662	316 425

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
17. Provisions for liabilities and charges [1)]				
Provision for leasing liability of the GSM network (see appendix)	7 399	27 342		
Provision for pensions	6 367	11 683	6 367	5 703
Provision for business arrangements		10 562		1 828
Other provisions for liabilities and charges	3 308	1 987	1 500	803
Total	17 074	51 574	7 867	8 334

[1)] Provisions for liabilities and charges in the group have mainly been targeted at early pensions of EUR 6.4 million, access compensation and redemptions of the GSM network of EUR 7.4 milion, and EUR 3.3. million for empty office facilities and other expenses. The EUR 5.1 million pension provision was recognised as income in 2004. In the Parent Company, the provisions for liabilities and charges comprise EUR 6.4 million pension provision and EUR 1.5 million provision for empty office facilities and other expenses.

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
18. Deferred tax liabilities and assets				
Deferred tax assets				
from consolidation measures	9 147	71 778		
based on the balance sheets of the group companies	29 869	39 355		
Total	39 016	111 133		
Deferred tax liabilities				
from appropriations	25 355	20 214		
based on the balance sheets of the group companies	144	8 993		
Total	25 499	29 207		
Deferred tax assets/liabilities (net)	13 517	81 926		
Liabilities				
Interest-bearing debt				
Long-term	558 791	608 573	556 863	551 112
Short-term	14 604	137 990	52 720	509 606
Interest-bearing debt, total	573 395	746 563	609 583	1 060 718
Non-interest-bearing debt	266 097	355 112	393 517	242 485
Total	839 492	1 101 675	1 003 100	1 303 203
19. Long-term debt				
Amounts owed to others				
Bonds	481 434	471 500	481 434	471 500
Loans from financial institutions	1 925	45 515		
Loans from pension funds	75 429	79 612	75 429	79 612
Advances recieved	6 263	7 590	52	
Other liabilities	469	12 283	4 370	
Total	565 520	616 500	561 285	551 112

Bond loans

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

		EUR million	Nominal interest rate, %	Interest rate, %	Maturity date
Bond loan programme 1999 / EUR 335 million					
	I/1999	19.7	4.750	4.750	18.6.2007
EMTN programme 2001 / EUR 1 000 million					
	I/2001	105.3	6.375	6.375	31.1.2006
	II/2002	16.5	6-month euribor + 0.91	3.121	8.4.2007
	III/2002	20.0	6-month euribor + 1.02	3.231	8.4.2009
	IV/2002	30.0	3-month euribor + 0.93	3.080	8.4.2008
	V/2002	10.0	6-month euribor + 1.00	3.211	8.4.2009
	VI/2002	10.0	6-month euribor + 1.00	3.211	8.4.2009
	VII/2002	10.0	6-month euribor + 0.91	3.121	8.4.2007
	IX/2004	260.0	4.375	4.375	22.9.2011
Total		481.4			

The loan arrangements include so-called covenant terms.

Warrants

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

Rahoituslinkki cannot subscribe for shares by virtue of the warrants attached to the bond. According to the decision of the Board of Directors of Elisa Corporation, Rahoituslinkki may offer warrants for subscription by current or future key persons. On 31 December 2004, the division of warrants was as follows:

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

The number of warrants held by the public, management and personnel on 31 December 2004 equalled the right to subscribe to a total of 5.8 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 5.1 per cent of the company's shares and voting rights.

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Loans falling due after more than five years				
Bonds	260 010	40 000	260 010	40 000
Loans from pension funds [1]	75 429	79 612	75 429	79 612
Total	335 439	119 612	335 439	119 612

20. Short-term debt

Amounts owed to group companies				
Trade payables			16 191	85
Consolidated account payable			31 248	383 897
Other liabilities			236 586	207 247
Accruals and deferred income			1 084	728
			285 109	591 957
Amounts owed to associated companies				
Trade payables	1 269	716	1 268	
Amounts owed to others				
Bonds		100 000		100 000
Loans from financial institutions	109	1 728		
Financial Services Office's loans to the personnel [2]	7 600	8 236	7 600	8 236
Advances received	3 324	4 583	2 560	
Trade payables	131 346	165 259	51 748	3 148
Other liabilities	38 807	57 128	31 334	20 310
Accruals and deferred income [3]	91 517	147 524	62 196	28 440
	272 703	484 458	155 438	160 134
Total	273 972	485 175	441 815	752 091

[1] Loans from pension funds comprise loans in which no repayment period has been specified.

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

[3] The most significant accruals and deferred income comprises matched holiday pay, payment of bonuses, including social security contributions EUR 57 million (48), interest costs 11 million (30), as well as other mainly regular matching of expenses EUR 23 million (70).

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
21. Security interests, contingencies and other liabilities				
Mortgages				
for own loans				
Loans from pension funds	75 429	56 177	75 429	56 177
Assets mortgaged	24 171	47 213	24 171	47 213
Loans from financial institutions				
Assets mortgaged		4 500		
Other surety				
Assets mortgaged	3 418	25 243	1 477	1 477
Assets mortgaged, total	27 589	76 956	25 648	48 690
Pledges given				
for own loans				
Consolidated account payable			106	40 453
Shares pledged			50 000	50 000
Other loans		18 546		18 546
Bank deposits given	207	23 657	150	23 412
Pledges, total	207	23 657	50 150	73 412
Guarantees given				
for group companies			19 142	16 329
for others		10 958		10 958
Guarantees, total		10 958	19 142	27 287
Total	27 796	111 571	94 940	149 389
Derivative agreements				
Forward contracts and swap agreements				
Value of underlying instrument	13 546	14 232		
Nominal value	1 261	1 734		

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Leasing and rental liabilities of the telecom network				
Fixed network business [1]	8 952	16 045	8 952	
Germany-based business [2]		132 800		
Mobile communication network [3]				
Finance company agreements	23 562	34 660		
Supply agreements from local telcos	13 700	47 900		
– in the balance sheet as provisions for liabilities and charges	–7 399	–27 342		
Leasing liabilities of the telecom network, total	38 815	204 063	8 952	

[1] Consists mainly of access right charges of backbone network connections. As a rule, the agreements are for five years.

[2] Consists of the long-term lease agreements of telecom networks by Elisa Kommunikation GmbH's subsidiaries. After Elisa Corporation's disposal of Germany-based business in early 2004, the group no longer has the aforementioned liabilities.

[3] Elisa Matkapuhelinpalvelut Oy has implemented part of its network investments through long-term supply agreements. On the basis of these agreements, Elisa Matkapuhelin Oy has, in certain situations, the pre-emptive rights and duties to purchase the equipment specified in the agreements for their market value, or Elisa Matkapuhelinpalvelut is responsible for redeeming the equipment specified in the agreements for their residual value. Based on the agreements, Elisa Matkapuhelinpalvelut Oy is committed to regular payments. The acquisition price of these delivery agreements amounted to approximately EUR 13.7 million at the end of 2004. Relating to these agreements, obligatory reserve has been created, of which EUR 7.4 million (27.3) remained on 31 December 2004. The reserve will be capitalised against paid access right compensations and potential GSM network buybacks.

Calculated in accordance with the interest rate specified in the agreements valid on 31 December 2004, the future rents in respect of business agreements of Elisa Matkapuhelinpalvelut Oy are as follows (EUR million):

Year	2005	2006	2007	2008	2009	2010
Rental payments	3.2	2.6	1.8	1.0	0.3	0.0

In addition to the aforementioned lease agreements, Elisa Corporation, Elisa Matkapuhelinpalvelut Oy and Ecosite Oy have several small lease agreement liabilties that relate to the locations of masts, public telephones and house MDFs.

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Liabilities related to the lease/leaseback agreement (QTE facility)				
Total value of the arrangement	149 778	160 712	149 778	160 712
Risk of interruption	22 788	26 770	22 788	26 770

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

Elisa Corporation previously owned the 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 Corporation and 49 per cent to that of Elisa Matkapuhelinpalvelut Oy. In addition to Elisa Corporation, the company primarily responsible for the network capital related to the QTE facility, Elisa Matkapuhelinpalvelut Oy also has certain specified liabilities.

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

EUR 1000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Other leasing contracts and commitments				
Leasing liabilities [1]	23 639	35 299	15 182	2 731
Repurchase commitments [2]	4 621	2 671	1 096	777
Real estate leases [3]	156 572	136 100	142 260	38 121
Lease liabilities, total	184 832	174 070	158 538	41 629

[1] Leasing liabilities consist mainly of leases of cars, office and IT equipment.
[2] Repurchase liabilities mainly relate to telecom network terminals purchased with leasing financing by customers, such as corporate PBXs.
[3] The group's real estate leases in principal comprise rental agremeements of business, office and telecom premises. Approximately 40 per cent of the the real estate lease will fall due after more than five years. Real estate leases have been presented by using nominal prices.

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

Other commitments
Other commitments contain standard assurances given in connection with corporate acquisitions and preparations to any claims for damages that might be presented in different judicial proceedings. These commitments totalled EUR 9.1 million (6) on 31 December 2004.

Responsibility of the charges caused by the warrant scheme

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

Environmental costs

The group's environmental costs have no material impact on the formation of the result and balance sheet position of the financial period presented by the financial statements.

22. Financial risk management

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

Interest rate risk

In order to manage the interest rate risk, the group's loans and investments have been decentralised into fixed and floating rate instruments. Derivate instruments may be used in managing the interest rate risk.The aim is to hedge the negative effects caused by fluctuations in interest rates. In 2004, derivate instuments were not used. The Parent Company's accounting and finance department is in charge of managing the interest rate risk.

Foreign exchange risk

A principal part of the Elisa group's cash flow is in euros. In this case the company's exposure to the foreign exchange risk (economic risk and transaction risk) is small. The most significant risk is caused by Comptel Corporation, which manages its foreign exchange risk independently. The translation exposure of Elisa's shareholders' equity, mainly due to Radiolinja Eesti, was moderate at the end of 2004. The translation exposure is not hedged.

Liquidity risk

Management of the liquidity risk aims at ensuring the group's financing in all circumstances. The company's main finance arrangement is the EUR 1 000 million EMTN programme, in the framework of which bonds worth EUR 461.8 million have been issued. In addition, the company has a EUR 150 million commerical paper programme and a EUR 170 million syndicated credit line. At the end of 2004, the amount of the group's liquid assets and investments stood at EUR 162.9 million. On the balance sheet date, the long-term committed credit lines for withdrawal amounted to EUR 170 million.

Credit risk

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

Credit ratings

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

Key indicators

Key indicators describing the group's financial development

Income statement	2004	2003	2002	2001	2000
Revenue, EUR million	1 356	1 538	1 563	1 439	1 244
Change of revenue, %	11.8	–1.6	8.6	15.6	16.5
EBITDA, EUR million	432	385	333	424	360
EBITDA as % of revenue	31.9	25.0	21.3	29.5	29.0
EBIT, EUR million	191	–34	–49	108	149
EBIT as % of revenue	14.1	–2.2	–3.1	7.5	12.0
Profit before extraordinary items, EUR million	166	–74	–103	46	94
Profit before extraordinary items and taxes as % of revenue	12.2	–4.8	–6.6	3.2	7.5
Profit after extraordinary items, EUR million	166	–74	–100	46	94
Profit after extraordinary items as % of revenue	12.2	–4.8	–6.4	3.2	7.5
Return on equity (ROE), %	13.7	–1.8	–12.1	0.5	4.7
Return on investment (ROI), %	13.6	–1.8	–2.7	6.6	9.8
Research and development costs, EUR million	17	24	36	36	23
Research and development costs as % of revenue	1.3	1.6	2.3	2.5	1.9
Balance sheet					
Gearing ratio, %	46.4	87.5	94.8	93.8	96.5
Current ratio	2.1	1.1	0.9	0.7	0.5
Equity ratio, %	51.1	40.4	38.3	40.1	40.3
Non-interest bearing liabilities, EUR million	266	355	396	388	337
Provisions for liabilities and charges, EUR million [1]	17	52	71	1	3
Balance sheet total, EUR million	1 741	1 930	2 098	2 151	1 734
Financial assets					
Purchases of shares, EUR million	61	28	16	242	726
Gross capital expenditures					
Gross investments, EUR million	170	194	269	373	252
Gross investments as % of revenue	12.5	12.6	17.2	25.9	20.2
Personnel					
Average number of employees during the financial period	5 590	7 172	8 115	7 783	6 161
Revenue/employee, EUR 1000	242	214	193	185	202

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

[1] When calucalating key figures, provisions for liabilities and charges have been considered equal to non-interest-bearing liabilities.

Formulae for financial summary indicators

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

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

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

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

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

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

Formulae for per share data

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

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

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

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

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

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

Per share data

	2004	2003	2002	2001	2000
Share capital, EUR	70 994 554.50	69 005 878.50	69 005 878.50	69 005 878.50	62 532 533.00
Number of shares on 31 December	141 989 109	138 011 757	138 011 757	138 011 757	125 065 067
Average number of shares	138 011 757	138 011 757	138 011 757	130 257 868	123 428 136
Number of shares on 31 December, diluted [1)]	138 011 757	138 011 757	138 011 757	138 011 757	132 647 840
Average number of shares, diluted	138 011 757	138 011 757	138 011 757	130 257 868	125 909 180
Market capitalisation, EUR million [2)]	1 682	1 455	785	1 847	2 868
Earnings per share (EPS), EUR	0.78	–0.12	–0.54	0.01	0.18
Dividend per share, EUR	*)				0.07
Payout ratio, %					39.0
Equity per share, EUR	6.00	5.09	5.21	5.67	5.29
P/E ratio	15	neg.	neg.	1361	127
Effective dividend yield, %					0.3
Share performance on the Helsinki Stock Exchange					
Middle price, EUR	11.36	7.62	8.21	16.42	38.28
Closing price on 31 December, EUR	11.86	10.60	5.72	13.61	22.93
Lowest price, EUR	8.80	4.67	4.46	8.70	21.00
Highest price, EUR	14.50	11.50	15.50	25.01	58.00
Trading of shares					
Total number of shares traded, 1 000 shares	121 447	87 873	66 127	85 939	60 114
Percentage of shares traded, % [3)]	88	64	49	63	48

*) The Board of Directors proposes that EUR 0.40 per share be paid as dividend for 2004.

1) Diluted by convertible bond loans and notes with warrants

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

3) Calculated in relation to the number of shares at the balance sheet date

Shares and shareholders

1. Share capital and shares

The company's share capital, paid and registered in the Trade Register, amounted to EUR 70 994 554.50 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 500 000 000. The nominal value of each share is 0.50 euro.

At the end of the financial period, the number of shares in Elisa Corporation was 141 989 109, consisting entirely of the same share class. On 31 March 2004, Elisa's Annual General Meeting removed the clauses of the series A and B shares from the Articles of Association.

2. Treasury shares

Of Elisa Corporation's subsidiaries, Lounet Oy owns 210 000 Elisa shares and Jyväskylän Keskusantenni Oy 672 shares. The Elisa Corporation shares held by the group have no significant effect on the distribution of holdings and voting rights in the company. Their proportion of all company shares and votes is 0.15%.

The Board of Directors of Elisa Corporation is not authorised to purchase treasury shares.

3. Warrant programme 2000

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

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

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

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

On 31 December 2004, Rahoituslinkki Oy possessed 661 600 A warrants and 774 050 B warrants. Rahoituslinkki Oy is allowed to transfer the promissory notes it owns with the associated warrants or only the warrants to persons employed by or recruited into the group in a manner approved by the Board of Directors.

4. Board of Directors' authorisations

On 31 March 2004, the Annual General Meeting authorised the Board of Directors to decide on increasing the company's share capital through one or more new issues, taking a convertible bond and/or granting warrants, so that in a new issue the subscription of new shares in exchange for the convertible bonds and pursuant to warrants, a maximum aggregate of 27.6 million of the company's shares can be issued and the company's share capital can be increased by a maximum of EUR 13 800 000 in total.

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

5. Merger of Yomi Plc

On 28 March 2004, the Boards of Directors of Elisa Corporation and Yomi Plc signed a merger plan, which was approved by an extraordinary meeting of Yomi Plc on 27 May 2004. According to the plan, Yomi Plc merged with Elisa Corporation on 31 December 2004.

As a merger consideration, Yomi Plc's shareholders received 0.5654 of an Elisa Corporation share for each Yomi Plc share. All in all 3 977 352 new Elisa Corporation shares were given as merger consideration. The shares were entered in the Trade Register on 31 December 2004, whereupon they received full shareholder rights. These shares entitle their holders to a dividend for the financial year ending on 31 December 2004. Due to this share issue, the company's share capital increased by EUR 1 988 676. After the share issue, the company's shares amounted to 141 989 109 and the share capital entered in the Trade Register increased to EUR 70 994 554.50.

6. Management's and CEO's interests

The members of the Board of Directors and the CEO held a total of 35 264 shares and votes on 31 December 2004, corresponding to 0.02 per cent of the shares and votes. The members of the Board of Directors or the CEO hold no warrants in their possession.

7. Share performance

Elisa Corporation's share closed at EUR 11.86 on 31 December 2004. The highest quotation of the year was EUR 14.50 and the lowest EUR 8.80. The average price was EUR 11.36.

At the end of the financial year, Elisa Corporation had a market capitalisation of EUR 1 682 million.

8. Quotation and trading

Elisa Corporation's share is listed on the Main List of the Helsinki Stock Exchange under the symbol ELI1V. From 1 January to 31 December 2004, a total of 121 447 255 shares were traded, corresponding to a total value of EUR 1 380 million. The trading volume was 88.3% of the average number of shares outstanding during the financial year.

9. Shareholdings by owner group as on 31 December 2004

		Shares	% of all shares
1a.	Public companies	587 966	0.41
1b.	Private companies	12 673 336	8.93
2.	Finance and insurance companies	11 485 826	8.09
3.	Public sector entities	15 470 591	10.90
4.	Non-profit making entities	3 337 879	2.35
5.	Private households	49 093 883	34.58
6.	Foreign	345 040	0.24
7.	Joint account and waiting list	908 108	0.64
	Nominee registered	47 875 808	33.72
	Elisa group	210 672	0.15
	Total	141 989 109	100.00

10. Analysis of shareholdings as on 31 December 2004

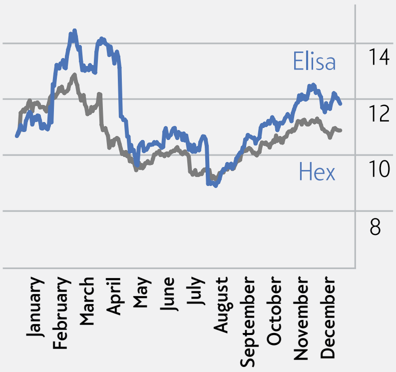
Size of shareholding	No of shareholdings	%	No of shares	%
1–100	25 842	9.32	1 324 378	0.93
101–500	241 950	87.28	43 084 184	30.34
501–1.000	5 992	2.16	4 079 285	2.87
1.001–5.000	2 813	1.01	5 443 611	3.83
5.001–10.000	267	0.10	1 840 871	1.30
10.001–50.000	241	0.09	5 324 698	3.75
50.001–100.000	41	0.01	3 051 257	2.15
100.001–	65	0.02	76 722 045	54.03
Total	277 211	100.00	140 870 329	99.21
On waiting list, total			0	0.00
In joint accounts			908 108	0.64
Elisa group			210 672	0.15
Number issued			141 989 109	100.00

11. Largest shareholders as on 31 December 2004

	Name	Shares	%
1	Sampo Life Insurance Company	4 000 000	2.82
2	Ilmarinen Mutual Pension Insurance Company	2 532 260	1.78
3	Varma-Sampo Mutual Pension Insurance Company	2 400 000	1.69
4	State Pension Fund	1 400 000	0.99
5	City of Helsinki	1 124 840	0.79
6	Mutual Insurance Company Kaleva	1 100 000	0.77
7	State of Finland / State Treasury	1 085 730	0.76
8	Tapiola Mutual Pension Insurance Company	1 065 642	0.75
9	Etera Mutual Pension Insurance Company	878 584	0.62
10	Pohjanmaan PPO Oy	842 250	0.59
11	Local Government Pension Institutions	687 968	0.48
12	OP-Delta Equity Fund	623 950	0.44
13	Tapiola General Mutual Insurance Company	578 660	0.41
14	Vaasan Läänin Puhelin Oy	572 200	0.40
15	Nordea Life Assurance Finland Ltd	540 900	0.38
16	Equity Fund Gyllenberg Finlandia	457 310	0.32
17	Lännen Puhelin Oy	432 852	0.30
18	Kesko Pension Fund	430 000	0.30
19	Mutual Insurance Company Pension-Fennia	385 781	0.27
20	Tapiola General Mutual Life Assurance Company	384 047	0.27
	Total	21 522 974	15.16
	Elisa group, total	210 672	0.15
	Elisa Group Pension Fund	202 263	0.14
	Nominee registered	47 875 808	33.72
	Other than listed	72 177 392	50.83
	Total	141 989 109	100.00

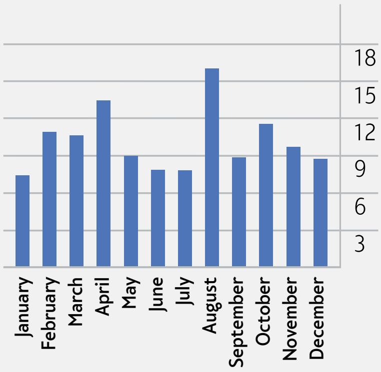
11. Daily share performance

(closing rate, EUR)



12. Trading

(shares/month, million)



Proposal by the Board of Directors for the distribution of profit

The consolidated shareholders' equity on the balance sheet date of 31 December 2004 is EUR 850 965 000, of which EUR 142 568 000 is distributable.

The Parent Company's shareholders' equity on the balance sheet date of 31 December 2004 is EUR 1 060 451 212.69, of which EUR 455 662 438.23 is distributable.

The Parent Company's profit for the financial period from 1 January 2004 to 31 December 2004 is EUR 139 236 897.65.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be appropriated as follows:

- A dividend of EUR 0.40 per share is paid, i.e. a total of EUR 56 795 643.60
- EUR 398 866 794.63 is entered in shareholders' equity.

Helsinki, 9 February 2005

Keijo Suila Chairman of the Board of Directors	Ossi Virolainen	Matti Aura
Mika Ihamuotila	Pekka Ketonen	Jussi Länsiö

Veli-Matti Mattila
President and CEO

Auditor's report

Translation

To the shareholders of Elisa Corporation

We have audited the accounting, the financial statements, as well as the administration by the Board of Directors and the Managing Director of Elisa Corporation for the period 1. 1.–31. 12. 2004. 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 the company's administration.

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

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. 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 made by the Board of Directors regarding the distribution of the retained earnings is in compliance with the Finnish Companies Act.

Helsinki, February 9th, 2005
KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

Corporate governance and structure

Elisa Corporation's domestic core business organisation comprises four units: Customers, Products, Networks and Kolumbus. Elisa's financial result is reported, as in the previous years, by mobile business, fixed network business and others. Elisa complies with the corporate governance recommendations issued by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (currently known as the Confederation of Finnish Industries EK).

Annual General Meeting

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

The 2005 Annual General Meeting of Elisa Corporation will be held at 2:00 pm on Monday, 14 March 2005, at the Helsinki Fair Centre, Messuaukio 1, Helsinki, Finland.

Board of Directors

Composition and term of office

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

Tasks

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

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

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

Committees

In its organising meeting, the Board of Directors annually decides on committees, their chairmen and members. In 2004, the acting committees were: Committee for Remuneration Evaluation and Appointments, and the Committee for Auditing. The committees do not make actual resolutions, but prepare issues, which fall under the respective committee's duties for the decision of the Board of Directors. The minutes of the committees are distributed to all members of the Board of Directors.

The Committee for Remuneration Evaluation and Appointments prepares the following issues: appointing and discharging the persons within the management; matters associated with long-term incentive schemes and rewards for the management. The Chairman of the committee discusses with the largest shareholders the proposal on Board members and their rewards for the Annual General Meeting.

In 2004, the Chairman of the Board of Directors Keijo Suila was chairman of the Committee for Remuneration Evaluation and Appointments, and Mika Ihamuotila and Pekka Ketonen were members of the Committee.

The task of the Committee for Auditing is to monitor that financial reporting, accounting and asset management as well as external and internal auditing and risk management have been duly organised. To fulfil its duties the committee's meetings deal with the contents of the annual accounts and interim reports before the actual handling by the Board of Directors. Internal auditing presents an auditing plan and an auditing report for the previous year. The external auditors present an auditing plan for the forthcoming year and an auditing report for the previous year. The organising of risk management is also presented and a report on the largest risks is dealt with. Moreover, the principal auditor attends the meetings. In 2004, the Board's vice chairman, Ossi Virolainen, acted as the chairman of the Committee for Auditing. Matti Aura and Jussi Länsiö were members of the Committee.

In 2004, the Committee for Remuneration Evaluation and Appointments convened four times and the Committee for Auditing convened six times.

Meetings and remuneration

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

- monthly remuneration fee for the Chairman EUR 4 000 per month
- monthly remuneration fee for the Members EUR 2 000 per month
- meeting remuneration fee EUR 250/meeting/participant

The monthly remuneration fees (deducted by 60% calculated tax withholding) are used for purchases of Elisa Corporation shares every quarter. The shares are subject to a transfer restriction of four years. In 2004, a total of 1 604 Elisa Corporation shares were issued to the Chairman of the Board and 801 shares to the Board members. Jussi Länsiö, who was elected member of the Board on 31 March 2004, is an exception. He was given 646 shares as a fee during the year under review. The shares purchased for the members of Elisa's Board of Directors on 30 December 2004 were entered in the members' book-entry accounts on 4 January 2005. Therefore, this number of shares is not included in the number of shares mentioned in the details of each member underneath.

In 2004, the Board of Directors convened 16 times. The average participation percentage in the Board meetings was 95,8%.

The Members of the Board in 2004 were:

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

- Main employment history: Employed by Unilever Oy during 1968–1981, his latest position was Marketing Director. Deputy CEO of Sinebrychoff Oy in 1981–1985. CEO of Leaf in the Huhtamäki Group during 1985–1998. Deputy CEO in Huhtamäki Oy during 1992–1998 and the deputy chairman of the Board in 1996–1998.
- Main board memberships and public duties currently undertaken: Deputy chairman of the Supervisory Board in the Finnish Fair Cooperative, Member of the Supervisory Board in Sampo Life Insurance Company Ltd, member of the Boards of Directors in the Confederation of Finnish Industries (EK), in the foundation of the Confederation and Finnish Industry and Employers (TT) and in Kesko Oyj.
- In 2004, the remuneration for working in the Board of Directors amounted to EUR 50 200.
- Holdings in Elisa on 31.12.2004: 6 024 shares.

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

- Main employment history: Employed by Outokumpu Oyj from 1967 to 2001, member of Outokumpu's Executive Board from 1983 to 2001; Deputy Chief Executive of Outokumpu Oyj in 1992–2001, CEO of Avesta-Polarit Oyj in 2001–2003.
- Main board memberships and public duties currently undertaken: Chairman of the Board of Directors in Kemira GrowHow Oyj and member of the Board of Directors in Oy Langh Ship Ab.

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

- In 2004, the remuneration for working in the Board of Directors amounted to EUR 27 100.
- Holdings in Elisa on 31.12.2004: 5 181 shares.

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

- Main employment history: Managing Director of the Central Chamber of Commerce in 1986–1997, Minister of Transport and Communications in 1997–1999.
- Main board memberships and public duties currently undertaken: Member of the Board of Directors in Catella Property Consultants Ltd, Harjavalta Oy, Perlos Corporation; Executive Board member of the Finnish Maritime Administration.
- In 2004, the remuneration for working in the Board of Directors amounted to EUR 27 100.
- Holdings in Elisa on 31.12.2004: 3 816 shares.

Mika Ihamuotila (1964), D.Sc. (Econ.), President, head of banking, Sampo Plc and Chairman of Sampo Bank Plc's Board of Directors, member since 4 April 2003.

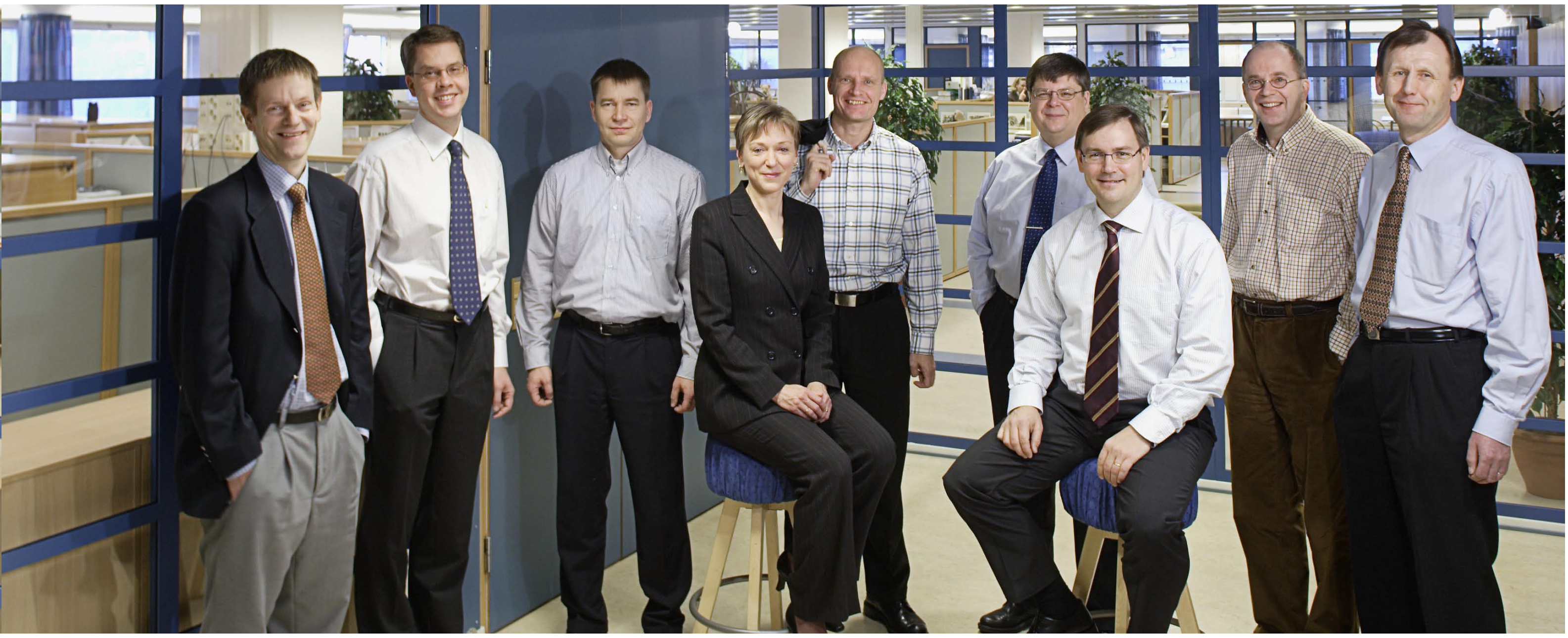
- Main employment history: Executive Vice President and CEO of Mandatum Bank in 1994–2000.
- Main board memberships and public duties currently undertaken: Chairman of the Board in the Finnish Bankers' Association, member of the Board of Directors in HYY Group Ltd.
- In 2004, the remuneration for working in the Board of Directors amounted to EUR 27 100.
- Holdings in Elisa on 31.12.2004: 1 460 shares.

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

- Main employment history: CEO of Vaisala Oyj since 1992.
- Main board memberships and public duties currently undertaken: Chairman of the Board of Directors in VTT Technical Research Centre of Finland, member of the Boards of Directors in the Confederation of Finnish Industries (EK) and in the Technology Industries in Finland.
- In 2004, the remuneration for working in the Board of Directors amounted to EUR 27 100.
- Holdings in Elisa on 31.12.2004: 3 338 shares.

Jussi Länsiö (1952), B.Sc. (Econ.), member since 31 March 2004.

- Main employment history: Member of the Executive Management Group of Scottish & Newcastle Plc in 2002–2003; Managing Director of Oyj Hartwall Abp from 1994 to 2003; Marketing Director in Langnese-Iglo GmbH/Unilever Germany from 1992 to 1994; Managing Director of Jalostaja Oy Huhtamäki in 1983–1992; marketing and sales in Huhtamäki Oy during the period from 1978 to 1983.
- Main board memberships and public duties currently undertaken: Chairman of the Boards of Directors in Noiro Oy, Talentum Oyj and Satama Interactive Oyj and member of Solifer Polar Ab's Board of Directors.
- In 2004, the remuneration for working in the Board of Directors amounted to EUR 20 500.
- Holdings in Elisa on 31.12.2004: 445 shares



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

Jere Lahti was a member of the Board of Directors until 31 March 2004.

Each member of Elisa's Board of Directors in 2004 is independent of the company's major shareholders.

Chief Executive Officer

Elisa Corporation has a Chief Executive Officer whose task is to engage in everyday administration of the company in accordance with instructions and orders from the Board of Directors and the Companies Act. The CEO is appointed by the Board of Directors. Veli-Matti Mattila holds the position of CEO.

Remuneration of the Chief Executive Officer

During the fiscal year, CEO Veli-Matti Mattila was paid a total salary of EUR 606 865.78. In addition to a regular monthly salary and a performance-based bonus, the sum also includes taxable benefits for the use of a telephone and a company-owned car. Moreover, in the framework of the management's bonus and incentive scheme, a fee of EUR 149 090.63 has been deposited in EVLI Bank for the Chief Executive. The period of notice for the Chief Executive is six months on Elisa's side and three months on the Chief Executive Officer's side. Should the contract be terminated by Elisa, the Chief Executive Officer is entitled to receive a severance payment equalling the total salary of 24 months minus the salary of the period of notice. Elisa's CEO is entitled to retire after the age of 60 on a total pension at the statutory rate of 60 per cent of his/her pensionable salary.

Elisa's Executive Board

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

Elisa's Executive Board comprises:

Veli-Matti Mattila (1961), M.Sc. (Eng.), MBA, President & CEO. He has served the company since 2003.

- Main employment history: CEO of Oy L M Ericsson Ab 1997–2003. Joined the Ericsson Group in 1986 and worked in various assignments in Finland and in the United States. His previous posts also included expert advisory tasks in the Swiss company Ascom Hasler AG.
- Main board memberships and public duties currently undertaken: Member of the supervisory board in Sampo Life Insurance Company, member of the Board of Directors in the Confederation of Finnish Industries (EK), deputy chairman of the Boards of Directors in the Confederation of Telecommunications and Information Technology (FiCom ry) and in the Employers' Association (TIKLI).
- Holdings in Elisa on 31.12.2004: 15 000 shares

Tapio Karjalainen (1959), M.Sc. (Eng.), Executive Vice President, Customers unit. He has served the company for two terms, from 1985 to 1992 and since 2003.

- Main employment history: Several executive tasks at Nokia Networks and its predecessors in 1992–2001; member of the management group of Nokia Networks and its predecessor Nokia Telecommunications in 1998–2001. Sales Director and Head of Department, inter alia, in Helsinki Telephone during 1985–1992.
- Holdings in Elisa on 31.12.2004: 150 shares

Pasi Lehmus (1962), M.Sc. (Eng.), Executive Vice President, Products unit. He has served the company since 1989.

- Major employment history: Managing Director of Soon Com in 2002–2003, Executive Vice President of the group's Personal Communications in 2000–2002. In 1995–1997 sales in Siemens AG in Munich, Germany, and at the Technology Counsellor's Office in Tokyo in 1990–1991.
- Holdings in Elisa on 31.12.2004: 150 shares, 25 000 A warrants, 25 000 B warrants

Jukka Veteläsuo (1951), M.Sc. (Eng.), Executive Vice President, Networks unit. He has served the company since 1989.

- Main employment history: Managing Director of Elisa Networks Ltd in 2001–2003; Executive of Operator Network Services in 1999–2001. From 1989 to 1999 Veteläsuo was Development Manager and Head of Department, inter alia, in the development of fixed network and construction and maintenance departments of mobile communication networks. In 1976–1989 Veteläsuo held management positions in the production, technical sales and international project management of the radio phone systems at Nokia.
- Main board memberships and public duties currently undertaken: member of Comptel Corporation's Board of Directors.
- Holdings in Elisa on 31.12.2004: 1 295 shares, 25 000 A warrants, 25 000 B warrants

Hannu Turunen (1963), M.Sc. (Eng.), MBA, Executive Vice President, Kolumbus unit. He has served the company since 2000.

- Main employment history: Executive of the Kolumbus unit since 2004; Executive of the Germany-based business in 2003–2004; Director of Radiolinja's Telematics business unit in 2000–2003; Vaisala Oyj, new business development, corporate acquisitions 1998–2000; ABB Group 1991–1998.
- Holdings in Elisa on 31.12.2004: 250 shares, 8 650 A warrants, 8 650 B warrants

Asko Känsälä (1957), M.Sc. (Eng.), Executive Vice President, Business Development, R&D, IT and Communications. He has served the company since 2003.

- Main employment history: 2001–2003, Sales Director of the Nordic and Baltic sales unit of the Ericsson Group and member of its management group; Sales Director in Oy LM Ericsson Ab in 1996–2001; National Technology Agency of Finland (TEKES), Head of Japan's industrial secretariat in 1993–1996; Hewlett Packard Oy, Sales Manager in 1987–1993.
- Holdings in Elisa on 31.12.2004: –

Hannu Laakso (1963), M.Sc. (Econ. & Bus. Adm.), Executive Vice President, Marketing. He has served the company since 2004.

- Main employment history: During 2000–2004, he was Marketing Director at MTV. Prior to this, in 1997–2000, he was a Marketing Manager at the McDonald's chain and a Product Manager at Olvi during 1994–1997. From 1989 to 1994 he worked in sales at Nokia Data and ICL. In addition, he has written a book 'Brändit kilpailuetuna', which is one of the leading books in the field of Finnish brand marketing.
- Holdings in Elisa on 31.12.2004: –

Tuija Soanjärvi (1955), M.Sc. (Econ. & Bus. Adm.), CFO. She has served the company since 2003.

- Main employment history: Previously employed by the TietoEnator Group since 1986, her latest position being the CFO. In 1981–1986, Internal Auditing and Internal Accounting in Kesko.
- Main board memberships and public duties currently undertaken: Chairperson of Comptel Corporation's Board of Directors and a member of the Board of Directors in Patria Oyj.
- Holdings in Elisa on 31.12.2004: 284 shares

Sami Ylikortes (1967), M.Sc. (Econ. & Bus. Adm.), LL.M., Executive Vice President, Administration and HR. He has served the company since 1996.

- Main employment history: Ylikortes was appointed Senior Vice President responsible for administration in 2000. Secretary to the Board of Directors since 1998. From 1991 to 1996 held positions in financial administration at Unilever Finland.
- Holdings in Elisa on 31.12.2004: 582 shares, 21 000 A warrants, 21 000 B warrants.

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

The Board of Directors has approved a share-based reward and incentive system for the executive management, which aims at increasing share ownership. In 2004, the system included 81 people in total. The long-term objective is to commit key persons to enhance the company's profitability and increase its value by rewarding them for achieving set targets and simultaneously increase the management's shareholding.

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

In 2004, the deposit amounted to EUR 963 422.97.

Risk management

Risk management is part of Elisa's internal auditing system. It aims at ensuring that risks affecting the company's business are identified, influenced and monitored. The company classifies risks into strategic, operative, insurable and financial risks. The Board of Directors' Committee for Auditing makes sure that risk management has been duly organised.

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

Internal auditing

The purpose of internal auditing is to assist the organisation in achieving its goals by evaluating and investigating its functions. For this purpose, it produces analyses, assessments, recommendations and information for the use of the company's senior management. Internal auditing is independent of the rest of the organisation. The starting point for internal auditing is business management and work is conducted in close cooperation with financial auditing. An annual auditing plan and auditing report are presented to the Board of Directors' Committee for Auditing.

Auditors

The auditors' principal duty is to ensure that the financial statements have been prepared in accordance with the valid regulations, so that the statements give a true and fair view of the company's performance and financial position as well as other necessary information to the company's interest groups. Other main targets are to ensure that internal auditing and risk management have been duly organised and the organisation operates in compliance with instructions and within the framework of issued authorisations. The mutual division of labour between the external and internal auditing is emphasised so as to the internal auditing will assure that the organization operates in accordance with the company's internal instructions.

The company has one external authorised auditing company. The auditing company must be duly authorised by the Central Chamber of Commerce. The auditors' term of office is the current financial period for which they are appointed. The duties of the auditors shall end at the conclusion of the first Annual General Meeting following the expiration of their terms of office. In the year under review, Elisa's auditor was KPGM Oy Ab, authorised public accountants, with Pekka Pajamo (APA) serving as principal auditor.

In the fiscal year of 2004, the auditing fees of the Finnish group companies totalled EUR 190 000, of which the share of the parent company accounted for EUR 143 000. The auditing fees for the foreign group companies were EUR 17 000.

The auditing firm has been paid fees of EUR 358 000 for services not associated with auditing. The remunerations are related to the preparation for adopting the IFRS accounting, regulation accounting, tax counselling and corporate arrangements.

Corporate insiders

Elisa has adopted the insider instructions prepared by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (currently known as the Confederation of Finnish Industries EK).

In accordance with the law, the permanent insiders of Elisa Corporation include the people holding the following posts:

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

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

The insider register of Elisa Corporation is maintained by the Finnish Central Securities Depository Ltd. Information about the holdings of permanent insiders is available on the premises of the Finnish Central Securities Depository Ltd at Unioninkatu 32 B, 6th Floor, Helsinki, as well as on the company's Web site: www.elisa.com.

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