

# Financial Statements 2002

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# Report of the Board of Directors

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

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

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

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

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

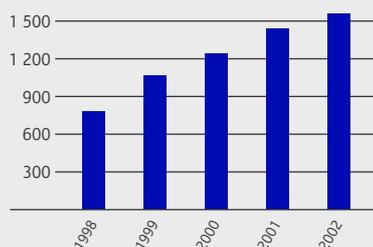
- the expense booking of EUR 77 million for the leasing liability of finance agreements concerning the GSM network
- additional depreciation of EUR 51 million on the GSM networks,
- expense booking of EUR 14 million for Germany-based business, and
- other non-recurring expense bookings of EUR 12 million.

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

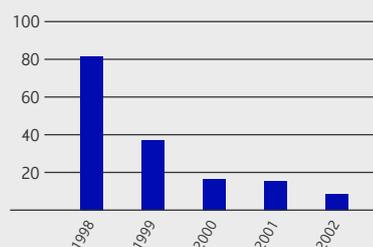
The reported EBIT for the year 2002 included a total of EUR 73 million (104) sales profits from shares, business operations and real estates. During 2002, installation business of Elisa Instalia Ltd and directory businesses of Soon Com Ltd, Yomi Plc and Riihimäen Puhelin Oy were divested.

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

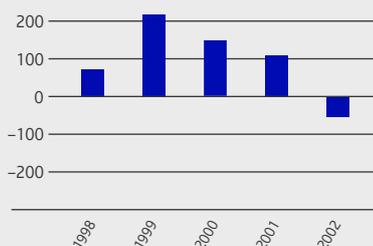
Group revenue, EUR million



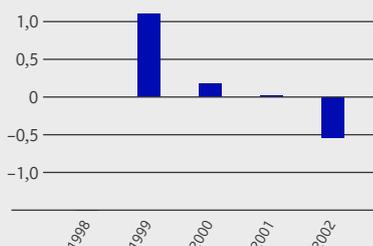
Group revenue, change, %



Group operating profit, EUR million



Earnings per share, EUR



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

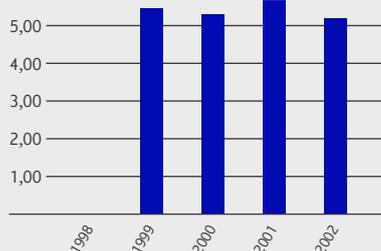
Fixed network business in 2002:

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

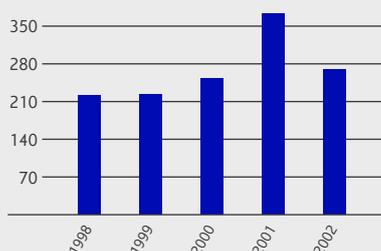
The fixed network business comprises the service business of ElisaCom and the network business of Elisa Networks, both nationwide companies. Owing to the incorporations, divestments and consolidation of business operations, the figures for the fixed network business are not comparable with those of the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

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

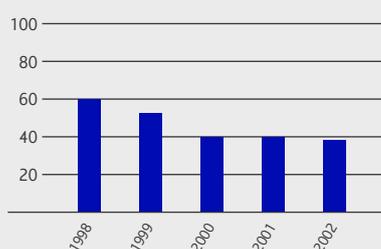
**Shareholders' equity per share, EUR**



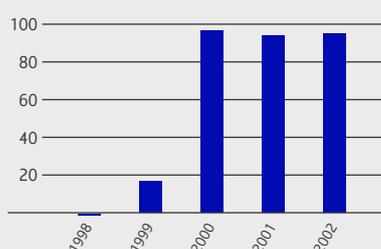
**Group investments (gross), EUR million**



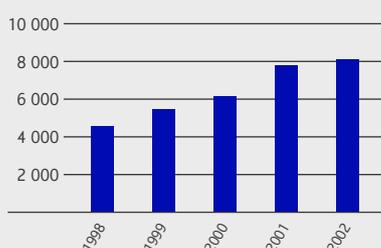
**Equity ratio, %**



**Gearing ratio, %**



**Group employees**



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

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

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

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

In 2002, Elisa Kommunikation GmbH's:

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

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

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

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

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

Comptel Corporation

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

Yomi Plc

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in fixed assets amounted to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Radiolinja Origo Oy demands compensation for damages in the court of arbitration from Telia Mobile AB's branch operating in Finland for violating a service operator agreement. Within the framework of their business operations, companies belonging to the Group are also parties to other disputes and legal proceedings, as well as to procedures by the authorities, the outcomes of which are not regarded to have a substantial effect on the Group's financial position or performance.

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

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

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

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

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

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

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

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

# Consolidated income statement

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

# Consolidated balance sheet

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

# Consolidated cash flow statement

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

# Parent company income statement

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

# Parent company balance sheet

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

# Parent company cash flow statement

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

# Notes to the financial statements

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

## ACCOUNTING PRINCIPLES

### 1. Scope of the consolidated financial statements

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

As a rule, subsidiaries are consolidated from the month in which the acquisition of shares took place. Associated companies are generally consolidated from the moment they became associated. Similarly, divested companies are consolidated up to the date on which they are sold.

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

### 2. Consolidation principles

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

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

Associated companies are consolidated using the equity method.

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

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

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

### 3. The company's own shares

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

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

### 4. Adjustments to the information of the previous financial year

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

### 5. Comparability with the previous year

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

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

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

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

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

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

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

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

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

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

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

## 6. Non-recurring items

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

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

## 7. Revenue and other operating income

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

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

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

## 8. Valuation principles of inventories

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

## 9. Items denominated in foreign currencies

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

## 10. Derivative instruments

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

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

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

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

## 11. Fixed assets and consolidated goodwill

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

The difference between planned depreciation and total depreciation in the Parent Company's financial statements is shown in appropriations in the income statement, and accumulated depreciation difference appears under accumulated appropriations in the shareholders' equity and liabilities. The accumulated depreciation difference in the consolidated financial statements is divided into shareholders' equity and tax debt. Planned depreciation is calculated on a straight-line basis over expected service lives based on original acquisition cost.

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

The exception to this is strategically important interests in major companies in the telecommunication industry, when the depreciation period is 10–15 years. For example, the consolidated goodwill of Oy Radiolinja Ab, Soon Communications Plc and Yomi Plc will be depreciated over a 15 year period. Consolidated goodwill in respect of Elisa Solutions Ltd, and subsidiaries and associated companies of Elisa Kommunikation GmbH will be depreciated over a 10 year period.

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

Planned depreciation times in the Group are given below:

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

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

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

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

## 12. Research and development expenses

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

## 13. Provisions for liabilities and charges

Expenses and losses arising from an ended or a prior financial period

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

## 14. Pension costs

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

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

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

## 15. Extraordinary income and expenses

Income and expenses arising from non-recurring, relevant events that deviate from regular operations are booked as extraordinary items. The change in the income recognition principle of long-term projects to comply with the IAS is shown in extraordinary items.

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

## 16. Direct taxes

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

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

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

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

## 17. Minority interest

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

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

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

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

## Figures adjusted with non-recurring items

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

## Accounting principles:

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

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

## Internal sales

- Sales within a business area have been reduced from the revenue of said business area.
- Sales between business areas have been reduced from the aggregate revenue of the business areas.

## Consolidated entries

- The Group's internal margins have been eliminated from the earnings of the business areas.
- Depreciation of Group goodwill has been allocated to the business areas.

## Non-recurring items

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

Sanction fee to the Competition Council

Expense booking for GSM leasing liability

Writedowns of GSM networks

Writedowns of Cityphone and submarine cable networks

Other writedowns in Finland

Rundown costs of Mäkitorppa GmbH

Other writedowns in Germany

Non-recurring items, total

Impact on EBITDA

Impact on EBIT

Impact on profit before extraordinary items

	2002	2001
	73	104
		-4
	-77	
	-51	-46
	-8	-5
	-4	
	-8	
	-5	-8
	-80	41
	-9	100
	-80	41
	-80	41

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

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

## 2. Other operating income

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

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

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

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

## 3. Materials and services<sup>1)</sup>

Materials, equipment and goods

Purchases during the financial year

Change of inventories

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

External services

Radiolinja's access rights, maintenance and connection fees

Expense booking for GSM leasing liability

Other external services

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

**Total**

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

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

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

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

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

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

**10. Non-current assets/Intangible assets, Group goodwill, Tangible assets<sup>1)</sup>**

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

EUR 1 000

GROUP

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

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

549 040

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

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

EUR 1 000

PARENT COMPANY

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

## 11. Shares in associated companies and other investments

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

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

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

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

## Group and parent company holdings at 31 December 2002

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

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

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

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

	REGISTERED OFFICE	GROUP HOLDING%	PARENT COMPANY HOLDING%
Lounet Oy	Turku	50%	46%
Förin Puhelin Oy	Turku	50%	0%
Lounet Oy Call Center	Turku	50%	0%
Kiinteistö Oy Paimion Puhelimenkulma	Paimio	39%	0%
Kiinteistö Oy Brahenkartano	Turku	30%	0%
Oy Radiolinja Ab	Helsinki	100%	96%
Ecosite Oy	Helsinki	100%	0%
Kamastore Oy	Helsinki	100%	0%
Mäkitorppa Oy	Helsinki	100%	0%
Radiolinja Aava Oy	Helsinki	100%	0%
Radiolinja Eesti AS	Tallinn	99%	0%
Mobinest Oü	Tallinn	99%	0%
SIA Radiolinja Latvija	Riga	100%	0%
UAB Radiolinja	Vilnius	100%	0%
Radiolinja Origo Oy	Helsinki	100%	0%
Radiolinja Piste Oy	Helsinki	100%	0%
Radiolinja Solutions Oy	Helsinki	100%	0%
Kiinteistö Oy Espoon Keilasatama 5	Helsinki	100%	0%
Keilalahden Pysäköinti Oy	Helsinki	71%	0%
Kiinteistö Oy Raision Luolasto	Espoo	100%	0%
Kiinteistö Oy Tapiolan Luolasto	Espoo	100%	0%
Witem Oy	Helsinki	100%	0%
Rahoituslinkki Oy	Helsinki	100%	100%
Kiinteistö Oy Ratavartijankatu 3	Helsinki	64%	64%
Riihimäen Puhelin Oy	Riihimäki	90%	90%
Kiinteistö Oy Rinnetorppa	Kuusamo	89%	50%
Soon Com Oy	Tampere	100%	100%
Soon Net Oy	Tampere	100%	100%
Tampereen Tietoverkko Oy	Tampere	63%	0%
Tampereen Keskusantenni Oy	Tampere	63%	0%
Tam-Sat Oy	Tampere	63%	0%
Oy Telcofounding Ab	Helsinki	100%	100%
WW Value Oy	Helsinki	100%	100%
Yomi Oyj	Jyväskylä	51%	33%
Fiaset Oy	Jyväskylä	51%	0%
Indata Oy	Espoo	51%	0%
Jyväsviestintä Oy	Jyväskylä	56%	0%
Jyväskylän Keskusantenni Oy	Jyväskylä	56%	0%
Kesnet Oy	Jyväskylä	51%	0%
Kestel Oy	Jyväskylä	51%	0%
Lancom Solutions Oy	Jyväskylä	51%	0%
Yomi Vision Oy	Jyväskylä	51%	0%
Yomi Solutions Oy	Jyväskylä	51%	0%
Yomi Applications Oy	Pori	51%	0%
Fonetic Oy	Pori	51%	0%
Stemca Solutions Oy	Pori	51%	0%
Votek Ltd	UK	51%	0%
Other companies (no activities)			

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

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

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

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

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

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

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

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

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

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

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

**Bond loans**

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

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

The loan arrangements include so-called covenant terms.

**Warrants**

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

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

The number of warrants held by the public, management and personnel at 31 December 2002 equalled the right to subscribe to a total of 5.7 million shares, which accounts for 4.1 per cent of the company's shares and voting rights. The warrants may be exercised to subscribe to a maximum of 7.2 million shares, equivalent to 5.2 per cent of the company's shares and voting rights.

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

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

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

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

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

In September 1999, Elisa Communications Corporation signed a leaseback agreement (so-called QTE facility) with U.S.-based capital investors. The arrangement concerns certain parts of the telecommunication network to which Elisa Communications Corporation's Group companies retains the title in accordance with the agreement. The overall leasing assets and liabilities arising from the arrangement were paid at the time the facility was arranged. The company received net compensation of around EUR 13 million, EUR 1.3 million of which was capitalised in other financial income in 2002. The compensation will be capitalised in full within ten years of the agreement having been signed.

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

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

**Lease liabilities of GSM network / Leasing and rental agreements**

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

During 1990-1999, Oy Radiolinja Ab leased a significant part of the mobile network it uses from telcos. The network was transferred to Radiolinja Origo through a business transaction. The leasing has been based on long-term financing agreements so that in line with those agreements, renting expenses focused on the latter part of the term of the lease. The first period of agreement is always ten years, after which the contracting parties can continue the duration of the agreement at their discretion. On the basis of the agreements, Radiolinja Origo Oy is committed to regular payments. The acquisition price of these delivery agreements acquired from outside the Group totalled around EUR 86 million at the end of 2002. Relating to these agreements, EUR 77 obligatory reserve has been created for the financial period, of which EUR 70 million remained at 31 December 2002.

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

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

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

The access right charges of Elisa Solution Ltd's and Elisa Networks Ltd's backbone network connections are based on agreements that usually last five (5) years. The estimated amount of lease liability outside the Group at the end of 2002 was approximately EUR 29 million.

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

Elisa Kommunikation GmbH's subsidiaries have long-term leasing agreements for telecommunication networks. Lease liabilities concerning these agreements were EUR 101 million at the end of 2002. The aforementioned liabilities mainly derive from the companies belonging to the Tropolys GmbH Group, which were consolidated at the beginning of 2002.

**Real estate lease liabilities / Leasing and rental agreements**

On the basis of a long-term rent agreement, Yomi Plc is liable for the capital rent, totalling EUR 15 million. This is presented as a liability in the notes to the financial statements and is related to its office facilities. The company is also liable for all use and maintenance-related expenses concerning the facilities and for its due share of the corresponding expenses of the building's other rented facilities. Furthermore, unless Yomi Plc itself should exercise the right to purchase the facilities, the option agreement related to the rent agreement provides that, on request, Yomi Plc is entitled to assign a third party to purchase the facilities no later than at the end of the lease period. The redemption price is 60 per cent of the facilities' original total acquisition cost. This sum is included in other liabilities.

**Other commitments**

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

**Social security costs arising from warrants**

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

**22. Derivative instruments**

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

# Group financial indicators

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

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

## Formulae for financial summary indicators

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

## PER SHARE DATA

	2002	2001	2000	1999
Subscribed capital, EUR	69 005 878.5	69 005 878.5	62 532 533	42 157 725
Number of shares on 31 December	138 011 757	138 011 757	125 065 067	84 315 450
Average number of shares	138 011 757	130 257 868	123 428 136	84 315 450
Number of shares on 31 December, diluted <sup>1)</sup>	138 011 757	138 011 757	132 647 840	
Average number of shares, diluted	138 011 757	130 257 868	125 909 180	
Market capitalisation, EUR million <sup>2)</sup>	785	1 847	2 868	3 141
Earnings per share (EPS), EUR	-0.54	0.01	0.18	1.11
Dividend per share, EUR	*)		0.07	0.20
Dividend payment ratio, %			39%	18%
Equity per share, EUR	5.21	5.67	5.29	5.47
P/E ratio	-11	1 361	127	33
Effective dividend yield, %			0.3%	0,5%
Performance of A shares on the Helsinki Exchanges <sup>3)</sup>				
Middle price, EUR	8.21	16.42	38.28	22.92
Closing price on 31 December, EUR	5.72	13.61	22.93	37.25
Lowest price, EUR	4.46	8.70	21.00	16.85
Highest price, EUR	15.50	25.01	58.00	37.25
Trading of A shares				
Total number of A shares traded, 1000 shares <sup>4)</sup>	66 127	85 939	60 114	19 479
Percentage of A shares traded, % <sup>5)</sup>	49 %	63 %	48 %	23 %

<sup>\*)</sup> The Board of Directors recommends that no dividend be paid for 2002.

<sup>1)</sup> Diluted by convertible bond loans and bonds with warrants.

<sup>2)</sup> Calculated at the closing price on the last trading day of the year.

<sup>3)</sup> The shares were first quoted on the Helsinki Exchanges on 1 July 1999.

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

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

## Formulae for per share data

Earnings per share (EPS)	=	$\frac{\text{Profit before extraordinary items} - \text{taxes} - \text{minority interests}}{\text{Adjusted number of shares for the financial year}}$
Dividend per share	=	$\frac{\text{Adjusted dividend}}{\text{Adjusted number of shares at the balance sheet date}}$
Effective dividend	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the balance sheet date}} \times 100$
Dividend payment ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$
Equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the balance sheet date}}$
P/E ratio	=	$\frac{\text{Trading price at the balance sheet date}}{\text{Earnings per share (EPS)}}$

# Shares and shareholders

## 1. Share capital and shares

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

In accordance with the Articles of Association of Elisa Communications Corporation, the company's shares can be divided into A and B series of shares. Shares in the A and B series entitle the holder to one vote. A share in the B series entitles the holder to one-tenth of the dividend paid for an A share. According to the Articles of Association, the maximum number of A shares is 200 000 000, while the maximum number of B shares is 10 000.

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

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

## 2. Own shares

Company	SHARES	NOMINAL VALUE	% OF SHARES AND VOTES
Yomi Plc	556 870	278 435.00	0.40%
Lounet Oy	210 000	105 000.00	0.15%
Riihimäen Puhelin Oy	13 900	6 950.00	0.01%
Comptec Oy	343	171.50	0.00%
Elektroniikkatyö Oy	450	225.00	0.00%
<b>Elisa Communications Corporation Group, total</b>	<b>781 563</b>	<b>390 781.50</b>	<b>0.57%</b>

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

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

## 3. Warrant programme 2000

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

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

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

The shares entitle the holder to dividends for the financial period during which they are subscribed. The other rights start when the increase in share capital has been registered in the Trade Register. If the subscriber's employment with a company within the Elisa Communications Group ends before 2 May 2003 for a reason other than retirement or death, he or she must immediately offer the company, or a party designated by the company, the right to all warrants, free of charge, for which the subscription period had not begun on the holder's last day of employment with the Elisa Communications Group.

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

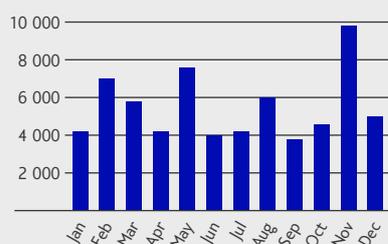
## 4. Authorisations of the Board of Directors

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

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

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

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



**Elisa share performance in 2002, closing prices, EUR**



## 5. Management interests

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

## 6. Share performance

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

## 7. Quotation and trading

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

## 8. Shareholdings by owner group as on 30 December 2002

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

**9. Analysis of shareholding as on 30 December 2002**

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

**10. Largest shareholders as on 30 December 2002**

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

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

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

# Proposal by the board of directors for the distribution of profit

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

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

Helsinki, February 24, 2003

Keijo Suila  
Chairman of the Board of Directors

Ossi Virolainen

Matti Aura

Riitta Backas

Arto Ihto

Pekka Ketonen

Jere Lahti

Linus Torvalds

Matti Mattheiszen  
President and CEO

## Auditor's report

### To the shareholders of Elisa Communications Oyj

We have audited the accounting, the financial statements and the corporate governance of Elisa Communications Oyj for the period from January 1, 2002 to December 31, 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

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

Helsinki, March 10, 2003

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Leo Laitinmäki  
Authorised Public Accountant

Henrik Sormunen  
Authorised Public Accountant

# Corporate governance



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

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

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

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

The Members of the Board in 2002 were:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **The Strategic Management Group (SMG) in 2002\*:**

##### **CEO and Senior Executive Vice President**

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

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

##### **Presidents of the business areas**

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

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

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

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

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

##### **Other members of the Strategic Management Group**

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

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

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

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

##### **Other corporate management**

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

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

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

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

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

**Insiders** ... On 8 March 2000 Elisa Communications Corporation adopted the insider instructions prepared by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. In accordance with law, the permanent insiders of Elisa Communications Corporation include the people holding the following posts: Members of the Board, President and CEO, Senior Executive Vice President, auditors (including the principal auditor for the company within an auditing firm). In addition, the permanent insiders of Elisa Communications Corporation include a number of designated persons, for example, the members of the strategic management team of the Group.

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

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

# Contact information

## Elisa Communications Corporation

Korkeavuorenkatu 35-37  
P.O. Box 10, 00061 ELISA  
tel. +358 102 6000  
firstname.lastname@elisa.fi  
www.elisa.com

## Elisa Mobile business area

### Radiolinja Ltd

Keilasatama 5  
P.O. Box 10, 02050 RADIOLINJA  
tel. +358 9 435 661  
firstname.lastname@radiolinja.fi  
www.radiolinja.fi

### Ecosite Ltd

Piispantilankuja 4  
P.O. Box 26, 02240 ESPOO  
tel. +358 9 435 661  
firstname.lastname@radiolinja.fi

### Kamastore Ltd

Keilasatama 5  
P.O. Box 23, 02050 RADIOLINJA  
tel. +358 102 6006  
firstname.lastname@kamastore.fi

### Mäkitorppa Ltd

Keilasatama 5  
P.O. Box 20, 02050 RADIOLINJA  
tel. +358 102 6008  
firstname.lastname@makitorppa.fi  
www.makitorppa.fi

### Radiolinja Aava Ltd

Pyyntitie 7  
P.O. Box 50, 02050 RADIOLINJA  
tel. +358 9 4356 5756  
firstname.lastname@radiolinja.fi

### Radiolinja Eesti AS

Vilmsi 47  
10 126 TALLINN, ESTONIA  
tel. +372 6811 963  
firstname.lastname@radiolinja.ee

### Radiolinja Origo Ltd

Piispantilankuja 4  
P.O. Box 40, 02050 RADIOLINJA  
tel. +358 9 4356 5554  
firstname.lastname@radiolinja.fi

### Radiolinja Piste Ltd

Keilasatama 5  
P.O. Box 10, 02050 RADIOLINJA  
tel. +358 9 435 661  
firstname.lastname@radiolinjapiste.fi

### Radiolinja Solutions Ltd

Keilasatama 5  
P.O. Box 22, 02050 RADIOLINJA  
tel. +358 102 6007  
firstname.lastname@radiolinja.fi  
www.radiolinja.fi

## ElisaCom business area

### ElisaCom Ltd

Ratavartijankatu 5  
P.O. Box 111, 00061 ELISA  
tel. +358 102 6000  
firstname.lastname@elisa.fi  
www.elisa.fi

### Elisa Internet Ltd

Kaarlenkatu 9-11  
P.O. Box 200, 00061 ELISA  
tel. +358 102 6600  
firstname.lastname@elisa.fi  
www.elisainternet.fi

### Elisa Solutions Ltd

Malmin kauppatie 8  
P.O. Box 250, 00061 ELISA  
tel. +358 102 6002  
firstname.lastname@elisa.fi  
www.elisasolutions.fi

### Finnet International Ltd

Itämerenkatu 1  
P.O. Box 999, 00181 HELSINKI  
tel. +358 9 695 500  
firstname.lastname@elisa.fi  
www.finnetinternational.com

### Heltel Ltd

Mäkitorpantie 3  
00620 HELSINKI  
P.O. Box 240, 00061 ELISA  
tel. +358 102 6003  
firstname.lastname@heltel.fi  
www.heltel.fi

### Invoicia Ltd

Ratapihantie 11, 7th floor  
P.O. Box 220, 00061 ELISA  
tel. +358 102 6010  
firstname.lastname@invoicia.fi  
www.invoicia.fi

### Kestel Ltd

Yliopistonkatu 28  
P.O. Box 354, 40101 JYVÄSKYLÄ  
tel. +358 14 240 311  
firstname.lastname@kestel.fi  
www.kestel.fi

### Lounet Ltd

Brahenkatu 20  
20100 TURKU  
tel. + 358 2 477 411  
firstname.lastname@lounet.fi  
www.lounet.fi

### Riihimäen Puhelin Ltd

Maisterinkatu 9  
P.O. Box 21, 11101 RIIHIMÄKI  
tel. +358 19 7111  
firstname.lastname@rpo.fi  
www.rpo.fi

### Soon Com Ltd

Näsilinnankatu 41  
P.O. Box 138, 33101 TAMPERE  
tel. +358 3 224 4111  
firstname.lastname@soon.fi  
www.soon.fi

### Tikka Communications Ltd

Kauppakatu 15-17  
P.O. Box 50, 80101 JOENSUU  
tel. +358 13 265 2111  
firstname.lastname@tikkacom.fi  
www.tikkacom.fi

## Elisa Networks business area

### Elisa Networks Ltd

Kutomotie 18  
P.O. Box 400, 00061 ELISA  
tel. +358 102 6020  
firstname.lastname@elisa.fi  
www.elisa.fi

### Kesnet Ltd

Yliopistonkatu 28  
P.O. Box 354, 40101 JYVÄSKYLÄ  
tel. +358 14 240 2211  
firstname.lastname@kesnet.fi  
www.kesnet.fi

### Soon Net Ltd

Näsilinnankatu 41  
P.O. Box 138, 33101 TAMPERE  
tel. +358 3 224 4111  
firstname.lastname@soon.fi  
www.soon.fi

## Elisa Kommunikation business area

### Elisa Kommunikation GmbH

Rathausufer 23  
40213 DÜSSELDORF  
DEUTSCHLAND  
tel. +49 211 31 119 300  
firstname.lastname@elisa.de  
www.elisa.de

### Tropolys GmbH

Hansaallee 249  
D-40549 DÜSSELDORF  
DEUTSCHLAND  
tel. +49 211 522 83 100  
info@tropolys.de  
www.tropolys.de

## Other companies

### Comptel Corporation

Visiting address: Lapinrinne 3  
Mailing address: Ruoholahdenkatu 4  
00180 HELSINKI  
tel. +358 9 700 1131  
firstname.lastname@comptel.com  
www.comptel.com

### Elisa Ventures Ltd

Korkeavuorenkatu 35-37  
P.O. Box 10, 00061 ELISA  
tel. +358 102 6000  
jari.sulkanen@elisa.fi

### EPStar Ltd

Kutomotie 18  
P.O. Box 970, 00101 HELSINKI  
tel. +358 102 6015  
firstname.lastname@epstar.fi  
www.epstar.fi

### Estera Ltd

Kutomotie 12  
00380 HELSINKI  
tel. +358 10 264 010  
firstname.lastname@estera.fi  
www.estera.fi

### Yomi Applications Ltd

Piippukatu 11  
P.O. Box 354, 40101 JYVÄSKYLÄ  
tel. +358 10 24 000  
firstname.lastname@yomi.com  
www.yomi.com/applications

### Yomi Solutions Ltd

Piippukatu 11  
P.O. Box 354, 40101 JYVÄSKYLÄ  
tel. +358 10 24 000  
firstname.lastname@yomi.com  
www.yomi.com/solutions

## Research and development

### Elisa Research Center

Kutomotie 14  
P.O. Box 40, 00061 ELISA  
tel. +358 102 6000  
firstname.lastname@elisa.fi  
www.rc.elisa.fi