

ELISA COMMUNICATIONS CORPORATION

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ELISA COMMUNICATIONS CORPORATION'S FINANCIAL STATEMENTS FOR THE YEAR 2000

During the period under review, Elisa Communications Group's position in the market strengthened. The growth of revenue (16.5%) was stronger than the average market growth in the sector. The consolidated revenue amounted to EUR 1,244 million (EURm 1,068) in 2000. The consolidated operating profit (EBIT) was EUR 149 million (EURm 217).

- The year 2000 profit before extraordinary items includes a sales profit of EUR 58 million from the sales of Comptel Plc shares. One-off depreciations and other expenses decreased the profit by a total of EUR 54 million. The profit for the financial year amounted to EUR 22 million (EURm 86 in 1999). The Group earnings per share (EPS) stood at EUR 0.18 (EUR 1.11).
- Excluding the one-off income and expense items, the consolidated EBITDA was EUR 305 million (EURm 256), the EBIT amounted to EUR 119 million (EURm 124) and profit before extraordinary items was EUR 90 million (EURm 117).
- The market position of the mobile operations strengthened in Finland. Radiolinja's share in the net increase of mobile subscriptions was 44 per cent during the period under review, and, in the 4Q the corresponding percentage was 47.
- The Group's position in the Finnish market strengthened. Elisa Communications Corporation and its subsidiaries held a 38 per cent share in fixed network subscriptions at year-end.
- The sales of broadband subscriptions in the fixed network grew by 25 per cent.
- Comptel's revenue and result increased more than expected and the company expanded its operations in the international market.
- Investments in the German operations were increased and the company structure of Elisa Kommunikation GmbH was further developed.
- The Company's Board of Directors proposes that Elisa Communications Corporation pay a dividend of EUR 0.07 per share.

KEY INDICATORS OF ELISA COMMUNICATIONS GROUP

EUR million	2000	1999	Change, %
Revenue	1,244	1,068	16.5
EBITDA	360	405	-11.1
EBITDA, %	29.0	38.0	
Depreciation on fixed assets	167	171	
Depreciation on consolidated goodwill	44	17	
EBIT	149	217 ⁽¹⁾	-31.3

EBIT, %	12.0	20.6	
Share of profits of associated companies ⁽¹⁾	-33	3	
Other financial income & expenses	-22	-10	
Profit before extraordinary items	94	210	-55.4
Net profit	22	86	-74.0
Return on investment (ROI), %	9.8	23.4	
Return on equity (ROE), %	4.7	20.7	
Earnings/share (EPS), EUR	0.18	1.11	
Equity ratio, %	40	53	
Investments in fixed assets (gross)	252	222	
Capital expenditure on shares	726	285	
Personnel, average	6,161	5,489	

1) Deviating from the previous practice, the share of profits of associated companies has been entered under EBIT in financial income and expenses.

The Group's key indicators without the one-off items are the following:

EUR million	2000	1999	Change, %
Revenue	1,244	1,068	16.5
EBITDA	305	256	19.0
EBITDA, %	24.5	24.0	
EBIT	119	124	-4.2
EBIT, %	9.5	11.6	
Profit before extraordinary items	90	117	-23
as % of revenue	7.2	10.9	

The figures in the financial statements are not audited. Elisa Communications Corporation's Annual Report will be published during week 13.

The Annual General Meeting of Elisa Communications Corporation will be held at the Helsinki Fair Centre, Messuaukio 1, Helsinki, at 1.00pm on Friday, April 20, 2001.

ELISA COMMUNICATIONS CORPORATION

Board of Directors

Appendix

Report of Elisa Communications Corporation's Board of Directors for the year 2000

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THE REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2000

The Group set a 20 per cent growth objective for the 2000 revenue. During the first half of the year, the growth rate was consistent with the objective. However, the slowdown of the growth in the sector in general during the latter part of the year affected the growth of the consolidated revenue. In spite of this, the annual growth rate at the Group level was 16.5 per cent, which is clearly higher than the average growth rates of corresponding companies in the sector. The growth was mainly generated by domestic operations, due to which the Group's position in the Finnish market continued to strengthen during the financial year.

Several arrangements were made in the Group structure to sharpen the Group's competitive edge, streamline corporate steering, and improve cost-efficiency.

The principal changes in Group structure were the merger of Helsinki Telephone Corporation with HPY Holding Corporation on July 1, 2000, and continuing operations under the new company name Elisa Communications Corporation. Elisa Communications Corporation also increased its ownership in Oy Radiolinja Ab to almost 100 per cent and Oy Datatie Ab became a wholly-owned subsidiary of the Group. These developments strengthened the Group's nationwide operations considerably.

Cooperation with local associated companies was extended. The resolutions of the Finnish Competition Authority significantly improved Elisa cluster's abilities to commercial cooperation. The cluster's share of subscriptions in the fixed network in Finland amounted to almost 40 per cent at year-end. Radiolinja's position in the mobile market strengthened both in Finland and Estonia.

The Group made significant strategic investments to guarantee also future business growth. The investments in the German companies and in Radiolinja's shares, among others, and the financing of these operations put a strain on the Group's result. However, the investments form an essential part of the Group's strategy, and they play an important role in securing the Group's financial development in the following years.

The Group's business operations developed favorably in both the fixed network and mobile services. Due to increasing internet usage, the total volume of call minutes originating from the fixed network rose, despite the decrease in the traditional telephone traffic.

Radiolinja's position in the mobile subscription market strengthened especially at year-end. The average revenue per subscription (ARPU) remained at the previous year's level. In 2000, the Group strengthened its mobile distribution network. Due

to massive investments in marketing, Radiolinja's market share of the net increase generated by national operators' mobile business was 47 per cent in the 4Q.

In the spring, the Group decided to increase investments in the German operations. The development of company structures and business operations was begun as part of the Group's German strategy. Investments in the German operations will continue in 2001. On the EBITDA level, the German operations are expected to turn out positive in 2002. Mäkitorppa retail chain will continue to expand its business operations in Germany.

In 2000, Comptel strengthened its position in the international market. The company's new products have good prospects, especially when the GPRS use of mobile networks increases.

Revenue

The Group revenue in 2000 was EUR 1,244 million, an increase of EUR 176 million (16.5%) on the previous year.

Breakdown of revenue by the principal group companies:

EUR million	2000	1999	Change, % ***)
Elisa Communications Group	1,244	1,068	16.5
Parent company **	521	501	4.0
Radiolinja Group*	614	511	20.2
Mäkitorppa Group*	93	82	14.3
Comptel Plc*	60	39	54.5
Oy Datatie Ab	110	60	83.4
Oy Heltel Ab	36	38	-4.6
FINNETCom Oy	17	13	33.0
EPStar Oy	2		
Elisa Kommunikation GmbH**	17		

*)figures of sub-group financial statements

**) In the Annual Report, diverging from the official financial statements, HPY Holding Corporation and Helsinki Telephone Corporation have been consolidated for comparability to form the Group's parent company and their mutual business transactions have been eliminated. Hereinafter Elisa Communications Group is referred to as the Group.

***) The adjusted figures in the report of the Board have been calculated from precise markka-denominated figures.

Voice traffic and subscription and network services generated approximately 70 per cent of Elisa Communications Corporation's revenue (EURm 521). The growth of the parent company's revenue slowed down owing to the transfer of data business to Datatie at the beginning of March and the sales of the GSM network to Radiolinja, due to which the income from the leasing of the GSM network terminated at the beginning of May.

Radiolinja's revenue was EUR 614 million (EURm 511), an increase of 20.2 per cent on the previous year. The number of subscriptions in Radiolinja's GSM networks was about 1,376,000 (1,156,000) at year-end. The Radiolinja network in Estonia held 130,000 (87,000) subscriptions at the end of the year.

The Radiolinja subscriptions reported here include only the active subscriptions that generate invoicing. The number no longer includes the passive transfer subscriptions or the reserve subscriptions tied to the cancelled L Shares, among others. Accordingly, the number of active subscriptions in Radiolinja's network in Finland amounted to 1,246,000 at year-end. The corresponding figure for 1999 was 1,069,000.

The consolidated income statement of Elisa Kommunikation GmbH showed a revenue of EUR 17 million. The aggregate revenue of Elisa Kommunikation Group's subsidiaries and associated companies amounted to EUR 106 million in 2000.

Comptel's revenue was EUR 60 million (EURm 39), an increase of 54.5 per cent on the previous year. A significant share of the company's revenue consisted of license fees. More than 67 per cent of Comptel's revenue was generated by exports.

Mäkitorppa Group's revenue increased by 14.3 per cent on the previous year to stand at EUR 93 million (EURm 82).

Datatie's revenue grew by 83.4 per cent on the previous year, amounting to EUR 110 million (EURm 60). A significant share of the increase in revenue was due to the transfer of data business from the parent company to Datatie.

Heltel's revenue was down by 4.6 per cent at EUR 36 million. FINNETCom's revenue was EUR 17 million, an increase of 33 per cent on the previous year. EPStar's revenue for the latter half of the year 2000 amounted to EUR 2 million.

Performance

The Group's operating profit (EBIT) was EUR 149 million (EURm 217), a decrease of 31 per cent on the previous year.

Owing to significant one-off items, the group companies' EBIT figures in the 2000 and 1999 financial statements are not comparable. These one-off items include the sales profit from Comptel Plc shares, the intra-Group sales of the GSM network, the German write-downs and certain other sales profits from real estate and share trade, among others.

EBIT (EUR million)

	2000	1999
Elisa Communications Group	149	217
Parent company	188	150
Radiolinja Group*	4	66
Mäkitorppa Group*	-4	-14
Comptel Plc*	22	13
Oy Datatie Ab	7	6
Oy Heltel Ab	3	3
FINNETCom Oy	-0	-1
EPStar Oy	-0	
Elisa Kommunikation GmbH*	-26	

*)figures of sub-group financial statements

The parent company's EBIT includes a EUR 101 million sales profit from the sales of the GSM network and approximately EUR 70 million in sales profits from the sales of shares and real estate. A EUR 5 million depreciation in value for an obsolete network reduced the parent company's EBIT.

Radiolinja's financial development was affected by the long-term leases of mobile networks from Elisa Communications Corporation and local telcos in 1990-1999, the renting expenses of which focused on the latter part of the term of lease.

During the financial year under review, Radiolinja used EUR 155 million to buy part of the network it had leased earlier mainly from the parent company in an intra-group deal. EUR 103 million, i.e. that part of the sales price exceeding the network's balance sheet value after planned depreciation, was entered under expenses in Radiolinja's 2000 financial statements.

Globalstar Northern Europe Oy, Radiolinja's subsidiary, entered a total of EUR 12 million under one-off expenses. These expenses, which decreased the Group's result, were mostly related to the difficulties of the global satellite business.

After the deal in 2000, Radiolinja's rental liability is expected to be approximately EUR 160 million more than the network's balance sheet value after planned depreciation. Part of the difference is due to the interest included in the rental liability and the other part to the retroactive payment of the rent. The market interest rate at the time of the making of the agreements clearly exceeded the current market interest rate. This difference will affect the Group's and Radiolinja's result in the following year in the form of renting expense or, should Radiolinja buy the networks, one-off expense in the year of the purchase.

Elisa Kommunikation GmbH Group's 2000 loss amounted to EUR 26 million and result for the financial year EUR -67 million, including EUR 35 million in depreciation on the consolidated goodwill and other one-off items. The majority of Elisa Kommunikation group companies were founded in 1998-2000. The companies are only just at the initiation and investment phase, due to which the unfavorable result was expected even though the financial loss was somewhat bigger than estimated.

The Group's share of profits of associated companies was EUR 33 million at loss (EURm 3). The associated companies in Germany generated a loss of EUR 42 million, of which the share of one-off expenses was EUR 27 million. The associated companies' non-depreciated consolidated goodwill amounted to EUR 49 million at year-end.

In the consolidated financial statements and deviating from the previous practice, the share of profits of associated companies was entered under financial income and expenses. The comparable figures for the previous year were adjusted correspondingly.

The biggest associated companies are Soon Communications Plc (former Tampereen Puhelin Plc), KSP Group Plc, Joensuu Puhelin Oy, Lounais-Suomen Puhelin Oy, Finnet International Ltd, Finnet Nine Ltd, and the city carriers in the Elisa Kommunikation GmbH Group in Germany.

The Group's revenue and result were affected by the increase in depreciation on the consolidated goodwill due to the share acquisitions in Radiolinja and other subsidiaries. The share acquisitions in 2000 increased the consolidated goodwill of the subsidiaries to EUR 533 million (EURm 192), of which EUR 36 million (EURm 17) was depreciated during the period under review. Additionally, EUR 8 million of the consolidated goodwill of the German companies was entered under expenses as depreciation.

The Group's depreciation on fixed assets amounted to EUR 167 million (EURm 171), including EUR 17 million in one-off value

adjustments. The value adjustments were mainly directed to Globalstar Northern Europe's fixed assets.

The Group's net financial expenses amounted to EUR 22 million (EURm 10). The increase in financial expenses was largely due to the credits raised for the share acquisitions.

The Group's profit after taxes and minority interests was EUR 22 million (EURm 86). The Group's earnings per share (EPS) stood at EUR 0.18 (EUR 1.11) and the shareholders' equity per share at EUR 5.29 (EUR 5.47).

Owing to the merger, a merger profit of EUR 367 million, entered under extraordinary income and eliminated in the Group, was recognized as income in the Group's parent company Elisa Communications Corporation. In addition, the company's share capital was increased by EUR 20 million. In the parent company, the balance sheet value of Elisa Kommunikation GmbH parent company's shares was decreased by EUR 35 million.

The minority interest set apart for the outside shareholders of Helsinki Telephone Corporation from the shareholders' equity was removed in the Group owing to the merger. In the merger, the share capital was raised by EUR 20 million and EUR 211 million was entered in the premium fund. EUR 73 million of the minority interest was directed to cover the consolidated goodwill. The consolidated result is calculated based on consolidation of the merged companies financial operations since the beginning of 2000. Resulting from this, a minority interest has not been set apart from the Helsinki Telephone Group's result for the period preceding the merger.

The Helsinki Telephone Corporation share issue related to the acquisition of Radiolinja shares generated a consolidated reserve of EUR 117 million, which was, according to earlier practice, used to reduce the consolidated goodwill. The depreciation on consolidated goodwill will be based on goodwill reduced by the consolidated reserve.

Investments

Gross fixed asset investments by group companies amounted to EUR 252 million (EURm 222) and EUR 726 million (EURm 285) was spent on share acquisitions.

Investments in Elisa Kommunikation GmbH were EUR 160 million at the end of the period under review. Elisa Kommunikation GmbH used the assets on strategic company acquisitions and on funding the business and investments of the companies acquired. The goodwill of subsidiaries and associated companies included in the Elisa

Kommunikation GmbH consolidated balance sheet amounted to EUR 40 million at year-end.

During the year 2000, Radiolinja started building new premises in Keilalahti, Espoo. The premises will be taken in use in summer 2001. The total investment amounted to over EUR 50 million, of which EUR 31 million was directed to year 2000.

The Group's company and share acquisitions mainly consisted of Oy Radiolinja Ab, Oy Datatie Ab, the German city carriers', KSP Group Plc and Joensuun Puhelin Oy shares.

In the parent company, a total of EUR 104 million was invested in fixed assets and EUR 276 million in Radiolinja. Radiolinja's investments included a EUR 155 intra-group acquisition of a GSM network.

Financial position

On December 31, 2000, the Group's interest-bearing liabilities amounted to EUR 701 million (EURm 370), of which EUR 451 million (EURm 273) was long-term debt. The Group's equity ratio was 40.3 per cent (52.8%) and gearing ratio 97 per cent (17%).

In November 2000, the Group acquired credit ratings that facilitate the continuation of the expansion of the Group's financial basis began in 1999. Standard & Poor's gave Elisa Communications A- long-term credit rating (Stable Outlook) and Moody's Investor Services assigned the rating A3 (Stable Outlook). The Group aspires to diversify its funding with new financial instruments and investor groups and to expand the geographical distribution of the investors.

The Group established a new domestic EUR 335 million medium-term note programme in 1999, under which four bonds have been issued for a total sum of EUR 229 million. In August, the Group established another new domestic EUR 200 million medium-term note programme, under which a bond for EUR 100 million was issued.

In December, the Group established a EUR 1 billion Euro Medium Term Note Programme. The Programme is directed to domestic and international investors. Under the Programme the Company can issue Notes denominated in different currencies and maturities.

The Group's liquid assets and investments stood at EUR 33 million at year-end. In addition, the Group had EUR 90 million in unused binding long-term credit limits at the time of the closing of the accounts. At the end of the year, the Group had EUR 34 million in unused short-term non-binding credit limits.

The current financial programmes: A binding syndicated credit arrangement for EUR 170 million, of which EUR 80 million was in use by December 31, 2000. The arrangement matures in November 2003. A domestic commercial paper programme for EUR 100 million, of which EUR 66 million was in use by December 31, 2000.

Share

The A Share of Elisa Communications Corporation closed at EUR 22.93 on December 29, 2000. The highest quotation of the year 2000 was EUR 58.00 and the lowest EUR 21.00. The average rate was EUR 38.28. At the end of the financial year, Elisa Communications Corporation's market value was EUR 2,868 million. All in all 60,113,631 Company shares were traded on the Helsinki Exchanges for a total price of EUR 2,301 million during January 3 - December 29, 2000. The volume of trade covered 48 per cent of the total amount of the shares at the end of the financial period.

The Group complies with the Helsinki Exchanges Guidelines for Insiders, which was taken in use on March 8, 2000.

Personnel

The amount of personnel grew both in the parent company and the subsidiaries. During the period under review, the group companies employed an average of 6,161 (5,489) persons, of whom 3,739 worked for the parent company, 1,058 for Radiolinja, 429 for Mäkitorppa, 426 for Comptel and 509 for other subsidiaries.

At year-end, the Group's personnel amounted to 6,698 people. The Group will publish a separate employee review.

Changes in Group structure

The most important change in the Group structure was the merger of Helsinki Telephone Corporation and HPY Holding Corporation, which took effect on July 1, 2000. The project proceeded in line with the merger plan confirmed in the Extraordinary Meetings of both companies on September 27, 1999. After the merger, HPY Holding Corporation continued its business operations under the name Elisa Communications Corporation.

Furthermore, a number of strategic investments and organization arrangements were carried out within the Group, aiming to strengthen the Group's competitiveness, streamline corporate steering and enhance cost-efficiency.

Corporate changes in mobile business:

- During the spring and summer, Elisa Communications' holding in Oy Radiolinja Ab rose to almost 100 per cent. The increase in

ownership was due to the concluded deals and an issue of A Shares, the resolution of which was made in Radiolinja's shareholders' meeting.

- In April, the Annual General Meeting of Radiolinja decided to lower the par value of Radiolinja shares, to raise the share capital by means of an issue of A Shares and to combine Radiolinja's share series. The objective was to simplify Radiolinja's share structure and to obtain a conversion rate for the L and A Shares in order to create a single series. With reference to these arrangements, an Extraordinary Meeting of Radiolinja held in June decided to combine Series A and L Shares and introduce a related amendment to the Articles of Association.
- Mäkitorppa Group consolidated its distribution network in 2000. Its network comprising three retail chains (Mäkitorppa, Setele and Kama) consisted of a total of 121 own shops, 18 franchise outlets and 15 Shop-in-Shops. The chains' network of shops covers all large and medium-sized towns in Finland. Shop-in-Shops are located in smaller population centers.
- In autumn, Radiolinja established a subsidiary in Lithuania and announced its intention to establish a competence center there for mobile service development.
- In December, Radiolinja founded a subsidiary, Ecosite Oy, into which the whole antenna mast-related business will be centralized. With the new company, the aim is to improve the total utilization degree of antenna masts and the cost-efficiency of related operations.
- In December, Radiolinja sold its shares in Onbusiness Oy, the joint venture with Sanoma-WSOY, to Startel Oy.

Changes in Group structure regarding the fixed network business:

- In February, Datatie became a 100% subsidiary of Elisa Communications. The Group's parent company assigned all its data operations to Datatie as of March.
- Owing to the share acquisitions concluded in June and August, the Group's holding in KSP Group Plc rose to over 20 per cent, whereupon KSP Group Plc became a Group associate.
- Joensuu Puhelin Oy became an associated company in August, when the Group's stake of the company's shares rose to 20.8 per cent.
- In May, Elisa Communications increased its ownership in FINNETCom shares from 51 to 100 per cent

- In December, the Group acquired the IN operations of Finnet Nine Ltd. In the same connection, the Group agreed to surrender its ownership in Finnet Nine.

International business and changes in Group structure:

- During the fiscal period, Elisa Kommunikation GmbH acquired the total share capital of Frankfurt-based TIME start-up management GmbH. In June, Elisa Kommunikation became a leading shareholder and partner in Tropolys GmbH, a company operating in Nordrhein-Westfalen. Elisa Kommunikation acquired Saarbrücken-based Pulsaar GmbH in July, and Thuringia-based Enco Telecom GmbH in December. By the end of the year, a total of 22 city carriers, which are the company's subsidiaries and associated companies, belonged to the Elisa Kommunikation cluster.
- In June, Elisa Kommunikation GmbH acquired the entire share capital of Drillisch Festnetz GmbH. In December, this long-distance operator changed its name to ElisaNet GmbH.
- Mäkitorppa GmbH, which previously belonged to Mäkitorppa Group, was transferred under Elisa Kommunikation GmbH's ownership. Its outlets are now franchises to Mäkitorppa Group. During 2000, Mäkitorppa GmbH opened 31 new shops in Germany. The total number of the shops in Germany was 40 by the end of the year.

Other changes and arrangements relating to the Group structure:

- In August, the Group decided to outsource some of its support services. From the beginning of 2001, the personnel restaurants and real estate services were assigned to companies outside the Group. A corresponding arrangement was made in procurement and logistics services during January 2001.
- In October, the Group decided to incorporate its directory business. Direktia Oy began its operations at early 2001. The company's business includes printed directories, directory assistance and electronic directories.
- In November, the Group decided to incorporate its Kolumbus business. Kolumbus Oy started on January 1, 2001.
- Elisa Communications' holding in Comptel Plc decreased from 60.5 to 58.2 per cent when the company sold a total of 2.5 million of its Comptel shares in May.

- Comptel established subsidiaries in Malaysia and the USA. The company opened sales offices in Australia and China. A decision was made to open a sales office in Germany.
- Comptel's fully-owned subsidiary Comptel PASSAGE Oy began operations on January 1, 2001. The company focuses on providing third-party solutions for mobile operators, as well as for mobile and internet service providers. Comptel PASSAGE aims at the global market.
- Comptel Plc acquired a 51 per cent controlling interest in Probatas Oy, a Tampere-based company offering data processing and consulting services.
- In spring, the Group founded EPStar Oy, which offers telecommunications consultancy services and network planning. In June, Jaakko Pöyry Group Oyj became an associate to the company with a 30 per cent holding. In July, Elisa Communications purchased Oy Omnitele Ab's broadband-related consultancy operations to consolidate EPStar's know-how. As part of the deal, Elisa Communications sold the Oy Omnitele Ab shares in its ownership, i.e. 29 per cent of Omnitele's entire share capital.

Helsinki Telephone Corporation's increase in share capital

Pursuant to the authorization granted by the Annual General Meeting on April 8, 1999, the Board of Directors of Helsinki Telephone Corporation decided to waive the shareholders' pre-emptive rights and increase the share capital through a private placing. Allotting the shares to certain institutions was based on Helsinki Telephone's intention to acquire the Radiolinja A Shares held by the companies entitled to subscription of shares.

In a private placing a total of 2,542,268 new E Shares were subscribed for EUR 83.79 per share. The placing in total amounted to EUR 213,019,749.90.

Annual General Meeting on April 10, 2000 (HPY Holding Corporation)

On April 10, 2000, and in accordance with the Board of Directors' proposal, HPY Holding Corporation's Annual General Meeting decided to pay a dividend of FIM 1.20 per A Share. The record day of the dividend payment was April 13, 2000, and the dividend was paid to the shareholders' accounts from April 20, 2000. The Annual General Meeting approved the parent company's income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet, and discharged the members of the Board of Directors and the Supervisory Board and the Managing Director from liability for the year 1999.

As proposed by the Board of Directors, the Annual General Meeting decided to change the Company's business name to Elisa Communications Oyj, Elisa Communications Abp in Swedish, and Elisa Communications Corporation in English. The related amendment in the Articles of Associations was entered into force and registered after the merger of HPY Holding Corporation and Helsinki Telephone Corporation was registered.

No members of the Supervisory Board were due to expire by rotation, so all 59 members continued in their tasks. The members' term of office expired upon the merger of Helsinki Telephone Corporation and HPY Holding Corporation, on July 1, 2000, as, in accordance with the Articles of Association, the company no longer has a Supervisory Board from the said date.

SVH Pricewaterhouse Coopers Oy, authorized public accountants, Leo Laitinmäki (APA) and Lasse Lehti (AA) were appointed as the company's auditors until June 30, 2000. Seppo Tervo (APA) and Anneli Lindroos (APA) were appointed deputy auditors. From July 1, 2000, SVH Pricewaterhouse Coopers continued as the company's auditor, as well as auditor Leo Laitinmäki and deputy auditor Seppo Tervo.

In accordance with a proposal, the Annual General Meeting also passed a resolution to authorize the Board of Directors to decide, whether to raise the share capital through one or more rights issues, to issue one or more convertible bond loans and/or options so that in a rights issue or when issuing convertible bonds or options, a maximum of 16.5 million of the company's A Shares can be issued for subscription, and the company's share capital may be raised by no more than EUR 8.25 million. The authorization entered into force on the day of the merger of HPY Holding Corporation and Helsinki Telephone Corporation, i.e. on July 1, 2000.

Extraordinary Meeting on October 20, 2000 (Elisa Communications Corporation)

Elisa Communications Corporation's Extraordinary Meeting on October 20, 2000, decided on a bond loan arrangement for Elisa Group's personnel and on revoking the authorization to increase the share capital, and on granting a new authorization to increase share capital.

The bond loan was offered to the personnel of Elisa Communications Group and to Rahoituslinkki Oy, a wholly-owned subsidiary of Elisa Communications Corporation. The shareholders' pre-emptive right to subscription was disappplied, since the bond loan is intended to form a part of the Group's incentive and commitment program.

The amount of the bond loan with warrants is EUR 3,600,000. To the bond loan are attached 7,200,000 warrants, of which 3,600,000 are with letter A and 3,600,000 with letter B. The share subscription price of warrant A is the trade volume weighted average price of the A share at the Helsinki Exchanges between September 1 and November 30, 2000 plus 15 per cent, and of warrant B the trade volume weighted average price of the B share at the Helsinki Exchanges between January 1 and March 31, 2001 plus 15 per cent. The share subscription period for warrant A will start on May 2, 2002 and for warrant B on May 2, 2003 and the share subscription period for all warrants will end on October 31, 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 Extraordinary Meeting also decided to revoke the authorization the Board received at the Annual General Meeting on April 10, 2000, according to which the share capital could have been increased, for the part the authorization has not been applied to by the date of revocation.

The Extraordinary Meeting also decided to authorize the Board to decide, within one (1) year of the shareholders' meeting, whether to increase the share capital through one or more rights issues, to issue one (1) or more convertible bonds and/or options, so that in a rights issue or when issuing convertible bonds or options, a maximum of 25.0 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 12.5 million.

Research and development

In 2000, the Group invested heavily in research and development carried out in the Elisa Research Center, the strategic business units' technology, sector-specific and product units, plus group companies. At the corporate level, the research steering group coordinates the research and development. The expenses of R & D during the financial period were EUR 23 million (15).

The Group's R & D focus areas in 2000 were network technologies, new applications and business development. The core areas of the Research Center were, for example, IP multiservice networks, access and home networks, optical networks, as well as active and programmable networks, IT data security solutions (PKI), user interfaces and usability research.

A competence center subject to the Research Center was founded in Tampere and started its operations in September. The competence center utilizes the R & D resources of the whole Elisa Group. In May, a special R & D cooperation agreement was signed between

Elisa Communications Corporation, Soon Communications Plc and KSP Group Plc. In autumn, LOUNET Oy and Joensuun Puhelin Oy joined this cooperation.

The principal focus areas of the Tampere competence center are e.g. ubiquitous mobile communications (such as UbiComp), 3D virtual worlds, internet and mobile equipment and their user interfaces, plus the research of converging markets.

Comptel's R & D emphasis has been on further development of the present Comptel MDS mediator software family and creation of the new Comptel Chinchilla product.

Comptel joined the GSM Association, an organization owned by mobile operators. The membership is a splendid platform for Comptel to participate in solution development of future mobile networks.

During the review period, Comptel increased its emphasis on product development by e.g. opening a new product development center in Kuala Lumpur, Malaysia.

One of the principal projects of Radiolinja's technology center during 2000 has been the development of location-based services. A recent test with regard to this technology was carried out in the New Year's eve in Helsinki; whereabouts of the first-aid units of Finland's Red Cross could be located on the basis of their mobile phones. In October, Radiolinja and Nokia signed a cooperation agreement on the development and distribution of Nokia's mCatch location system.

In autumn 2000, a unit specialized in the future service development, GeeLab, was established within Radiolinja Group. GeeLab will steer the future service provisioning of other Radiolinja units.

Radiolinja and Siemens Osakeyhtiö's technology pilot testing 3G UMTS network technology and applications by Siemens was introduced in June 2000. Radiolinja's technology center has also participated in developing electronic payment systems.

Legal proceedings

The Finnish Competition Authority (FCA) has been investigating since 1996 complaints made by competitors on Elisa Communications abusing its dominant market position. The investigations are related to the pricing of subscriber and fixed connections and the allegations that the Company has tied the lease of subscriber and fixed connections to the purchase of other telecom services. The FCA has referred the matter to the Competition Council and proposed that, in compliance with the Act on Competition

Restrictions, it impose a penalty payment of FIM 30 million (EUR 5 million). The Telecommunications Administration Centre has also investigated the pricing of subscriber connections. The handling of the matter in the Supreme Administrative Court is still pending. Various authorities are currently conducting investigations and clarifications on the competition and telecommunications legislation with regard to the company.

On April 27, 2000, the FCA gave a resolution, according to which Elisa Communications has a competitive authority in Soon Communications Plc (former Tampere Telephone Plc), KSP Group Plc and Finnet International Ltd. According to the FCA, the commitments made by Elisa on retaining competition were sufficient and the arrangement was accepted.

The local court and the court of appeal have given decisions in the year 2000 to abandon a claim for damages by a member of Helsinki Telephone Association. She demanded that Elisa Communications return her investment in a Certificate that was cancelled due to unpaid telephone bills. With the assistance of the Consumer Ombudsman, the member has applied for leave to appeal to the Supreme Court.

In June, companies in Elisa Communications Group owned more than 98 per cent of all Oy Radiolinja Ab shares and votes. On June 15, 2000, Helsinki Telephone Corporation announced that it would be redeeming Oy Radiolinja Ab's shares from shareholders outside the Group at a purchase price of FIM 29,000 (EUR 4,877) per share in accordance with the Companies Act, Chapter 14, § 19. The make-up of the Court of Arbitration relating to the redemption was set on August 8, 2000. The arbitration proceedings will decide on the redemption right and price for Radiolinja's share.

Eleven of Oy Radiolinja Ab's shareholders have brought a joint action for annulment against Radiolinja concerning the decision to raise the share capital taken at the Annual General Meeting on April 3. Radiolinja does not regard the plaintiffs' demand as lawful and does not believe the action to have any effect on the company's actions.

Events taking place after December 31, 2000

In January 2001, the Finnish Competition Authority accepted Elisa Communications Corporation's authority in Lounais-Suomen Puhelin Oy, Liedon Puhelin, and through these companies, in LOUNET Oy as well.

An Extraordinary Meeting of KSP Group Plc, held on January 9, 2001, decided to decrease the share capital, after which the Elisa Group's holding in KSP Group rose to 24.1 per cent.

In February, LOUNET Oy's holding companies, Lounais-Suomen Puhelin Oy and Liedon Puhelin Oy decided to sell the majority of LOUNET Oy to Elisa. After the transaction, Elisa's holding in LOUNET Oy rose to 51 per cent. Elisa Communications Corporation and its subsidiary LOUNET Oy's communications center was opened in Turku.

Elisa Communications Corporation established a joint venture called Inforbis with Jaakko Pöyry Group to provide new kind of application outsourcing. Elisa Communications has a 30 per cent and Jaakko Pöyry Group a 70 per cent holding in the company. The target is to expand business to international markets, too.

On January 16, 2001, Elisa Communications Corporation issued a bond (EMTN) with a face value of EUR 300 million. With the bond, the company continues its policy to expand the financial basis. The proceeds from the bond will be used to replace short-term debt and for general corporate purposes.

In January, the Telecommunications Administration Centre (TAC) made a decision on access prices complied with by Elisa Communications Corporation. In its decision, TAC states that the access cost structures deployed by Elisa are not against stipulations. However, TAC commented on the calculation principles of production costs used in access pricing, and assumed that Elisa reprice the said tariffs. The Supreme Administrative Court and the Competitive Council are currently solving a similar interpretation. TAC also investigates the conformity of other telecommunications companies' access pricing.

In February, Elisa Communications Corporation and Riihimäen Puhelin Oy (RPO) made an agreement on combining their network and service operator businesses during 2001. An ownership arrangement, whereby RPO will become Elisa's subsidiary, is a prerequisite for combining the business operations.

In February, the President of the Republic of Finland granted Comptel Plc the 2000 Internationalization Award for successful export operations.

The arbitration board appointed by the Central Chamber of Commerce decided in a meeting held on February 8, 2001 that Elisa Communications Corporation has the right to redeem Oy Radiolinja Ab minority shares. According to the Companies Act, Elisa Communications Corporation shall be deemed the owner of the minority shares when it has offered a security accepted by the arbitration board, which Elisa Communications Corporation will do. After the security has been offered, the ownership of Elisa Communications Group in Oy Radiolinja Ab will be 100 per cent. The redemption price will be set in a ruling given by the arbitration board later.

Future prospects

The Group's revenue is expected to grow faster than the market in general. EBITDA without one-off items is estimated to improve, but the profit in 2001 is forecast to remain at the previous year's level.

It is forecast that the revenue from mobile operations will continue to grow in 2001, albeit the slowdown of market growth and intensifying competition will have an effect on the growth rate. Radiolinja's operative EBIT is expected to remain at the previous year's level. The share of value-added services of the revenue of mobile operations will increase. The GPRS network will be introduced as soon as terminals are available. GPRS is not estimated to have an impact on the development of the performance of mobile operations in 2001.

The German operations are expected to develop favorably. The accumulation of loss from the business will be at its highest during the first half of the year 2001. The loss generated in the 2H is estimated to be smaller than that of the 1H. Service business utilizing the Group's fixed network solutions, plus the expertise and product packages of Radiolinja, Kolumbus and Datatie, will be introduced in Germany during this year. The operations of Elisa Kommunikation GmbH are expected to turn out positive on the EBITDA level during 2002.

Comptel's revenue is expected to continue to grow faster than the market in general in 2001. Profitability is estimated to be good and clearly exceed the average in the sector.