



Elisa's mission statement

Elisa transmits experiences and information based on telecommunications services irrespective of time or place.

Elisa's core values

- ▶ Customer orientation
- ▶ Responsibility
- ▶ Innovation
- ▶ Profitability

Elisa's vision

By 2005, Elisa is the largest comprehensive provider of telecommunications-based services in Finland. Elisa owns a group of profitable and growing business units operating in chosen product and customer segments in the Baltic Rim. The group has global strength in its chosen strategic business areas.

Elisa Communications Corporation *Annual Report 2000*

Annual general meeting

The 2001 annual general meeting of Elisa Communications Corporation will be held at Helsinki Fair Centre, Messuaukio 1, Helsinki on Friday 20 April 2001 at 1pm.

Shareholders should notify of their intention to attend the meeting by 8pm Finnish time on Monday 16 April 2001, either in writing to Elisa Communications Corporation, Connection Services/Sö A 5104, PO Box 15, FIN-00061 ELISA, Finland, by telephoning +358 800 0 6242 or by faxing +358 10 26 22727.

Shareholders registered by 10 April 2001 in the company's share register kept by the Finnish Central Securities Depository (APK) are eligible to attend the meeting. Any owners of nominee registered shares wishing to attend the meeting and to exercise their votes may be temporarily registered in the share register. To arrange temporary registration, nominee registered shareholders should contact their assets manager in good time before 10 April 2001.

Dividend

The Board of Directors is to recommend to the annual general meeting that a dividend of EUR 0.07 per A Share be paid for 2000. The dividend approved by the annual general meeting will be paid to shareholders in the company's share register kept by the Finnish Central Securities Depository at the record date. The record date for the payment of dividend is 25 April 2001 and dividends are paid out from 3 May 2001.

Changes of name and address in the share register

Any changes of name and address should be notified to the book-entry securities register where the book-entry account is registered.

Financial information

Elisa Communications Corporation publishes its annual report in March and interim reports on 3 May 2001, 2 August 2001 and 31 October 2001. The annual and interim reports are published in Finnish, Swedish, English and German.

Annual and interim reports may be ordered from Elisa Communications Corporation, Corporate Communications, tel. +358 10 26 27371.

The annual report, interim reports, information about the annual general meeting and other investor information are also posted on Elisa Communications' Website under the heading "Investor Relations" at www.elisa.com.

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Elisa Communications transmits experiences and information irrespective of time or place. It is a leading provider of comprehensive telecommunications services, including wireless voice, data and internet services, in Finland. The group's network communication excellence and internet services range from e-mail to e-commerce.

In Finland, Elisa Communications operates both locally and nationally and is market leader in providing connections for high-speed data transmission.

The focus of the group's international activities is on the Baltic Rim, with an emphasis on Germany and the Baltics. In selected areas of excellence, the group's business is global.

Four business areas

The activities of the Elisa Communications Group are divided into four strategic business areas:

- ▶ *Personal Communications (PC), telecommunications services for private customers*
- ▶ *Mobile Communications (MC), telecommunications services based on mobile technology*
- ▶ *Business Solutions (BS), integrated telecommunications services for business customers*
- ▶ *Operator Network Services (ONS), the provision and sale of network services to operator customers.*

The business areas are further divided into business units. The activities of subsidiaries and associated companies are also located in different business areas.

Elisa Group

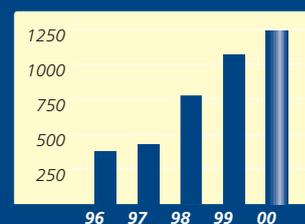
Elisa Communications Group comprises Elisa Communications Corporation and its subsidiaries, the most significant of which are Oy Radiolinja Ab, Mäkitorppa Yhtiöt Oy, Comptel Plc, Oy Datatie Ab, Oy Heltel Ab, FINNETCom Oy, EPStar Oy, Kolumbus Oy, Direktia Ltd, LOUNET Oy and Elisa Kommunikation GmbH.

Additionally, Elisa also has associated companies, the most significant of which are Finnet International Ltd and Arcus Software Oy.

Based on ownership arrangements, Elisa has partnership cooperation with Soon Communications, Joensuu Puhelin and KSP Group.

In the business review the group's business is divided into four parts: Mobile Services, Fixed Networks, Other

Group revenue, EUR million



Elisa Communications Corporation

Principal group companies			
Elisa Communications Corporation	Mäkitorppa Yhtiöt Oy	Oy Heltel Ab	Comptel Plc
Oy Datatie Ab	▶ Mäkitorppa Oy	FINNETCom Oy	Kolumbus Oy
Oy Radiolinja Ab	▶ Setele Oy	EPStar Oy	Direktia Ltd
▶ Radiolinja Eesti AS	▶ Kama (Kamastore Oy)	Elisa Kommunikation GmbH	LOUNET Oy
	▶ Mobinter Oy (Mäkitorppa OÜ)		
Principal associated companies			
Finnet International Ltd	Arcus Software Oy		
Partners			
Soon Communications Plc	Joensuun Puhelin Oy	KSP Group Plc	

Operations and German Operations. This move has been made in a bid to enhance the clarity and transparency of reporting and to make comparison easier with similar Finnish and international companies.

Mobile Services comprises the operator business of Radiolinja. The mobile distribution business is discussed under Other Operations.

Fixed Networks includes the business of the parent company Elisa Communications Corporation and the fixed network operations of subsidiary and associated companies. This includes the business of Datatie, FINNETCom, Kolumbus and Direktia as well as that of Finnish and international associates and partners.

Other Operations includes the business of Comptel, Mäkitorppa Yhtiöt, Heltel and EPStar.

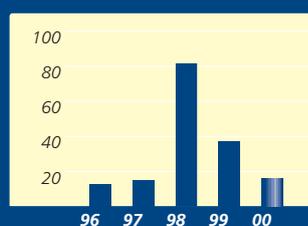
German Operations includes the business of Elisa Kommunikation GmbH.

Group R&D is discussed in a separate chapter.

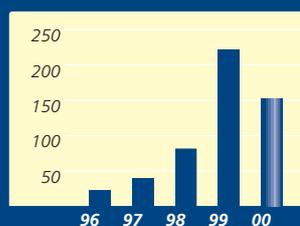
Key figures

	2000	1999	Change, %
Revenue, EUR million	1,244	1,068	16.5
EBITDA, EUR million	360	405	-11.0
Operating profit (EBIT), EUR million	149	217	-31.3
Profit before extraordinary items, EUR million	94	210	-55.5
Research and development, EUR million	23	15	53.3
Acquisition of shares, EUR million	726	285	154.7
Gross fixed asset investments, EUR million	262	222	18.0
Equity ratio, %	40	53	
Employees, average	6,161	5,489	12.2

Group revenue, change, %



Group operating profit, EUR million





Group

▶ **The merger of Helsinki Telephone Corporation with and into HPY Holding Corporation was registered in the Trade Register on 1 July. The decision of HPY Holding Corporation's general meeting to change the trading name to Elisa Communications Corporation entered into force on 3 July. Trading of Helsinki Telephone E Shares on the Helsinki Exchanges ceased on 30 June and the listing of Elisa Communications Corporation's A Shares began on 3 July.**

▶ Elisa Communications holding in Radiolinja shares rose to 98.5 per cent during the year. Radiolinja's A and L Shares were combined on 14 June into a single series of shares. On 15 June, Elisa initiated proceedings under the provisions of the Finnish Companies Act to redeem those Oy Radiolinja Ab shares that neither it nor its wholly-owned subsidiaries owned.

▶ **On 21 August, Elisa decided to outsource its support activities. Logistics services, staff restaurant business and property services were run by outside companies with effect from 1 January 2001.**

▶ On 25 August, Elisa resigned its membership of Finnet Association. Elisa is represented in communications interests through FiCom.

▶ **On 6 October, Yrityslinja expanded its operations from Uusimaa to the rest of Finland, opening offices in Lahti, Seinäjoki, Kuopio and Oulu and, together with LOUNET, in Turku.**

▶ On 20 October, Elisa's extraordinary general meeting decided to offer a bond with warrants to Elisa group employees.

▶ **On 21 November, Standard & Poor's gave Elisa's long-term loans an A- credit rating. Moody's gave them an A3 rating.**

▶ On 15 November, Elisa officially opened its communications competence centre in Tampere. Professor Pauli Kuosmanen DSc (Tech) was appointed director of the centre.

▶ **On 1 December, Elisa acquired Finnet Nine Ltd's IN production, at the same time undertaking to relinquish its interest in Finnet Nine.**

Subsidiaries and associates

▶ **On 3 February, Oy Datatie Ab became a wholly-owned company of the Elisa Group. Just under a week later the group transferred its entire data business to Datatie.**

▶ On 5 May, Elisa's interest in Comptel Plc dropped by 2.5 million shares. Group holdings fell from 60.5 per cent to 58.2 per cent.

▶ **On 17 May, Elisa's ownership in FINNETCom rose from 51 per cent to 100 per cent.**

▶ On 31 May, Elisa founded EPStar Oy to engage in telecommunications consultancy and network engineering. In mid-June, Jaakko Pöyry Group Oyj took a 30 per cent stake in the company. In July, Elisa acquired Oy Omnitele Ab's broadband operations, thus strengthening EPStar's expertise. As part of the transaction, Elisa sold its holding in Omnitele, i.e. 29 per cent of Omnitele shares.

▶ **On 16 June, Elisa Communications signed a letter of intent for a holding in Sofia Digital Oy, which designs and makes digital television and related software. Sofia Digital Oy has a raft of experience of digital TV interface software in Finland.**

▶ On 16 June, Elisa acquired 20 per cent of the capital stock of Datawell Oy, which produces software to support healthcare organisation management and smooth processes.

▶ **On 29 September, Radiolinja established a subsidiary in Lithuania and intends to establish a competence center there for mobile service development.**

▶ On 2 October, Elisa incorporated its directory business. Direktia Ltd began operations at the start of 2001. The company's products include printed directories, directory enquiries and e-directories.

▶ **On 20 November, Elisa decided to incorporate its Kolumbus business. Kolumbus Oy began trading on 1 January 2001.**

▶ On 4 December, Radiolinja set up a subsidiary Ecosite Oy to be responsible for building masts. The whole group's mast-related business will be centered into this new subsidiary, with the aim of improving overall mast use and cost-efficiency.

▶ **Comptel established subsidiaries in Malaysia and the USA. The company opened sales offices in Australia and China, and decided to set up 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.

▶ **On 25 April, Comptel Plc acquired a 51 per cent controlling interest in Probatas Oy, a Tampere-based company offering data processing and consulting services.**



Partners

- ▶ **On 21 March, Elisa subscribed 16.67 per cent of the shares in Liedon Puhelin Oy in a private placing. The Finnish Competition Authority approved the deal in late 2000.**
- ▶ On 30 March, LOUNET Oy and Elisa Communications founded a call center in Turku. The new centre is in response to the rapidly growing demand for call centre services and is a significant employer in the Turku district.
- ▶ **On 2 May, the Finnish Competition Authority approved deals in which Elisa had acquired a controlling interest in Soon Communications Plc, KSP Group Plc and Finnet International Ltd. According to the Finnish Competition Authority, Elisa had given adequate commitments to safeguard competition and approved the arrangement.**
- ▶ On 22 May, Elisa, Soon Communications and KSP Group Plc signed a cooperation agreement concerning telecommunications and technology R&D. LOUNET Oy and Joensuu Puhelin Oy signed later.
- ▶ **Deals taking place on 22 June and 1 August took Elisa's interest in KSP Group Plc to over 20 per cent, making KSP Group Plc an associated company of Elisa Group.**
- ▶ On 25 August, Joensuu Puhelin Oy became an associated company of Elisa when Elisa's share of the company's shares rose to 20.8 per cent.

German operations

- ▶ **The year under review saw Elisa's German subsidiary Elisa Kommunikation GmbH grow into Germany's leading city carrier group through the acquisition of the entire capital stock of TIME start-up management GmbH in deals taking place on 13 June and 27 November.**
- ▶ On 20 June, Elisa Kommunikation GmbH became the leading shareholder and partner in Tropolys GmbH, a company forming a strong city carrier alliance in the German state of North Rhine-Westphalia.
- ▶ **On 30 June, Elisa Kommunikation GmbH acquired the entire capital stock of Drillisch Festnetz GmbH, which is engaged in nationwide voice and internet business in its German trunk network. In December, the company's name was changed to ElisaNet GmbH.**
- ▶ On 11 July, Elisa Kommunikation GmbH acquired city carrier pulsaar GmbH.
- ▶ **On 11 December, Elisa Kommunikation GmbH acquired the**

entire capital stock of telecommunications company enco telecom GmbH.

Services

- ▶ **On 19 January, Radiolinja and Yahoo! began cooperation whereby Radiolinja's customers are initially offered content provisioned by Yahoo via WAP pages. Future cooperation will be intensified in applications connecting internet and the mobile world.**
- ▶ On 21 March, Elisa Communications announced a new telecommunications service to enable top-speed broadband wireless telecommunications services in public places. The solution is based on Nokia's wireless LAN technology.
- ▶ **On 11 April, Elisa announced its wireless ADSL and ISDN services, which came on sale in the summer.**
- ▶ On 28 April, net address 0100100.com was opened. This is Finland's most extensive internet and mobile directory service.
- ▶ **On 10 May, Kolumbus received information security certification in respect of customer service and service provisioning of switched network products.**
- ▶ On 15 May, Elisa launched its ISDN Nettitaksa service based on a fixed monthly charge.
- ▶ **On 4 September, Kolumbus opened Hotelli Kultakala, a chat service implemented in a unique way. Visitors can create a character for themselves and move about in public places chatting, playing or dancing with others.**
- ▶ On 12 October, Radiolinja and Nokia signed a cooperation agreement to develop and distribute the Nokia mCatch location-based system. mCatch enables local data-based services to be utilised in mobile internet networks.
- ▶ **On 13 November, Elisa and its partners disclosed their service portal for the graphics industry. The service will be launched in April 2001.**
- ▶ Elisa and Nokia are involved in the CATCH-2004 project funded by the European Commission. The project, which started on 15 November and will last for 2.5 years, aims at developing new methods in voice recognition technology and new internet technologies.
- ▶ **On 21 November, Elisa and Swedish energy company Sydkraft agreed on developing an operator independent broadband network in Sweden.**



Even though the much feared change of millennium failed to throw the world into IT chaos, the year 2000 will go down in history as a turning point. On stock exchanges around the world, shares in new media, IT and communications companies soared to incredible heights, compared to their actual business, only to plummet back down to earth.

Europe's promising progress as a leading-edge user of new technology sustained a serious setback when auctions for third generation mobile licences, particularly in the UK and Germany, took several operators to the brink of financial crisis. This gave way to higher risks for hardware manufacturers and banks. The EUR 141 billion paid for 3G licences in Europe will greatly affect the finances and performance of successful bidders for many years to come.

The Finnish Ministry of Transport and Communications strongly upholds the view that society should reap the overall benefits of technological advances without them being punitively taxed. This view will prove to be of vital importance for development of the information society.

Elisa Communications Corporation's business entered a new era during the year 2000. In line with the company's adopted customer-driven strategy, the telecommunications needs of Finland and the people who live there form the heart of Elisa's business activities. Alongside this, the group is building an international growth platform as a telecommunications operator in carefully chosen target countries. Additionally, the group is engaged in global business in niche sectors, through Comptel, for example.

We achieved good results in terms of revenue growth, market share and operative profitability in all our chosen areas.

Nevertheless, perhaps the most important events during the year were the start of the third era in the company's history, and a consolidation and expansion of our business platform. Our new group name consigns our remaining legal relics as an economic association to the history books. The architect and author of this change, Kurt Nordman, former Chairman of our Board of Directors, retired after some 30 years with the company.

In Finland, Elisa undertook the final measures to gain

"We achieved good results in terms of revenue growth, market share and operative profitability in all our chosen areas."

control of key business units. Today, both mobile operator Radiolinja and nationwide data transmitter Datatie are wholly-owned subsidiaries. This major financial investment gives the company full control of what will perhaps be its most important future business activities.

At the same time, Elisa intensified cooperation at home with partner operators. Elisa Group associates include Soon Communications (earlier Tampere Telephone), the KSP Group and Joensuun Puhelin. LOUNET is a new subsidiary. In early 2001, Riihimäen Puhelin also joined the Elisa cluster. We are well placed to succeed with customers in Finland.

The year under review witnessed a major turn in the group's international business. Subsidiaries Comptel and Radiolinja Eesti, two well-established companies, if one can use such a term in the dynamically changing communications industry, continued to grow strongly. Nevertheless, the group will need to arm itself more heavily to achieve long-term growth.

In this respect, Elisa has already set its sights on Germany, where the company's established business entered a new phase. From its role as a consultancy company charting the market and owner of a few city carriers, Elisa has moved into the German middleweight league. At year-end, the company had acquired interests in more than 20 local operators, bought a company having a modern nation-wide network based on fibre technology and built dynamically on Mäkitorppa's presence in the German market. In practice, Elisa is using the same operations model it has successfully applied in Finland. Good performance now calls for growth, a focused concept, consolidation and cost-effectiveness.

The mission facing us is a challenging one since German companies have very strong local ties and a German

management culture. Our German strategy aims at long-term cooperation with local partners, major revenue growth and at building on shareholder value.

As Elisa's president and CEO, I have been impressed by the dedication of employees throughout the group in purposefully building the company's third stage of business. In an environment shaped by fast, decisive changes, even the most difficult situations were dealt with through common understanding and hard work in a bid to achieve our objectives. Progress was made, even though we failed to achieve some of our objectives. Whilst heavy investments eroded our result, they nevertheless create a sound platform for the future and provide our people with a wealth of interesting opportunities.

Trying to predict the future in such a rapidly changing environment is a thankless task. The impacts of the changes taking place are both penetrating and partly unpredictable. Against the background of what we have achieved to date, our customers in Finland and progress made in building the information society, I believe the company's Finnish operations will continue to grow profitably. Likewise, our investments in tangibles and human resources in international activities give us entirely new opportunities for long-term growth and increased group value.

I would like to thank our customers, partners and employees for the past year. I look forward to further progress in the year ahead.

Matti Mattheiszen

President & CEO

Elisa Communications Corporation

The activities and management system of the Elisa Group are divided into four business areas. Alongside these are Elisa's business activities in Germany and Comptel Plc, a listed group company.

Group company Elisa Kommunikation GmbH, managed by Senior Executive Vice President and COO Jarmo Kalm, is responsible for business in Germany. At group level, Comptel Plc is the responsibility of President and CEO Matti Mattheiszen. The group's subsidiary and associated companies belong to different business areas.

Group strategic business areas

Our business areas are customer driven and support the growth and expansion of both existing and new activities in the domestic market and outside Finland.

Personal Communications, PC

Telecommunications services for private customers

The PC business area is responsible for the production, sales and marketing of fixed network subscriptions and voice services and for technical customer services to private customers.

PC is also responsible for public telephone services in the Helsinki region.

The business area also includes subsidiary Direktia Ltd, which is responsible for producing directory services for business and private customers.

PC employed 717 people as at 31 December 2000.

Mobile Communications, MC

Telecommunications services based on mobile technology

The MC business area covers mobile activities including

network operation and service operation activities. MC's principal functions are in subsidiaries.

MC comprises the businesses of Oy Radiolinja Ab and its subsidiary Radiolinja Eesti AS, plus that of Mäkitorppa Yhtiöt Oy.

MC is responsible for the sale of mobile phones and associated operator services and for the provision of maintenance, installation and periphery services.

Mäkitorppa Yhtiöt has three service chains in Finland: Mäkitorppa, Setele and Kama. International activities are handled by Mobinter (Mäkitorppa OÜ) and its subsidiaries in the Baltics and Elisa Kommunikation GmbH in Germany.

MC employed 1,513 people at 31 December 2000.

Business Solutions, BS

Integrated telecommunications services for business customers

The BS business area includes voice, data and Kolumbus services for business customers.

BS business area

▶ *acts as a partner in the development and implementa-*



Executives of strategic business areas:

*Jarmo Kalm (Senior Executive Vice President & COO, MC and German activities),
Pasi Lehmus (PC), Matti Carpén (BS) and Jukka Veteläsuo (ONS).*

tion of telecommunications solutions for major Finnish businesses and for organisations on a nationwide and partly global basis

- ▶ is responsible for the delivery and performance processes of customer solutions for large and business customers
- ▶ is responsible for cooperation with local Finnish operators through the group's partner companies Soon Communications Plc, Joensuun Puhelin Oy and the KSP Group Plc
- ▶ develops customer driven services and business activities based on new technology and the integration of new technologies in Finland and abroad.

Core products in the BS business area are data and voice solutions for companies, property and security products, and cable TV and video products. BS includes group companies Oy Datatie Ab, FINNETCom Oy, Kolumbus Oy, EPStar Oy and Oy Heltel Ab as well as the Yrityslinja unit, which provides telecommunications services for SMEs.

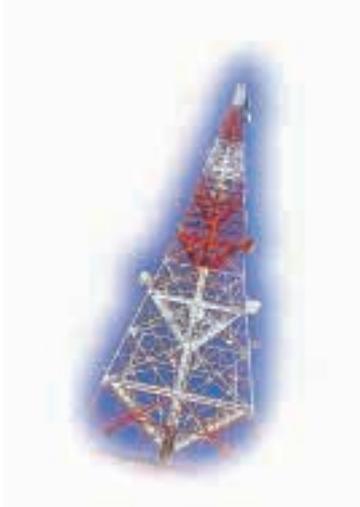
BS employed 1,822 people at 31 December 2000.

Operator Network Services, ONS
Provision and sale of network services to operator customers

ONS business area

- ▶ provides IP services for fixed and packet-switched telephone network to the group's other business units and to outside operators
- ▶ is responsible for providing transmission services to the group's other business units and to outside operator customers
- ▶ is responsible for planning, building and operating the transmission network and for building the trunk network
- ▶ is responsible for selling cable network capacity for the use of in-house and outside customers
- ▶ is responsible for building, renting and maintenance of telecom premises to other business units and outside operators.

ONS employed 952 people at 31 December 2000. ONS will be incorporated during 2001.



Estimates by Radiolinja put revenue from nationwide mobile communications services in Finland at EUR 1.7 billion during the year 2000 (EUR 1.5 billion in 1999). This represents a 16 per cent rise on the year. Radiolinja Group's revenue rose by 20 per cent, compared to 1999.

At year-end 2000, Radiolinja Group had 1,375,763 mobile subscribers (1,156,044). This figure includes all service providers operating in the parent company Oy Radiolinja Ab's network and subscribers to the Radiolinja Eesti AS network in Estonia.

Radiolinja Group's revenue for 2000 was EUR 614 million (EURm 511), which represents a growth of 20.2 per cent. The operative result soared by 77 per cent to EUR 120 million (EURm 68), equivalent to 20 per cent of revenue. After booking non-recurring expenses, the operating profit (EBIT) was EUR 4 million for the 2000 financial year.

Group profit before extraordinary items and taxes was EUR 2 million (EURm 62). The group's long-term creditors stood at EUR 71 million (EURm 79) at the balance sheet date. Equity ratio rose to 57 per cent (40%) and the balance sheet total was EUR 487 million (EURm 303). The gearing ratio fell sharply, down to 3.7 per cent (51.4%).

In spring 2000, Radiolinja announced its new business strategy and mission. Radiolinja's mission is to create and promote a wireless way of life, to build a "mobile society". In line with its mission, the development of value-

added services is equally as important as the traditional mobile phone business.

35 per cent of the mobile phone market

At year-end 2000, Oy Radiolinja Ab's network had 1,245,763 subscribers (1,069,044). This figure also includes the subscriptions of Radiolinja's other service operators.

Oy Radiolinja Ab had an approximately 35 per cent (34) share of the revenue generated by the mobile communications business of national operators. Radiolinja's share of all mobile subscriptions in Finland was 35 per cent (33%). In 2000, Oy Radiolinja Ab captured 44 per cent (48%) of the net increase in all national mobile subscriptions.

The parent company Oy Radiolinja Ab changed the way it books subscriptions. Only active subscriptions that are billed are included in the number of subscriptions. Radiolinja's network subscriptions include all the active subscriptions of Radiolinja's service operators.

The churn rate of Radiolinja's GSM subscriptions was 12.2 per cent (14.8%) a year during the period under review.

Oy Radiolinja Ab's networks carried a total of 1,772 million call minutes (1,466) in 2000. Average monthly use per subscription was 127 minutes (125). Over 343 million text messages (254 million) were sent in the Radiolinja network during the year. This translates into an average of 24 text messages (22) a month per Radiolinja subscription. During December 2000, 66 per cent of Radiolinja subscribers used text message services and 22 per cent content services.

Monthly revenue per subscription (ARPU) remained more or less unchanged at EUR 42.2 (EUR 42.1). Value-added services accounted for 11 per cent (9%) of revenue.

Leased network financing eroded result

Between 1990 and 1999, Radiolinja had leased most of the mobile network it uses from telephone companies. Under the terms of the long-term agreements, lease payments are weighted towards the final years of the agreement period.

In 2000, the company purchased some of the network it leases for a sum of around EUR 155 million, largely from the parent company, in an intragroup deal. An expense of about EUR 103 million, the amount of the price that exceeds the balance sheet value of the network after depreciation according to plan, has been booked in the financial statements for the financial year ending 31 December 2000.

After this deal, the remaining leasing liability of the agreements is estimated to be some EUR 160 million greater than the balance sheet value of the network less depreciation according to plan. This difference can partly be explained by interest and partly by the weighting nature of the leasing payments. At the time the agreements were concluded, market interest rates were signifi-

cantly higher than they are today. The difference will have an adverse impact on the result during future years, either in the form of a rent expense or, if Radiolinja buys the networks, as a non-recurring expense in the year it acquires them.

Additionally, the remaining EUR 2 million leasing liability on switching hardware withdrawn from use was booked as a expense and provision for liabilities and expenses during the financial year.

Group EBIT was affected by the difficulties in the satellite business of subsidiary Globalstar Northern Europe Ltd, which resulted in non-recurring amended expenses of some EUR 12 million.

Improved sales network

Radiolinja built on its network of sales outlets. Spring 2000 saw Mäkitorppa Yhtiöt Oy buy two retail chains. These consolidate Mäkitorppa's position as part of the Radiolinja distribution chain.

Autumn 2000 saw Radiolinja strengthen its own regional sales organisation. Sales units focusing on business customer sales are located in Helsinki, Oulu, Kuopio, Tampere and Turku.

At the turn of the year, Radiolinja was represented by almost 1,000 outlets in Finland.

Elisa Communications Corporation purchased Radiolinja shares from other telephone companies during the year. This meant termination of the business agreement between Radiolinja and local telcos. The change gave Radiolinja excellent potential to competitively build its own network infrastructure.

In April 2000, Elisa Communications Corporation's ownership of Radiolinja rose to more than 90 per cent. Accordingly, on 15 June, Elisa presented a claim to redeem the Radiolinja shares it did not yet own.



The agreement concluded with Telia in December 1999 allowing Telia to use Radiolinja's GSM network continued. Radiolinja's mobile network enables Telia to offer its customers nationwide services.

Investments

Total investments by Oy Radiolinja Ab amounted to EUR 235 million (EURm 86) during the year 2000. Investments by the Radiolinja Group totaled EUR 277 million (EURm 98). The main investment involved a deal during the spring, when Radiolinja purchased part of the Radiolinja network owned by Elisa Communications Corporation. Smaller network deals were made with other telcos.

In 2000, work started on construction of Radiolinja's office block at Keilalahti in Espoo, some few kilometers from Helsinki. The building is scheduled for completion in summer 2001 at a total cost of more than EUR 50 million.

Infrastructure gearing up for 3G

The year 2000 saw upgrades to Radiolinja's network of base stations to enable them to offer high-speed GPRS (General Packet Radio Services). It was decided to postpone the launch of these services until later in 2001, when suitable terminals are more widely available to consumers.

Radiolinja was one of the four mobile operators in Finland to be awarded a UMTS (Universal Mobile Telecommunications System) license. Services based on the UMTS network will be rolled out in 2002.

In 2000, Radiolinja concluded 41 new roaming agreements. Radiolinja subscribers can now use their mobile phones in the mobile networks of no less than 201 operators in 101 different countries.

Subscribers moving outside the mobile network can

make Globalstar satellite calls from a dual function handset. This facility is a basic feature of Radiolinja subscriptions.

Developments in services and technology

Radiolinja stepped up the provision of value-added services alongside traditional mobile operations. An example of the new range of innovative services available is Radiolinja's mobile portal. This service concept integrates Web sites, text messages and value-added services.

Spring 2000 saw the launch of DJ Esko, a service package utilising a new type of SIM card technology to bring a WAP-type menu and services to GSM handsets. The package includes a personal internet subscription and value-added services.

On the technology development front, the focus was on building GPRS networks and services, the development of positioning and local information services, and electronic payment applications. Basic planning work for the UMTS network and pilot projects got under way during 2000.

Radiolinja invested some EUR 8 million in product development during 2000.

September 2000 saw the setting up of GeeLab, the Radiolinja Group's specialist future service development unit.

Subsidiary and associated companies

The 2000 revenue of Radiolinja's Estonian subsidiary, mobile operator Radiolinja Eesti AS, rose by around 57 per cent on the year to EUR 25 million (EURm 16).

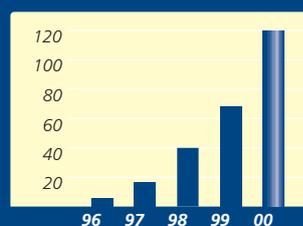
At year-end, Radiolinja Eesti had 130,000 subscribers (87,000), up by 49 per cent on the figure a year earlier.

The Estonian mobile market continues to grow. Mobile penetration is now 38 per cent and 98 per cent of Estonians live within Radiolinja Eesti's coverage area.

Radiolinja Group's revenue, EUR million



Radiolinja Group's operative result, EUR million



In November, Radiolinja established a subsidiary in Lithuania, UAB Radiolinja and announced it was to set up a competence centre to develop mobile services at Kaunas in Lithuania.

Apart from companies in Estonia and Lithuania, Radiolinja also has a Latvian subsidiary. To date, SIA Radiolinja Latvija has been dormant.

Radiolinja's subsidiary Globalstar Northern Europe Oy had exclusive rights to offer Globalstar satellite call services in the Nordic countries and in the Baltics.

In December 2000, Radiolinja set up a new subsidiary, Ecosite Oy, to be responsible for Radiolinja and the entire Elisa Communications Group's mast business. Radiolinja made this move in a bid to improve the overall mast utilisation rate and operational cost-efficiency.

In December, Radiolinja sold its shares in Onbusiness Oy to Startel. Onbusiness was a joint venture between Sanoma-WSOY and Radiolinja.

In March 2000, Radiolinja established a subsidiary, Kiinteistö Oy Espoon Keilasatama 5, which is building and owns Radiolinja's new office premises. The property company established a parking facility company together with KOy Konebuilding in January 2001.

Employees and organisation

At year-end 2000, Radiolinja Group employed 1,236 people (998), with an average of 1,058 people (862) employed during the year.

Radiolinja took many more employees aboard during 2000. Most of these people joined the company during the autumn, when the new organisation came into effect.

General meetings of shareholders

Radiolinja's annual general meeting on 3 April 2000 approved a proposal by the Board of Directors to decrease



Radiolinja's DJ Esko 1.0 service package offers an internet connection and various WAP-type services.

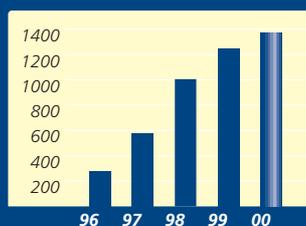
the nominal value of shares, to increase the share capital through an issue of A Shares and to combine the series of shares. The arrangement seeks to simplify Radiolinja's share structure, to finance network infrastructure deals through a share offering and to achieve parity in the rate of exchange between L and A Shares to achieve one series of shares.

An extraordinary general meeting on 14 June 2000 decided to combine Radiolinja's A and L shares and to amend the Articles of Association accordingly.

Subsequent to the merger of Radiolinja A and L Shares, companies forming part of the Elisa Communications Group owned more than 98 per cent of all Oy Radiolinja Ab shares and votes. Pursuant to Chapter 14, Section 19 of the Finnish Companies Act, on 15 June 2000, Elisa Communications Corporation announced it would redeem all Oy Radiolinja Ab shares not owned by the group at a price of FIM 29,000 (EUR 4,877) per share. The related arbitration proceedings to fix the redemption price of Radiolinja shares began on 20 June 2000. The composition of the court of arbitration was determined on 8 August 2000.

Eleven Radiolinja shareholders filed an action for annulment against Radiolinja in respect of the decision made

Growth in Radiolinja mobile subscriptions, 1000 pcs





Based on the film, X-Men is a mobile phone game developed by Radiolinja and Riot Entertainment in association with the film company. The game can be played on both GSM and WAP phones.

by the annual general meeting of 3 April 2000 to increase Radiolinja's share capital. Radiolinja does not consider the plaintiffs' claim legal, nor does it believe the action will have any impact on the company's business.

Events taking place after 31 December 2000

On 8 February 2001, the court of arbitration appointed by the Central Chamber of Commerce noted that Elisa Communications Corporation is entitled to redeem the minority shares in Oy Radiolinja Ab. Under the Companies Act, Elisa Communications Corporation is deemed as being owner of the minority shares when it has given security approved by the court of arbitration. Elisa Communications Corporation gave the security on 27 February 2001. After having given the required security, Elisa Communications Group fully owns Oy Radiolinja Ab. The redemption price of the shares will be given later in an arbitration award.

On 13 February 2001, Radiolinja and Elsacom of Italy signed a letter of intent to agree on the terms under which Radiolinja would sell its interest in Globalstar Northern Europe Oy to Elsacom. Globalstar Northern Europe Oy sells Globalstar satellite call services in the Nordic states and in the Baltics.

Future prospects

The mobile communications industry continued to grow during 2000. Finland's high mobile penetration rate (73 subscriptions per 100 inhabitants) is now beginning to be

reflected in slowing sales of subscriptions. This is somewhat offset by the growing numbers of mobile calls being made and use of value-added services, so that average revenue per subscription (ARPU) is expected to rise somewhat.

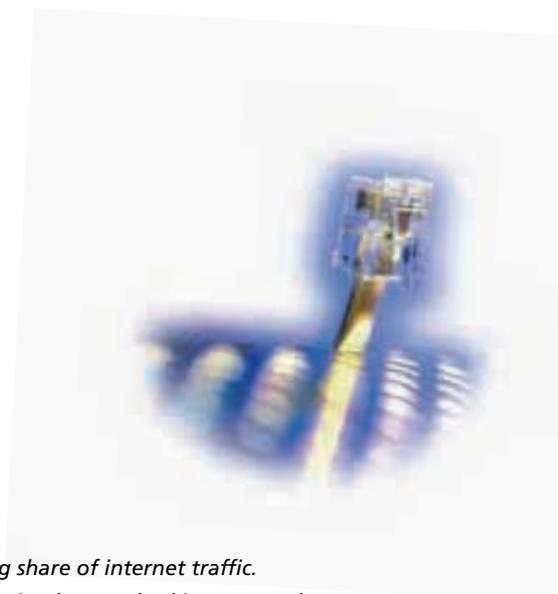
Sales of subscriptions in Estonia continue to enjoy dynamic growth. Use of value-added services has also begun encouragingly. Radiolinja seeks to expand its business into the mobile communication markets in the other Baltic states as well. Radiolinja will work with Elisa Kommunikation GmbH in a bid to create a platform for service operations in Germany, too.

Competition in the Finnish mobile communications market is growing fiercer, with new players still entering the market.

Radiolinja Group revenue is expected to remain on the growth track during 2001, even though slower growth and tougher competition can change the situation. More efficient operations will improve the expenditure structure. Conversely expenses are set to rise on the year because payments for access rights to leased networks are weighted towards the final years of the agreement period.

Operative performance is expected to be similar to that of 2000. In the short-term, any purchases of the network and their related writedowns will weaken the result. Despite future investments, Radiolinja's financial situation is expected to remain good.

Fixed Networks includes the activities of the group's parent company Elisa Communications Corporation, with the exception of corporate staff and R&D, and the activities of subsidiary and associated companies that are closely linked to the fixed network operations.



Under Elisa Group's business areas, PC, BS and ONS activities are primarily viewed as fixed network operations, in other words telecommunications services for private customers, integrated telecommunications services for business customers and the provision and sale of network services to operator customers.

Elisa's fixed network business is naturally centred on the Helsinki Metropolitan Area, which is home to a fifth of Finland's population and where some four fifths of the country's 100 largest companies have their head office. Most government administration centres are located in the area along with major research bodies, educational and commercial institutions. Our activities in the Helsinki Metropolitan Area are also a platform for the group's business nationwide.

Revenue of the Elisa Communications Group rose much faster than that of the industry as a whole during the year 2000. Nevertheless, the general changes taking place within the industry are also reflected in the group's business activities and financial indicators.

Although the number of calls has fallen in the fixed network, the number of call minutes has continued to

rise because of the growing share of internet traffic.

Greater mobile penetration has resulted in more and more voice traffic being carried in mobile networks. The spread of mobile and internet services began to be reflected in fixed network traffic in terms of changes in both call length and the number of calls made at different times of the day.

Growth driven by internet and broadband subscriptions

The number of lines in active use in Elisa's fixed network in the Helsinki Metropolitan Area remained largely unchanged and stood at 742,968 at year-end. The dynamic growth in broadband (ISDN, ADSL) subscriptions offset the fall in the demand for traditional ones.

Demand for ISDN subscriptions remained high throughout the year, taking the total number of connections at year-end to 212,114, a rise of 24 per cent. There were around 4,700 ADSL subscriptions at the end of the year.

Subscription sales received a boost in the autumn with considerable price cuts in non-recurring and monthly fees. Elisa will also provide ADSL subscriptions to other areas





Elisa presented its networked home applications in the Villa 2000 building at the Tuusula Housing Fair. Residents of a smart home can control electricity and water consumption and adjust room temperature from their home terminal.

in Finland in 2001. These new areas will be chosen on the basis of market potential and existing distribution channels.

Subscription and call pricing was revised from the beginning of July. At the same time, Elisa also introduced a fixed price ISDN based Nettitaksa internet service valid at weekends and in the evenings.

Broadband subscriptions increased use of the fixed network and thus customer-specific billing.

Telecommunications legislation has a major effect on Elisa's fixed network business. Under the Telecommunications Market Act, Elisa has significant market power status in this business and a dominant market position as defined by competition legislation. This subjects Elisa to a policy of cost-related pricing both in the prices to customers of Elisa subscriptions and calls and in pricing between operators (subscriber connections and roaming). Only the provision of telecommunications services to the large customer market (customers with at least one 2 Mbit/s connection) is outside this regulation, because competition in this particular market sector is deemed to be working well.

Official regulations aim at ensuring that local network components are transmitted from a fixed network operator to its own service operator on similar terms to their sale to outside service operators and are thus non-discriminatory.

National integrator

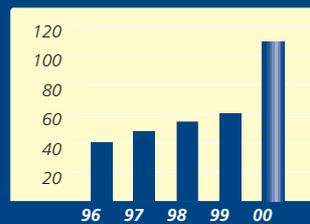
Elisa already provides business telecommunications throughout Finland and will continue to be an integrator of IT service applications. The company's innovative solutions are based on Elisa's outstanding excellence in both fixed network and mobile services alike.

Application services, which Elisa provides in association with its partners, increasingly complement this concept. We have implemented leading-edge turnkey solutions in cooperation with IT companies such as IBM and Compaq.

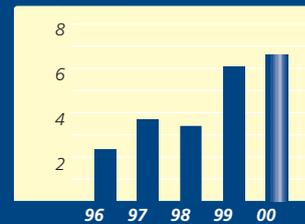
Major commercial events taking place during the year under review included an extensive voice service agreement with Nokia and follow-up agreements for service concepts in the finance industry.

The Elisa Group was actively involved in development projects and processes launched in various industries. This

Datatie's revenue, EUR million



Datatie's result before extraordinary items, EUR million



provides Elisa with a deep insight into its customers' businesses, an invaluable asset in implementing innovative leading-edge solutions.

Last year, Elisa consolidated its expertise in the healthcare sector through the acquisition of a 20 per cent interest in Datawell Oy, a company providing application services in healthcare and a market leader and forerunner in its field.

June saw an associate agreement with Sofia Digital Oy, which engineers and implements software primarily for digital television. This holding consolidates the group's digital TV business strategy, which aims to offer media companies and other digital TV players a comprehensive suite of solutions linking telecommunications and software.

New solutions

Besides individual new solutions, Elisa particularly offered companies tailored solutions utilising the company's extensive product suite. SMEs in particular greatly appreciate Elisa's active commitment to developing tailored service solutions.

All customer groups are extremely interested in solutions to link wireless and fixed networks. Late last year, Radiolinja's Kotilinja (home line) was extended to cover a subscriber's home phone and up to eight mobile phones. Kotilinja calls are synonymous with low cost and simple numbering.

Solutions based on wireless local area networks (WLAN) were largely implemented for use within companies. There was also growing demand for WLAN technology as a network solution for the home and, on a pilot basis, in the public sector.

Customers also considered an ability to deliver as part of a successful service solution. We managed to keep

both installation and service times at a good level.

Elisa Yrityslinja (Business Line) is a sales unit providing comprehensive telecommunications services to SMEs. Elisa Yrityslinja works in cooperation with other units and companies within the Elisa Group and with Elisa's partners. In 2001, Yrityslinja aims at opening between five and seven new service points. It seeks a 20 per cent share of the SME telecommunications market in its new areas by 2005.

In May, Elisa stores in the Helsinki region were re-named Elisa Shopits. This store concept aims at being a comprehensive telecommunications store serving a wide range of customers.

Oy Datatie Ab

Datatie became a wholly-owned subsidiary of Elisa at the beginning of 2000.

Datatie is responsible for developing and providing the Elisa Group's national data transmission solutions for companies. The core of Datatie's operations are corporate data transmission and LAN services and, to an increasing extent, the implementation of related services such as data security and telecommuting solutions.

Datatie's revenue during the year under review was around EUR 110 million (EURm 60), up by 83.4 per cent on the figure for the previous year.

As a national operator, Datatie provides network capacity to Elisa Group companies such as Radiolinja, and other operators. The company has built an effective nationwide retailer network.

Datatie's innovative LanPlus service was a major step forward in the management of customers' in-house data networks. Other major services developed during the year 2000 were the VPN telecommuting service, a video surveillance service and the ASP service in the graphics industry.



Advances in telecommunications and increased corporate networking create a sound platform for Datatie's business. Datatie is continuing to develop its basic network. A new IP-based service network combined with open internet opportunities will give rise to new dimensions and services in corporate networks.

Data security, property security services and ASP solutions were major focus areas during the year, as was wireless access to corporate networks and new protocols such as WAP.

Datatie's sales and delivery network is enjoying considerable growth in coverage and efficiency. Internationalisation of the Elisa Group will pave the way for interesting growth potential for Datatie, too. Datatie seeks to profile itself as a safe, efficient supplier of business network services and to build on its market share.

Datatie employed 268 people at the end of 2000.

Kolumbus Oy

Kolumbus was incorporated at the beginning of 2001. Kolumbus provides internet services to companies and private households and e-commerce services to companies.

Kolumbus continues to address basic internet services. Examples of this include the company's new e-mail system, which was completed in early 2001 and has been dimensioned to handle ten times the amount of communications traffic than earlier.

Various application leasing services and their data secure use with different terminals form a fundamental part of the Kolumbus suite of products. In e-commerce, Kolumbus services include Web and WAP pages, online business site solutions and Web media implementations.

Kolumbus is a strong expert organisation, whose core business is to provide companies with service platforms

and to link the services provided and their users in various ways. Kolumbus also develops tailored services for company- and industry-specific needs. One example of this is the healthcare sector.

Last year Kolumbus had a revenue approaching EUR 27 million (EURm 20), a comparative growth of some 30 per cent on the year. Employee numbers rose by over 25 per cent during the year. Kolumbus had around 230 employees at the end of 2000.

In April, SFS awarded Kolumbus an information security certificate, making it the first internet operator in Finland to receive such certification.

Kolumbus' new portal was launched in August. In the autumn, the Hotelli Kultakala service application in the portal won first prize in the new media competition held by Markkinointi & Mainonta magazine and came top in its series as the funniest, most innovative Web solution. Several other new products were also introduced during the year.

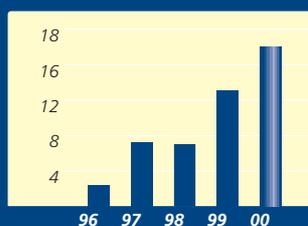
Kolumbus bases its activities on communication transparency. The company has secure remote connection expertise and the systems supporting them such as PKI technology and directory platforms. Kolumbus provides the certification required in electronic transactions to meet the special needs of its customers and services. For example, it has implemented certificate directories, which are a critical part of the electronic personal card.

Direktia Ltd

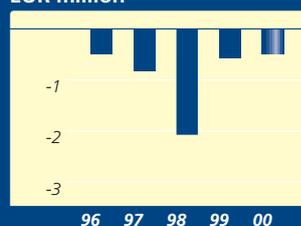
Elisa's directory media business was incorporated. From the beginning of 2001, Elisa's wholly-owned subsidiary Direktia Ltd is responsible for the directory media business. Incorporation streamlines the directory media business into a distinct concept operating nationwide.

The directory media unit publishes telephone direct-

FINNETCom's revenue, EUR million



FINNETCom's result before extraordinary items, EUR million



ories for Helsinki and surrounding areas and local OmaOsa directories. It also provides the 118 directory enquiry service for Elisa Group customers and, starting in the autumn, a nationwide 0100100 service, and maintains e-directory services at 0100100.com, which was launched in spring 2000.

0100100.com is a nationwide e-directory especially developed as a tool for SME customer management. A national partnership network was organised to implement sales and media pages. The 0100100 directory is also available as SMS and WAP services in all mobile operators' networks.

Directory media had a revenue of around EUR 41 million (EURm 39) in 2000. This is a rise of 7 per cent compared to the previous year.

During the year under review, in cooperation with Finnet-Media, Sonera and the competition authorities, Direktia sought the rules of play in respect of the obligation to deliver directory information as defined in the

Telecommunications Market Act. Nevertheless, no solutions are expected to be forthcoming until 2001.

Direktia Ltd is committed to becoming the leading nationwide player in its business areas and a serious contender in its chosen international markets in line with the group's overall objectives.

Company operations are centred on new state-of-the-art premises, which were completed in February.

FINNETCom Oy

FINNETCom provides nationwide billing and reporting services and voice and intelligent network services. Its activities cover the whole of Finland. Elisa and other telcos are responsible for selling FINNETCom products and services. FINNETCom specialises in sales support, product management and nationwide billing process efficiency.

The company's best-known product is the 010 company number, sales of which rose sharply during the year 2000.



In the autumn, the Hotelli Kultakala service application won first prize in the new media competition held by Markkinointi & Mainonta magazine and came top in its series as the funniest, most innovative Web solution.



FINNETCom had a revenue of around EUR 17 million (EURm 13) in 2000, up by 33.3 per cent on the year.

In May 2000, FINNETCom became a wholly-owned subsidiary of Elisa when Elisa acquired the remaining FINNETCom shares owned by Finnet Nine Ltd.

FINNETCom implements Elisa's strategy as a developer of billing services. The intention is to form a "billing service company", to manage the business customer billing and billing reporting of the Elisa Group and its partners centrally.

At year-end 2000, FINNETCom employed 36 persons.

Partners

The year under review saw Elisa intensify cooperation with its partners by signing a cooperation agreement in respect of R&D in the field of telecommunications and IT. Subsequently, Elisa decided to establish a telecommunications competence centre in Tampere. The competence centre will focus on mobile telecommunications, 3D virtual worlds, digital television, internet and mobile hardware, related interfaces and convertible market research.

The year under review saw continued active cooperation with Mäkitorppa and Setele chain stores. Additionally, Elisa and LOUNET Oy established a call centre in the Turku district. The call centre initially employs a staff of around 25.

At the end of the year under review, on the basis of ownership, Elisa's partners were Soon Communications Plc, in which the Elisa Group had a 33.2 per cent interest, KSP Group Plc, in which the Elisa Group had a direct

interest of 23.3 per cent and, together with Soon Communications Plc, 55.9 per cent, Lounais-Suomen Puhelin Oy, in which the Elisa Group had a 20.6 per cent interest and Joensuu Puhelin Oy, in which the Elisa Group had a 20.8 per cent interest.

Network Services

Elisa's Operator Network Services (ONS) business area produces and sells products and services to service and network operators and selected large customers trading in the same way as service operators. The products and services consist of telecommunications hardware premises and copper and fiber networks for the provision of transmission links and telephone call switching and internet connections.

A major aim during ONS' first year of operations was to harmonise the merchandisation and network structure and to improve cost-efficiency.

The broadband network was extended geographically so that copper-based ADSL broadband connections are now available throughout the Helsinki region and also in Porvoo. Further work on developing broadband products strove to take into account the needs of service and network operators alike.

Increasing the capacity of the trunk network by WDM technology now enables transmission speeds of several dozen Gbit/s along one fiber pair. Optic cables were built to extend the range of services to business customers. At the same time, preparations were made to use broadband connections as the basic interface for private house-

A wireless LAN makes the internet accessible from all bedrooms and meeting rooms at the Seaside Hotel. The hotel's WLAN is the most extensive wireless internet network in a public place in Finland. The network was built by Elisa Communications Corporation's Research Centre and Kolombus Oy.

holds. A total of 23,875 fiber kilometers of optic cable were built during the year under review.

Elisa's Network Services employed 952 people at the end of 2000. Extremely rapid advances made in new systems and services called for, and will continue to call for increased multi-skills at all levels.

At the present rate of change, the shift of traditional telephone traffic to IP networks will be very rapid. Last year, ONS created both an operational and practical base on which to respond to future needs in building the basic network.

Elisa's Network Services will be incorporated during 2001.

Finnet International Ltd

The parent company's revenue in 2000 was EUR 60 million (EURm 62). Distribution agreements with virtually all telephone companies were renewed during the early part of the year.

Major investments during the year under review included laying the TAT14 submarine cable under the Atlantic, which is still in progress, and in which the company has an interest. The Atlantic cable will be taken in use in spring 2001. A submarine cable between Finland and Estonia entered commercial service in 2000.

The company established a holding company, Linenet UAB, in Lithuania. The holding company acquired a majority holding in Lithuanian internet operator Baltnetos Kommunikacijos UAB.

During the year under review, the parent company sold the entire capital stock of its German subsidiary FMS Cirrus GmbH to Elisa Kommunikation GmbH. Although the parent company suffered a EUR 4 million loss as a result of the deal, the impact on the group's own shareholders' equity was limited to a realisable loss of EUR 1.2 million.

The year under review saw the preparation of voice projects in Estonia. Subsequently, in 2001, the company will act as a nationwide voice and data communications operator in Estonia.

A new pricing model for international calls is to be introduced in 2001. Consequently, separate night rates will disappear and mobile calls will be differentiated into variously priced products.

Margins continued to shrink in the face of fiercer competition. International business is accounting for a growing share of total operations.

Finnet Nine Ltd

Finnet Nine's business volume remained unchanged on the year. Revenue amounted to EUR 42 million (EURm 42).

The most significant change in operations was the sale of the company's IN (intelligent network) operator business to Elisa Communications Corporation on 1 December 2000.

Finnet Nine Ltd employed an average of 35 people during 2000.



Other operations of the Elisa Group are those that are neither part of Mobile Services nor Fixed Networks nor directly related to their activities at home or abroad. This section of the annual report discusses the activities of Comptel Plc, the Mäkitorppa Group, EPStar Oy and Oy Heltel Ab.

COMPTEL PLC

Comptel Plc is the world's leading vendor-independent supplier of mediation software, which forms the link between the downstream systems supporting an operator's business and various network elements. Comptel's MDS (Mediation Device Solutions) are already used by over 170 mobile, satellite, internet, GPRS and wireless network operators in 50 different countries throughout the world.

Besides mediation software, Comptel also provides systems development services to domestic telecommunications operators.

Comptel Plc has been listed on the Helsinki Exchanges since December 13, 1999. At the end of 2000, Elisa Communications Corporation had a 58.1 per cent interest in Comptel.

Continued strong growth for Comptel

Comptel's growth and earnings for the year 2000 were its best ever and the company ranks among the top performers in the industry. Comptel's revenue rose by 54.5 per cent to EUR 60 million (EURm 39) during 2000. The EBIT for 2000 rose to 22 million (EURm 13), up by 65.7 per cent

on the year. The EBIT includes a EUR 0.3 million gain on the disposal of Radiolinja shares. At the end of 2000, Comptel Plc employed 512 people (339).

Comptel announced its most important product innovation during 2000, Comptel Chinchilla, in September. Comptel Chinchilla is an online mediator enabling interactive real-time mobile service management and charging.

In April, Comptel delivered a GPRS mediation solution to Sonera Corporation to connect Sonera's GPRS network to its supporting billing and customer care systems. Comptel delivered a GPRS mediation solution to Radiolinja to develop GPRS services and to collect billing data from the GPRS network. During the year Comptel also delivered mediation software to BT Cellnet's GPRS and IP networks.

Exports accounted for 67.1 per cent (61.5%) or EUR 41 million (EURm 24) of Comptel's total revenue. Europe, the Middle East and Africa accounted for 55.6 per cent (61.9%), Asia and the Pacific area for 30.5 per cent (23.6%) and the Americas for 13.9 per cent (14.5%).

Comptel's growth strategy is based on developing



global marketing and distribution channels. In line with this strategy, Comptel has concluded numerous partnership agreements with leading international system integrators and hardware manufacturers. In 2000, Comptel's partners accounted for 77.9 per cent of MDS software exports.

In 2000, Comptel concluded four major new partnership agreements. Under a global marketing cooperation agreement with Geneva Technology Ltd, the companies will jointly market solutions based on Geneva software and Comptel MDS mediation software on the global internet, data and telephone markets. Under an agreement concluded with Logica, the companies will jointly market Comptel's MDS mediation software to new 3G and other telecom operators in Japan. Comptel's MDS mediation solution is integrated into Amdocs products. TelesensKSCL and Comptel signed a strategic partnership agreement concerning integration of Comptel's mediation software into TelesensKSCL Jupiter Solutions product suite.

Larger international distribution network

During 2000, Comptel expanded its international distribution network by setting up subsidiaries in Arlington, the United States, and in Peking, Sydney, Hong Kong and Kuala Lumpur. Additionally, a decision was taken to open a sales office in Germany.

In September 2000, Comptel established a separate subsidiary, Comptel PASSAGE Oy, which provides business solutions for mobile operators and internet service providers on a worldwide basis. These solutions combine Comptel's own products and third-party applications.

Additionally, Comptel has a 53.1 per cent interest in Probatus Oy, a data processing and consultant services company. Comptel also has a 23.4 per cent stake in Arcus Software Oy, a company producing the technology for

3D maps and model cities and software solutions for various solutions in internet and mobile IP environments.

The future

Operators continue to invest heavily in network infrastructures. This means continued good growth prospects in the mediation market. Comptel's focus growth area, the mobile market, will strengthen. The number of subscribers in mobile networks run by Comptel's operator customers is poised for further growth.

Comptel's revenue is expected to continue to grow faster than the market as a whole during 2001. In 2001, the company will continue to invest in new growth sectors, in other words Comptel PASSAGE, Comptel Chinchilla and further expansion of its international sales network. Company management expects profitability to be at a good level and to clearly exceed the industry average.

MÄKITORPPA GROUP

Sales and distribution of mobile phones and Radiolinja subscriptions

Mäkitorppa Yhtiöt Oy is a group specialising in the distribution of mobile phones and is fully owned by Elisa. Mäkitorppa's subsidiaries are Mäkitorppa Oy, Setele Oy, Kamastore Oy and Mobinter Oy (Mäkitorppa OÜ in Estonia). In Germany, the Mäkitorppa chain operates on a franchise principle.

Business in 2000

During the year 2000, the Mäkitorppa Group consolidated its distribution network. May 2000 saw the group acquire the entire stock capital of Tresmec Puhelimet Oy (Radiojätti) from Radiolinja Oy. This deal spawned a third mobile phone chain, Radiojätti.

In this context, Mäkitorppa Yhtiöt Oy acquired the



separate Matkapuhelin chain, comprising six different companies, and merged it with the Radiojätö chain.

The image and business concept of the sales chain was entirely revamped. The marketing name became Kama and the company name Kamastore Oy.

Mäkitorppa Yhtiöt Oy's subsidiary Mäkitorppa Oy acquired the business operations of ViestiCity Oy. The chain was merged with that of Mäkitorppa.

During the year 2000, the group expanded the business of all its chains in Finland. At the end of the year under review, there were 121 own stores, 18 franchise outlets and 15 shop-in-shops in the three chains. The chains had a presence in all large and medium towns and cities in Finland, whereas the shop-in-shops were located in smaller built-up areas.

The Mäkitorppa Group streamlined its activities outside Finland. Mäkitorppa GmbH was taken over by Elisa Kommunikation GmbH and now operates on a franchise basis under the guidance of the Mäkitorppa Yhtiöt Oy chain.

The year under review saw Mäkitorppa GmbH open a total of 31 new stores in Germany. Mäkitorppa opened nine new stores in Estonia, five of its own and four on a franchise basis. At the end of 2000, Mäkitorppa operated a chain of 61 stores outside Finland. In line with the earlier policies, operations in Estonia focused on retail sales, which take place under the Mäkitorppa brand. The group has withdrawn entirely from wholesale operations in the Baltics.

The Mäkitorppa Group employed 446 people at the end of 2000 compared to 363 a year earlier.

Performance for 2000

The Mäkitorppa Group's 2000 revenue was EUR 93 million (EURm 82), up by 14.3 per cent on the figure a year

earlier. This figure excludes revenue in Germany. The group reported a loss of EUR 5 million (EURm -13) for the year.

The total number of mobile phones supplied rose to 440,000. Although growth in the Finnish mobile phone market exceeded expectations, aggressive price wars at Christmas had an adverse impact on earnings from the sale of mobile terminals and subscription.

The future

Development in the Finnish market is expected to be unstable owing to fiercer operator competition, an already high level of mobile penetration, as well as new network technologies gradually being introduced and the services and terminals using them. This means the distribution network is charged with safeguarding the growth and market share of the owner group through quality, improved sales and customer care.

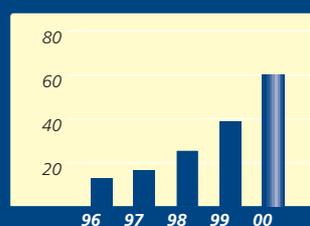
Because of lower penetration levels, higher growth is expected in Estonia and Germany than in Finland, although development otherwise in these two countries is likely to be similar to that in Finland.

Key success factors, both in Finland and abroad, are expert service provided by competent employees, representation of leading operators and products and carefully chosen store locations.

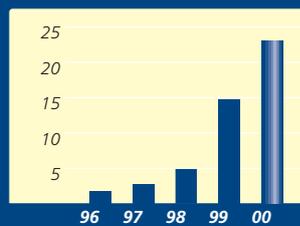
Mäkitorppa Oy

Although the mobile phone market in Finland was stagnant during the first half of the year, things looked much brighter with the approach of summer. The autumn witnessed a marked fall in the market prices of terminals. As in earlier years, Christmas was the best season for sales. Nevertheless, profitability was eroded owing to terminal prices being forced down by fierce competition.

Comptel's revenue, EUR million



Comptel's result before extraordinary items, EUR million





Mäkitorppa Group has 215 mobile phone stores in Finland and abroad. The photo shows one of the stores in the Kama chain.

At the beginning of June, Mäkitorppa Oy acquired the ViestiCity chain, which operates in eastern Finland. These stores were added to the Mäkitorppa chain. Mäkitorppa built on its terminal portfolio during the year, with the addition of Ericsson phones and accessories.

At year-end, Mäkitorppa Oy had 46 outlets, six of which operated on a franchise basis. There were also 15 shop-in-shops belonging to the Mäkitorppa chain.

During 2001, Mäkitorppa Oy aims for cost-efficiency, profitable operations and growth in the face of a changing market climate. Competition on the mobile phone market is likely to become even fiercer. Whilst new technologies give rise to increasingly greater demands, they also create new opportunities.

Setele Oy

For Setele, the year 2000 can be divided into two distinct halves. The main focus in the early part of the year was on improving business profitability and in the second half on boosting marketing. A tense market lowered the pricing of terminals.

At year-end 2000, Setele Oy had 30 outlets, of which eight were franchise stores.

Setele Oy's network of stores is now in much better shape than earlier and has every chance of improving sales and profitability during 2001.

Kamastore Oy

For Kamastore, the year 2000 was one of major changes. Under a deal concluded in May, the parent company, Mäkitorppa Yhtiöt Oy acquired the entire stock capital of Tresmec Puhelimet Oy (Radiojätti) from Radiolinja Oy. In the same context, the operations of the Matkapuhelin chain were integrated into the Radiojätti chain of stores and the company's name was changed to Kamastore Oy. The store concept was revamped and the name changed to the Kama chain.

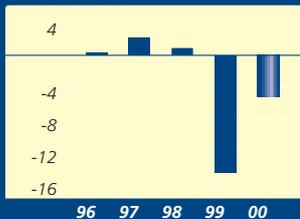
At year-end, there were 58 stores in the Kama chain. Twenty new stores were opened during 2000.

In a changing market, Kamastore Oy seeks to be a dynamic forerunner in the mobile phone business. Future years will see efforts focusing on building the Kama brand and supporting expansion.

Mäkitorppa Group's revenue, EUR million



Mäkitorppa Group's result before extraordinary items, EUR million



Mobinter Oy (Mäkitorppa OÜ in Estonia)

There was a marked improvement in the Baltic markets compared to previous years. In Estonia, the focus was on expanding the Mäkitorppa chain of stores and developing the retail business. Mobinter withdrew from wholesale operations in Latvia and Lithuania.

Nine new stores were opened in Estonia during the year under review. Four of these operate on a franchise basis. At year-end, there were 19 stores.

The Mäkitorppa chain in Estonia is committed to concentrating on growth and development of retail operations.

A decision has been made to merge Mobinter Oy with the parent company Mäkitorppa Yhtiöt Oy in 2001. The name of the Estonian subsidiary will be changed to Mäkitorppa OÜ.

Oy Heltel Ab

Oy Heltel Ab concentrates on telecommunications, data network and data security solutions and providing the related training, consultant services and maintenance operations. Heltel's customers are primarily large and medium companies, organisations and operators. Heltel works in close cooperation with the world's leading telecommunications, data network and IP technology innovators and manufacturers.

Business during 2000 was characterised by heavy investment in developing training, consultation and expert technological services. Huge resources were also devoted to wireless network technology and information security operations.

Revenue for 2000 was down by 4.6 per cent to around EUR 36 million (EURm 38). The EBIT was unchanged at about EUR 3 million (EURm 3). Investments in new busi-

ness activities and greater than expected impacts were the major reasons behind the fall in revenue and EBIT.

The company employed 70 people at the end of 2000.

Heltel is well placed for 2001. The company will continue to greatly improve its consultation, training and value-added services. Wireless network technology, data security and VoIP technology will remain the focus areas during 2001.

EPStar Oy

EPStar Oy, a consultancy and engineering company was founded in summer 2000 when Omnitele's unit became a joint venture of the Elisa Group and Jaakko Pöyry Group Oyj. Its customers include operators, hardware manufacturers and regulatory bodies.

EPStar's core services are telecommunications-specific business plans, studies related to regulatory directives, project management of network provision and similar projects, network design and internet-related assignments. Although EPStar's market area is the entire world, the company is currently focusing on Western and Eastern Europe at this stage.

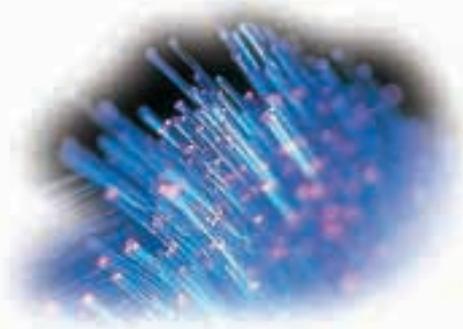
EPStar has offices in Helsinki and Tampere. It is also establishing competence centres in Tallinn and St Petersburg.

EPStar's revenue in 2000 was EUR 2 million. The company employed 26 people at the end of 2000.

Demand for network building and design is rising because telecommunications operators and hardware manufacturers are outsourcing everything except their core businesses. New operators are also emerging. EPStar expects to benefit from the trend in outsourcing and to see its business grow considerably in the next few years.



The German telecommunications market was deregulated in 1998. Electricity companies owning local optical cable networks joined forces with local financial institutions, primarily savings banks, to set up city carriers. Elisa became interested when city carriers soon began to seek specialist telecommunications experts as partners.



Since growth potential in the Finnish market was already quite limited, Elisa saw the launch of German operations as a long-term investment.

Elisa had already long been providing consultancy services to several German city carrier companies. Some of this cooperation was also based on ownership arrangements. In the late 1990s, Elisa expanded its German operations through its subsidiary and associated companies.

The Elisa Kommunikation GmbH parent company was formed during the year 2000 by merging INTERURBANA Holdings GmbH and Helsinki TeleCom Deutschland GmbH with it and by recruiting the corporate management and staff needed to develop and run the business. At year-end 2000, the parent company employed 50 people.

Elisa Kommunikation GmbH is a wholly-owned subsidiary of the Elisa Group and acts as an umbrella company for Elisa's German operations. Elisa Kommunikation GmbH is tasked with developing the parent group's business in Germany.

Elisa Kommunikation is a network and service operator in Europe's largest market. The company has focused on selective geographical areas, North Rhine-West-

phalia, the Rhine and Maine areas and the vicinities of Dresden and Leipzig in Saxony. The company offers targeted customer segments telecommunications solutions comprising voice, data and internet services.

Elisa Kommunikation has strategic interests in 22 city carriers, which are responsible for customer relationship management and maintenance and the technical service of subscriber connections. Elisa's customers are mostly SMEs.

Another Elisa Group unit operating at the customer interface in Germany is Mäkitorppa GmbH, which had a total of 42 shops throughout Germany at year-end 2000. Expansion of this retail chain is an important part of the Elisa Group's operational strategy in Germany. Mäkitorppa's shops provide the company with a strong foothold in and vantage point of the rapidly growing German mobile market and city carriers a complementary distribution channel for Elisa's products.

Elisa Kommunikation GmbH's consolidated income statement for 2000 showed a revenue of EUR 17 million. The operating result was EUR -67 million, including write-offs on the goodwill of certain items. It is not possible to



compare the results with the previous year since Elisa did not have a similar business unit in Germany in 1999. The main reason for the loss shown is that most of the Elisa Kommunikation group companies were founded between 1998 and 2000 and are only now at the early and investment stages of their operations.

The total revenue of Elisa Kommunikation Group's subsidiary and associated companies was EUR 106 million and the year-end number of employees 938.

The business focus point was on acquisitions, with almost 20 new acquisitions and increased stakes in

existing companies taking place during the year. By year-end, this had given the group a sufficiently sound platform on which to develop its operator business as planned.

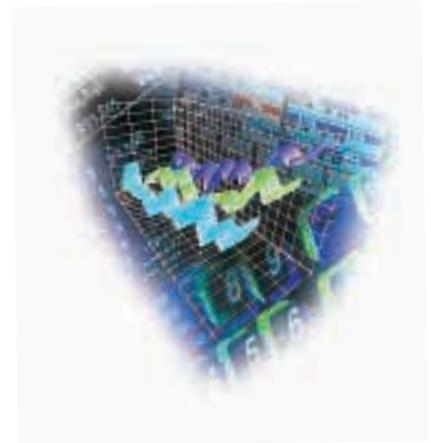
Major objectives in 2001 are consolidation and business integration measures to improve business profitability and systematically increasing the business of operative units in a bid to realise the synergetic benefits of existing products and services and to expand on the product suite with various value-added services.

Elisa Kommunikation GmbH is a network and service operator in Germany.



- TIME CityLink the company's nationwide data trunk network
- ElisaNet's national and international long-distance network
- ElisaNet's long-distance exchange
- City carrier area

Elisa Communications Corporation invested heavily in research and development in the Elisa Research Centre, technology, industrial and product units within its own business units and in independent group companies during the year 2000. The research steering group coordinates R&D at group level.



Areas of focus at the Research Centre in 2000 included IP multiservice networks based on internet protocol (IP), access and home networks, wireless local area networks (WLAN), optical networks, programmable networks, security solutions and especially public key infrastructure (PKI), user interfaces and accessibility, as well as wireless technologies such as positioning. Working together with the youth research network, a study was also completed on how young people use mobile phones and the internet.

A competence centre established by the Research Centre in Tampere began operations on 1 September 2000. This further added to Research Centre investments in studies relating to new technologies and the changing business environment. Core areas of research were ubiquitous mobile communications (UbiComp), 3D virtual worlds, digital television, internet and mobile hardware including interfaces, and the converging markets.

The Tampere competence centre draws on R&D cooperation within the Elisa Group, which includes an R&D cooperation agreement on communications and information technology signed by Elisa, Soon Communications Plc and KSP Group Plc in May 2000. LOUNET Oy and Joensuun Puhelin Oy also signed the agreement. Elisa Research Centre is responsible for the practical implementation of R&D projects.

The group launched a programme in a bid to chart, define and develop new ways of implementing Voice over IP (VoIP) platforms and services based on internet technology. Projects included in the programme take into account the development of exchanges and intelligent networks in respect of VoIP, integrated voice and data solutions in company networks and access networks supporting fixed and mobile terminals.

International R&D cooperation

The Research Centre was also actively involved in several projects within the EU's fifth framework programme (IST) including voice recognition with Nokia, as well as in work on drafting the sixth framework programme.

Elisa became an owner member of the European Institute for Research & Strategic Study in Telecommunications (EURESCOM). Elisa's areas of focus in EURESCOM cooperation were information security, software technologies, active networks, mobile and wireless technologies and customer loyalty.

An Elisa Communications' representative took part in new internet technology development work in the World Wide Web consortium at Massachusetts Institute of Technology in 2000.

Elisa Research Centre was actively involved in international and national standardisation together with Elisa's business units.

The year 2000 also saw Elisa Communications invest in R&D in Germany, especially in R&D consultancy in partner companies. Among other things, Elisa implemented the IN services of its German group's parent company, Elisa Kommunikation GmbH, and was also involved in developing German fixed voice network software. Development work continues in respect of new services.

Finnish R&D cooperation

Elisa Communications was actively involved in research projects at Helsinki Institute for Information Technology, (HIIT), founded by Helsinki University and Helsinki University of Technology.

Together with other companies in the industry, Elisa Research Centre actively took part in technology programmes run by the National Development Agency (TEKES). Additionally, Elisa Communications Corporation played a significant role in objective research studies in universities.

The Piimäki 2000 (Silicon Hill) R&D project developed new broadband telecommunications services based on internet technology. The project studied and developed wireless local network services intended for public premises (WLAN PAZ), as well as new network solutions and services for homes. Examples of these include an extensive project to merchandise intelligent home technology. Building automation and networked home applications were on display in the Villa 2000 building at the Tuusula Housing Fair. Autumn saw the completion of work on merchandising a broadband Elisa Kotiportti property interface intended for new apartment blocks and terraced houses.

The business unit responsible for developing new business gave priority to building on its expertise of learning platforms in eLearning and on developing Elisa's own customer-driven Efodi service. Work also continued on unique service development work with music producers. This gave rise to a protected digital music sales concept, EMMA.FM, at the end of the year.

Patents

Great progress was made with work on improving the group's patent activities during 2000.

MSD – core development area for Comptel

During 2000, R&D at Comptel centred on creation of the new Comptel Chinchilla product and further development of the Comptel MDS software suite.

Comptel carried out further work on developing basic next generation Comptel MDS products and MDS for Internet (earlier MDS for GPRS/3G), MDS Credit Guard and MDS/AMD-DB database software product areas. MDS for Internet has been developed to support new broadband mobile networks.

Comptel Chinchilla, which was innovated on the basis of analyses and research relating to convergence of the telephone network and internet service network, was launched at the third MDS User Group event held in Rome in September last year.

Comptel also joined the GSM Association founded by mobile operators. Membership provides the company with an excellent opportunity to be involved in developing solutions for future mobile networks.

The year under review saw Comptel significantly increase its investments in product development by opening a new R&D centre in Kuala Lumpur, Malaysia.

Radiolinja focused on positioning

Major projects at Radiolinja's Technology Centre during the year 2000 were on developing services based on positioning and local information.

Together with its partners, Radiolinja implemented several positioning trials during the year. The latest of these was related to positioning of the first aid units of the Finland's Red Cross on New Year's Eve in Helsinki. October saw Radiolinja and Nokia sign a cooperation agreement to develop and distribute the Nokia mCatch positioning system.

In June 2000, Radiolinja and Siemens Osakeyhtiö announced a pilot to test 3G UMTS network technology and applications provided by Siemens.

The Technology Centre also worked on the development of electronic payment facilities. A joint project involving Radiolinja's Technology Centre, ICL Invia and Miotec used a certificate produced by the Population Register Centre and used with text messages in banking transactions. Similar certificates issued by the Population Register Centre are used, for example, in electronic ID cards.

Kolumbus developed basic network technology

The focus of Kolumbus research activities during the year was on basic network technology (IP routing) and its development towards more intelligent systems. R&D aimed at amassing expertise to compile sophisticated concepts viably.

Other research areas included Web and PKI technologies, certificates, access technology, e-mail technology and new terminals such as digital TV and mobile and internet hardware.

Kolumbus took part in developing unified messaging. Summer saw a pilot to test public wireless local area networks (WLAN). There was growing R&D in mobile terminals and networks towards the end of the year 2000.

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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 1 July 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.

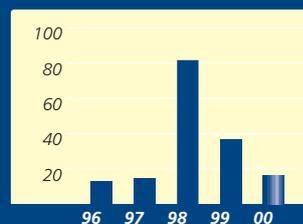
Revenue

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

Group revenue, EUR million



Group revenue, change, %



Breakdown of revenue by the principal group companies:

EUR million	2000	1999	Change, % ³⁾
Elisa Communications Group	1,244	1,068	16.5
Parent company ²⁾	521	501	4.0
Radiolinja Group ¹⁾	614	511	20.2
Mäkitorppa Group ¹⁾	93	82	14.3
Comptel Plc ¹⁾	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 ²⁾	17		

¹⁾ Figures of sub-group financial statements.

²⁾ 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.

³⁾ 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 ¹⁾	4	66
Mäkitorppa Group ¹⁾	-4	-14
Comptel Plc ¹⁾	22	13
Oy Datatie Ab	7	6
Oy Heltel Ab	3	3
FINNETCom Oy	-0	-1
EPStar Oy	-0	
Elisa Kommunikation GmbH*	-26	

¹⁾ 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.

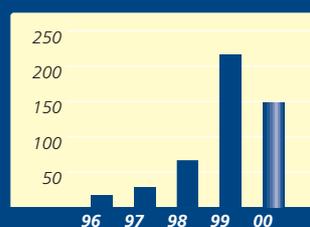
The Group's depreciation on fixed assets amounted to EUR 167 million (EURm 171), including EUR 17 million in one-off value adjustments. The value adjustments were mainly directed to Globalstar Northern Europe's fixed assets.

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.

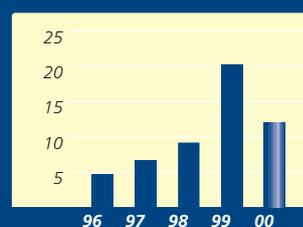
The Group's profit after taxes and minority interests was EUR 22 million (EURm 86). The Group's earnings per share (EPS) stood at EUR 0.18 (EUR 1.11) and the shareholders' equity per share at EUR 5.29 (EUR 5.47).

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,

Group operating profit, EUR million



Operating profit as % of revenue



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

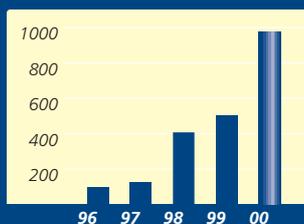
On 31 December 2000, the Group's interest-bearing liabilities amounted to EUR 701 million (EURm 370), of which EUR 451 million (EURm 273) was long-term debt. The Group's equity ratio was 40.3 per cent (52.8%) and gearing ratio 97 per cent (17%).

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.

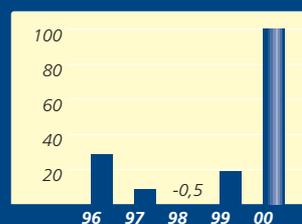
The Group established a new domestic EUR 335 million medium-term note programme in 1999, under which four bonds have been issued for a total sum of EUR 229 million. In August, the Group established another new domestic EUR 200 million medium-term note programme, under which a bond for EUR 100 million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

Group investments (gross), EUR million



Gearing ratio, %



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 31 December 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 31 December 2000.

Share

The A Share of Elisa Communications Corporation closed at EUR 22.93 on 29 December 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 3 January – 29 December 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 8 March 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 1 July 2000. The project proceeded in line with the merger plan confirmed in the Extraordinary Meetings of both companies on 27 September 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.

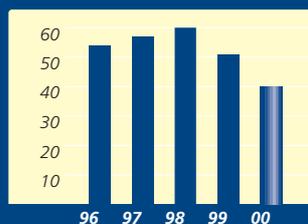
Corporate changes in mobile business:

► 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.

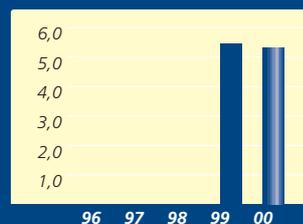
► In April, the Annual General Meeting of Radiolinja decided to lower the par value of Radiolinja shares, to raise the share capital by means of an issue of A Shares and to combine Radiolinja's share series. The objective was to simplify Radiolinja's share structure and to obtain a conversion rate for 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.

Equity ratio, %



Shareholders' equity per share, EUR



Shop-in-shops are located in smaller population centres.

- ▶ In autumn, Radiolinja established a subsidiary in Lithuania and announced its intention to establish a competence centre 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.
- ▶ Joensuun 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

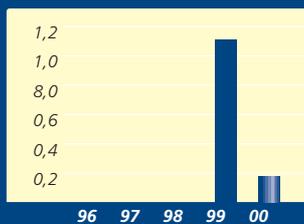
shareholder and partner in Tropolys GmbH, a company operating in North Rhine-Westphalia. Elisa Kommunikation acquired Saarbrücken-based pulsaar GmbH in July, and Thuringia-based enco Telecom GmbH in December. By the end of the year, a total of 22 city carriers, which are the company's subsidiaries and 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 42 by the end of the year.

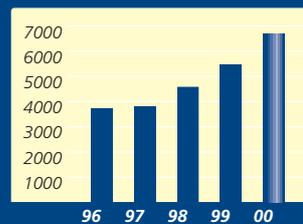
Other changes and arrangements relating to the Group structure:

- ▶ 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 Ltd 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 1 January 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.

Earnings per share, EUR



Group employees



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 1 January 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 8 April 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 10 April 2000 (HPY Holding Corporation)

On 10 April 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 13 April 2000, and the dividend was paid to the shareholders' accounts from 20 April 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 1 July 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 30 June 2000. Seppo Tervo (APA) and Anneli Lindroos (APA) were appointed deputy auditors. From 1 July 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 1 July 2000.

Extraordinary Meeting on 20 October 2000 (Elisa Communications Corporation)

Elisa Communications Corporation's Extraordinary Meeting on 20 October 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 disapplied, 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 1 September and 30 November 2000 plus 15 per cent, and of warrant B the trade volume weighted average price of the B share at the Helsinki Exchanges between 1 January and 31 March 2001 plus 15 per cent. The share subscription period for warrant A will

start on 2 May 2002 and for warrant B on 2 May 2003 and the share subscription period for all 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 Extraordinary Meeting also decided to revoke the authorization the Board received at the Annual General Meeting on 10 April 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 Centre, 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 Centre 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 centre subject to the Research Centre was founded in Tampere and started its operations in September. The competence centre 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 Joensuu Puhelin Oy joined this cooperation.

The principal focus areas of the Tampere competence centre 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 centre in Kuala Lumpur, Malaysia.

One of the principal projects of Radiolinja's technology centre 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 positioning 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 centre 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 (EURm 5). 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 27 April 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 15 June 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 8 August 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 3 April 2000. 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 31 December 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 9 January 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 centre 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 16 January 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 8 February 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. Elisa Communications Corporation provided the security on 27 February 2001. After having provided the security, Oy Radiolinja Ab became a wholly-owned subsidiary of Elisa Communications Group. 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.

Consolidated income statement

EUR 1000	Notes	1 Jan-31 Dec 2000	1 Jan-31 Dec 1999
Revenue	1	1 244 180	1 067 808
Stocks of finished goods and work in progress increase, (+) or decrease (-)		-514	87
Other operating income	1	74 963	152 679
Materials and services	2	-518 253	-443 177
Staff costs	3	-240 691	-195 929
Depreciation and value adjustments	4	-211 224	-188 059
Other operating expenses		-199 321	-176 215
		-1 169 489	-1 003 380
Operating profit (EBIT)		149 140	217 194
Financial income and expenses			
Share of profits of associated companies	5	-32 877	3 297
Other financial income and expenses	5	-22 450	-10 278
		-55 327	-6 981
Profit before extraordinary items		93 813	210 213
Extraordinary items	6		-8 445
Profit after extraordinary items		93 813	201 768
Taxes	8	-60 045	-68 768
Minority interests		-11 484	-47 399
Profit for the financial year		22 284	85 601

Consolidated balance sheet

EUR 1000	Notes	31 December 2000	31 December 1999
Assets			
Fixed assets	9		
Intangible assets		70 589	54 555
Consolidated goodwill		533 492	191 551
Tangible assets		684 094	582 585
Shares in associated companies		124 003	90 688
Other financial assets		13 207	20 333
		1 425 385	939 712
Current assets			
Stocks	10	35 458	30 390
Debtors	11, 12	240 622	194 570
Short-term investments		3 779	206 298
Cash in hand and at banks		28 941	42 100
		308 800	473 358
		1 734 185	1 413 070
Shareholders' equity and liabilities			
Shareholders' equity	13		
Subscribed capital		62 533	42 158
Share premium fund		385 901	175 284
Contingency fund		3 382	3 382
Retained earnings		187 858	155 166
Profit for the financial year		22 284	85 601
		661 958	461 591
Minority interests		30 735	274 994
Provisions for liabilities and charges	14	3 045	937
Creditors			
Deferred tax liabilities	15	43 264	31 882
Long-term creditors	16	413 003	285 765
Short-term creditors	17	582 180	357 901
		1 038 447	675 548
		1 734 185	1 413 070

Consolidated cash flow statement

EUR 1000	1 Jan-31 Dec 2000	1 Jan-31 Dec 1999
Activities		
Net cash inflow from operating activities		
Operating profit	149 140	220 493
Financial income and expenses	-15 906	-10 278
Reconciliation of operating profit and financing items	138 510	55 654
Extraordinary items		-8 446
Taxes	-27 577	-33 855
	244 167	223 568
Change in working capital, increase (-)/decrease (+)	-55 528	17 478
Net cash inflow from operating activities, total	188 639	241 046
Investments		
Purchases of shares	-726 280	-285 365
Other financial assets		-16 727
Fixed asset investments	-251 684	-221 774
Disposal of fixed assets and shares	55 919	170 373
	-922 045	-353 493
Financing surplus/deficit	-733 406	-112 447
Financing		
Long-term debtors, increase (-)/decrease (+)		-2 771
Long-term creditors, increase (+)/decrease (-)	126 157	113 392
Short-term debtors, increase (+)/decrease (-)	205 504	56 608
Interest on participation capital		-21 744
Dividends paid	-25 487	-8 467
Share issue	213 020	22 370
Cash consideration in merger	-1 436	
Decrease in subscription fees	-31	-118
Basic capital of Research Foundation		-1 682
	517 727	157 588
Change in liquid assets, increase (+)/decrease (-)	-215 679	45 141
Liquid assets at 1 Jan	248 399	203 258
Liquid assets at 31 Dec	32 720	248 399

Parent company income statement ¹⁾

EUR 1000	Notes	1 Jan-31 Dec 2000	1 Jan-31 Dec 1999
Revenue	1	261 361	2 154
Stocks of finished goods and work in progress increase, (+) or decrease (-)		4	
Other operating income		14 352	
Materials and services	2	-89 009	
Staff costs	3	-70 499	-151
Depreciation and value adjustments	4	-43 337	-625
Other operating expenses		-55 921	-14 829
		-258 766	-15 605
Operating profit/loss		16 951	-13 451
Financial income and expenses	5	-24 921	23 589
Profit before extraordinary items		-7 970	10 138
Extraordinary items	6	366 530	
Profit after extraordinary items		358 560	10 138
Appropriations	7	11 086	-168
Taxes	8	-895	-2 319
Profit for the financial year		368 751	7 651

¹⁾ Owing to the merger of Helsinki Telephone Corporation with and into HPY Holding Corporation, the figures for 2000 and 1999 are not mutually comparable.

EUR 1000	Notes	31 December 2000	31 December 1999
Assets			
Fixed assets			
	9		
Intangible assets		19 905	
Tangible assets		327 068	11 549
Financial assets		1 285 286	192 820
		1 632 259	204 369
Current assets			
Stocks	10	10 246	
Debtors	11, 12	319 087	51 720
Short-term investments		2 085	69 729
Cash in hand and at banks		1 461	8
		332 879	121 457
		1 965 138	325 826
Shareholders' equity and liabilities			
Shareholders' equity			
	13		
Subscribed capital		62 533	42 158
Share premium fund		385 901	175 284
Contingency fund		3 382	3 382
Retained earnings		147 016	89 854
Profit for the financial year		368 751	7 651
		967 583	318 329
Accumulated appropriations	7	151 838	2 684
Provisions for liabilities and charges	14	84	
Creditors			
Long-term creditors	16	357 804	
Short-term creditors	17	487 829	4 813
		845 633	4 813
		1 965 138	325 826

¹⁾ Owing to the merger of Helsinki Telephone Corporation with and into HPY Holding Corporation, the figures for 2000 and 1999 are not mutually comparable.

Parent company cash flow statement ¹⁾

EUR 1000	1 Jan-31 Dec 2000	1 Jan-31 Dec 1999
Activities		
Net cash inflow from operating activities		
Operating profit/loss	16 952	-13 451
Reconciliation of operating profit/loss to cash flows	31 054	624
Financial income and expences	9 770	23 589
Extraordinary items	-23	
Taxes	-22 951	-2 319
	34 802	8 443
Change in working capital, increase (-)/decrease (+)	-20 774	-2 945
Net cash inflow from operating activities, total	14 028	5 498
Investments		
Purchases of shares	-72 429	
Fixed asset investments	-58 276	-1 873
Disposal of fixed assets and shares	13 884	2
	-116 821	-1 871
Debtors/financial assets, increase (-)/decrease (+)	2 035	
Financing surplus/deficit	-100 758	3 627
Financing		
Long-term debtors, increase (+)/decrease (-)	100 000	
Short-term creditors, increase (-)/decrease(+)	28 399	-30 164
Short-term debtors, increase (+)/decrease (-)	-82 606	
Dividends paid	-17 017	
Cash consideration in merger	-1 436	
Interest on cooperative capital		-21 744
Basic capital of Research Foundation		-1 682
	27 340	-53 590
Change in liquid assets, increase (+)/decrease (-)	-73 418	-49 963
Liquid assets at 1 Jan	69 737	119 700
Liquid assets transferred in merger	7 227	
Liquid assets at 31 Dec	3 546	69 737

¹⁾ Owing to the merger of Helsinki Telephone Corporation with and into HPY Holding Corporation, the figures for 2000 and 1999 are not mutually comparable.

Elisa Communications Corporation, whose registered office is in Helsinki, is the parent company of the Elisa Communications Group (HPY Holding Corporation changed its name to Elisa Communications Corporation on 3 July 2000). Elisa Communications Corporation's consolidated financial statements for the year ended 31 December 2000 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 accounts of the parent company Elisa Communications Corporation and those subsidiaries in which the parent company holds directly or indirectly more than 50 per cent of the votes conferred by shares. Those companies in which the parent company has a minimum of 20 per cent and a maximum of 50 per cent of the votes or in which it exercises significant influence are accounted for as associated companies. As a rule, subsidiaries are consolidated from the month acquisition of shares took place. Associates are generally consolidated from the moment they became associates. Those group companies and associated companies remaining dormant during the financial year or having an insignificant impact on the consolidated financial results and equity are not consolidated.

2. Consolidation principles

Intragroup transactions, internal profits on stocks and fixed assets, internal receivables and the internal distribution of profit have been eliminated. The margin included in fixed assets has been essentially eliminated.

Minority interests are separated from the consolidated financial results in the income statement and balance sheet. The purchase cost method is used in the elimination of internal ownership. The proportion of the purchase cost of subsidiary shares exceeding shareholders' equity has been booked as consolidated goodwill.

Associated companies are consolidated using the equity method. Elisa Communications Corporation shares owned by associated companies have been eliminated from the group's (distributable) equity.

3. Comparability with the previous year

Merger

Helsinki Telephone Corporation merged with and into HPY Holding Corporation on 1 July 2000. Consequently, the group depreciated

a minority interests for outside Helsinki Telephone Corporation shareholders from the shareholders' equity. In connection with the merger, the share capital was increased by EUR 20 million and EUR 211 million was entered in the share premium fund. The consolidated financial statements show an allocation of EUR 73 million from minority interests to cover consolidated goodwill.

The parent company financial statements show a EUR 366 million merger gain as extraordinary income. Owing to the merger, the parent company income statements, balance sheets and notes to the financial statements are not mutually comparable for 2000 and 1999.

Group

Other operating income includes a EUR 58 million gain on the disposal of Comptel Plc shares. In 1999, Other operating income included a gain of EUR 146 million on the disposal of Comptel shares.

The consolidated financial statements show additional depreciation and value adjustments of EUR 25 million booked on assets and financial assets belonging to fixed assets, as well as on consolidated goodwill. In 1999, additional depreciation and value adjustments of EUR 66 million were booked. Moreover, non-recurring value adjustments and other expenses totalling EUR 27 million have been booked on the share of results of associated companies.

Based on its material connection, group reserve has been subtracted from consolidated goodwill and, unlike previous years, is not shown as a separate item in the notes to the financial statements.

Unlike the practice in previous years, the group's share of the results of associated companies appears under Financial income and expenses. The comparative figures for earlier years have been amended accordingly.

Parent company

From 1 January to 30 June 2000, the parent company's business

principally consisted of letting property to the group's subsidiary, Helsinki Telephone Corporation. After the merger on 1 July 2000, the parent company's business principally comprised the business of Helsinki Telephone Corporation.

A value adjustment of EUR 35 million has been booked on the shares of FMS Dravit Asset Management GmbH (the parent company of Elisa Kommunikation GmbH). This is shown under Financial income and expenses.

An additional depreciation of EUR 5 million was made on the obsolete cable network.

4. Turnover and other operating income

Interconnection fees paid by customers and passed on intact to other telephone companies are shown as an item deducted from invoiced sales (KILA 995/1325).

Other operating income includes gains from the disposal of shares and fixed assets, contributions received and rental income from properties.

As a rule, sales by group companies are booked as income at the time the services are provided or equipment is invoiced. Long-term projects of Comptel Plc, Oy Datatie Ab and EPstar Oy are exceptions to this, and are booked on the basis of degree of completion.

5. Valuation of stocks

Stocks are valued on the FIFO principle at variable cost, the acquisition cost or the likely sale or replacement cost, whichever is the lower. The weighted middle prices is used in pricing stocks.

6. Foreign currency items

The income statements of foreign subsidiaries are translated into Finnish marks at the middle monthly rate quoted by the European Central Bank and the balance sheets at the middle rates quoted on the closing date. The resulting translation difference is shown as a separate item under shareholders' equity.

Transactions in foreign currency are booked during the accounting period at the rate quoted on the transaction date. Any open balance sheet items at the end of the financial year are valued at the middle rate quoted by the European Central Bank on the balance sheet date.

Derivative contracts can be used to hedge against currency and interest rate risks.

Open derivative contracts intended to hedge against currency risks are valued at the market value, with the exception of forward contracts relating to cash flow, which are booked on the basis of

their effect on earnings as the cash flow is realised. Exchange rate gains and losses are booked as sales or purchase adjustment items or financing exchange gains or losses depending on what is hedged. The interest difference, if significant, is allocated during the validity of the contract and the allocated part is booked as interest received or interest paid.

Interest rate derivatives are valued at market value. Cash flows of 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.

7. Fixed assets and consolidated goodwill

The book value of intangible and tangible assets shown in the balance sheet is the acquisition cost less accumulated planned depreciation. Fixed assets manufactured and built by the company are valued at variable cost. No revaluations are included in the book values of fixed assets.

The difference between planned depreciation and total depreciation in the parent company's financial statements is shown in appropriations in the income statement. The accumulated depreciation difference in the parent company's financial statements is shown under accumulated appropriations in shareholders' equity and liabilities in the balance sheet. In the consolidated financial statements, the accumulated depreciation difference is divided between shareholders' equity and tax liabilities. Planned depreciation is calculated on a straight-line basis over expected economic lives based on original acquisition cost.

Consolidated goodwill is depreciated over a five-year period in accordance with the main legal provision. The exception to this is in the case of strategically important interests in major companies in the telecommunications industry. Consolidated goodwill in respect of Oy Radiolinja Ab, Soon Communications Plc (formerly Tampere Telephone Plc), KSP Group Plc, Joensuun Puhelin Oy and Lounais-Suomen Puhelin Oy is depreciated over 15 years. Consolidated goodwill in respect of Oy Datatie Ab and subsidiary and associated companies belonging to the Elisa Kommunikation GmbH group is depreciated over 10 years.

In the consolidated financial statements, the depreciation times of the telephone exchanges and GSM networks of associated companies have been changed to correspond to the depreciation times adhered to by the group.

Planned depreciation times in the group are given below:

Consolidated goodwill	5–15 years
Goodwill	5 years
Formation costs	5 years
Computer programs	3–5 years
Other long-term expenditure	5–10 years
Buildings	25–40 years
Telephone exchanges and GSM network	8 years
Cable network	10 years
Teleterminals (leased to customers)	4 years
Other machinery and equipment	3–5 years

A group reserve has arisen as a result of share issues effected in the group during the year under review and previous years. Shares have been issued to finance mostly acquisitions of subsidiary 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.

8. Pension costs

Elisa Communications Corporation's pension commitments are funded by a pension fund. Additionally, the company also has its own direct pension liabilities, primarily for early, fixed-term pensions. The pension commitments of subsidiary companies mostly are covered by pension insurance. The parent company has no unbooked expenses for unfunded pension liabilities or any unfunded pension liabilities.

Most of the subsidiaries have decided to transfer their pension commitments to Helsinki Telephone's Pension Fund during 2001.

9. Direct taxes

Taxes for the financial year are matched and booked in the income statement. In the income statement, taxes in respect of extraordinary items have been subtracted from extraordinary items. The change in deferred tax liabilities and assets are shown in the consolidated financial statements and calculated from matching items. No deferred tax liabilities and assets are shown in the parent company income statement. Deferred tax liabilities and assets are calculated at the tax rate valid when the financial statements are prepared.

Consolidated deferred tax liabilities and assets are itemised in the notes to the balance sheet. In line with the prudence concept, realised losses are not booked as tax assets nor are they shown in the notes to the financial statements.

EUR 1000	Group 2000	Group 1999	Parent company 2000	Parent company 1999
1. Invoiced sales and revenue				
Invoiced sales (excl. VAT and discounts)	1 306 955	1 149 275	303 371	2 154
Less interconnection charges to other telephone companies ¹⁾	-62 775	-81 467	-42 010	
Revenue	1 244 180	1 067 808	261 361	2 154
By geographical area				
Finland	1 146 678	1 001 579	259 360	2 154
Rest of Europe	79 035	56 906	2 001	
America	5 639	3 481		
Asia	10 091	4 672		
Australia	2 246	992		
Africa	491	178		
Total	1 244 180	1 067 808	261 361	2 154

Group turnover principally pertains to one industry (telecommunications).

Other operating income includes mostly gains on the disposal of shares and properties.

2. Materials and services

Raw materials and consumables				
Purchases during the financial year	165 830	150 970	11 813	
Change in stocks	-5 092	-4 370	1 535	
	160 738	146 600	13 348	
External services				
Radiolinja's access rights, maintenance and connection fees	291 381	235 624		
Other external services	66 134	60 953	75 661	
	357 515	296 577	75 661	
Total	518 253	443 177	89 009	

¹⁾ Owing to the merger of Helsinki Telephone Corporation with and into HPY Holding Corporation, the notes applying to the parent company for 2000 and 1999 are not mutually comparable.

EUR 1000	Group 2000	Group 1999	Parent company 2000	Parent company 1999
3. Staff costs				
Staff expenditure				
Wages and salaries	205 300	172 228	62 462	142
Pension costs	29 722	24 518	8 902	-1
Other social security costs	22 705	19 186	6 202	10
	257 727	215 932	77 566	151
Staff expenditure capitalised under fixed assets				
Wages and salaries	-12 864	-15 273	-5 268	
Pension costs	-2 433	-2 751	-1 052	
Other social security costs	-1 739	-1 979	-747	
	-17 036	-20 003	-7 067	
Total	240 691	195 929	70 499	151
Management salaries and emoluments				
Managing directors and deputies	2 854	1 283	249	
Members and deputy members of Boards of Directors	399	507	132	55
Members and deputy members of Boards of Supervisors	49	117	32	84
Average staff numbers in the group and parent company during the financial year	6 161	5 489	3 739	
Pension commitments in respect of managing directors and members of Boards of Directors				
The retirement age for managing directors of group companies is set at 58–65 years.				
4. Depreciation and value adjustments				
Depreciation on tangible and intangible assets	167 489	169 663	43 337	625
Value adjustments on consolidated goodwill		1 685		
Depreciation and value adjustments on consolidated goodwill	55 888	32 788		
Decrease in group reserve	-12 153	-16 077		
Total	211 224	188 059	43 337	625

A breakdown of depreciation for each balance sheet item is provided under Fixed assets.

EUR 1000	Group 2000	Group 1999	Parent company 2000	Parent company 1999
5. Financial income and expenses				
Share of results of associates				
Share of results of associated companies	-7 198	7 171		
Depreciation of consolidated goodwill on associated companies	-5 473	-3 874		
Value adjustments of associated companies	-20 206			
Total	-32 877	3 297		
Dividends received				
from group companies			15 434	14 841
from associated companies		100	8	
from others	355	95	6 005	5 771
	355	195	21 447	20 612
Other interest received and similar income				
from group companies			2 886	307
from others	6 174	6 489	2 056	2 670
	6 174	6 489	4 942	2 977
Interest received and similar income, total	6 529	6 684	26 389	23 589
Interest paid and similar expenses				
to group companies			-1 796	
to others	-28 979	-16 962	-14 823	
Interest paid and similar expenses, total	-28 979	-16 962	-16 619	
Other financial income and expenses, total	-22 450	-10 278	9 770	23 589
Value adjustments of non-current financial assets			-34 691	
Financial income and charges, total	-55 327	-6 981	-24 921	23 589
6. Extraordinary items				
<u>Extraordinary income</u>				
Merger gain			366 530	
<u>Extraordinary expenses</u>				
Changes in calculation principles		-11 730		
Income tax on extraordinary items		3 285	0	
Total		-8 445	366 530	
7. Appropriations				
Change in depreciation difference			11 087	-168
8. Taxes				
Income tax for the financial year	48 659	72 232	873	2 319
Income tax for previous years	26	1 080	22	-0
Change in deferred tax liabilities/assets	11 360	-4 544		
Total	60 045	68 768	895	2 319

9. Non-current assets/Fixed assets

Parent company						
EUR 1000	Intangible assets	Tangible assets			Tangible assets in the course of construction	Total
	Other long-term expenditure	Land and water	Buildings	Machinery and equipment		
Acquisition cost at 1 Jan	8	188	15 419	458	240	16 305
Transferred in merger	33 132	3 455	107 495	406 756	5 276	522 982
Increase	6 270	32	3 908	49 168	588	53 696
Decrease	-4 603	-151	-5 015	-16 486	-1 689	-23 341
Acquisition cost at 31 Dec	34 807	3 524	121 807	439 896	4 415	569 642
Accumulated depreciation at 1 Jan			4 388	376		4 764
Transferred in merger	15 423		52 097	166 582		218 679
Accumulated depreciation on decreases and transfers	-4 603		-4 150	-15 974		-20 124
Depreciation for the financial year	4 082		2 925	36 330		39 255
Accumulated depreciation at 31 Dec	14 902		55 260	187 314		242 574
Book value at 31 Dec	19 905	3 524	66 547	252 582	4 415	327 068

9. Fixed assets/Shares in associated companies and other financial assets

Group						
EUR 1000	Shares in associated companies	Shares in others	Debtors Associated companies	Debtors Others	Total	
	Acquisition cost at 1 Jan ¹⁾	90 688	19 809	524		111 021
Change	19 456	2 059	-524	7 772	28 763	
Disposal	-2 259	-1 225			-3 484	
Transfers between items	16 118	-15 208			910	
Acquisition cost at 31 Dec	124 003	5 435		7 772	137 210	
Book value at 31 Dec	124 003	5 435		7 772	137 210	

¹⁾ The book value of shares in associated companies at 1 January 2000 has been used as the acquisition cost.

9. Fixed assets/Financial assets

Parent company						
EUR 1000	Shares in group companies	Associated companies	Others	Payments on account	Debtors group companies	Total
	Acquisition cost at 1 Jan	192 820				
Transferred in merger	1 119 746	53 802	22 132	51 942	2 035	1 249 657
Transfers between items	51 942	18 613	-18 613	-51 942		
Increase	57 257	15 146	25			72 428
Disposal/decrease	-192 829	-64			-2 035	-194 928
Acquisition cost at 31 Dec	1 228 936	87 497	3 544			1 319 977
Value adjustments at 31 Dec	-34 691					-34 691
Book value at 31 Dec	1 194 245	87 497	3 544			1 285 286

The new acquisition cost of shares in listed group companies was EUR 0.9 billion higher than the book value at the balance sheet date.

9. Group and parent company holdings at 31 Dec 2000

	Registered office	Group interest, %	Parent company interest, %
Group companies			
Oy Arvotel Ab	Helsinki	100 %	100 %
Comptel Plc ¹⁾	Helsinki	58 %	58 %
Oy Probatuus 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 Datatie Ab	Helsinki	100 %	100 %
Oy Dianatel Ab	Helsinki	100 %	100 %
Direktia Ltd	Helsinki	100 %	100 %
Epstar Oy	Helsinki	70 %	70 %
Etelälinkki Oy	Helsinki	80 %	80 %
Oy Extel Ab	Helsinki	100 %	100 %
Oy Extel-Achterkamer Ab	Helsinki	100 %	0 %
Oy Extel-Bestudeerd Ab	Helsinki	100 %	0 %
Oy Extel-Bevaren Ab	Helsinki	100 %	0 %
Oy Extel-Grenzenloos Ab	Helsinki	100 %	0 %
Oy Extel-Grinniken Ab	Helsinki	100 %	0 %
Oy Extel-Grissen Ab	Helsinki	100 %	0 %
Oy Extel-Noodlottig Ab	Helsinki	100 %	0 %
Oy Extel-Onbeheerd Ab	Helsinki	100 %	0 %
Oy Extel-Opslokken Ab	Helsinki	100 %	0 %
Oy Extel-Opstopper Ab	Helsinki	100 %	0 %
Oy Extel-Parvenu Ab	Helsinki	100 %	0 %
Oy Extel-Pets Ab	Helsinki	100 %	0 %
Oy Extel-Rotsvast Ab	Helsinki	100 %	0 %
Oy Extel-Snaak Ab	Helsinki	100 %	0 %
Oy Extel-Strohalm Ab	Helsinki	100 %	0 %
Oy Telcofounding Ab	Helsinki	100 %	0 %
FINNETCom Oy	Helsinki	100 %	100 %
FMS Dravit Asset Management GmbH	Düsseldorf	100 %	100 %
Elisa Kommunikation GmbH	Düsseldorf	100 %	0 %
DDkom - Die Dresdner Telekommunikationsgesellschaft mbH	Dresden	51 %	0 %
ElisaNet GmbH	Cologne	100 %	0 %
enco Telecom GmbH & Co. KG	Gera	100 %	0 %
Finnish International Telecommunications GmbH	Düsseldorf	50 %	0 %
FMS Cirrus Asset Management GmbH	Düsseldorf	100 %	0 %
HANSAKOM TELEKOMMUNIKATIONS GmbH	Greifswald	91 %	0 %
Mainova Telekommunikation GmbH	Frankfurt	60 %	0 %
Mäkitorppa GmbH	Düsseldorf	100 %	0 %
pulsaar Gesellschaft für Telekommunikation GmbH	Saarbrücken	100 %	0 %

¹⁾ As a result of Comptel Plc's valid warrant programme Elisa Communications Corporations' holding may fall to 56.6%.

	Registered office	Group interest, %	Parent company interest, %
TeleNet Potsdam Kommunikationsgesellschaft mbH	Potsdam	75 %	0 %
TIMe start-up Management GmbH	Frankfurt	100 %	0 %
Oy Heltel Ab	Helsinki	63 %	63 %
Kolumbus Oy (not operational in 2000)	Helsinki	100 %	100 %
Mäkitorppa Yhtiöt Oy	Helsinki	100 %	100 %
Kamastore Oy	Helsinki	100 %	0 %
Mobinter Oy	Helsinki	100 %	0 %
Mäkitorppa Oy	Helsinki	100 %	0 %
Setele Oy	Seinäjoki	100 %	0 %
Oy Radiolinja Ab	Helsinki	98 %	93 %
Radiolinja Eesti As	Tallinn	92 %	46 %
SIA Radiolinja Latvija	Riga	98 %	0 %
Globalstar Northern Europe Oy	Helsinki	49 %	0 %
UAB Radiolinja Lithuania	Vilnius	98 %	0 %
Ecosite Oy	Helsinki	98 %	0 %
Kiinteistö Oy Espoon Keilasatama	Helsinki	98 %	0 %
Rahoituslinkki Oy	Helsinki	100 %	100 %
Kiinteistö Oy Ratavarijankatu 3	Helsinki	64 %	64 %
Kiinteistö Oy Rinnetorppa	Kuusamo	88 %	50 %
Valuetel Oy	Helsinki	100 %	100 %
Oy Älytalo Ab	Helsinki	100 %	100 %
Other companies (dormant)			
Associated companies			
Arcus Software Oy	Helsinki	37 %	23 %
Carrier Network Services GmbH & Co. KG	Leipzig	40 %	0 %
Datawell Oy	Espoo	20 %	20 %
Finnet International Ltd	Helsinki	41 %	41 %
Finnet Logistiikka Oy	Helsinki	32 %	32 %
Oy Finnet Media Ab	Helsinki	35 %	35 %
Oy Finnet Ventures	Helsinki	42 %	42 %
Hannovers Telefon Partner GmbH	Hannover	50 %	0 %
HLkomm Telekommunikations GmbH	Leipzig	23 %	0 %
JelloCom GmbH & Co. KG	Jena	31 %	0 %
Joensuun Puhelin Oy	Joensuu	21 %	8 %
Finnet Nine Ltd	Helsinki	34 %	31 %
Kiinteistö Oy Herrainmäen luolasto	Tampere	49 %	0 %
KSP Group Plc	Jyväskylä	24 %	23 %
Lounais-Suomen Puhelin Oy	Paimio	24 %	4 %
MAINZ-KOM Telekommunikation GmbH	Mainz	38 %	0 %
nordCom GmbH	Bremen	25 %	0 %
Suomen Keltaiset Sivut Oy	Helsinki	30 %	30 %
Tampere Telephone Plc	Tampere	33 %	12 %
TIMe CityLink AG	Dresden	50 %	0 %
Tropolys GmbH	Düsseldorf	34 %	0 %
Vantaan Yhteisverkko Oy	Vantaa	24 %	24 %

Undepreciated goodwill of associated companies at 31 December 2000 was EUR 48.9 million.
The balance sheet date for all associated companies was 31 December 2000.

EUR 1000	Group 2000	Group 1999	Parent company 2000	Parent company 1999
10. Stocks				
Raw materials and consumables	9 542	13 816	7 152	
Work in progress	1 177	1 660	842	
Finished products/goods	21 763	11 779		
Payments on account	2 976	3 135	2 252	
Total	35 458	30 390	10 246	
11. Long-term debtors				
Amounts owed by group companies				
Loan receivables			27 832	
Amounts owed by associated companies				
Trade debtors	196			
Loan receivables		1 278		
Amounts owed by others				
Other debtors	1 036	1 036		
Prepayments and accrued income	1 409	1 288	1 409	
Total	2 641	3 602	29 241	
12. Short-term debtors				
Amounts owed by group companies				
Trade debtors			15 741	
Loan receivables			176 557	42 411
Prepayments and accrued income			335	125
			192 633	42 536
Amounts owed by associated companies				
Trade debtors	10 981	6 205	1 969	
Loan receivables				
	10 981	6 205	1 969	
Amounts owed by others				
Trade debtors	184 116	156 945	68 253	
Loan receivables	233	3		
Other debtors	32 522	17 986	18 141	8 030
Prepayments and accrued income	10 129	9 829	8 850	1 154
	227 000	184 763	95 244	9 184
Total	237 981	190 968	289 846	51 720

The most significant prepayments and accrued income comprises matched interest received and leasing payments.
Long-term prepayments and accrued income includes an unbooked loss of EUR 1.2 million on the issue of a bond.

EUR 1000	Group 2000	Group 1999	Parent company 2000	Parent company 1999
13. Shareholders' equity				
Participation shares 1 Jan		217 442		217 442
Transfer to subscribed capital and share premium account		-217 442		-217 442
Subscribed capital at 1 Jan	42 158		42 158	
Increase	20 375	42 158	20 375	42 158
Subscribed capital at 31 Dec	62 533	42 158	62 533	42 158
Share premium account at 1 Jan	175 284		175 284	
Increase	210 617	175 284	210 617	175 284
Share premium account at 31 Dec	385 901	175 284	385 901	175 284
Contingency fund at 1 Jan	3 382		3 382	
Increase		3 382		3 382
Contingency fund at 31 Dec	3 382	3 382	3 382	3 382
Retained earnings at 1 Jan	240 767	182 128	97 505	116 662
Decrease in subscription fees		-118		
Basic capital of Reasearch Foundation		-1 682		-1 682
Transfer to contingency fund		-3 382		-3 382
Distribution of dividend /interest on participation capital	-17 017	-21 744	-17 017	-21 744
Gain on merger			66 528	
Elimination of Elisa Communications Corporation shares owned by associated companies	-35 916			
Translation and other differences	24	-36		
Retained earnings at 31 Dec	187 858	155 166	147 016	89 854
Profit for the financial year	22 284	85 601	368 751	7 651
Total	661 958	461 591	967 583	318 329

¹⁾ Telephone Cooperative HPY changed its name to HPY Holding Corporation on 17 June 1999.

Statement of distributable equity				
at 31 Dec				
Retained earnings	187 858	155 166	147 016	89 854
Profit for the financial year	22 284	85 601	368 751	7 651
- Capitalised formation expenses	-6 021	-10 950		
- Share of accumulated depreciation difference and untaxed reserves booked in shareholders' equity	-108 295	-52 213		
- Other decreases	-867			
Distributable equity, total	94 959	177 604	515 767	97 505

EUR 1000	Group 2000	Group 1999	Parent company 2000	Parent company 1999
14. Provisions for liabilities and charges				
Provision for the year 2000		555		
Rent agreements	1 682			
Other provisions for liabilities and charges	1 363	382	84	
Total	3 045	937	84	
15. Deferred tax liabilities and assets				
<u>Deferred tax assets arising from</u>				
mergers	1 143	718		
matching items	881	285	24	
Total	2 024	1 003	24	
<u>Deferred tax liabilities arising from</u>				
appropriations	35 134	32 885	44 033	778
mergers	10 154			
Total	45 288	32 885	44 033	778
Deferred tax liabilities (net)	43 264	31 882	44 009	778
16. Long-term creditors				
Amounts owed to group companies				
Bond with warrants			617	
Amounts owed to associated companies				
Other creditors		524		
Accruals and deferred income		33		
		557		
Amounts owed to others				
Bonds	275 800	71 500	275 800	
Convertible bond loans		51 327		
Loans from financial institutions	55 622	64 980		
Pension loans	68 302	85 760	68 108	
Bond with warrants	2 983		2 983	
Advances received (QTE leasing)	10 296	11 624	10 296	
Accruals and deferred income		17		
	413 003	285 208	357 187	
Total	413 003	285 765	357 804	

Convertible bond loan

The loan can be converted into around 1.6 million Elisa Communications Corporation shares, equivalent to 1.4% of the company's shares and votes.

Subscription period: 12-23 April 1999

Conversion ratio: 529.6998 A Shares for each FIM 99,960 (EUR 16,812) tranche of debt; any fractional share is to be paid in cash at the actual closing price of the share on the stock exchange day preceding conversion.

Conversion period: 23 April 2001 to 23 April 2003

Interest rate: 1.5%

Put option: Bearers of bonds are entitled to request repayment of the loan capital, in whole or in part, by 12 March 2001 so that repayment takes place on 23 April 2001.

Bond loans

Within the limits of its bond loan programmes, the company has issued the following bond loans:

	31 December 2000		
	EUR million	Nominal interest	Maturity date
Bond loan programme 1999 / EUR 335 million			
I/1999	71,5	4.75%	18 June 2007
II/2000	53,1	4.62%	30 March 2001
III/2000	52,5	5.04%	30 March 2002
III/2000	51,8	5.34%	30 March 2003
Bond loan programme 2000 / EUR 200 million			
II/2000	100,0	5.75%	6 Sept 2002
Total	328,9		

Bond with warrants

The warrants may be exercised to obtain 7.2 million shares, equivalent to 5.4% of the company's shares and votes.

Bond with warrants, total: ⁽¹⁾	EUR 3 600 000
Subscribed by employees: ⁽¹⁾	EUR 2 982 800
Subscription period:	25 Oct - 1 Nov 2000
Warrant:	50 A and 50 B warrants for each EUR 50 tranche of debt
Subscription period for A Warrants:	2 May 2002 - 31 Oct 2005
Subscription period for B Warrants:	2 May 2003 - 31 Oct 2005
Interest rate:	0%
Amortisation	30 November 2002 in full

⁽¹⁾ Rahoituslinkki Oy, a wholly-owned subsidiary of Elisa Communications Corporation subscribed EUR 617,200. The bond with warrants was fully subscribed. Rahoituslinkki cannot subscribe for shares by virtue of the warrants attached to the bond. Rahoituslinkki Oy may offer the bond with warrants or warrants for subscription by existing or future key persons.

EUR 1000	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Loans falling due after more than five years				
Bonds	71 500	71 500	71 500	
Pension loans	68 108	76 517	68 108	
Total	139 608	148 017	139 608	
17. Short-term creditors				
Amounts owed to group companies				
Trade creditors			29 605	
Other creditors			81 401	
Accruals and deferred income			357	1 959
			111 363	1 959
Amounts owed to associated companies				
Trade creditors	12 017	8 015	6 790	
Other creditors	4 217		3 532	
Accruals and deferred income		476		
	16 234	8 491	10 322	
Amounts owed to others				
Bonds	53 100		53 100	
Convertible bonds	51 327		51 327	
Loans from financial institutions	97 326	72 794	80 000	
Pension loans	17 458	8 441	17 425	
Advances received	6 620	5 162	1 329	
Trade creditors	141 273	118 274	30 765	
Other creditors	114 771	27 933	83 594	466
Accruals and deferred income	67 976	101 006	32 509	2 388
	549 851	333 610	350 049	2 854
Amounts owed to Financial Services Office ¹⁾				
Loans (gross)	17 087	16 736	17 087	
Receivables	-992	-936	-992	
Loans (net)	16 095	15 800	16 095	
Total	582 180	357 901	487 829	4 813
¹⁾ Financial Services Office's loans have been granted to parent company employees. The loans are small, under EUR 20,000. Beneficiaries include shareholders who are company employees.				
The most significant accruals and deferred income comprises matched holiday pay, including social security contributions, interest charges and leasing payments.				
Interest-bearing liabilities				
Long-term	399 724	273 567	343 908	
Short-term	301 771	96 267	365 315	
Interest-bearing liabilities, total	701 495	369 834	709 223	

EUR 1000	Group 2000	Group 1999	Parent company 2000	Parent company 1999
18. Surety, contingency and other liabilities				
Mortgages				
<u>For own loans</u>				
Pension loans	44 801	66 202	44 801	
Mortgages given	40 701	61 725	40 701	
Loans from financial institutions	8 426	9 587		
Mortgages given	3 431	5 062		
Other surety				
Mortgages given	1 800	2 186	1 346	
<u>For group companies' loans</u>				
Mortgages given				20 183
<u>For others' loans</u>				
Mortgages given	84	84	84	
Mortgages given as surety, total	46 016	69 057	42 131	20 183
Guarantees given				
For group companies' loans			5 067	68
For associated companies' loans	6 824	8 675	1 966	4 452
For management loans	11	14		
For others' loans	660	668	660	
Guarantees, total	7 495	9 357	7 693	4 520
Total	53 511	78 414	49 824	24 703
Payments on leasing agreements	114 624	111 494	17 683	
Payable during the financial year 2001	23 427	18 802	5 522	
Payable later	91 197	92 692	12 161	
Repo commitments	4 786	4 561	4 750	
Leaseback				
(QTE) commitments	218 139	201 994	218 139	
Other commitments	3 665	16 738	2 408	

QTE facility

In September 1999, Elisa Communications Corporation entered into a financing agreement (QTE facility) in respect of certain parts of the telecommunications network. The parent company has leased telecom network hardware to a consortium of US capital investors, who have leased the hardware back to the company. Elisa Communications Corporation retains title to the hardware

concerned. 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 operating income in 2000. Consideration is to be booked in full within ten (10) years of the agreement having been signed.

In summer 2000, Elisa Communications Corporation sold its mobile network infrastructure to its subsidiary Oy Radiolinja Ab. Liability relating to the QTE facility in respect of mobile network hardware, 38% of total liability was transferred to Radiolinja. As the parent company, Elisa Communications Corporation is counter guarantor for Radiolinja's share.

The facility is not expected to generate other cash flows to the company other than the net compensation mentioned above. The companies' and group's liability for leaseback is limited to the situation where the financial institution responsible for passing the leasing payments on is unable to meet its commitment.

GSM network leasing agreements

Oy Radiolinja Ab has implemented some network investments through long-term delivery agreements based on a business agreement. Under the business agreement, in certain situations Radiolinja has a pre-emption right and obligation to buy the property mentioned in the agreement at the market price or Radiolinja is obliged to buy the property mentioned in the agreements at the residual value.

The first agreement period is for ten years and parties may, if they so wish, extend the agreement. The agreements oblige Radiolinja to make regular payments. Payments under these agreements are weighted towards the final years of the agreement period. The acquisition cost of these delivery agreements from outside the group amounted to about EUR 222 million at year-end 2000 (EUR 219 million at year-end 1999).

Calculated in accordance with the interest rates specified in the agreements valid at 31 December 2000, future compensation in respect of business agreements outside the group is as follows (EUR million):

2001	2002	2003	2004	2005
44	50	55	52	46
2006	2007	2008	2009	2010
36	25	14	4	0

Data network leasing agreements

Access costs in respect of Oy Datatie Ab's trunk network connections are essentially based on (5) five-year agreements. The estimated leasing liability outside the group was around EUR 37 million at year-end 2000.

Telecommunications network leasing agreements

Elisa Kommunikation GmbH's subsidiaries have long-term telecommunications leasing agreements. These have no material impact on the group.

Other financial commitments

Under Chapter 14, Section 19 of the Finnish Companies Act, Elisa Communications Corporation has an obligation and right to redeem minority interests in Oy Radiolinja Ab. The company has filed a demand for redemption at a price of FIM 29,000 (EUR 4,877.45) per share. Using this price, the value of shares subject to redemption obligation/right is approx. EUR 30 million. Meeting on 8 February 2001, the court of arbitration noted that Elisa Communications Corporation is entitled to redeem the minority interests.

Social security costs arising from warrant schemes

Group employees are participants in the warrant scheme approved by Elisa Communications Corporation's extraordinary general meeting on 20 October 2000. Any social security costs incurred by the group as a result of the scheme are to be booked in the income statement based on the difference between the price of the share quoted at the balance sheet date and the issue price. No social security costs are incurred by the group in respect of Elisa Communications Corporation warrant certificates owned by employees at the balance sheet date.

Derivative instruments

EUR 1000	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Currency derivatives				
Forward contracts				
Value of underlying instrument	3 224	5 958		
Market value	79	-319		
Currency swaps				
Value of underlying instrument	8 409	8 409		
Market value	9	-2		

Five year group financial summary

	2000	1999	1998	1997	1996
Income statement					
Revenue, EUR million	1 244	1 068	781	430	374
Revenue, increase %	16,5 %	36,8 %	81,7 %	14,9 %	13,1 %
Operating profit (EBIT), EUR million	149	217	72	29	18
Operating profit (EBIT) as % of revenue	12,0 %	20,3 %	9,2 %	6,7 %	4,8 %
Profit before extraordinary items, EUR million	94	210	79	32	19
Profit before extraordinary items and taxes as % of revenue	7,5 %	19,7 %	10,1 %	7,6 %	5,0 %
Result after extraordinary items, EUR million	94	202	125	32	10
Result after extraordinary items as % of revenue	7,5 %	18,9 %	16,0 %	7,6 %	2,7 %
Return on equity, % (ROE)	4,7 %	20,7 %	12,0 %	6,9 %	5,7 %
Return on investment, % (ROI)	9,8 %	23,4 %	13,2 %	8,6 %	6,2 %
Research and development costs, EUR million	23	15	11	9	8
Research and development costs as % of revenue	1,9 %	1,4 %	1,5 %	2,2 %	2,1 %
Balance sheet					
Gearing ratio, %	96,5 %	16,5 %	- 0,5%	8,6 %	28,6 %
Current ratio	0,5	1,4	1,8	2,0	1,6
Equity ratio, %	40,3 %	52,8 %	59,9 %	57,4 %	54,4 %
Zero-interest liabilities, EUR million	337	306	221	120	108
Balance sheet total, EUR million	1 734	1 413	1 053	668	561
Financial assets					
Purchases of shares, EUR million	726	285	187	6	3
Fixed asset investments					
Gross investments, EUR million	252	222	221	120	97
Gross investments as % of revenue	20,2 %	20,8 %	28,3 %	27,8 %	25,9 %
Employees					
Employees, average during the financial year	6 161	5 489	4 589	3 818	3 746
Revenue/employee, EUR 1000	202	195	170	113	98

Formulae for financial summary indicators

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

$$\text{Return on investment, \% (ROI)} = \frac{\text{Result before extraordinary items and taxes + interest payable and similar expenses}}{\text{Balance sheet total - zero-interest liabilities (average during the year)}} \times 100$$

$$\text{Gearing ratio, \%} = \frac{\text{Interest-bearing liabilities - cash at hand and in banks - short-term investments}}{\text{Shareholders' equity + minority interests}} \times 100$$

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

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

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

Per share data

	2000	1999
Subscribed capital, EUR	62 532 533	42 157 725
Number of shares at 31 December	125 065 067	84 315 450
Average number of shares ¹⁾	123 428 136	84 315 450
Number of shares at 31 December, diluted ²⁾	132 647 840	
Average number of shares, diluted ^{1), 2)}	125 909 180	
Market capitalisation, EUR million ³⁾	2 868	3 141
Earnings per share (EPS), EUR	0,18	1,11
Dividend per share, EUR	0,07 ^{*)}	0,20
Dividend payment ratio, %	39 %	18 %
Equity per share, EUR	5,29	5,47
P/E ratio	127	33
Effective dividend yield, %	0,3 %	0,5 %
Performance of A Shares on the Helsinki Exchanges ⁴⁾		
Middle price, EUR	38,28	22,92
Closing price at December 31, EUR	22,93	37,25
Lowest price, EUR	21,00	16,85
Highest price, EUR	58,00	37,25
Trading of A Shares		
Total number of A Shares traded, 1000 shares ⁵⁾	60 114	19 479
Percentage traded of total A Shares, % ⁶⁾	48 %	23 %

Telephone Cooperative HPY changed its name to HPY Holding Corporation on 17 June 1999.

^{*)} Proposal by the Board of Directors

¹⁾ The number of shares has been calculated as if Helsinki Telephone Corporation had merged with HPY Holding Corporation on 1 January 2000.

²⁾ Diluted by convertible bond loans and bonds with warrants.

³⁾ Calculated on the closing price at 29 December 2000.

⁴⁾ The shares were first quoted on the Helsinki Exchanges on 1 July 1999.

⁵⁾ Total 1999 trading figures are for the period 1 July - 30 December 1999.

⁶⁾ Calculated in relation to the number of A shares at the balance sheet date.

Formulae for per share data

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

1. Share capital and shares

The company's registered and fully paid share capital at the balance sheet date was EUR 62,532,533.50. Under the Articles of Association, the minimum and maximum share capital is EUR 25,000,000 and EUR 100,000,000 respectively.

Under the Articles of Association of Elisa Communications Corporation, the shares may be divided into A and B Shares. Each A and B Share has one (1) vote. The dividend right of the B Share is 1/10 of the A Share dividend. Under the Articles of Association, the maximum amount of A and B Shares is 200,000,000 and 10,000 respectively.

At the balance sheet date, there were 125,065,067 Elisa Communications Corporation shares, all of which are A Shares. Each share has a nominal value of EUR 0.50.

2. Authorisation to purchase the company's own shares

The company's Board of Directors has no authorisation to purchase the company's own shares.

3. Bond with warrants

The extraordinary general meeting of Elisa Communications on 20 October 2000 decided to offer a bond with warrants to group employees.

The bond with warrants was offered to employees of the Elisa Communications Group and to Rahoituslinkki Oy, a wholly-owned subsidiary of Elisa Communications Corporation. The pre-emption rights of existing shareholders were disapplied because the bond with warrants is intended to form part of the group's incentive and commitment scheme.

The bond with warrants was EUR 3,600,000. The bond is interest free and the loan period is from 30 November 2000 to 30 November 2002. Attached to the bond are 7,200,000 warrants, of which 3,600,000 are endorsed with the letter A and 3,600,000 with the letter B. The issue price of each A Share subscribed by virtue of A Warrants is the weighted average price of Elisa's A Shares traded on the Helsinki Exchanges between 1 September and 30 November 2000, plus 15 per cent (EUR 38.14) and the issue price of each A Share subscribed by virtue of B Warrants is the

weighted average price of Elisa's A Shares traded on the Helsinki Exchanges between 1 January and 31 March 2001, plus 15 per cent. A Warrants may be exercised to subscribe for shares from 2 May 2002 and B Warrants from 2 May 2003. The exercise period in respect of both series of warrants expires on 31 October 2005.

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

The shares will be entitled to any dividend beginning from the financial year in which they were subscribed. The shares will be entitled to other rights in the company from the date the increase in share capital has been registered in the Finnish Trade Register. Should a warrant holder cease to be employed by or in the service of an Elisa Communications Group company before 2 May 2003 for any reason other than death or retirement, such person shall immediately offer the Company, or any entity determined 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.

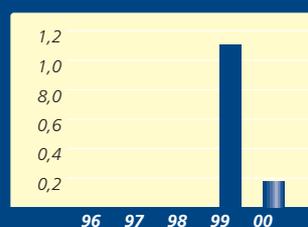
The bond with warrants was subscribed by more than 65 per cent of those entitled to subscribe to it. Rahoituslinkki Oy, a wholly-owned subsidiary of Elisa Communications Corporation, subscribed by EUR 671,200. Rahoituslinkki Oy may, in a manner approved by Elisa's Board of Directors, subsequently transfer the bonds and attached warrants it owns, or just the warrants, to persons already employed by or to new persons recruited by Elisa Communications Group.

4. Authorisations of the Board of Directors

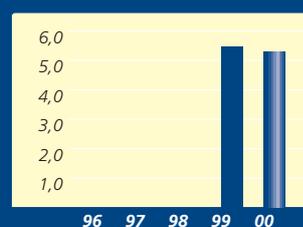
The extraordinary general meeting of 20 October 2000 decided to revoke the authorisation to increase the share capital granted to the Board of Directors by the annual general meeting on 10 April 2000.

The general meeting also decided to authorise the Board of Directors to decide, within one (1) year of the shareholders' meeting, whether to increase the share capital through one or more rights issues, one or more convertible bonds and/or warrants, provided that such issuance of new shares, the conversion

Earnings per share, EUR



Shareholders' equity per share, EUR



of such bonds or the exercise of such warrants, in the aggregate, may not result in the issuance of more than 25 million new A Shares or an increase in the company's share capital of more than EUR 12.5 million.

5. Management interests

At 29 December 2000, members of the company's Board of Directors, the company's President and CEO, and the vice president held a total of 10,105 A Shares and votes, equivalent to 0.01 per cent of the company's total shares and votes. Additionally, they hold 140,000 options. The management interests amount to 0.11 per cent if the convertible bonds and warrant bonds are taken into account in full.

6. Merger of Helsinki Telephone Corporation and HPY Holding Corporation

Helsinki Telephone Corporation merged with and into HPY Holding Corporation as planned on 1 July 2000. The general meetings of shareholders of both companies approved the merger plan on 27 September 1999. In the merger, holders of Helsinki Telephone Corporation shares received a merger consideration of 2.16204 HPY Holding Corporation shares for each Helsinki Telephone Corporation share. Holders of Helsinki Telephone Corporation shares received cash consideration in lieu of any fractional share. No merger consideration was paid in respect of the Helsinki

Telephone Corporation shares owned by HPY Holding. Holders of Helsinki Telephone Corporation shares received total consideration of 40,749,617 HPY Holding Corporation shares, 32.58 per cent of the company's new number of shares.

Subsequent to the merger, HPY Holding – HTF Holding Oyj Abp (HPY Holding Corporation) changed its name to Elisa Communications Oyj (Elisa Communications Corporation). The change of name was registered in the Finnish Trade Register on 3 July 2000.

7. Share performance

Elisa Communications Corporation's A Share closed at EUR 22.93 on 29 December 2000. The highest and lowest quoted prices during the year were EUR 58.00 and EUR 21.00 respectively. The middle price was EUR 38.28.

At the balance sheet date, Elisa Communications Corporation had a market capitalisation of EUR 2,868 million.

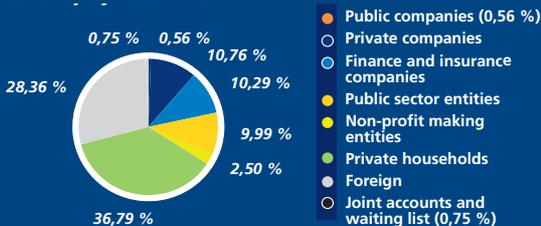
8. Quotation and trading

The A Shares of Elisa Communications Corporation are quoted on the main list of the Helsinki Exchanges under code ELIAY. A total of 60,113,631 Elisa A Shares, equivalent to 48 per cent of the shares at the balance sheet date, were traded on the Helsinki Exchanges between 3 January and 29 December 2000, at a total price of EUR 2,301 million (FIM 13,683 million).

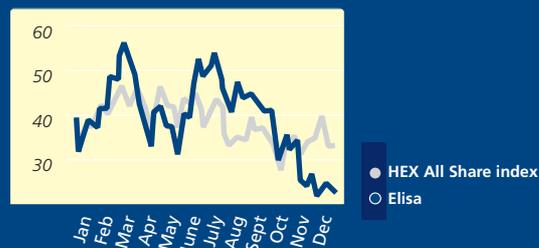
9. Shareholdings by owner group as at 31 December 2000

	Shares	% of total
1a. Public companies	698 644	0,56 %
1b. Private companies	13 457 834	10,76 %
2. Finance and insurance companies	12 874 400	10,29 %
3. Public sector entities	12 487 840	9,99 %
4. Non-profit making entities	3 121 525	2,50 %
5. Private households	46 011 419	36,79 %
6. Foreign	35 473 955	28,36 %
7. Joint accounts and waiting list	939 450	0,75 %
Total	125 065 067	100,00 %

Shareholdings by owner group as at 31 December 2000



Elisa share performance in 2000, closing prices, EUR

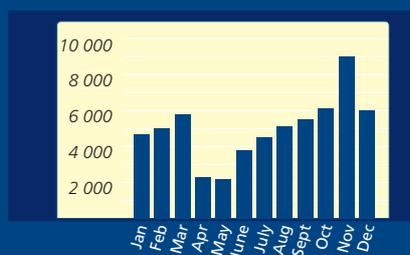


10. Analysis of shareholdings as at 31 December 2000

Size of shareholding	Number of shareholders	% of total	Number of shares	% of total
1 - 100	19 760	7,58 %	1 014 205	0,81 %
101 - 500	232 627	89,23 %	42 446 679	33,94 %
501 - 1.000	5 297	2,03 %	3 547 845	2,84 %
1 001 - 5 000	2 406	0,92 %	4 577 119	3,66 %
5 001 - 10 000	263	0,10 %	1 831 770	1,46 %
10 001 - 50 000	245	0,09 %	5 332 720	4,26 %
50 001 - 100 000	44	0,02 %	3 209 665	2,57 %
100 001 -	64	0,02 %	62 165 614	49,71 %
Total	260 706	100,00 %	124 125 617	99,25 %
On waiting list, total			150	0,00 %
In joint accounts			939 300	0,75 %
Number issued			125 065 067	100,00 %

11. Largest shareholders as at 31 December 2000

	Shares	% of total
1 Tampere Telephone Plc	2 188 163	1,75 %
2 Industrial Insurance Company Ltd	1 992 781	1,59 %
3 Ilmarinen Mutual Pension Insurance Company	1 788 300	1,43 %
4 Sampo Life Insurance Company Ltd	1 679 101	1,34 %
5 Vakuutusosakeyhtiö Henki-Sampo	1 466 400	1,17 %
6 Local Government Pensions Institution	1 202 968	0,96 %
7 City of Helsinki	1 124 240	0,90 %
8 State Treasury	978 750	0,78 %
9 Sampo-Leonia Plc	865 030	0,69 %
10 Kesko's Pension Fund	813 770	0,65 %
11 Helsinki Telephone Association Pension Fund	771 300	0,62 %
12 Pohjola Non-Life Insurance Company Ltd	746 458	0,60 %
13 Pohjola Life Assurance Company Ltd	710 000	0,57 %
14 Mutual Insurance Company Pension-Fennia	661 231	0,53 %
15 Merita Bank Ltd	594 300	0,48 %
16 KSP Group Plc	556 870	0,45 %
17 Suomi Mutual Life Assurance Company	553 006	0,44 %
18 Sijoitusrahasto Merita Optima	452 750	0,36 %
19 Tapiola General Mutual Insurance Company	406 671	0,33 %
20 City of Espoo	370 200	0,30 %
Nominee registered	35 236 589	28,17 %
Other than listed	69 906 189	55,90 %
Total	125 065 067	100,00 %

Monthly trading of Elisa shares in 2000, per 1 000 shares

Consolidated income statement 1 Jan - 31 Dec

	2000 FIMm	1999 FIMm	2000 EURm	1999 EURm
Revenue	7 398	6 349	1 244	1 068
Other operating income	443	908	74	153
Operating expenses	-5 698	-4 848	-958	-815
Depreciation on fixed assets and value adjustments	-996	-1 019	-167	-171
Depreciation on consolidated goodwill	-260	-99	-44	-18
EBIT	887	1 291	149	217
Financial income and expenses				
Share of profits of associated companies	-195	20	-33	3
Other financial income and expenses	-134	-61	-22	-10
Profit before extraordinary items	558	1 250	94	210
Profit after extraordinary items		-50		-8
Extraordinary items	558	1 200	94	202
Taxes	-357	-409	-60	-69
Minority interests	-69	-282	-12	-47
Net profit	132	509	22	86

Consolidated balance sheet 31 Dec

Fixed assets				
Intangible assets	420	324	71	54
Consolidated goodwill	3 172	1 139	533	192
Tangible assets	4 067	3 464	684	583
Holdings in associated companies	737	539	124	91
Other investments	79	121	13	20
	8 475	5 587	1 425	940
Current assets				
Inventories	210	181	35	30
Receivables	1 431	1 157	241	195
Short-term investments	23	1 227	4	206
Cash and bank	172	250	29	42
	1 836	2 815	309	473
Total assets	10 311	8 402	1 734	1 413
Shareholders' equity				
Share capital	372	251	63	42
Issue premium fund	2 295	1 042	386	175
Contingency fund	20	20	3	3
Retained earnings	1 117	923	188	155
Net profit for the financial year	132	509	22	86
	3 936	2 745	662	461
Minority interests	183	1 635	31	275
Obligatory reserves	18	5	3	1
Liabilities				
Deferred tax liability	257	190	43	32
Long-term creditors	2 761	1 699	464	286
Short-term creditors	3 156	2 128	531	358
	6 174	4 017	1 038	676
Total liabilities	10 311	8 402	1 734	1 413

The consolidated shareholders' equity in the balance sheet at 31 December 2000 is EUR 661,958,000.00, of which EUR 94,959,000.00 is distributable.

The parent company's shareholders' equity in the balance sheet at 31 December 2000 is EUR 967,582,386.37, of which EUR 515,766,688.97 is distributable.

The parent company's profit for the financial year ending 31 December 2000 is EUR 368,750,736.17.

The Board of Directors proposes to the Annual General Meeting that Elisa Communications Corporation pay a dividend of EUR 0.07 per share for 2000.

Helsinki, 26 February 2001

Keijo Suila
Chairman of the Board

Ossi Virolainen

Matti Aura

Riitta Backas

Matti Ilmari

Arto Ihto

Rauno Kousa

Linus Torvalds

Paavo Uronen

Matti Mattheiszen
President and CEO

Auditors' notation

The financial statements above have been duly prepared in accordance with the Finnish Standards on Auditing. A report of the audit performed has been issued today.

Helsinki, 13 March 2001

SVH Pricewaterhouse Coopers Oy
 Authorised Public Accountants

Leo Laitinmäki
 Authorised Public Accountant

Henrik Sormunen
 Authorised Public Accountant

Auditors' report**To the shareholders of Elisa Communications Corporation**

We have audited the accounts, financial statements and corporate governance of Elisa Communications Corporation (formerly HPY Holding Corporation) for the period 1 January to 31 December 2000. The financial statements prepared by the Board of Directors and the President and Chief Executive Officer include the report of the Board of Directors, the consolidated and parent company income statements, balance sheets and notes to the financial statements. Based on our audit, we express an opinion on these financial statements and on corporate governance.

The audit has been carried out in accordance with the 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 or disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance has been to examine that the members of the Supervisory Board and the Board of Directors and the President and Chief Executive Officer have complied with 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 in Finland. The financial statements give a true and fair view of the Group's and parent company's result and financial position as required under the Accounting Act. We recommend adoption of the financial statements, consolidated financial statements and the discharge of the members of the parent company's Supervisory Board and Board of Directors and the President and Chief Executive Officer from liability for the accounting period we have examined. The Board of Directors' proposal to deal with the distributable capital shown in the balance sheet complies with the Companies Act.

Helsinki, 13 March 2001

SVH Pricewaterhouse Coopers Oy
 Authorised Public Accountants

Leo Laitinmäki
 Authorised Public Accountant

Henrik Sormunen
 Authorised Public Accountant

General Meetings of Shareholders

Ultimate decision-making power in Elisa Communications Corporation is vested in the General Meeting of Shareholders which, among other things, approves the consolidated income statement and balance sheet. The Meeting also declares the dividend to be paid. The Meeting appoints members to the Board of Directors and the company's auditors.

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

Board of Directors and President and CEO

The company's Board of Directors comprises between five and nine members as determined by the annual general meeting. Members of the Board of Directors serve for a term of three years, with one third of the members retiring by rotation each year. The present Board of Directors comprises nine members.

The Board of Directors is responsible for the overall strategic course of the group's business, determining business objectives and for monitoring the development of results. The Board of Directors has prepared an internal working system to assist it in its practical duties.

The Board of Directors elects a chairman and deputy chairman from among its members and names the company's President and CEO and his deputy.

The Supervisory Boards of HPY Holding Corporation and Helsinki Telephone Corporation were abolished following the merger of the two companies on 1 July 2000.

Auditors

Under the company's Articles of Association, the company shall have two auditors and one deputy. All auditors shall be duly authorised by a chamber of commerce or by the Central Chamber of Commerce.

Members of the Board of Directors

- ▶ **Keijo Suila** (1945), President and CEO, Finnair Oyj, chairman, member since 1999, due to retire by rotation in 2001.
- ▶ **Ossi Virolainen** (1944), CEO, AvestaPolarit Oyj Abp, deputy chairman, member since 1997, due to retire by rotation in 2002.
- ▶ **Matti Aura** (1943), LL.M., member since 1999, due to retire by rotation in 2001.
- ▶ **Riitta Backas** (1946), Financial manager, Pharma Industry Finland, member since 1997, due to retire by rotation in 2002.
- ▶ **Arto Ihto** (1947), President and CEO, Osuusliike Elanto, member since 2000, due to retire by rotation in 2003.
- ▶ **Matti Ilmari** (1942), Senior Vice President, ABB Ltd, member since 1997, due to retire by rotation in 2001.
- ▶ **Rauno Kousa** (1941), Parliamentary assistant, member since 1997, due to retire by rotation in 2003.
- ▶ **Linus Torvalds** (1969), software engineer, Transmeta Corporation, member since 2000, due to retire by rotation in 2003.
- ▶ **Paavo Uronen** (1938), Rector, Helsinki University of Technology, member since 1997, due to retire by rotation in 2002.

The existing Board of Directors began on 1 July 2000, when the merger of Helsinki Telephone Corporation with and into HPY Holding Corporation became effective.

Until the merger, the following persons were members of HPY Holding's Board of Directors: **Harri Holkeri** (chairman), **Reino Paasilinna** (deputy chairman), **Carl Johan Adolfsson**, **Erkki Helaniemi**, **Raimo Ilaskivi**, **Ingvar S. Melin**, **Sole Molander**, **Kari Piimies** and **Pekka Sauri**.

Until the merger, members of Helsinki Telephone Corporation's Board of Directors were, with the exception of **Arto Ihto** and **Linus Torvalds**, members of Elisa's present Board of Directors. The Chairman of the Board was **Kurt Nordman**.



The members of Elisa Communications Corporation's Board of Directors from the left, back row: Rauno Kousa, Matti Ilmari, Matti Aura, Arto Ihto and Linus Torvalds; front row: Paavo Uronen, Riitta Backas, Keijo Suila (chairman) and Ossi Virolainen (deputy chairman).

Auditors

The company's auditors are SVH Pricewaterhouse Coopers Oy, authorised public accountants, with **Henrik Sormunen** (APA) and **Leo Laitinmäki** (APA) as the principal auditors, as well as **Seppo Tervo** (APA) as the deputy auditor. Until 1 July 2000, **Lasse Lehti** (AA) and deputy auditor **Anneli Lindroos** (APA) also served as the company's auditors.

Corporate Strategic Management Group from 1 January 2000

- ▶ **Matti Mattheiszen** (1942), MSc (Eng), President and CEO since 1 May 1997. He has served the group since 1971. Matti Mattheiszen served as head of Sales and Marketing since 1984 and as COO and acting CEO between 1988 and 1997. He is also chairman of the Board of Directors of Comptel Plc.
- ▶ **Jarmo Kalm** (1945), BSc (Tech), Senior Executive Vice President, Mobile Communications, and COO since 1 May 1997. He has served the group since 1972. Jarmo Kalm heads the Mobile Communications (MC) business area and the company's business in Germany. Jarmo Kalm chairs the Boards of Directors of Oy Datatie Ab, Oy Radiolinja Ab, Mäkitorppa Yhtiöt Oy and Elisa Kommunikation GmbH.
- ▶ **Matti Carpén** (1960), MSc (Eng), Executive Vice President, Business Solutions. He has served the group for two terms beginning in 1987. Matti Carpén heads the Business Solutions (BS) business area. He chairs the Boards of Directors of Oy Heltel Ab, Finnet International Ltd and Kolumbus Oy.

- ▶ **Pasi Lehmus** (1962), MSc (Eng), Executive Vice President, Personal Communications. He has served the group since 1989. Pasi Lehmus heads the Personal Communications (PC) business area. He chairs the Board of Directors of Direktia Ltd.
- ▶ **Ann-Maj Majuri-Ahonen** (1946), MSc (Econ & Bus Adm), Senior Vice President, CFO. She has served the group since 1994, initially as director of Finance and Administration.
- ▶ **Vesa-Pekka Silaskivi** (1966), LicSc (Econ & Bus Adm), LL.M., Senior Vice President, Corporate Planning & Strategy. He joined the group in 2000.
- ▶ **Jukka Veteläsuo** (1951), MSc (Eng), Executive Vice President, Operator Network Services. He has served the group since 1989. Jukka Veteläsuo heads the Operator Network Services (ONS) business area.

Other corporate management

- ▶ **Risto Rinta-Mänty** (1948) LicMed, Senior Vice President, Corporate Human Resources. He has served the group since 1989. Risto Rinta-Mänty has been the group's head physician and Senior Vice President of Corporate Human resources since 1997. He chairs the Board of Directors of Elisa Group's Pension Foundation.
- ▶ **Kalevi Suortti** (1949), Senior Vice President, Corporate Communications and External Relations. He has served the group since 1992.
- ▶ **Sami Ylikortes** (1967), MSc (Econ & Bus Adm), LL.M., Senior Vice President, Administration. He has served the group since 1996. Sami Ylikortes is responsible for

coordinating joint services and legal matters. He has also served as secretary to the Board of Directors since 1998.

**Employee representatives
on the internal management board**

- ▶ **Teuvo Käyhty** (1948), sales manager, has served the group since 1975.
- ▶ **Helena Lehtonen** (1942), office employee, has served the group since 1966.
- ▶ **Ilkka Rautakivi** (1960), technical specialist, has served the group since 1985.
- ▶ **Seppo Saari** (1952), network installation technician, has served the group since 1971.

**Managing directors
of principal subsidiaries**

- ▶ **Oy Radiolinja Ab: Pertti Kyttälä** (1950), MSc (Econ & Bus Adm), has served the group since 1997.
- ▶ **Comptel Plc: Heikki Tetri** (1944), has served the company since 1986.

- ▶ **Mäkitorppa Yhtiöt Oy: Kimmo Manni** (1949), MSc (Econ & Bus Adm), has served the company since 1990.
- ▶ **Oy Datatie Ab: Markku Tams** (1950), MSc (Eng), has served the group since 1986.
- ▶ **Oy Heltel Ab: Erkki Harju** (1947) has served the company since 1990.
- ▶ **Elisa Kommunikation GmbH: Pekka Perttula** (1946), MSc (Eng), has served the group since 1989. Consolidation.
- ▶ **Elisa Kommunikation GmbH: Pertti Laukkanen** (1955), MSc (Eng), has served the group since 2000. Operations.
- ▶ **Kolumbus Oy: Jari Karpakka** (1960), MSc (Eng), has served the group since 1992.
- ▶ **Direktia Ltd: Jarmo Leiniö** (1951), MSc (Eng), has served the group since 1980.
- ▶ **EPStar Oy: Gunnulf Mårtensson** (1940), LicSc (Tech), joined the group in 2000.
- ▶ **FINNETCom Oy: Pauli Ukkonen** (1943), MA, joined the group in 1999.

ADSL

Asymmetric Digital Subscriber Line. A technology for transferring data that uses existing copper wires to provide faster network access to the internet and other popular media and data services.

ASP

1. Application Service Provider. A company that rents out to customers the access rights, update, maintenance and building of applications and services they need as a package from the service provider. Customers access the application through their own lines or the internet.

2. Application Service Provision. A business where the customer rents the access rights, update, maintenance and building of applications and services as a package from the application service provider.

ATM

Asynchronous Transfer Mode. Extremely rapid broadband switching technology that permits the use of one network to transfer voice, video and data simultaneously.

E-CASH

Electronic money used online (Electronic Cash).

E-COMMERCE

Electronic commerce. Online transactions usually taking place through the internet.

ENCRYPTION

Putting data into coded form.

GPRS

General Packet Radio Service. A GSM-based packet-switched data transmission technology standard enabling extremely fast wireless transmissions.

GSM

Global System for Mobile Communications. Based on digital data transmission technology and mobile network architecture.

IN

Intelligent Network. Enables users to access various useful valued-added services.

IP

Internet Protocol. Protocol used in the internet to enable the network to route data sent to the recipient's IP address.

ISDN

Integrated Services Digital Network. An ISDN transmission system has the capacity to transmit two streams of information such as data, text, voice or graphics simultaneously on a single telephone line.

LAN

Local Area Network. A short distance transmission network designed to interconnect personal computers, workstations and servers, etc. within a localised environment and allows the sharing of files and various hardware.

M-COMMERCE

Mobile commerce. Commerce using wireless connections. Eg, a mobile phone or pocket computer is used to place orders and make payments on the internet, for instance.

MDS

Mediation Device Solutions. MDS software is designed to activate information about subscribers and to collect, aggregate, secure and convert information about calls and callers from an operator's network to enable both the operator and service provider customer care and billing systems to use the information obtained.

PKI

Public Key Infrastructure. A collection of harmonious security standards, processes and technologies designed to create, distribute, manage and use certificates. Certificates represent a person's electronic identity and enable use of a digital signature in certain data networks.

SMS

Short Message Services. Text message service in use in digitised networks enabling the sending and receipt of messages on mobile terminals.

UMTS

Universal Mobile Telecommunications System. A next generation broadband mobile technology capable of supporting voice, data and image services.

VPN

Virtual Private Network. An independent virtual network utilising public network functions but acting as a closed user group. VPN offers the useful features of an independent network at the cost of a public network.

WAP

Wireless Application Protocol. A global standard with which internet services can be linked to wireless terminals.

WDM

Wavelength Division Multiplexing. WDM modulates each of several data streams onto a different part of the light spectrum. It brings an increasingly faster, more efficient way of transmitting information to trunk networks using older technology.

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