

ELISA CORPORATION

STOCK EXCHANGE RELEASE
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OCTOBER-DECEMBER OPERATIONAL PRE-TAX PROFIT AMOUNTED TO EUR 23 MILLION. THE REPORTED RESULT WAS EUR -93, WHICH WAS AFFECTED BY THE WRITEDOWNS IN GERMANY AND RESTRUCTURING EXPENSES

October-December 2003

Excluding all non-recurring items, the corporation's profitability improved, cash flow remained positive and net debt was reduced.

In October-December, the corporation's key figures were as follows:

- revenue EUR 391 million(385)
- EBITDA (earnings before interest, taxes, depreciation, and amortisation) EUR 96 million (118), EBITDA exclusive of non-recurring items EUR 118 million (88)
- EBIT (earnings before interests and taxes) EUR -83 million (39), EBIT exclusive of non-recurring items EUR 33 million (10)
- EBIT exclusive of goodwill, amortisation and value adjustment EUR 20 million (51), exclusive of non-recurring items EUR 48 million (22)
- profit before extraordinary items and taxes EUR -93 million (26), exclusive of non-recurring items EUR 23 million (-3).

In line with its strategic decision, Germany is not included in Elisa's core business. Negotiations on divesting the Germany-based business have commenced.

The corporation booked EUR 94 million value adjustment and EUR 48 million deferred tax receivables for the Germany-based business. The value adjustments were made to prepare for selling the business in 2004.

In addition, a EUR 17 million provision for the costs derived from restructuring the domestic business with a further EUR 5 million increase in the associated pension provision were also included in the non-recurring items adversely affecting the October-December result. The cost provision corresponds to the estimate given in November.

The October-December operative capital expenditures amounted to EUR 55 million (76), investments in shares were EUR 4 million (5) and GSM-leasing liability buybacks stood at EUR 8 million (5).

The October-December cash flow after investments for the consolidated cash flow statement was EUR 69 million. The profit

performance and moderate investment level had a positive impact on the cash flow development. The financial position was stable.

Whole year 2003

- revenue EUR 1 538 (1 563) million
- EBITDA EUR 385 million (333), EBITDA exclusive of non-recurring items EUR 407 million (342)
- EBIT EUR -34 million (-48), EBIT exclusive of non-recurring items EUR 83 million (32)
- EBIT exclusive of amortisation on consolidated goodwill and value adjustments EUR 111 million (11), EBIT exclusive of non-recurring items EUR 139 million (87)
- profit before extraordinary items and taxes EUR -74 million (-103), exclusive of non-recurring items EUR 43 million (-23).

The January-December operative capital expenditures amounted to EUR 166 million (218), investments in shares EUR 28 million (16) and GSM-leasing liability buybacks EUR 28 million (50).

Cash flow for the consolidated cash flow statement was EUR 105 million (89).

At the end of 2003:

- net debt amounted to EUR 654 million (757 at the end of 2002),
- the corporation's equity ratio stood at 40.4 per cent (38.3 at the end of 2002).

The Board of Directors proposes that no dividend be paid for 2003.

Information in these financial statements is not audited.

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FINANCIAL STATEMENT RELEASE FOR THE PERIOD OF 1 JANUARY - 31
DECEMBER 2003

Market situation

The market growth in telecommunication services in Finland was moderate during 2003. Although the competition environment was challenging and new service providers entered the market, Elisa was able to maintain its share in both the mobile and fixed network markets.

The demand for broadband subscriptions continued brisk and volumes grew during the whole of 2003. As the market shifted to mobile products the demand and volumes of traditional analogue products decreased. Outsourcing of companies' call center services continued at a lively pace.

The mobile business' number of subscriptions and their use increased. The mobile number portability scheme introduced in July and the continued price competition in the mobile communications sector scaled up the churn rate. The competitive situation caused price erosion both in fixed and mobile network products.

Germany-based business grew despite the economic slump in Germany and the uncertainties in the sector. The growth was achieved by expanding the regional market shares.

Revenue

The corporation's January-December revenue amounted to EUR 1 538 million (1 563). The revenue decreased by 1.6 per cent compared to 2002. The reduction in revenue was caused by the volume and price development of traditional fixed network products. Owing to changes in the billing procedure of IN services and divested non-core businesses in 2002, revenue figures are not fully comparable.

The 2003 revenue of Elisa's mobile business was EUR 762 million (739). The revenue grew by 3.1 per cent on the previous year. Despite the price erosion, favourable volume progress increased the revenue.

The 2003 revenue of the fixed network business was EUR 677 million (735). The change was due to the volume and price development as well as corporate restructuring.

Increase in the 2003 revenue of Germany-based business was EUR 134 million (118). Increased revenue was due to the growth in the market share and an increase in the number of business customers.

Performance

The corporation's January-December 2003 EBIT amounted to EUR -34 million, exclusive of non-recurring items EUR 83 million (-48, exclusive of non-recurring items 32). The non-recurring items that adversely affected the EBIT in 2003 were the EUR 17 million cost provision for domestic restructuring, with a further EUR 5 million increase in the associated pension provision, plus the EUR 94 million value adjustments on the consolidated goodwill and fixed assets of German subsidiaries.

The January-December EBIT of the mobile business was EUR 72 million, exclusive of non-recurring items EUR 74 million (-68, exclusive of non-recurring items EUR 60 million). The profitability in 2003 was positively affected by increased revenue and streamlined operations. The EBIT was also influenced by the compensation received from TeliaSonera in February 2004, which has been entered as income for the years 2003 and 2004. Profitability, on the other hand, was weakened by the reduced margin in interconnection traffic and decreased service operator earnings.

In January-December, the fixed network business reported EUR 73 million EBIT, exclusive of non-recurring items EUR 86 million (154, exclusive of non-recurring items EUR 101 million). The decrease in revenue and structural changes within the group principally accounted for this profit performance.

The EBIT from the Germany-based business amounted to EUR -134 million, exclusive of non-recurring items the figure is EUR -40 million (-73, exclusive of non-recurring items EUR -59 million). The EBIT was affected by non-recurring write-downs of EUR 94 million. The decrease in the operative business loss was mainly due to lower personnel and other business expenses brought about by the cost saving programme and partly due to increased revenue.

The corporation's share of the associated companies' results was EUR -0.3 million (-5).

The corporation's other financing income and expenses totalled EUR -40 million (-50). Reduced interest expenses were mainly due to the decreased net debt and a low interest rate.

The income taxes in the income statement were EUR +60 million (+3). The positive development was due to value adjustments on the Germany-based business and a total of EUR 89 million deferred tax receivables booked.

The corporation's 2003 result after taxes and minority interests were EUR -17 million (-71). The corporation's earnings per share (EPS) amounted to EUR -0.12 (-0.54). The corporation's

shareholders equity per share stood at EUR 5.09 (5.21 at the end of 2002).

Mobile business

The mobile business in 2003:

- revenue amounted to EUR 762 million (739)
- EBITDA was EUR 213 million (117), EBITDA exclusive of non-recurring items EUR 215 million (194)
- EBIT totalled EUR 72 million (-68), exclusive of non-recurring items EUR 74 million (60)
- EBIT exclusive of amortisation on consolidated goodwill was EUR 110 million (-30), exclusive of non-recurring items EUR 112 million (98).

Revenue in 2003 grew over that of the previous year owing to the increased number and use of subscriptions. Revenue growth was slowed by smaller service operator earnings compared to 2002, because Telia Mobile Finland's post-paid subscriptions had been removed from Radiolinja Origo's network to Telia's own network in June 2002.

Improved operative EBIT was due to increased customer billing and cost savings achieved by streamlined operations. On the other hand, profitability was weakened compared to the previous year, by smaller service operator earnings and higher interconnection charges.

At the end of December 2003, Elisa's network operation in Finland had 1 374 146 subscriptions (1 342 417). The network includes both Radiolinja Suomi's subscriptions and those of the service operators in Radiolinja Origo's network. The number of Radiolinja Suomi's subscriptions continued increasing in the fourth quarter.

In 2003, Elisa's mobile subscriptions in Finland:

- annualised churn was 18.6 per cent (15.7)
- average monthly use per customer totalled 146 minutes (136) and customers sent an average of 29 (27) SMS messages per month
- average revenue per subscription (ARPU) was EUR 41.6 (42.2).

Due to price erosion and campaign sales, the average revenue per subscription (ARPU) was lower than in 2002, although subscription-specific call volumes increased by 7 per cent and subscription-specific SMS messages by 6 per cent.

At the end of December, Radiolinja Eesti, Radiolinja's Estonian subsidiary, had 167 750 subscriptions (155 500).

Radiolinja Eesti reported the following figures for 2003:

- revenue EUR 61 million (55)
- EBITDA EUR 17 million (15)

- EBIT EUR 8 million (7).

Elisa's mobile business consolidated its position as a provider of network services by signing service operator agreements with Tele2, MTV3, Song Networks and Cubio Communications in 2003.

Elisa's Estonian mobile carrier acquired a 3G licence in Estonia for EUR 4.5 million.

Fixed network business

The fixed network business in 2003:

- revenue amounted to EUR 677 million (735)
- EBITDA was EUR 191 million (274), exclusive of non-recurring items EUR 204 million (213)
- EBIT stood at EUR 73 million (154), exclusive of non-recurring items EUR 86 million (101).

At the end of 2003, the corporation and its associated companies had a total of 1.19 million fixed network subscriptions (1.18).

There were approximately 127 400 (71 900) broadband subscriptions. The number of cable TV subscriptions amounted to 183 500 (169 900) at the end of the year.

ElisaCom and Hewlett-Packard renewed their extensive cooperation agreement in February. This agreement strengthens Elisa's position as a provider of ICT services for business customers.

Significant new customers were the Ministry of Labour, the National Opera, as well as Otava Books and Magazines, the latter whose service provision was implemented in cooperation with Hewlett-Packard. Substantial expansion of customer relationships took place with the Ministry of Justice, the National Ecclesiastical Board, Finnair, Nordea, Kesko and Siemens.

Elisa and Telenor signed a Preferred Partner cooperation agreement, which will significantly enhance their respective capacities to serve their Nordic customers.

Elisa Networks and Sonera Carrier Networks signed a reciprocal letter of intent about providing operator products and services. The agreement aims at developing and harmonising the sales of operator products between the companies.

Elisa Networks and Suomen 2G extended their agreement for providing IN services in the fixed-line network.

Germany-based business

In 2003, the Germany-based business reported:

- revenue of EUR 134 million (118)
- EBITDA EUR 4 million(-27, exclusive of non-recurring items -21)
- EBIT EUR -134 million (-73), exclusive of non-recurring items EUR -40 million (-59)
- EBIT exclusive of amortisation on consolidated goodwill and value adjustment EUR -34 million (-59), exclusive of non-recurring items EUR -28 million (-49).

The EBIT was eroded by non-recurring value adjustments on consolidated goodwill and fixed assets for EUR 94 million in total.

The revenue grew by 14% and EBITDA improved by EUR 25 million

The increase in revenue, streamlined operations and savings in personnel expenses were manifested in an improved EBITDA and reduced operating loss. The intended cost saving programme was completed. Due to the cost saving measures, the number of personnel decreased by approximately 200 people during 2003.

Focusing on business customers in line with strategy, increased the market share and promoted profitability. In 2003, the number of business customers grew by around 42 per cent to 21 000 (14 800 at the end of 2002).

Research and development

In 2003, the corporation invested EUR 24 million (36) in research and development. During the review period, the drawing up of a new IP service network architecture and establishing a technical strategy for the fixed and mobile network activities were initiated. The network architecture is an important cornerstone in constructing a unified Elisa.

Changes concerning the corporation

Changing the name Elisa Communications Corporation to Elisa Corporation was entered in the Trade Register on 11 April 2003.

In May, Elisa sold a 64 per cent stake of its shares in Kiinteistö Oy Ratakartijankatu 3.

Elisa continued to restructure its non-core businesses and sold a 50 per cent holding in the network design and telecommunications consultancy company EPStar Ltd to the company's other principal owner Jaakko Pöyry Group Oyj. Elisa still has a 17.5 per cent stake in EPStar.

In July, Münster's electricity utility exercised its right to sell its 4.95 per cent stake in Tropolys GmbH to Elisa Corporation's German subsidiary Elisa Kommunikation GmbH for EUR 19 million. Elisa Kommunikation's holding in Tropolys rose to 70.85 per cent by means of the transaction.

After the court of arbitration had set the redemption price of Riihimäen Puhelin shares at EUR 2 077 per share on 6 October 2003, Elisa's ownership of Riihimäen Puhelin Oy rose to 100 per cent.

In October, Elisa's holding in Oy Heltel Ab rose to 100 per cent from 74 per cent at the beginning of 2003.

In October, the Board of Directors signed merger plans, according to which all Elisa Corporation's 100%-owned subsidiaries (such as Oy Radiolinja Ab, ElisaCom Ltd, Riihimäen Puhelin Oy with their subsidiaries, plus Elisa Networks Ltd and Soon Net Ltd) will in principle merge with Elisa Corporation by 1 July 2004.

Personnel

By the end of 2003, the corporation employed 6 683 people (7 368). The mobile business employed 1 577 (1 741), the fixed network business 3 472 (3 482), Germany-based business 426 (675), other companies 905 (1 133) and the parent company Elisa employed 303 (337) people. During the year, the average number of employees was 7 172 (8 115).

Several labour negotiations took place within the corporation in 2003. As a consequence of these negotiations and also due to natural wastage, the number of personnel decreased by 685 people in 2003.

In addition, on 28 October 2003, Elisa published an extensive restructuring programme. The programme aims at increasing the corporation's customer-centricity and efficiency, as well as streamlining of corporate structure and operations. Elisa also initiated negotiations with the personnel on 28 October 2003, which were based on productivity and reorganising. The negotiations were completed on 12 January 2004. As a result of the negotiations, the number of personnel will decrease by approximately 900 people during 2004.

Changes in the Board of Directors and corporate management

The Annual General Meeting in spring on 4 April 2003 confirmed the number of Board members six (6) and the following members were appointed for the following one-year term: Keijo Suila, Ossi Virolainen, Matti Aura, Pekka Ketonen and Jere Lahti, plus a new member Mika Ihamuotila, Senior Executive Vice President of Sampo Plc. The members due to retire through rotation were Riitta

Backas, Arto Ihto and Linus Torvalds. The Board of Directors appointed Keijo Suila, President and CEO of Finnair, chairman and Ossi Virolainen, MSc (Econ.), LL.M., deputy chairman.

On 3 April 2004, Elisa Corporation's Board of Directors appointed Veli-Matti Mattila, MSc (Eng.), MBA, the corporation's new President and CEO. He joined Elisa on 1 May 2003 and assumed his position as CEO on 1 July 2003.

At the end of 2003, the Executive Board appointed by Elisa Corporation's Board of Directors comprised CEO Veli-Matti Mattila, Tuija Soanjärvi (finance), Pasi Lehmus (fixed network, services), Tapio Karjalainen (mobile), Jukka Veteläsuo (fixed network, networks), Hannu Turunen (Germany), Asko Käsälä (business development, R&D, IT and communications) and Sami Ylikortes (administration and HR).

Management groups, which report to the Executive Board, were renewed and strengthened mainly through intra-group rotation.

Matti Mattheiszen, Elisa Corporation's CEO until 30 June 2003, retired on 1 September 2003. Deputy CEO Jarmo Kalm until 1 July 2003 began his retirement on 1 January 2004.

Investments

The corporation's gross capital expenditures amounted to EUR 194 million (269) and acquisition of shares to EUR 28 million (16).

The corporation's capital expenditures were as follows:

- EUR 98 million (133) on the mobile business,
- EUR 74 million (104) on the fixed network business, and
- EUR 18 million (25) on the Germany-based business.

The mobile business investments include GSM leasing liability buy-backs from telcos for EUR 28 million (50).

Financial position

On 13 March 2003, the credit rating agency Moody's Investor Services downgraded the corporation's credit rating A3 (review for downgrade) to Baa2 (stable).

The credit rating agency Standard & Poor's lowered its long-term credit rating of Elisa twice: On 17 April 2003, from A- to BBB+ (negative); and on 23 December 2003, from BBB+ to BBB (stable). Standard & Poor's affirmed its A-2 short-term corporate credit rating for the company.

On 16 June 2003, Elisa signed a five-year EUR 170 million syndicated loan. The loan arrangement is a committed credit line

and it is for general corporate purposes and replaces the similar arrangement signed in March 1998.

The corporation's financial position and liquidity strengthened. At the end of 2003, the net debt stood at EUR 654 million (757 at the end of 2002). The corporation's gearing was 87.5 per cent (94.8 per cent at the end 2002) and the equity ratio was 40.4 per cent (38.3 per cent at the end of 2002). The cash flow after investments, in accordance with the consolidated cash flow statement, was EUR 105 million in 2003 (89).

Shifting to IAS/IFRS financial statements

Preparations for shifting to IAS/IFRS compliant financial statements began in Elisa in 2002. During 2003, the impact of changes on accounting practices was assessed. It is currently estimated that initially the changes in accounting principles are going to have effect on the handling of consolidation goodwill, financing leasing agreements and pensions. Elisa will adopt the IAS/IFRS standards (International Financial Reporting Standard) as of the beginning of 2005. The first interim report that conforms to the IAS/IFRS system will be for the period of January-March 2005.

Share

The company's total number of shares was 138 011 757. The market capitalisation on 31 December 2003 stood at EUR 1 455 million.

In 2003, a total of 87.9 million A shares of the company were traded on the Helsinki Exchanges for an aggregate of EUR 670 million. The exchange was 64.0 per cent of the number of A shares in the market.

The number of Elisa Corporation's A options for the year 2000 was 3 600 000 and B options for the year 2000 was 3 600 000. At the end of the year, the market capitalisation of options amounted to EUR 2.12 million.

On 31 December 2003, the entitlement of HPY Research Foundation to convert Elisa Corporation's A shares into B shares became void in accordance with a time frame stipulated by the company's Articles of Association. Pursuant to the Articles of Association, Elisa Corporation may from now on have only series A shares.

Board of Directors' authorisations

The Annual General Meeting of 2003, authorised the Board of Directors to decide on increasing the company's share capital within one year from the decision. The board was to achieve this through one or more new issues, one or more convertible bonds

and/or warrants so that, in a new issue the subscription of shares in exchange for the convertible bonds and pursuant to warrants may be 27.6 million shares at the maximum, and the company's share capital can be increased by a maximum of EUR 13,800,000 in total. The authorisation at the maximum corresponds to 20 per cent of the company's votes and shares. The Board of Directors has not exercised the aforementioned authorisations.

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

Treasury shares

The total number of Elisa Corporation's A Shares owned by the subsidiaries was 781 563 (781 563 at the end of 2002). The value of the shares totalled EUR 390 781.50, and their proportion of the share capital and voting rights was 0.57 per cent. The book value of these company shares has been deducted from the distributable assets of the corporation.

Moreover, the corporation's pension funds owned 722 363 A shares (1 575 463 at the end of 2002).

Major legal issues

A redemption procedure concerning approximately 4 700 shares in accordance with Section 14 Paragraph 19 of the Finnish Companies Act regarding Oy Radiolinja Ab's minority shares is pending in the local court. In its ruling on 29 May 2001, the court of arbitration confirmed the redemption right and decided the redemption price of Radiolinja shares be FIM 47,000 per share (EUR 7,905). Elisa demands a redemption price of FIM 29 000 (EUR 4 877) per share. The court of appeal rejected the action for annulment regarding the decision made at Radiolinja's Annual General Meeting.

Radiolinja Origo Oy and TeliaSonera Mobile Networks Ab have claimed damages from each other in the arbitration procedure initiated in 2002 regarding the service provider agreement between both parties. The parties settled the dispute in January 2004.

In addition, other investigations and clarifications associated with the competition and telecommunication legislation concerning the pricing of Elisa group companies' services and network products are pending at the Finnish Communications Regulatory Authority and the Finnish Competition Authorities. Within the framework of their business operations, companies belonging to the group are also parties to other disputes and legal proceedings, as well as to procedures by the authorities, the outcomes of which

are not regarded as having a substantial effect on Elisa's financial position or performance.

Events after the financial period

Elisa Corporation revised its structure in January. The new organisation of domestic core business comprises three units: Customers, Products and Services. The corporation's performance will be reported as previously, by mobile business, fixed network business, Germany-based business and others.

In line with a strategic decision, the Germany-based business is not included in the Elisa corporation's core business. The corporation has initiated measures to divest the Germany-based business.

Outlook

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

The comparable revenue for 2004 is estimated to remain at the previous year's level and the operational result to improve. The impact of the cost saving programme relating to the restructuring of business operations will manifest itself more substantially from the beginning the second quarter.

Investments will be a maximum of 15 per cent of the revenue and the cash flow is estimated to be positive.

BOARD OF DIRECTORS