

ELISA CORPORATION

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ELISA'S JULY-SEPTEMBER PRE-TAX PROFIT AMOUNTED TO EUR 17 MILLION

The improvement of the Group's performance continued: profitability improved, cash flow remained positive and net debt was reduced.

In July-September the Group's key figures were as follows:

- revenue EUR 385 million(388)
- EBITDA EUR 107 million (51, exclusive of non-recurring items the figure is 84)
- EBIT EUR 26 million (-43, exclusive of non-recurring items the figure is 6)
- EBIT exclusive of amortisation of Group goodwill EUR 40 million (-29, exclusive of non-recurring items the figure is 20)
- result before extraordinary items and taxes EUR 17 million (-56, exclusive of non-recurring items the figure is -7).

Operative investments in fixed assets during July-September were EUR 42 million (45), investments in shares amounted to EUR 22 million (5) and GSM leasing liability buy-backs to EUR 3 million (5).

The January-September cash flow for the consolidated cash flow statement was EUR 36 million, and EUR 21 million during the third quarter. Stable performance development and a moderate investment level had a positive impact on the operative cash flow. The financial position remained stable.

At the end of the review period

- net debt amounted to EUR 722 million (757 at the end of 2002),
- the Group's equity ratio stood at 40.4 per cent (38.3 at the end of 2002).

Information in this interim report is not audited.

ELISA CORPORATION

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Appendix:

Elisa Corporation's Interim Report, July-September 2003

Distribution:

Helsinki Exchanges

Major media

ELISA CORPORATION'S INTERIM REPORT FOR JULY-SEPTEMBER 2003

Revenue

The demand for new telecom products has continued brisk and volumes have grown. However, intensified competition has caused price erosion. The demand for traditional analogue products and their volumes have also decreased.

The Group's July-September revenue amounted to EUR 385 million (388). Revenue decreased by 0.7 per cent compared with the corresponding period last year.

Performance

The improvement of the Group's profit continued. This favourable trend was largely affected by the improved results of Elisa Mobile and Comptel, as well as the reduction of losses in Germany-based Business.

The Group's July-September EBIT was EUR 26 million (-43, exclusive of non-recurring items the figure is 6). Without amortisation on consolidated goodwill the July-September EBIT was EUR 40 million (-29, exclusive of non-recurring items the figure is 20). The Q3 result does not include any substantial non-recurring items.

Planned depreciation and value adjustments on fixed assets totalled EUR 67 million (80, exclusive of non-recurring items the figure is 64). The shortening of depreciation time for mobile networks in early 2003 and buy-backs of mobile networks that Radiolinja previously leased were reflected in an increased depreciation.

EUR 14 million (14) amortisation was booked on consolidated goodwill. The Group's goodwill resulting from the acquisition of subsidiaries amounted to EUR 560 million at the end of the period under review (583 at the end of 2002).

The July-September taxes were EUR -14 million (+1). The taxes for the comparison year included EUR 22 million deferred tax assets from a non-recurring expense booking on the GSM network.

July-September performance:

- result before extraordinary items and taxes amounted to EUR 17 million (-56, exclusive of non-recurring items the figure is -7)
- result after taxes and minority interests amounted to EUR 2 million (-49)

The Group's July-September earnings per share stood at EUR 0.01 (-0.36).

Elisa Mobile business area

Mobile number portability, which was initiated during the review period, increased customer churn and intensified competition.

The Elisa Mobile business area's July-September results were:

- revenue EUR 195 million (188)
- EBITDA EUR 58 million (-28, exclusive of non-recurring items the figure is 50)
- EBIT EUR 25 million (-74, exclusive of non-recurring items the figure is 15)
- EBITA exclusive of amortisation on Group goodwill EUR 34 million (-64, exclusive of non-recurring items the figure is 25).

Owing to an increase in the number of subscriptions, the revenue rose by EUR 6 million over to the previous year's Q3 results. However, revenue growth was slowed down by intensified competition, which was reflected in considerable increase of discounts.

The improved profitability of EUR 86 million was due to an expense booking on GSM network leasing liability (EUR 77 million) carried out in the third quarter of 2002, as well as reduced fixed costs achieved through streamlining of operations and increased revenue. On the other hand, higher interconnection traffic expenses have hampered the growth of profitability.

The EBIT, at EUR 25 million (-74), was EUR 99 million higher compared to the corresponding period in 2002. In addition to non-recurring value adjustments and expense bookings (EUR 89 million in total), the increased EBIT was also due to improved EBITDA.

At the end of September 2003, Radiolinja's network in Finland had 1 374 847 subscriptions (1 301 621).

Subscriptions of Radiolinja's service operator in Finland:

- annualised churn for the review period was 24.2 per cent (14.0)
- average monthly use per customer totalled 151 minutes (139), and customers sent an average of 28 (27) SMS messages per month
- average revenue per subscription (ARPU) amounted to EUR 42.5 (43.0).

Radiolinja customers increased their use of mobile phones during the third quarter. The number of customer-specific call minutes grew by 9 per cent and the number of SMS messages by 5 per cent compared to the previous year. However, owing to lower customer tariffs in the Finnish mobile market, revenue per subscription

(ARPU) was at a more modest level compared to the corresponding period in 2002.

Radiolinja's number of subscriptions rose by almost 18 000 subscriptions compared with those of Q2. This was due to GSM number portability, effective from the beginning of July, and Radiolinja's exclusive customer programme, launched during the review period. Number portability and intensive sales campaigns were also reflected in the increased churn rate.

At the end of September, Radiolinja Eesti, Radiolinja's Estonian subsidiary had 163 160 subscriptions (151 200).

Radiolinja Eesti reported the following figures for July-September:

- revenue EUR 16 million (15)
- EBITDA EUR 5 million (5)
- EBIT EUR 2 million (2).

The July-September investments of the Elisa Mobile business area amounted to EUR 22 million (16). The investments include GSM leasing liability buy-backs from telcos of EUR 3 million (5).

Fixed Network Business (ElisaCom and Elisa Networks business areas)

Sales of fixed-priced broadband subscriptions have increased. As voice shifts to mobile products the number of traditional voice and subscription products has decreased. Outsourcing of companies' call center services continued lively.

Fixed network business' results for July-September were:

- revenue EUR 163 million (177)
- EBITDA amounted to EUR 50 million (93, exclusive of non-recurring items the figure is 57)
- EBIT totalled EUR 21 million (64, exclusive of non-recurring items the figure is 28).

The comparable figures of 2002 included one-time sales profits on the disposal of shares and business operations of EUR 36 million.

At the end of September, the Group with its associated companies had 1.18 million fixed subscriptions (1.14) in total.

The number of broadband subscriptions was approximately 107 900 (59 000). There were 179 900 TV cable subscriptions (165 000) at the end of September.

K-Alliance's customer loyalty scheme, Plussa, was acquired for ElisaCom to manage. In this context, 20 client advisers of K-Plus Oy were transferred into Elisa's employment.

Germany-based Business (Elisa Kommunikation business area)

Revenue of Germany-based business grew despite the economic slump in Germany and the weak market outlook.

Operations in Germany reported for July-September:

- revenue EUR 34 million (31)
- EBITDA EUR 1 million (-9)
- EBIT EUR -12 million (-19), and exclusive of amortisation on Group goodwill EUR -9 million (-16).

Improvement of EBITDA and reduction of losses were due to increased revenue, streamlining operations and labour cost saving measures. Owing to the cost savings programme, the number of personnel has decreased by approximately 200 people during this year.

Focusing on business customers in accordance with strategy has increased the market share and also improved profitability. Since early 2003, the number of business customers has grown by approximately 33 per cent, amounting to 20 000 (15 500 at the beginning of 2003).

Other companies

Comptel Corporation disclosed its July-September interim report on 22 October 2003. Yomi Plc disclosed its interim report on 27 October 2003. The key figures of these listed companies in the July-September reports were:

Comptel Group

- revenue EUR 12.0 million (12.1)
- EBITDA EUR 3.7 million (-1.1)
- EBIT EUR 3.0 million (-2.1).

Estera Oy

- revenue EUR 4.5 million
- EBITDA EUR 0.4 million
- EBIT EUR 0.2 million.

In line with corporate strategy, these companies are financial investments.

Yomi Group

- revenue EUR 13.5 million (14.0)

- EBITDA EUR 2.8 million (12.4, includes EUR 8.4 million of non-recurring items)
- EBIT EUR 0.1 million (5.7, includes EUR 4.0 million of non-recurring items).

Yomi's subsidiaries Kestel Oy and Kesnet Oy operations are associated with the fixed line business.

Investments

The Group's gross investments in fixed assets in July-September amounted to EUR 45 million (50), of which operative investments accounted for EUR 42 million (45) and acquisition of shares EUR 22 million (5).

Investments in fixed assets amounted to:

- EUR 22 million in Radiolinja
- EUR 12 million in the fixed network business, and
- EUR 7 million in Germany-based business.

Radiolinja's investments include GSM leasing liability buy-backs from telcos for the amount of EUR 3 million (5).

Financial position

The Group's financial position and liquidity improved according to the plan. Net debt amounted to EUR 722 million at the end of review period. The Group's gearing was 87.9 per cent (94.8 per cent at the end of 2002) and its equity ratio stood at 40.4 per cent (38.3 per cent at the end of 2002). The January-September cash flow after investments in accordance with the consolidated cash flow statement was EUR 36 million, and EUR 21 million in the third quarter.

Shares

Elisa Corporation's A share closed at EUR 8.19 on 30 September 2003. The highest quotation in July-September was EUR 9.49 and the lowest EUR 7.25. The average rate was EUR 8.38.

The company's number of shares was 138 011 757, all of which were A Shares. On 30 September 2003, their market capitalisation stood at EUR 1 124 million.

During the period from 1 July 2003 to 30 September 2003, a total of 19.6 million A Shares of the company were traded on the

Helsinki Exchanges for a total of EUR 164.4 million. The exchange was 14.3 per cent of the number of A Shares on the market.

The number of Elisa Corporation's A options for the year 2000 is 3 600 000. Between 1 July 2003 - 30 September 2003, the total number of A options traded on the Helsinki Exchanges was 45 800 at a total price of EUR 3 323 and their average rate was EUR 0.07. The highest quotation of the A options in the July-September period was EUR 0.10, and the lowest EUR 0.03. The closing rate of the A option was EUR 0.06.

Quotations of Elisa Corporation's B options for the year 2000 started on the Helsinki Exchanges on 2 May 2003. The number of B options is 3 600 000. Between 1 July 2003 - 30 September 2003, the total number of B options traded on the Helsinki Exchanges was 31 650 at a total price of EUR 7 287 and their average rate was EUR 0.23. The highest quotation of the B options was EUR 0.30, and the lowest EUR 0.20. The closing rate of the B option was EUR 0.25.

The total number of Elisa Corporation's A Shares owned by the subsidiaries was 781 563 (781 563 at the end of 2002). The par 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 Group.

Moreover, the Group's pension funds own 1 236 963 A shares.

Major legal issues

The following changes have taken place in the legal processes referred to in the company's annual report of 2002 and the interim reports published thereafter:

Elisa Corporation had proposed a redemption claim in accordance with Section 14 Paragraph 19 of the Companies Act to redeem the minority shareholders of Riihimäen Puhelin Oy at the price of EUR 1 525 per share. On 28 August 2003, the Court of Arbitration confirmed the incontestability of the right of redemption and the interest payable on the redemption price to be 5.0 per cent. Elisa gave the EUR 2.8 million security set by the Court of Arbitration on 3 September 2003, and, therefore, it has a 100 per cent holding in Riihimäen Puhelin Oy. After the period under review, on 6 October 2003, the Court of Arbitration set a EUR 2 077 redemption price per share. There are approximately 780 shares to be redeemed by Elisa.

On 11 December 2001, the Finnish Competition Council ruled that Radiolinja and Sonera have no joint dominant market position in the network market of mobile communications. Telia Mobile Ab

appealed against the decision in the Supreme Administrative Court. In its decision announced on 16 September 2003, the Supreme Administrative Court concluded the appeal. Thus, the ruling by the Finnish Competition Council will remain in force.

Authorities are investigating whether Radiolinja acted appropriately in campaigns targeted at Telia customers in 2002.

Personnel

Personnel negotiations concerning certain Corporate Staff functions and Major Account Sales at the Elisa Group were initiated in August. The negotiations were completed on 6 October 2003, and, as a consequence, the number of permanent staff will decrease by 115 people.

Management groups reporting to the members of the Corporate Executive Board have been renewed and strengthened mainly by internal rotation.

Changes in Group structure

Proceeding with restructuring of its non-core business operations, Elisa Corporation sold a 50 per cent stake in EPStar Ltd, a network design and telecom consultancy company, to the firm's other principal owner Jaakko Pöyry Group Oyj. Elisa will still retain a 17.5 per cent holding in EPStar and continue as an important customer of the company.

Münster's electricity utility used 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. Through this transaction, Elisa Kommunikation's holding in Tropolys rose to 70.85 per cent.

Events after the review period

Telenor Ab and ElisaCom signed a Preferred Partner cooperation agreement. The cooperation agreement will significantly enhance both companies' capacity to serve Nordic customers.

On 28 October 2003, the Elisa Group is going to announce an extensive reorganisation programme, which aims to increase the Group's customer-centricity and efficiency as well as streamline the corporate structure and operations. The personnel negotiations to be initiated within the Group are based on productivity and restructuring grounds.

Future outlook

The Group's revenue for 2003 is estimated to remain slightly less than in 2002. EBITDA and the result adjusted for non-recurring items will grow moderately compared with the previous year.

Owing to improved profitability and the moderate investment level the Group's cash flow will remain positive and net debt will be further reduced. Operative investments in the fourth quarter are restricted to 15 per cent of the revenue at the maximum. Restructuring of non-core businesses will continue.

EBITDA of the Group's Germany-based business area is estimated to be positive in 2003.

THE BOARD OF DIRECTORS