



# Third Quarter Results 2008

24 October 2008

# Agenda

**CEO's review**  
Veli-Matti Mattila,  
CEO

**Financial review**  
Jari Kinnunen,  
CFO

# CEO's review

- Financial and operational highlights
- Review of the mobile and fixed network businesses
- Execution of the strategy
- Progress of 3G services
- Outlook for 2008

# Financial highlights

## Q3 2008 HIGHLIGHTS

|                    | Q3 2008 | Q3 2007 |   |
|--------------------|---------|---------|---|
| Revenue            | €374m   | €394m   | ▼ |
| EBITDA *           | €129m   | €132m   | ▼ |
| Earnings per share | €0.33   | €0.45   | ▼ |
| Cash flow          | €51m    | €6m     | ▲ |
| Net debt / EBITDA  | 1.7x    | 1.2x    | ▲ |
| CAPEX              | €42m    | €44m    | ▼ |

\* No one-off items

# Solid quarter, profitability improved

## Q3 2008 HIGHLIGHTS

- Revenue €374m (394)
  - Effect of lower interconnection and roaming fees € -15m compared to Q3 2007
- EBITDA € 129m (132)
  - Expected extra implementation costs of new billing and CRM system € 2m
- EBITDA margin 35% (33)
- Net debt increased to € 891m (646)
  - Extra dividend € 158 million in October 2007
  - Capital repayment € 284 million in March 2008
  - Share buy-backs € 43 million
- Net debt / EBITDA 1.7 (1.2)
- Gearing 107% (65)
- CAPEX €42m (44)

# Operational highlights

## Q3 2008 HIGHLIGHTS

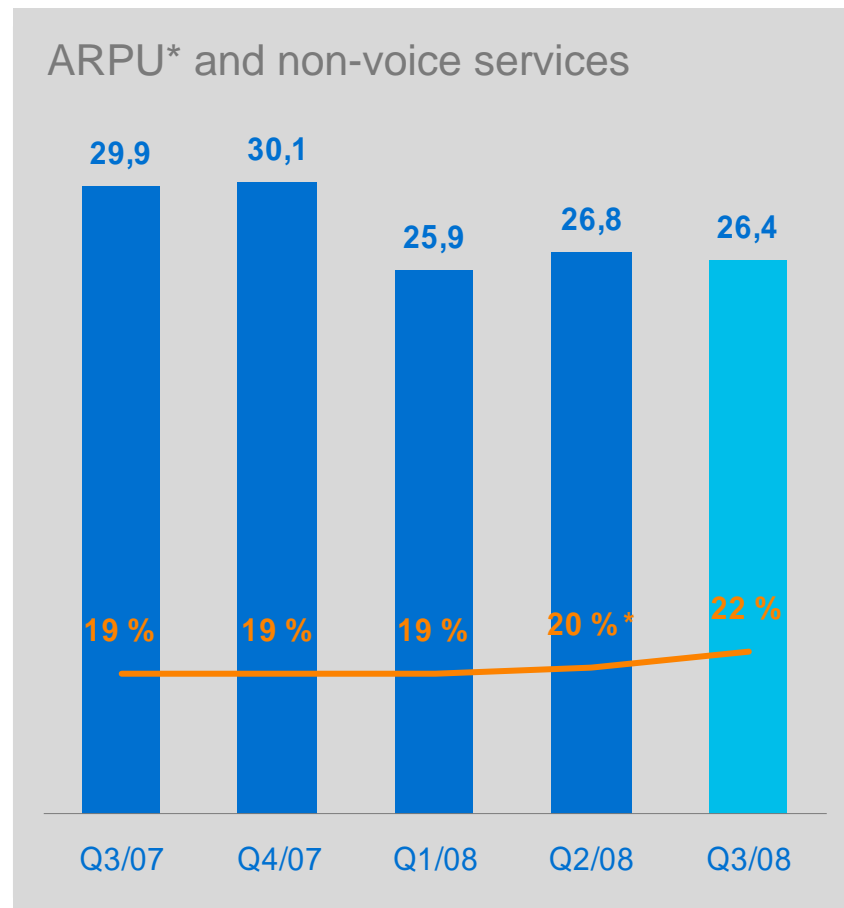
|                                  | Q3 2008   | Change<br>in Q3 2008 |   |
|----------------------------------|-----------|----------------------|---|
| Mobile subscriptions             | 2,830,000 | 57,400               | ▲ |
| Fixed broadband<br>subscriptions | 519,800   | -3,200               | ▼ |
| Mobile ARPU                      | €26.4     | -1.5%                | ▼ |
| Mobile Churn                     | 14.1%     | -0.8%-unit           | ▲ |
| Mobile network usage, min*       | 1,498m    | +75m                 | ▲ |
| Active 3G data users             | 425,400   | +51,600              | ▲ |

\* Outgoing minutes

# 57,400 new mobile subscriptions

## Q3 2008 SEGMENT REVIEW, MOBILE BUSINESS

- Growth in customer base
  - Good progress in 3G, growth in mobile broadband and prepaid subscriptions continued
  - Subscription base increased by 49,800 in Finland and 7,600 in Estonia
- ARPU\* EUR 26.4 (29.9)
  - Lower interconnection and roaming fees
- Churn 14.1% (11.2)
- Growth in network usage
  - Total MoU growth +5% and SMS +5%



\*) Average revenue per subscription

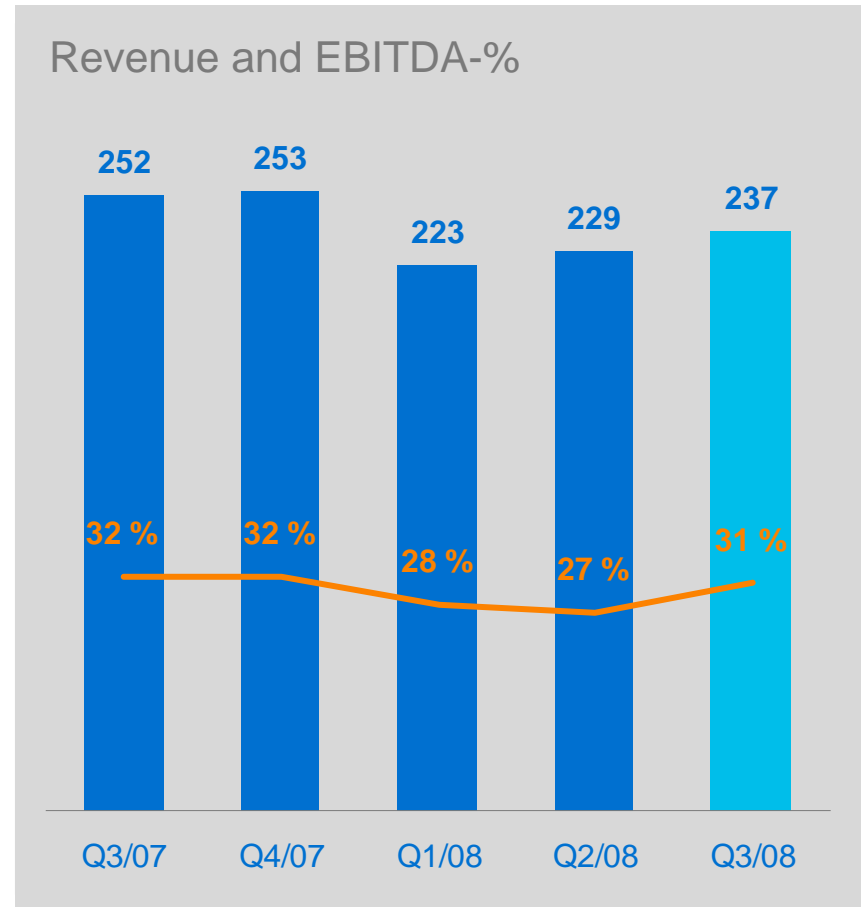
■ ARPU, EUR  
■ Share of non-voice services, %  
\* Q2/08 figure corrected



# Positive revenue trend continued in 2008

## Q3 2008 SEGMENT REVIEW, MOBILE BUSINESS

- Revenue EUR 237m (252)
  - Increase in usage and subscriptions
  - Decrease in interconnection and roaming fees
- EBITDA EUR 74m (80), 31% of revenue (32)
  - Extra implementation costs of billing and CRM system
- EBIT EUR 45m (53), 19% of revenue (21)

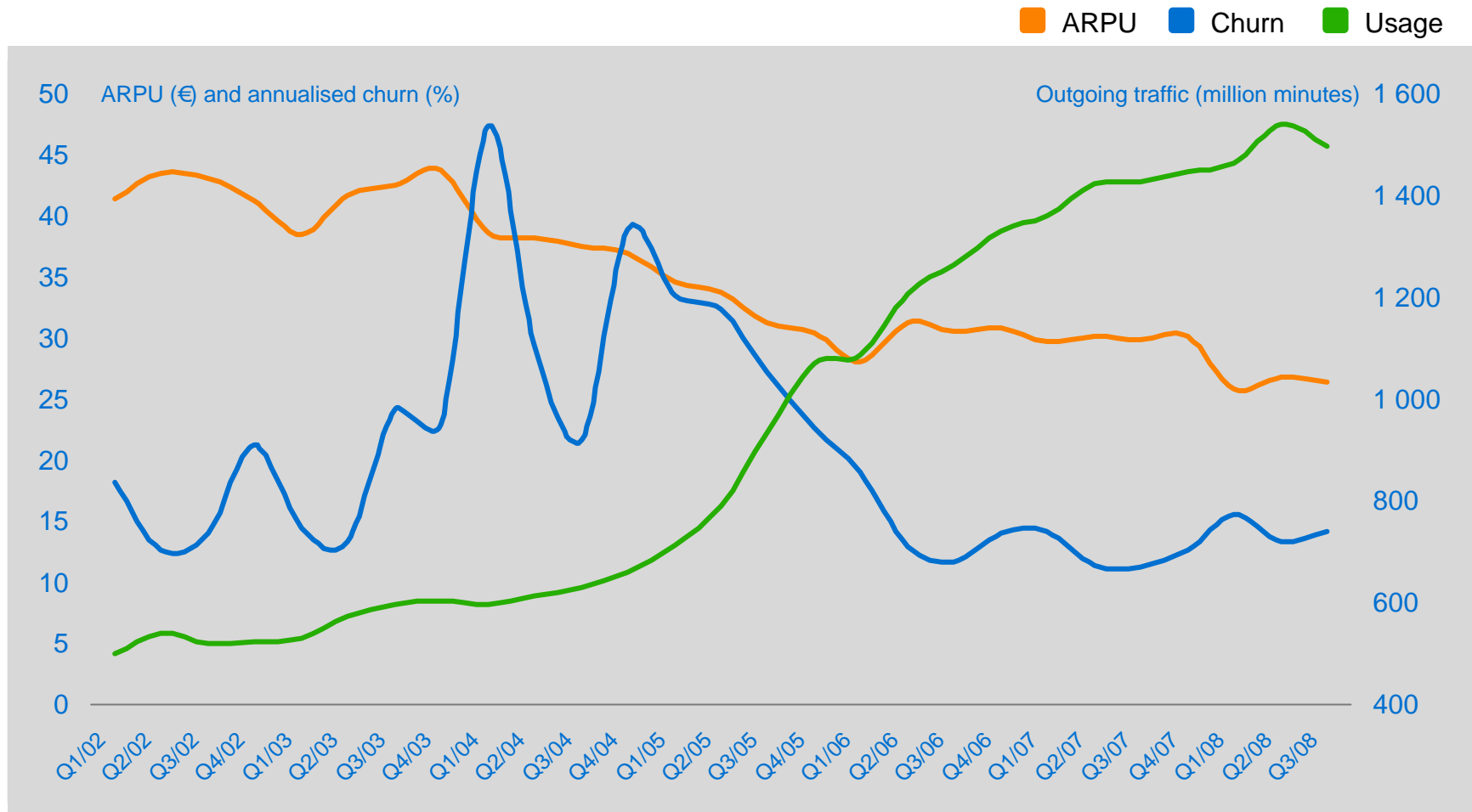


■ Revenue, EURm  
■ EBITDA-% excl. one-offs



# No major trend changes

## Q3 2008 SEGMENT REVIEW, MOBILE BUSINESS

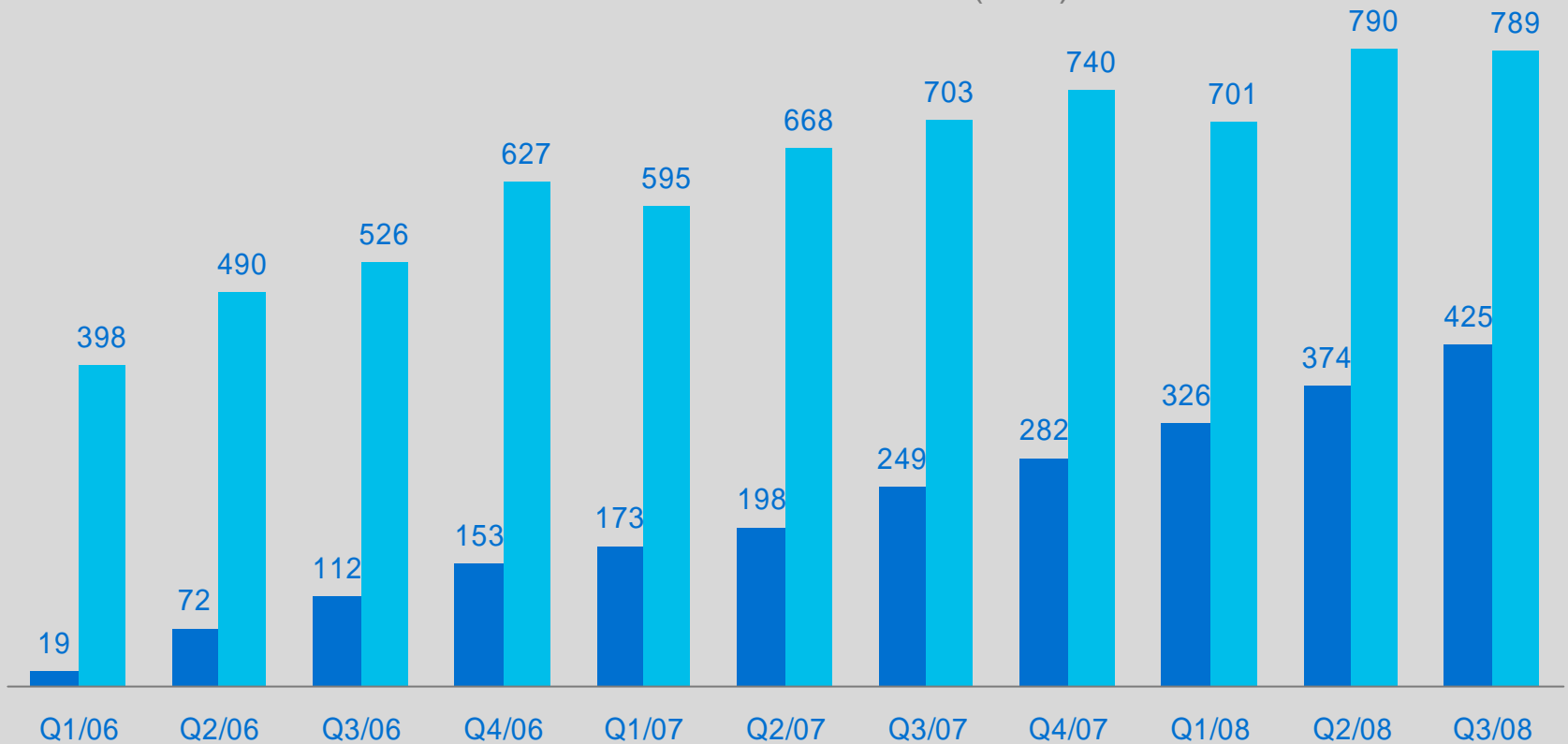


# Growth in active mobile data users continued

## Q3 2008 SEGMENT REVIEW, MOBILE BUSINESS

■ Active 3G users ■ Active GPRS users

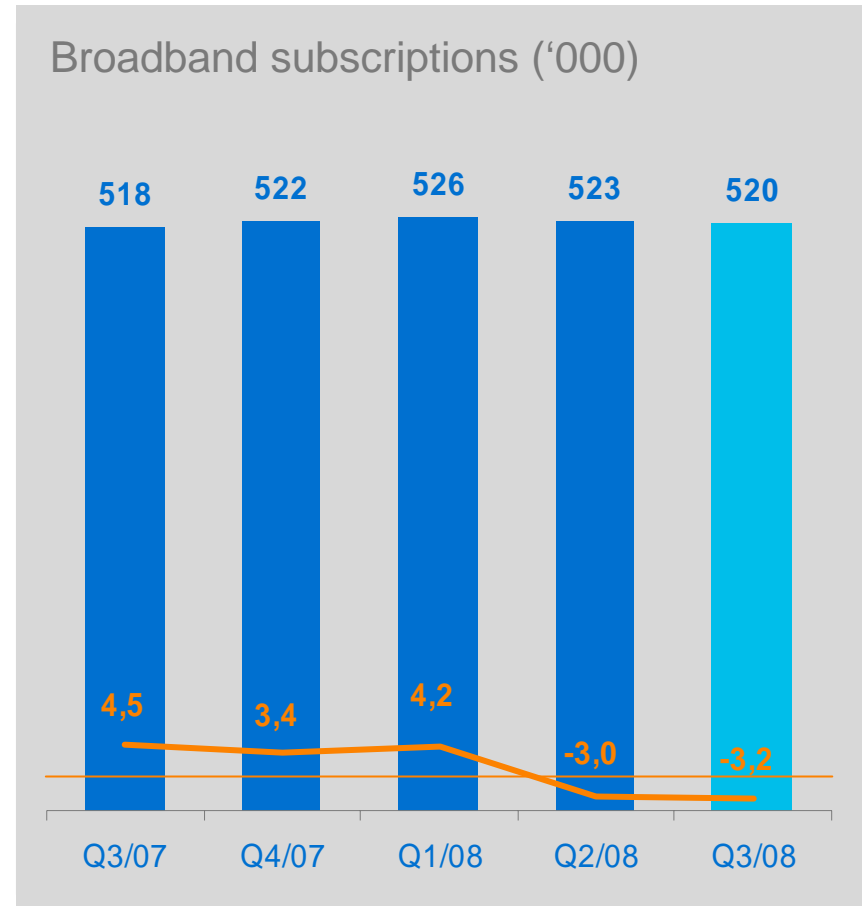
Number of active mobile data users in Elisa's network ('000)



# Broadband growth taken by mobile

## Q3 2008 SEGMENT REVIEW, FIXED NETWORK BUSINESS

- Slight decrease in fixed broadband subscriptions
  - Decrease 3,200 in Q3 2008
    - Growth taken by mobile business
  - Elisa the market leader
- Decrease in traditional subscriptions was slower
  - Analogue voice lines decreased by 6% and lines including ISDN channels by 7%
- Slight growth in cable TV subscriptions
  - Subscriptions grew by 3% to 242,500



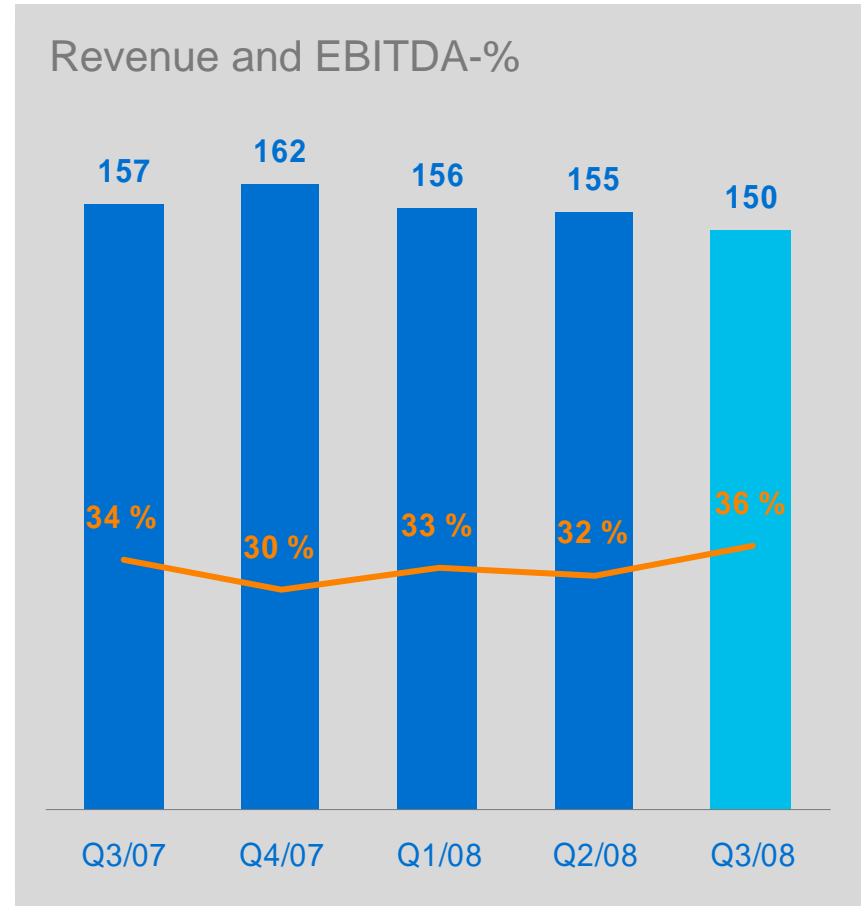
- Broadband subscriptions
- Net change



# Cost efficiency improves profitability

## Q3 2008 SEGMENT REVIEW, FIXED NETWORK BUSINESS

- Revenue EUR 150m (157)
  - Growth in corporate customers
  - Decrease in traditional analogue
- EBITDA EUR 55m (54), 36% of revenue (34)
  - Efficiency programs
- EBIT EUR 32m (31), 21% of revenue (20)

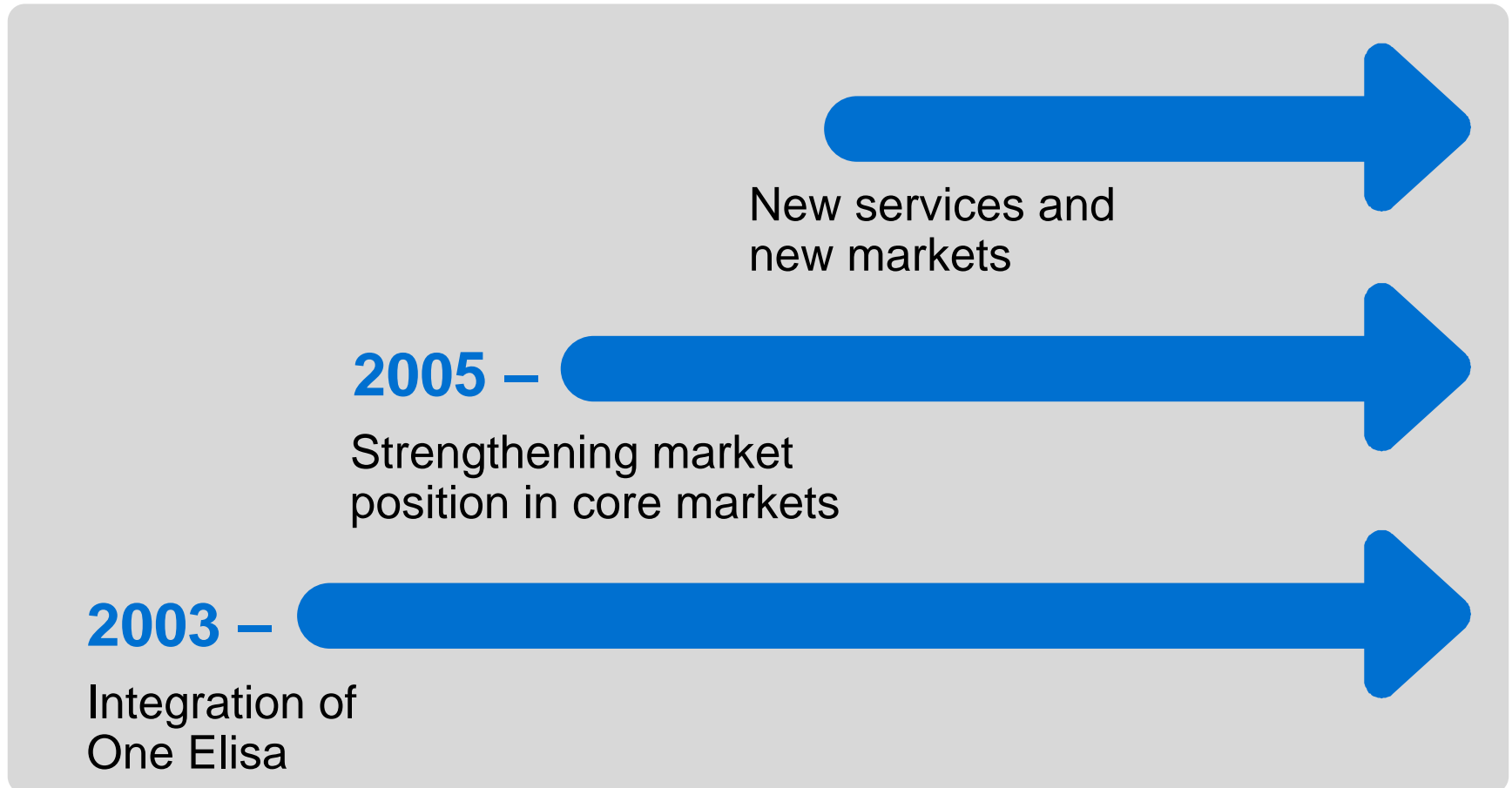


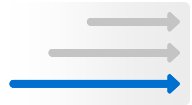
■ Revenue, EURm  
■ EBITDA-% excl. one-offs



# Elisa strategy

## STRATEGY EXECUTION





# Productivity improvement

## STRATEGY EXECUTION – INTEGRATION OF ONE ELISA

- H2 cost saving programs implemented
- Regional IT systems consolidation



Significant profitability improvement

- Extension of mini-laptop bundles
- PC data card for UMTS900 network
- New functionalities to Elisa's self service concept Oma Elisa

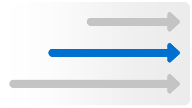


Customer orientation

- Simplification of product portfolio in consumer unit
- Streamlining of customer delivery processes continued



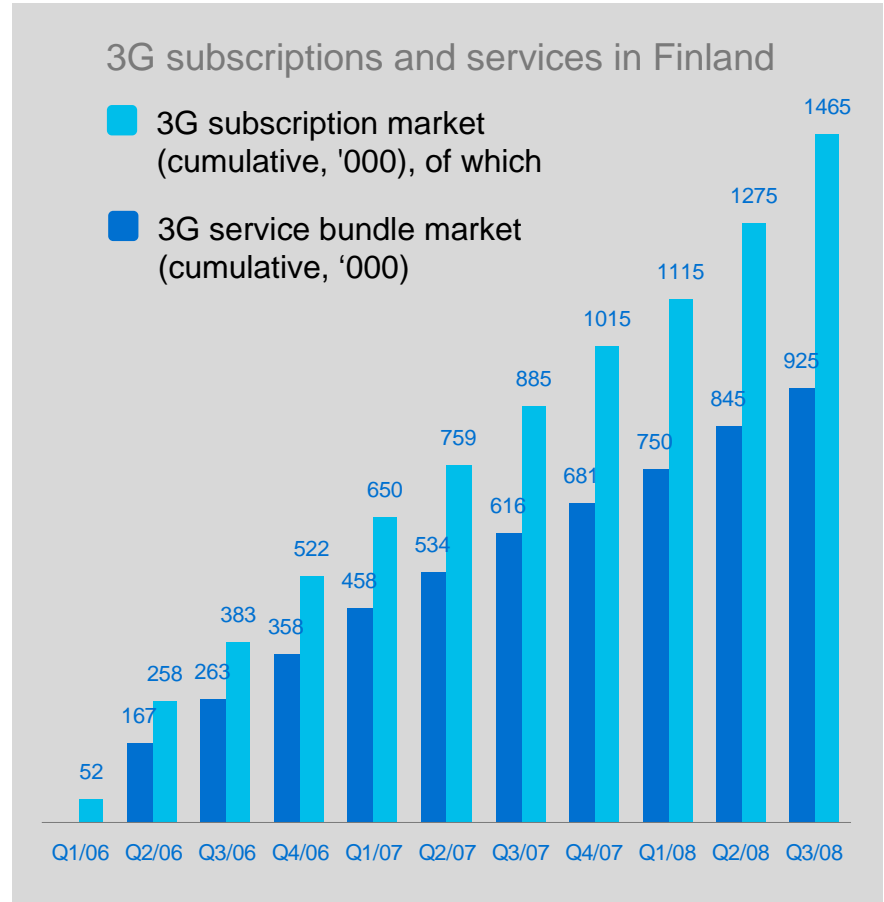
Simplification of structure



# 1.5 million 3G subscriptions

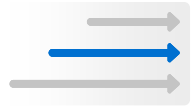
## STRATEGY EXECUTION – STRENGTHENING MARKET POSITION

- Good growth in 3G services continued
  - Significant amount of new subscriptions are 3G
  - Strong growth in mobile broadband
- Elisa continues to be clear market leader in 3G subscriptions
  - In Q3, 190,000 new 3G subscriptions, of which 80,000 new service bundles
  - Cumulative amount of 3G terminals sold since 2006 is approx. 1.5 million
- 1.7 million 3G subscriptions at the year end



Source: Elisa estimates, Matkaviestintoimittajat ry (MVT)





# Mobile broadband as volume product

## STRATEGY EXECUTION – STRENGTHENING MARKET POSITION

- Strong growth in demand
  - More than 270 3G/UMTS900 cities in the end of 2008
  - Speed 5 Mb/s
  
- Mini laptop with integrated 3G modem
  - Elisa data security service
  - Affordable price and small size
  - For many customer segments





# Self service concept to corporate customers

## STRATEGY EXECUTION – STRENGTHENING MARKET POSITION

- New My Elisa (“Oma Elisa”) also to corporate customers
  - Excellent acceptance
  - Already 850 enterprises as customers
- Growing demand for self service
  - Almost one third of orders through My Elisa
  - Almost one fourth fully automated



# Outlook for 2008

- Competition remains challenging
  - Focus on service competition
- Revenue slightly down from the 2007 level
  - Lower volumes in terminal sales
- EBITDA excluding non-recurring items at the 2007 level
  - Good profitability prospects for Q4
  - Extra implementation costs of the billing and CRM system will come to an end
  - Additional cost efficiency measures
  - Strong growth in mobile subscriptions and seasonality
- EBIT excluding non-recurring items at the 2007 level or slightly down
- CAPEX 10-12 per cent of revenue
- Significant improvement in cash flow

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# Improvement in profitability

| EUR million                        | Q3/08       | Q3/07       | 2007        | Change |
|------------------------------------|-------------|-------------|-------------|--------|
| Revenue                            | 374         | 394         | 1 568       | -20    |
| Other operating income             | 2           | 5           | 21          | -3     |
| Operating expenses                 | -247        | -267        | -1 090      | +21    |
| EBITDA                             | 129         | 132         | 499         | -3     |
| EBITDA excluding one-offs          | 129         | 132         | 491         | -3     |
| <i>EBITDA-%</i>                    | <i>35 %</i> | <i>33 %</i> | <i>32 %</i> |        |
| <i>EBITDA-% excluding one-offs</i> | <i>35 %</i> | <i>33 %</i> | <i>31 %</i> |        |
| Depreciation and amortisation      | -53         | -50         | -197        | -3     |
| EBIT                               | 77          | 82          | 302         | -5     |
| EBIT excluding one-offs            | 77          | 82          | 293         | -5     |
| <i>EBIT-%</i>                      | <i>21%</i>  | <i>21%</i>  | <i>19 %</i> |        |
| <i>EBIT-% excluding one-offs</i>   | <i>21%</i>  | <i>21%</i>  | <i>19 %</i> |        |
| Profit before tax                  | 67          | 89          | 285         | -22    |
| Income taxes                       | -16         | -17         | -65         | +1     |
| Profit for the period              | 51          | 72          | 220         | -21    |
| EPS, EUR/share                     | 0,33        | 0,45        | 1,38        |        |

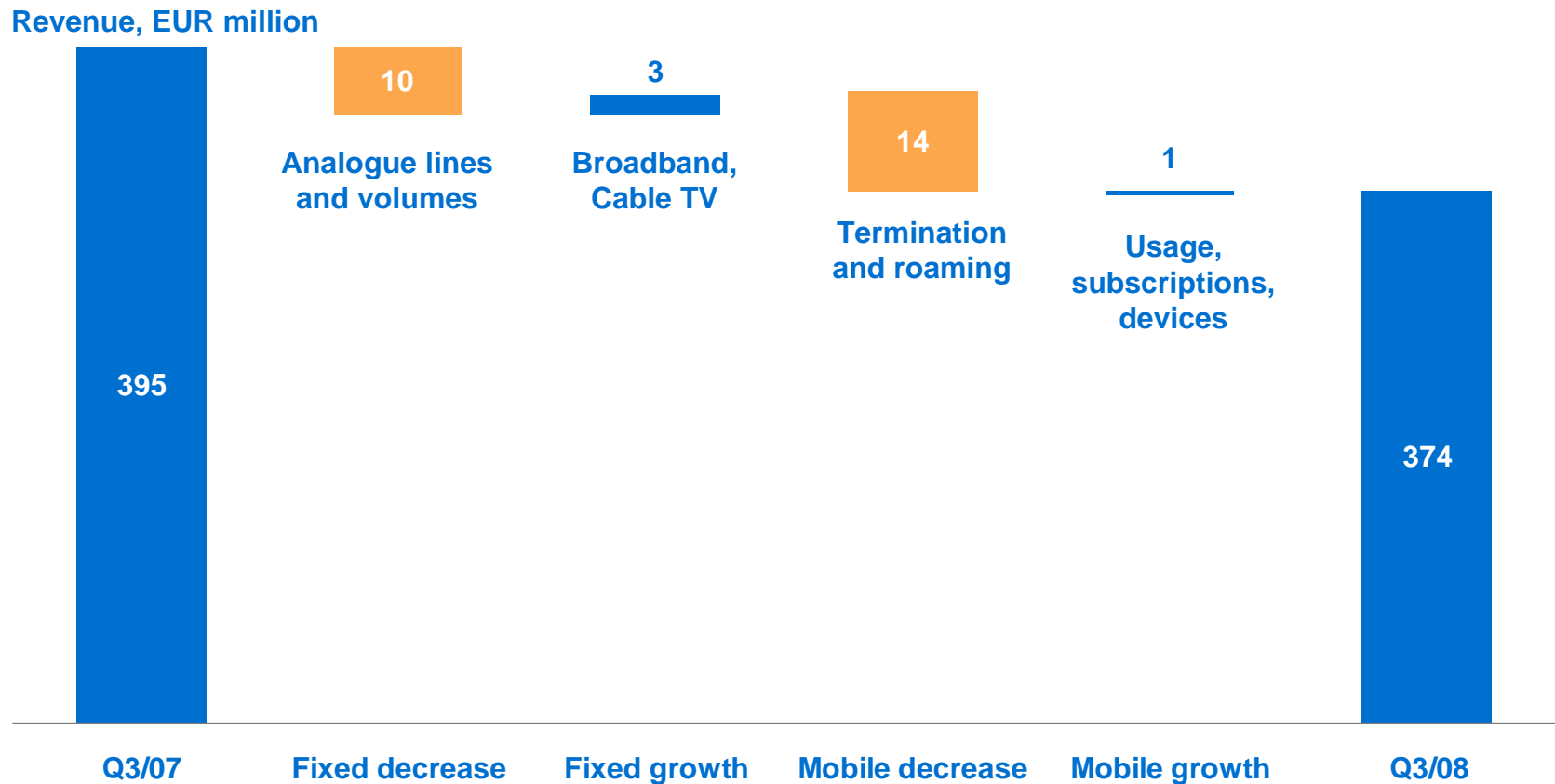
# Temporary billing and CRM system implementation costs will come to an end

- Temporary expenses

- Q1/2008: EUR 5m
- Q2/2008: EUR 4m
- Q3/2008: EUR 2m
- Q4/2008: Costs will come to an end
  
- IT costs
- External services
- Booked as normal expenses (not non-recurring)

- Arbitration proceedings ongoing with IBM

# Revenue decreased through interconnection and fixed analogue business



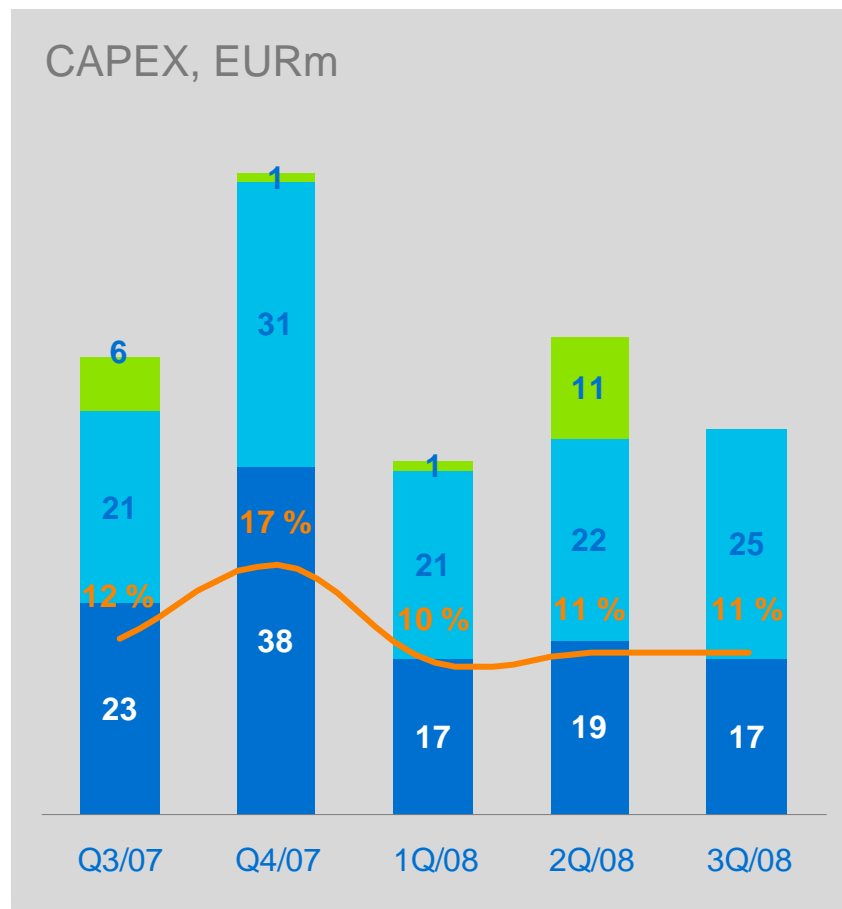
# Total expenses decreased

|                           | 3Q<br>07   | 4Q<br>07   | 1Q<br>08   | 2Q<br>08   | 3Q<br>08   |
|---------------------------|------------|------------|------------|------------|------------|
| Materials and services    | 175        | 177        | 159        | 169        | 166        |
| Employee benefit expenses | 38         | 51         | 45         | 42         | 32         |
| Other operating expenses  | 54         | 49         | 56         | 57         | 49         |
| <b>Total expenses</b>     | <b>267</b> | <b>277</b> | <b>260</b> | <b>268</b> | <b>247</b> |
| Depreciation              | 50         | 52         | 51         | 52         | 53         |

- Interconnection and termination cost EUR 14m lower YoY
- Extra CRM implementation costs EUR 2m in Q3
- Employee expenses continued to decrease
- Strict cost control

# CAPEX decreased 5% to EUR 42m

- CAPEX / Sales 11% in Q3/08
- CAPEX includes
  - 3G networks and services
  - Backbone network
- Q3 CAPEX by segments
  - Mobile EUR 25m
  - Fixed network EUR 17m



■ Fixed Line ■ Shares  
■ Mobile ■ CAPEX/Sales

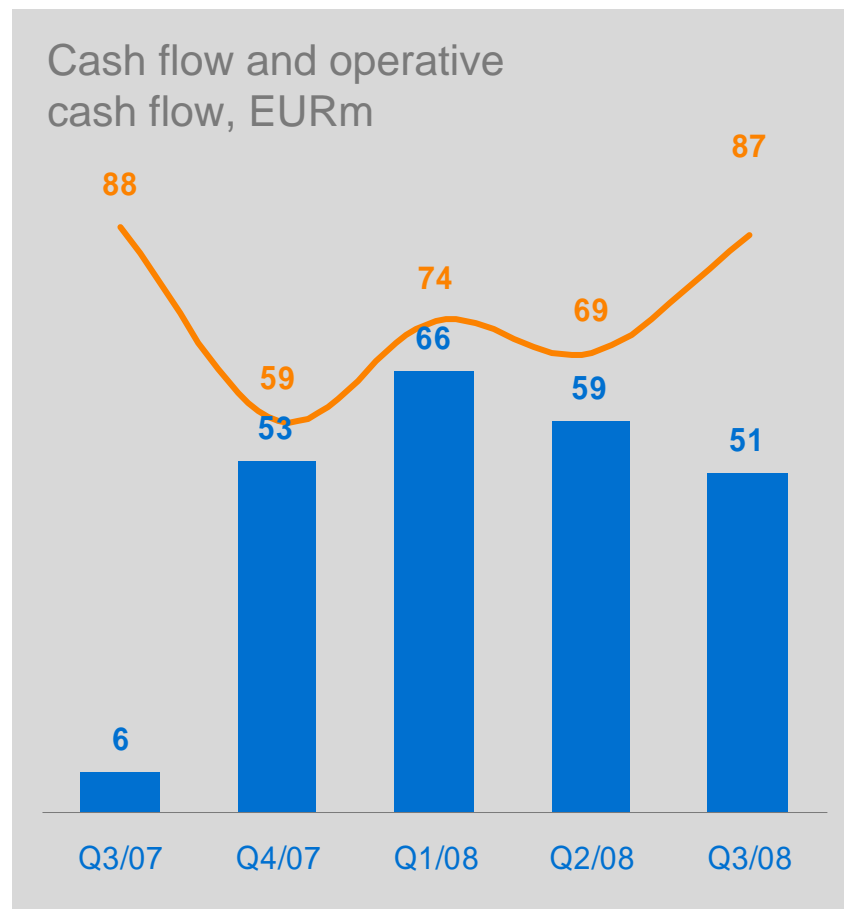


# Cash Flow grew by EUR 46m to EUR 51m

| EUR million                    | Q3/2008 | Q3/2007 | 2007 | Change y-o-y |
|--------------------------------|---------|---------|------|--------------|
| EBITDA                         | 129     | 132     | 499  | -3           |
| Change in receivables          | -5      | -80     | -116 | 75           |
| Change in inventories          | 0       | 6       | 10   | -6           |
| Change in payables             | 2       | 15      | 7    | -13          |
| Change in NWC                  | -3      | -59     | -99  | 56           |
| Sale of Comptel shares         | 0       | 13      | 13   | -13          |
| Interest paid and received     | -15     | -13     | -32  | -2           |
| Financials (net)               | -15     | 0       | -19  | -15          |
| Taxes for the year             | -15     | -22     | -53  | -7           |
| Taxes for the previous year    |         |         | -29  |              |
| Taxes                          | -15     | -22     | -82  | 7            |
| CAPEX                          | -42     | -45     | -204 | 3            |
| Investments in shares          | -1      | -1      | -6   | 0            |
| Sale of assets and adjustments | -2      | 1       | 25   | -3           |
| Cash flow after investments    | 51      | 6       | 114  | 46           |

# Cash Flow stable after billing being normalised

- Cash flow EUR 51m in Q3
- Change in net working capital EUR -3m
  - Increase in receivables EUR 5 m
  - Increase in payables EUR 2m

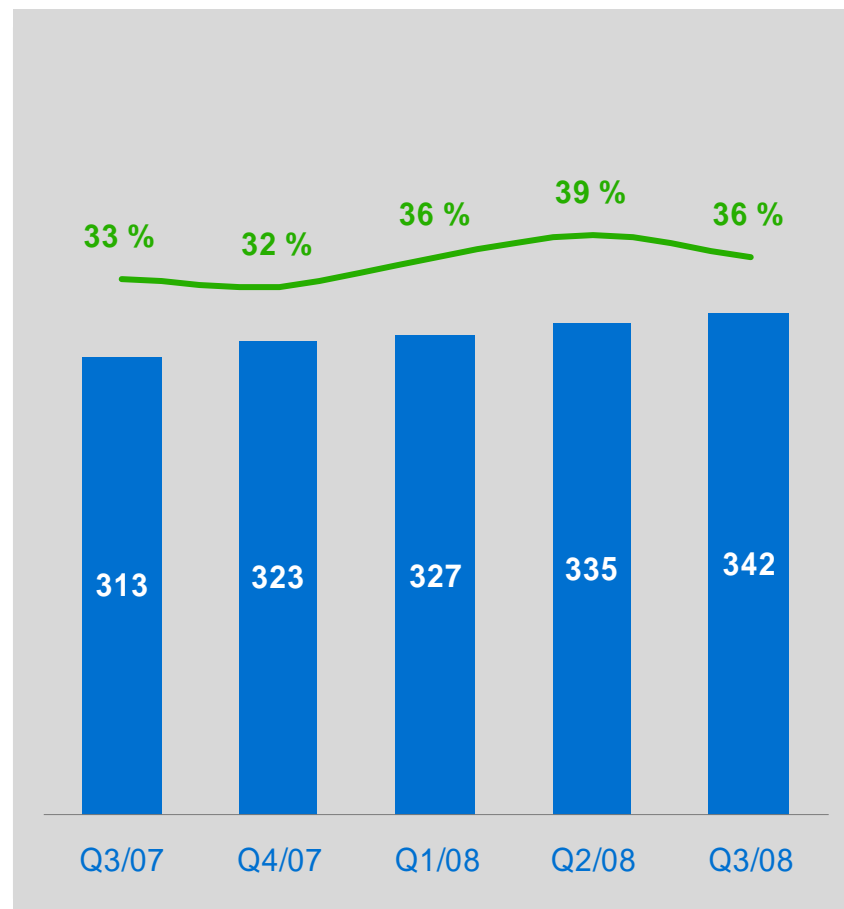


\*) Operative cash flow = EBITDA excl. one-offs - CAPEX

# Solid performance continued in Estonia

- Change in termination fees decreased revenue
- Subscriptions grew 29,800 YoY

| EUR million     | Q3/08      | Q3/07      | 2007       |
|-----------------|------------|------------|------------|
| Revenue         | 25,2       | 30,6       | 113        |
| EBITDA          | 9,1        | 10,1       | 36         |
| <i>EBITDA-%</i> | <i>36%</i> | <i>33%</i> | <i>32%</i> |
| EBIT            | 6,9        | 7,4        | 25         |
| <i>EBIT-%</i>   | <i>28%</i> | <i>24%</i> | <i>22%</i> |
| Capex           | 4          | 2          | 11         |



■ Subs thousands ■ EBITDA-%

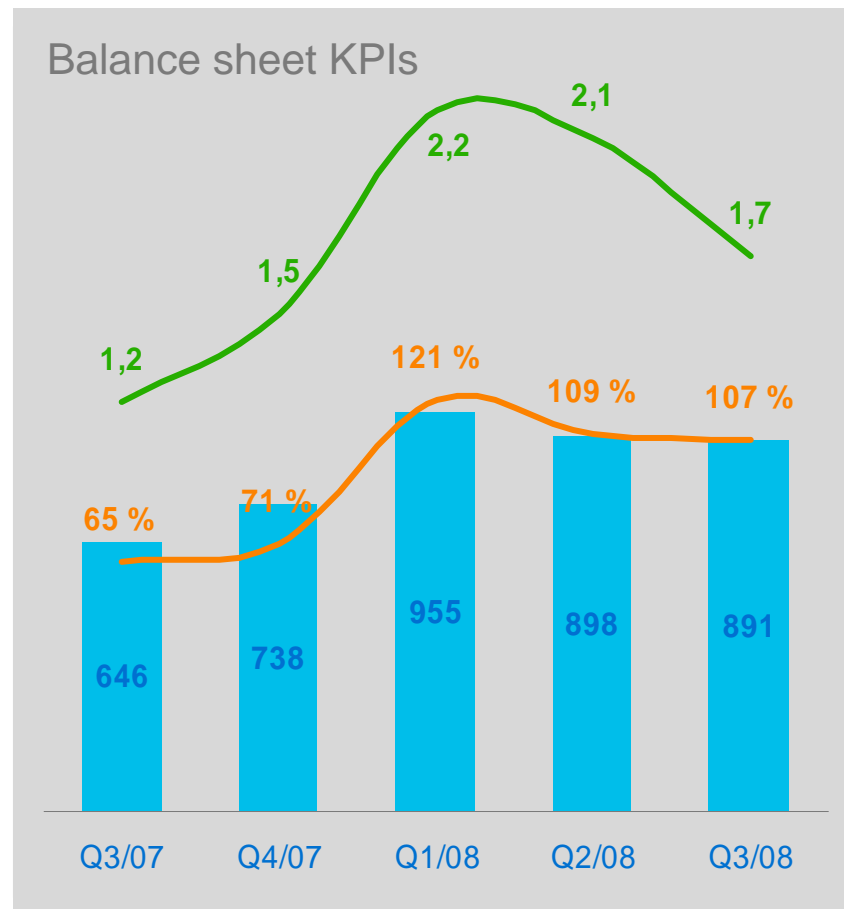
# Capital structure within target range

- Capital structure

- Net debt / EBITDA 1,7 <sup>1)</sup>
- Gearing 107%

- Target setting

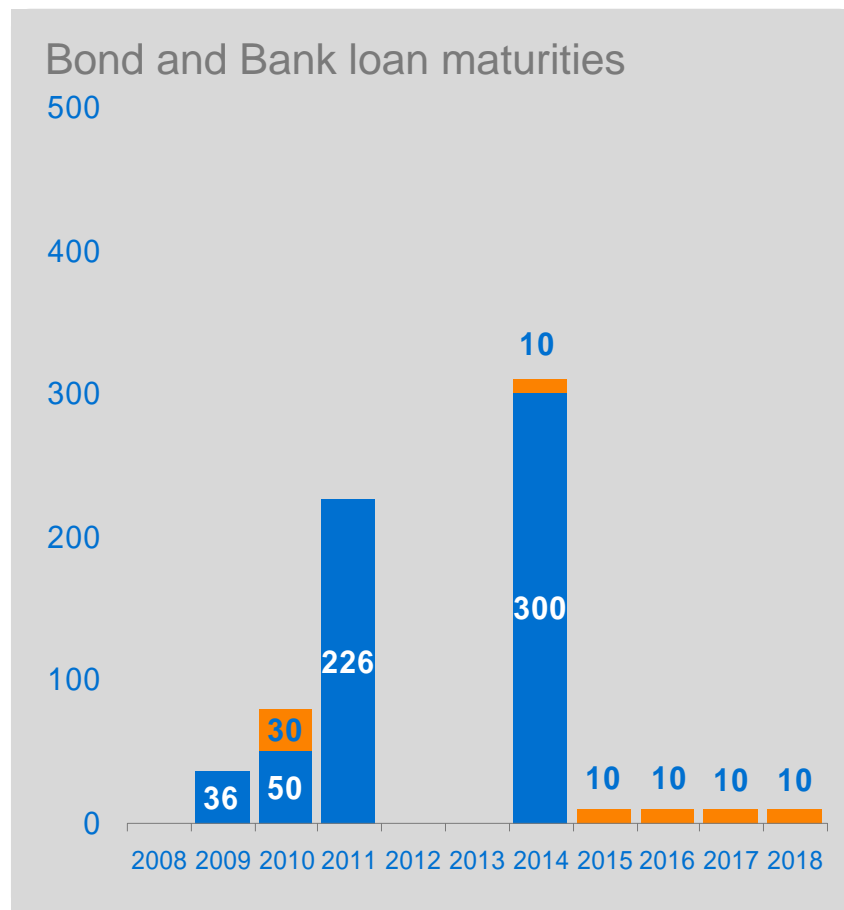
- Net debt / EBITDA 1.5 – 2x
- Gearing 50 – 100%



1) Net Debt/ Q3/08 EBITDA\*4

# No refinancing needs expected in coming years

- **Revolving Credit Facilities**
  - EUR 170m maturing June 2012
  - EUR 130m maturing November 2014
  - EUR 120m in use Q3/2008
- **Commercial Paper Programme**
  - EUR 81m in use
  - Full back up with RCF



■ Bonds ■ Bank Loans



# 2008 EBITDA outlook is reiterated

- Full year EBITDA excluding one-offs at the same level as 2007
- Strong Q4/2008
- EBITDA Improvement QoQ needed approx. EUR 13m in Q4/2008
- Elisa's competitiveness has improved markedly: customer service quality improved and strong growth in customer intake

## Sources for EBITDA improvement:

- Growth in mobile subscriptions
- Seasonality
- Extra H2 cost savings measures
- Billing and CRM system costs will come to end





# Third Quarter Results 2008

24 October 2008

## APPENDIX SLIDE

# Consolidated Cash flow statement

| EUR million  | Q3 2008 | Q2 2008 | Q1 2008 | Q4 2007 | Q3 2007 | Q2/2007 | Q1/2007 | Q4 2006 | Q3 2006 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Cash flow from operating activities</b>         |         |         |         |         |         |         |         |         |         |
| Profit before tax                                  | 67      | 38      | 52      | 65      | 89      | 67      | 64      | 69      | 69      |
| Adjustments to profit before tax                   | 59      | 67      | 56      | 63      | 41      | 47      | 50      | 46      | 50      |
| Change in working capital                          | -2      | 30      | 22      | 19      | -59     | -15     | -45     | -9      | -22     |
| Cash flow from operating activities                | 124     | 135     | 130     | 148     | 71      | 99      | 69      | 106     | 97      |
| Received dividends and interests and interest paid | -15     | -6      | -14     | -3      | -13     | -2      | 0       | 3       | -10     |
| Taxes paid   | -15     | -22     | -12     | -23     | -22     | -33     | -4      | 1       | 0       |
| Net cash flow from operating activities            | 93      | 108     | 104     | 121     | 36      | 64      | 65      | 109     | 87      |
| <b>Cash flow in investments</b>                    |         |         |         |         |         |         |         |         |         |
| Capital expenditure                                | -42     | -40     | -37     | -69     | -45     | -46     | -44     | -69     | -40     |
| Investments in shares and other investments        | -1      | -9      | -1      | -1      | -1      | -2      | -3      | -1      | -18     |
| Proceeds from asset disposal                       | 0       | 0       | 0       | 1       | 16      | 21      | 1       | 1       | 7       |
| Net cash used in investment                        | -42     | -49     | -38     | -69     | -30     | -27     | -46     | -69     | -51     |
| <b>Cash flow after investments</b>                 | 51      | 59      | 66      | 53      | 6       | 37      | 19      | 41      | 36      |
| <b>Cash flow in financing</b>                      |         |         |         |         |         |         |         |         |         |
| Share Buy Backs and sales (net)                    | -43     |         | 0       | 0       | 0       | -84     |         | -79     | 0       |
| Change in interest-bearing receivables             |         |         | 0       |         | 0       | 0       |         | 0       | 0       |
| Change in long-term debt                           |         | 50      | 0       | 0       | 0       | -44     | 350     | 0       | 0       |
| Change in short-term debt                          | -1      | -136    | 246     | 92      | 0       | 0       | -25     | 25      | -35     |
| Repayment of financing leases                      | -1      | -1      | -1      | -1      | -2      | -2      | -2      | -2      | -2      |
| Dividends paid                                     | 0       | -1      | -284    | -158    | -1      | -23     | -220    | -1      | -1      |
| Cash flow in financing                             | -45     | -87     | -40     | -67     | -2      | -153    | 103     | -57     | -38     |
| <b>Change in cash and cash equivalents</b>         | 6       | -28     | 26      | -15     | 4       | -116    | 121     | -17     | -2      |



## APPENDIX SLIDE

# Financial situation

| EUR Million                         | 30 Sep 2008 | 30 Jun 2008 | 31 Mar 2008 | 31 Dec 2007 | 30 Sep 2007 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Interest-bearing debt</b>        |             |             |             |             |             |
| Bonds and notes                     | 604         | 604         | 634         | 634         | 633         |
| Commercial Paper                    | 81          | 107         | 118         | 92          | 0           |
| Loans from financial institutions   | 80          | 80          | 0           | 0           | 0           |
| Financial leases                    | 26          | 26          | 26          | 28          | 44          |
| Committed credit line 1)            | 120         | 95          | 220         | 0           | 0           |
| Others 2)                           | 1           | 1           | 1           | 1           | 1           |
| <b>Interest-bearing debt, total</b> | <b>912</b>  | <b>913</b>  | <b>998</b>  | <b>755</b>  | <b>678</b>  |
| Security deposits                   |             |             |             | 0           | 1           |
| Securities                          |             |             |             | 0           | 0           |
| Cash and bank                       | 21          | 15          | 43          | 17          | 31          |
| <b>Interest-bearing receivables</b> | <b>21</b>   | <b>15</b>   | <b>43</b>   | <b>17</b>   | <b>32</b>   |
| <b>Net debt 3)</b>                  | <b>891</b>  | <b>898</b>  | <b>955</b>  | <b>738</b>  | <b>646</b>  |

1) The committed credit line is a joint EUR 170 million and EUR 130 million revolving credit facilities with five banks, which Elisa Corporation may flexibly use on agreed pricing. The loan arrangements are valid until 17 June 2012 and 23 November 2014.

2) Redemption liability for minorities

3) Net debt is interest-bearing debt less cash and interest-bearing receivables.