



## Interim Report

1 April 2007 – 30 June 2007



## Q2 2007 Report

President and CEO Veli-Matti Mattila

# Elisa Q2 2007

- Q2 2007 and financial highlights
- Review of the mobile and fixed network businesses
- Execution of the strategy
- Progress of mobile services and 3G
- Outlook for 2007



# Elisa Q2 2007 highlights

- Sales of 3G service bundles progressed well, growth in broadband subscriptions slowed down
- Mobile ARPU increased from the previous quarter and churn decreased further
- Mobile non-voice services almost one fifth of ARPU
- Revenue continued to grow, EBITDA improved
- Elisa decided to pay an extra dividend of EUR 1.00 per share

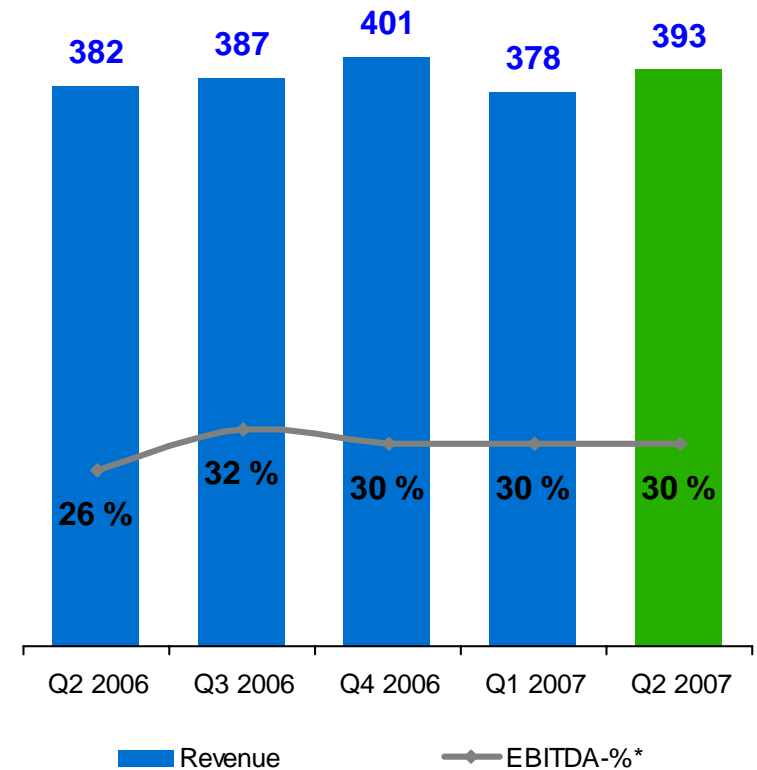


# Revenue up 3%, EBITDA\* 16%

## Q2 2007 AND FINANCIAL HIGHLIGHTS

- Revenue EUR 393m (382)
  - Increased usage of mobile services
- EBITDA EUR 127m (95)
  - Excluding one-offs EUR 116m (100)
- EBIT EUR 77m (39)
- Pre-tax profit EUR 67m (35)
- EPS EUR 0.31 (0.16)

Revenue and EBITDA-%



\* excluding one-offs

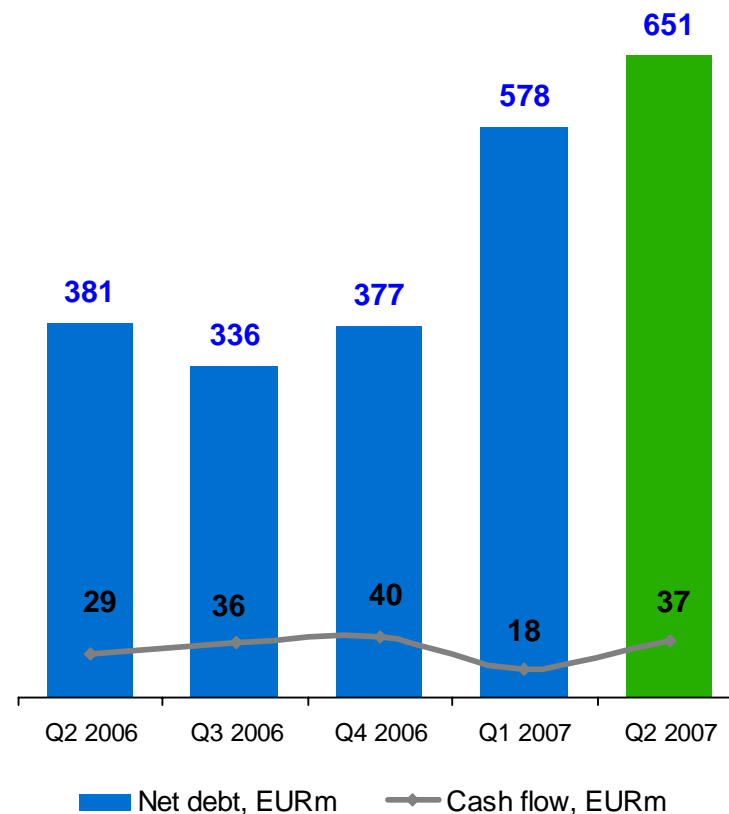


# More efficient capital structure

## Q2 2007 AND FINANCIAL HIGHLIGHTS

- CAPEX EUR 49m (54), 12% of revenue (14)
- Cash flow EUR 37m (29)
- Net debt EUR 651m (381)
  - Development of capital structure
  - Share buybacks
- Net debt / EBITDA 1.4 (1.0)
- Gearing 60% (30)
- Process to increase distributable equity by EUR 530m was started

### Net debt and cash flow

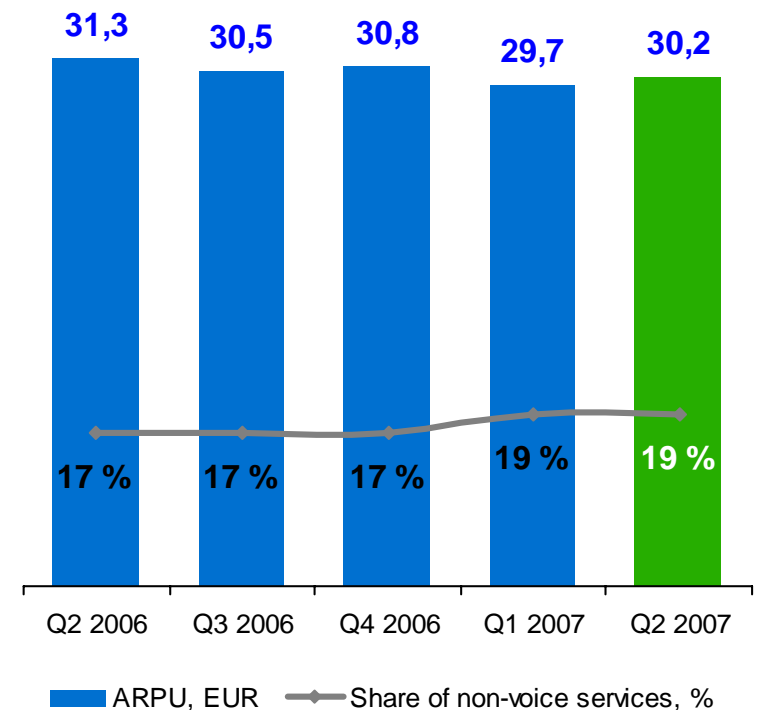


# Growth in subs and ARPU improved from Q1

## SEGMENT REVIEW, MOBILE BUSINESS

- Good progress in 3G subscriptions
  - Elisa's market share about 50%
- Customer base increased 22,000
  - Implementation of new IT system lowered sales volumes
- ARPU EUR 30.2 (31.3)
  - Lower interconnection fee
  - MoU/sub of own service operator +9% and SMS +4%
- Churn 11.4% (12.9)
- Growth in network usage
  - Total MoU growth +18% and SMS +29%

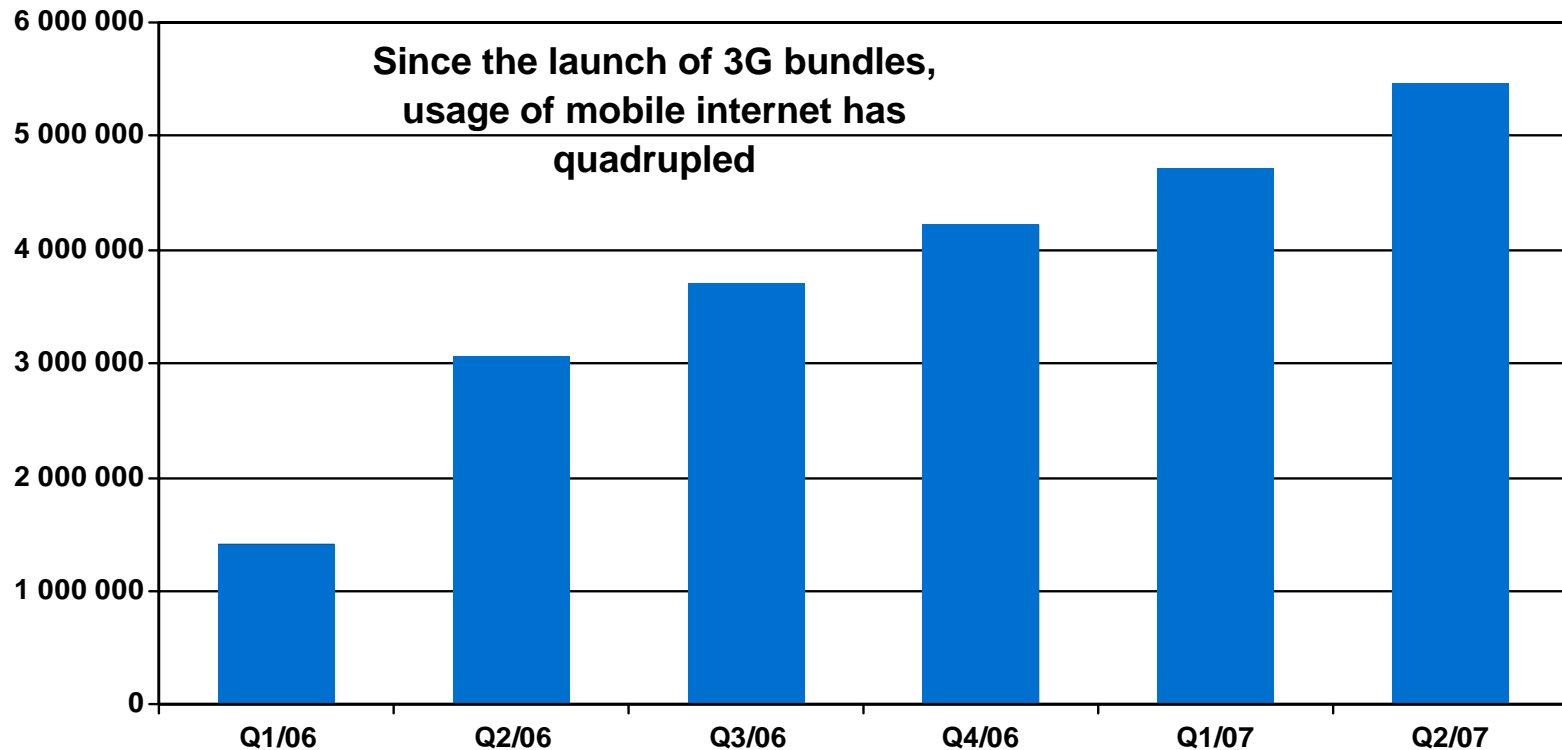
### ARPU and non-voice services



# 3G increases mobile data usage

## SEGMENT REVIEW, MOBILE BUSINESS

Example: Number of Internet sessions



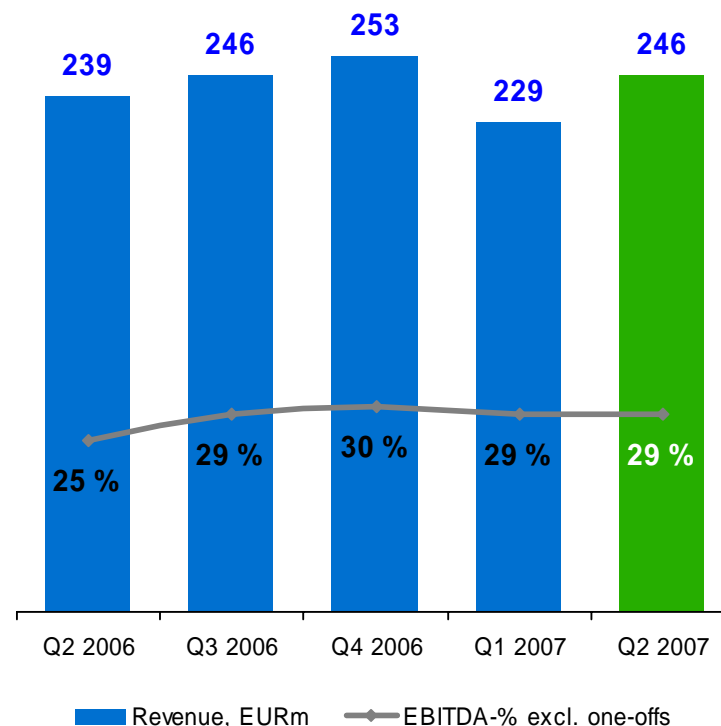


# 3G services generated growth

## SEGMENT REVIEW, MOBILE BUSINESS

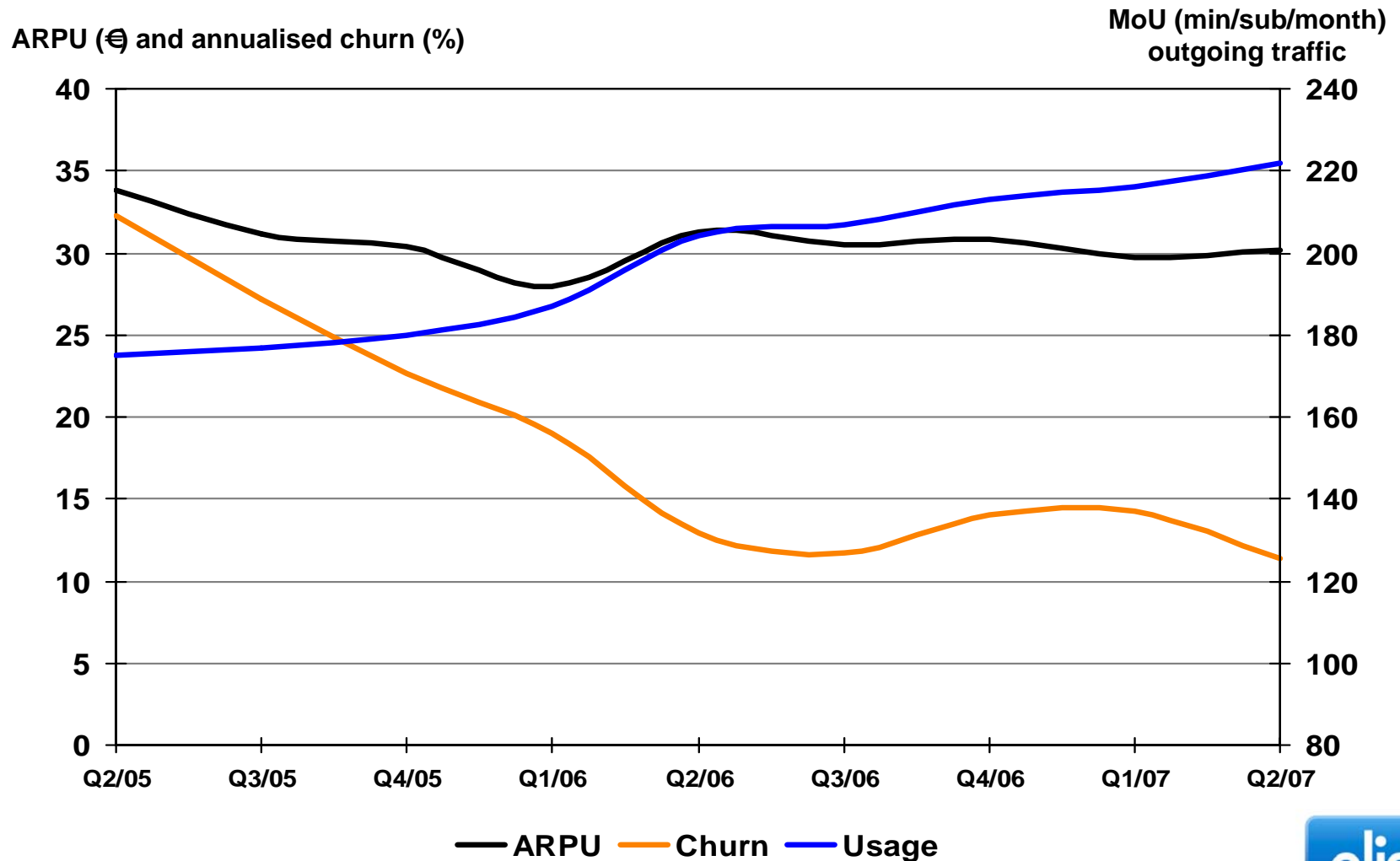
- Revenue EUR 246m (239)
  - Increased usage of mobile services
  - New interconnection fees and lower handset sales decreased revenue
- EBITDA excluding one-offs EUR 72m (59), 29% of revenue (25)
  - Cost efficiency, volume growth, growth in 3G usage
- EBITDA excluding one-offs EUR 46m (31), 19% of revenue (13)

### Revenue and EBITDA-%



# Growth in usage and ARPU stable

## SEGMENT REVIEW, MOBILE BUSINESS

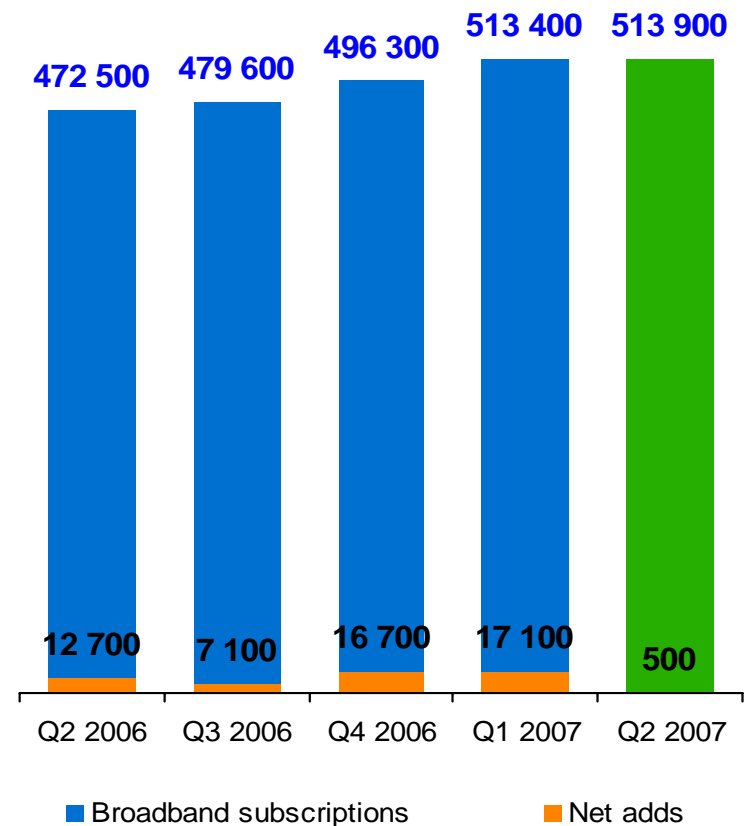


# Growth in broadband subs slowed down

## SEGMENT REVIEW, FIXED NETWORK BUSINESS

- Broadband subscriptions growth rate lower
  - Net adds 500 in Q2
  - Implementation of new IT system lowered sales volumes
  - Elisa market leader
- Decrease in analogue lines stable
  - Analogue voice lines decreased by 8% and lines including ISDN channels by 13%

Broadband subscriptions

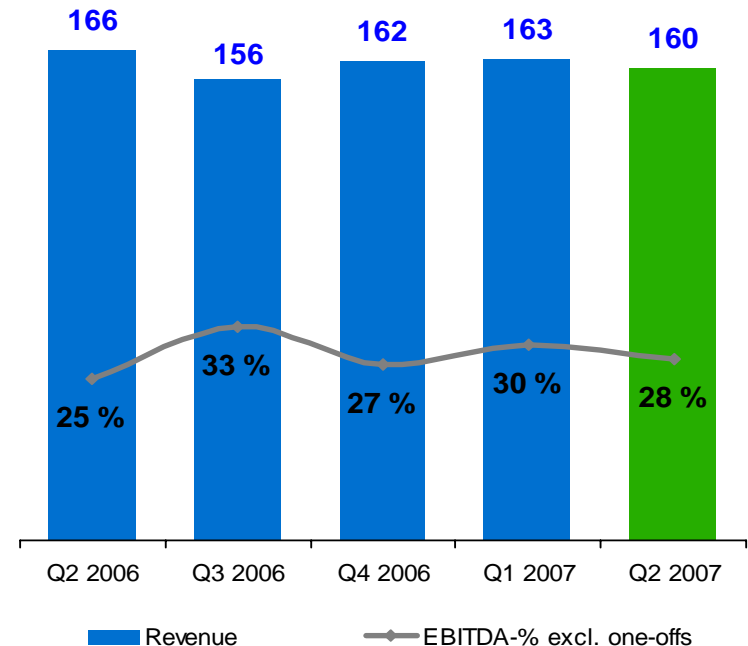


# Stable revenue development...

## SEGMENT REVIEW, FIXED NETWORK BUSINESS

- Revenue EUR 160m (166)
- EBITDA excluding one-offs EUR 45m (42), 28% of revenue (25)
- EBIT excluding one-offs EUR 22m (14), 14% of revenue (8)

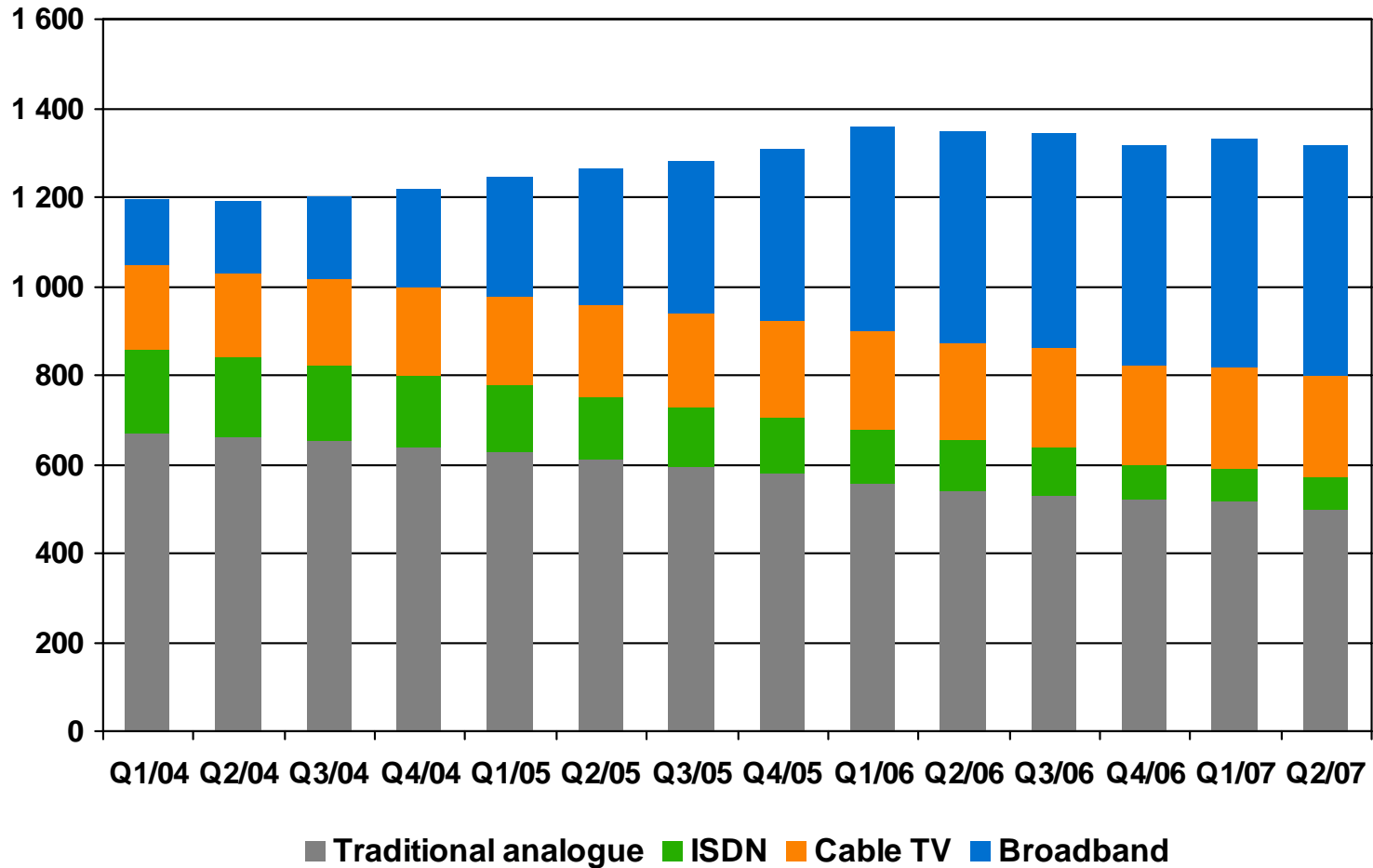
Revenue and EBITDA-%



# ... and stable subscription development

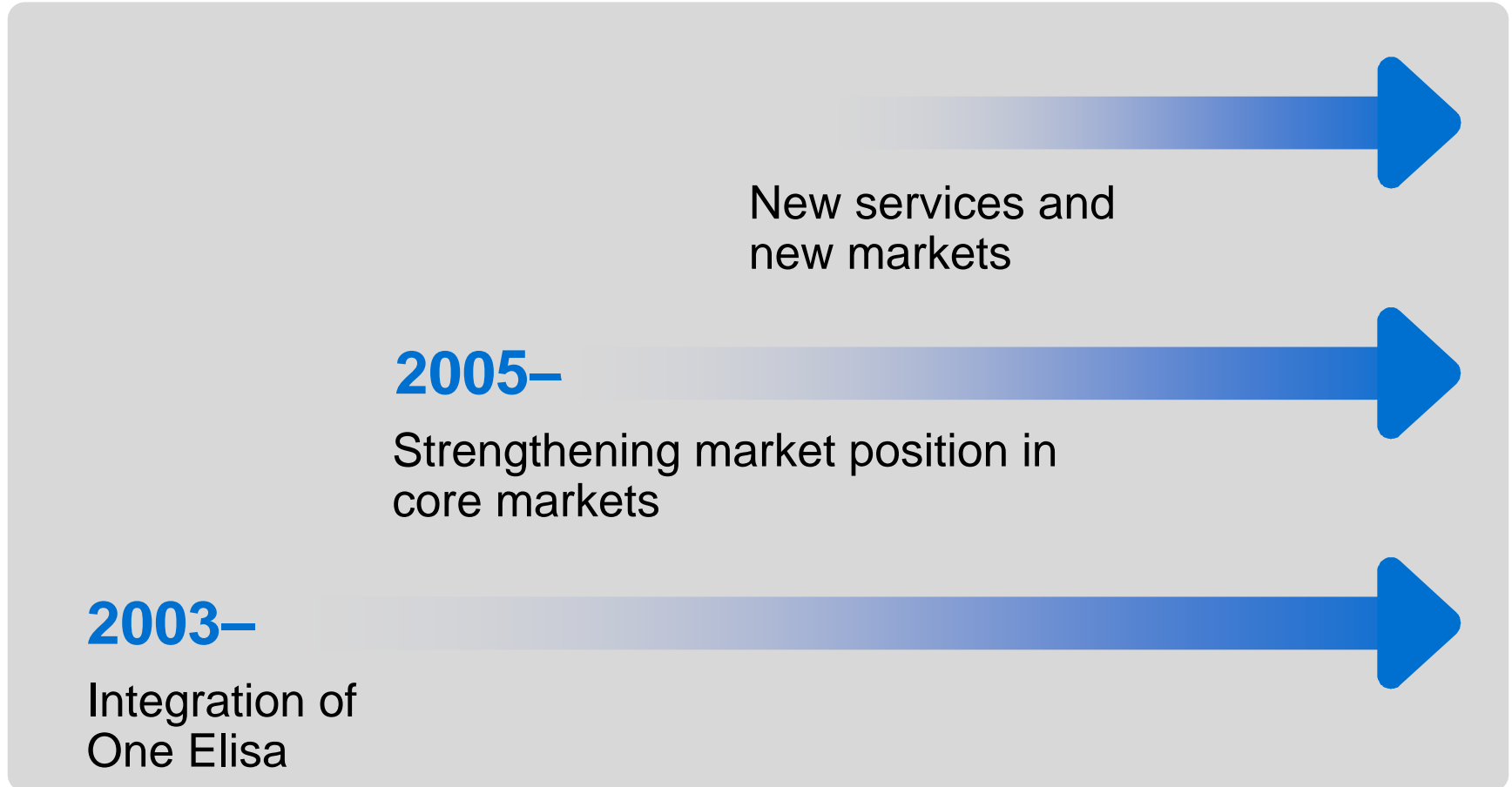
## SEGMENT REVIEW, FIXED NETWORK BUSINESS

Thousands



# Elisa strategy

## STRATEGY EXECUTION



# Productivity improvement

## STRATEGY EXECUTION – INTEGRATION OF ONE ELISA



**Significant profitability improvement**

- Efficiency through process development
- Improved real estate efficiency

**Customer orientation**

- Low price Vodafone 3G phone to the market
- Low and flat price mobile broadband
- New Saunalahti UMA/VoIP subscription
- Windows Mobile phones
- Network TV service, 5000 Gb storage capacity
- Lower roaming prices to all customers

**Simplification of structure**

- Lounet merger into Elisa
- First phase of new CRM and billing system into use
- Divestment of EDI business

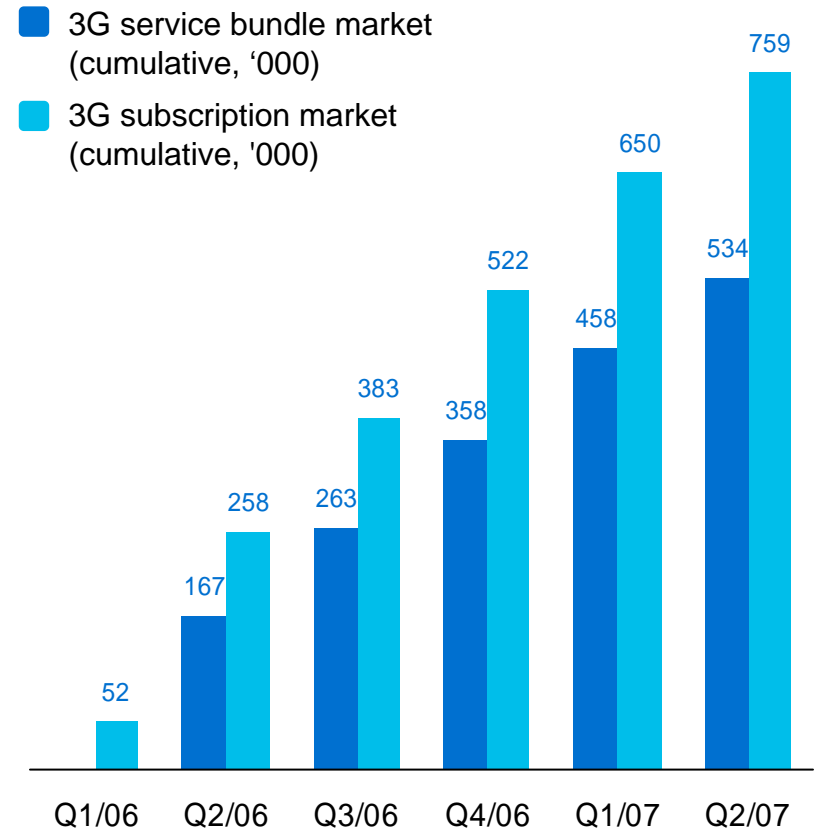
# 3G success story continued

## STRATEGY EXECUTION – STRENGTHENING MARKET POSITION



- Sale of 3G service bundles continued well
  - Significant amount of new subscriptions are 3G service bundles
- Elisa's market share in 3G service bundles about 50 %
  - In Q2 75,000 new service bundles in Finland
  - 3G service bundle base about 530,000 at end of Q2
  - Cumulative amount of 3G terminals sold since 2006 about 760,000, total 3G terminal base more than 800,000

### 3G subscriptions and services



Source: Elisa estimates, Matkaviestintoimittajat ry (MVT)







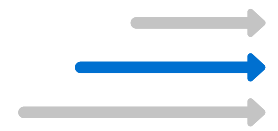
# Strong commitment to 3G services continues

## STRATEGY EXECUTION – STRENGTHENING MARKET POSITION

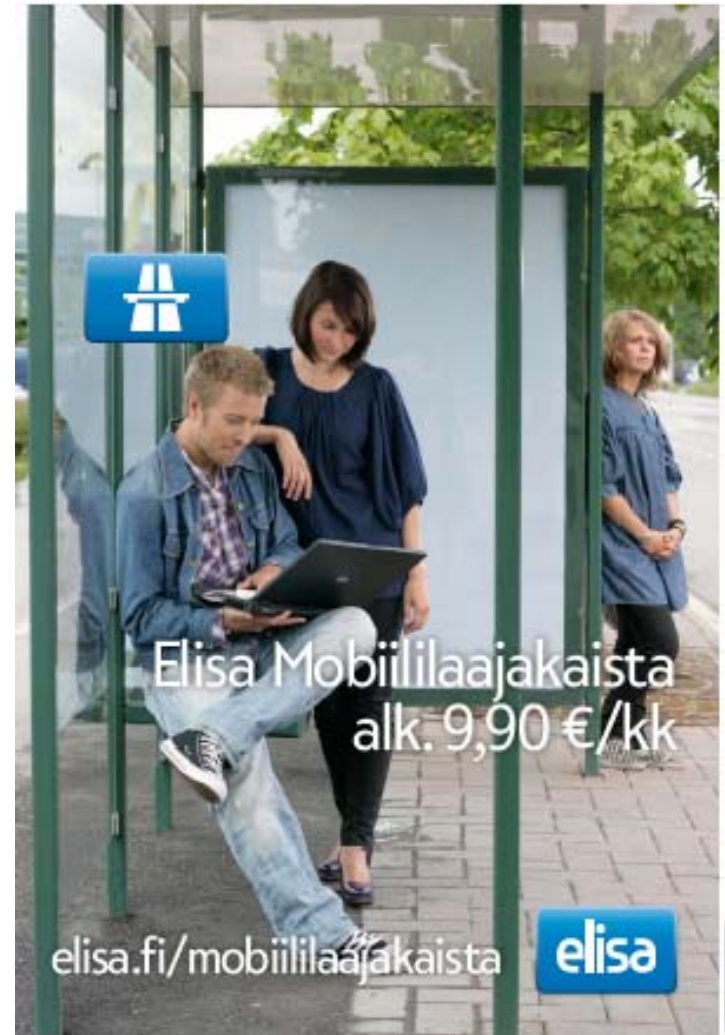
- Elisa's market share about 50%
- Elisa's network has the widest coverage in Finland
- Coverage of Elisa's 3G network 70% of population at the end of 2007, total about 120 cities
  - Network will be expanded to more than 30 new cities
- ARPU increase still 10-15% from 2G to 3G
- One third of business customers are active mobile data users
  - Number of business customers using packet pricing has more than doubled

# Elisa Mobile Broadband

## STRATEGY EXECUTION – STRENGTHENING MARKET SHARE



- Flat monthly rate
- Unlimited amount of data
- Starting EUR 9.90 per month (384 kbit/s)
- Available for 3G phones and computers
- Bundling with fixed broadband subscriptions with discount



# Customer driven services for corporate clients strengthened

STRATEGY EXECUTION – STRENGTHENING MARKET SHARE



- Mobile working easier than ever
  - HP and Elisa launched a laptop computer featuring a ready to use Elisa mobile broadband, which operates anywhere in the Elisa 3G network at the push of a button
- Solution range expands
  - Elisa's mobile broadband enables the efficient use of Windows Mobile phones and familiar Windows applications where ever you are
- Priority on corporate clients and flexible working
  - Elisa invest in ensuring that the mobile working of its corporate users functions smoothly by prioritizing the mobile broadband traffic of its corporate clients

# Outlook for 2007

- Challenging market
  - Competition remains challenging
  - Focus on services
- Result will improve from 2006
  - Revenue will grow
  - EBITDA and EBIT excluding non-recurring items will improve
- H2 EBITDA and EBIT will improve clearly from H1
- Stable CAPEX and cash flow
  - CAPEX 11-13 per cent of revenue
  - Cash flow clearly positive



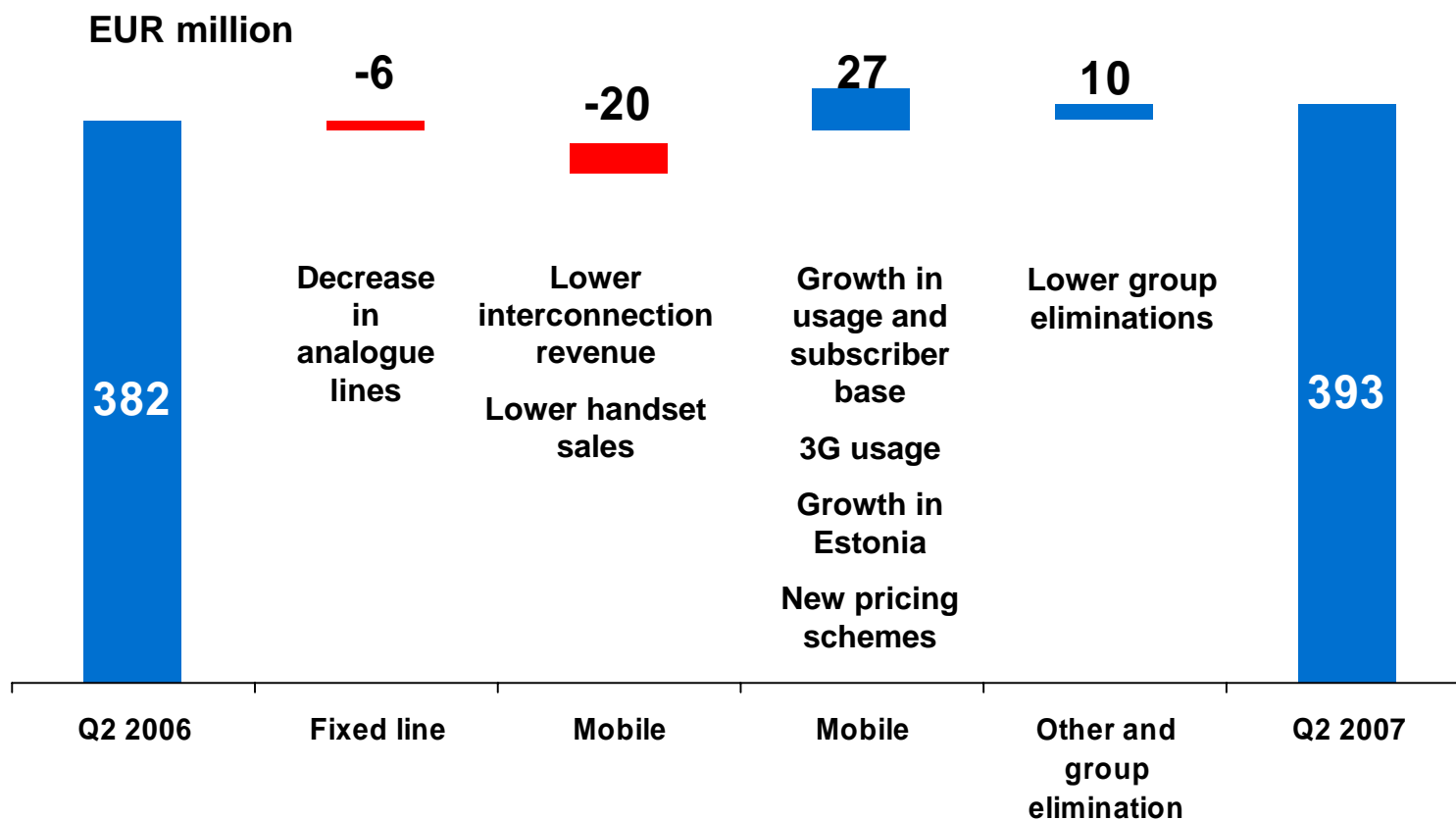
# Financial performance

CFO Jari Kinnunen

# Clear earnings improvement

EUR million	Q2 2007	Q2 2006	change	2006
Revenue	393	382	3%	1 518
Other operating income	14	1		9
Operating expenses	-280	-289	-3%	-1 093
EBITDA	127	95	34%	434
EBITDA excluding one-offs	116	100	16%	445
<i>EBITDA-%</i>	32 %	25%		29 %
<i>EBITDA-% excluding one-offs</i>	30 %	26 %		29 %
Depreciation and amortisation	-49	-56	-13%	-209
EBIT	77	39	97%	225
EBIT excluding one-offs	67	44	52%	236
<i>EBIT-%</i>	20 %	10 %		15 %
<i>EBIT-% excluding one-offs</i>	17 %	12 %		16 %
Pre-tax profit	67	35	91%	212
Income taxes	-18	-7	147%	-50
Net profit	49	28	75%	161
EPS, EUR	0,31	0,16	94%	0,97

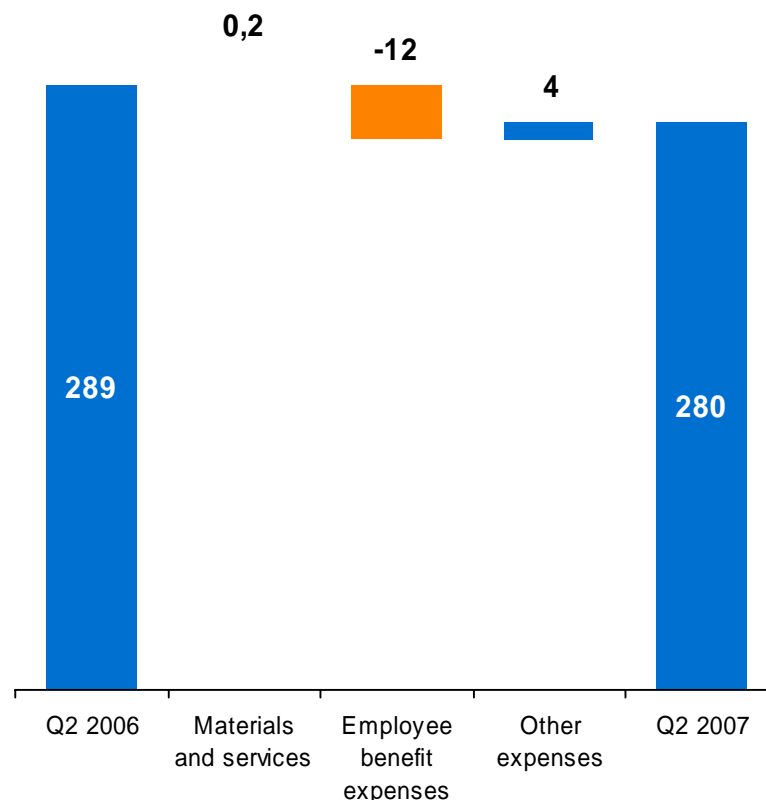
# Mobile services increased revenue



# Operative costs continued to decrease

- Decrease in Employee benefit expenses
  - Number of personnel decreased by 852 y-o-y
- Increases in Materials and services
  - Outsourcing
  - Launch of new CRM and billing system
  - Interconnection charges
- Decrease in Materials and services
  - Sold handsets
- Increase in Other expenses
  - Launch of new CRM and billing system
  - Reserve for previous year's taxes

Operating expenses, EURm





# Profitability improved

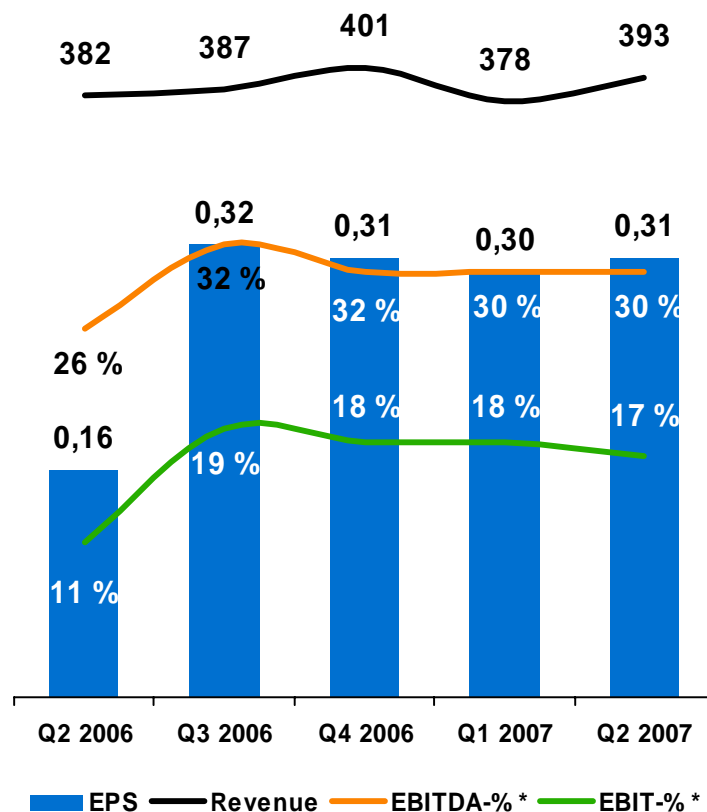
- Clear improvement in EPS y-o-y

- Cost efficiency
- Lower depreciation

- Higher interest expense

- Higher net debt and interest level
- Interest rate swap EUR 4m (Mark to market valuation)

Revenue EURm, EPS EUR



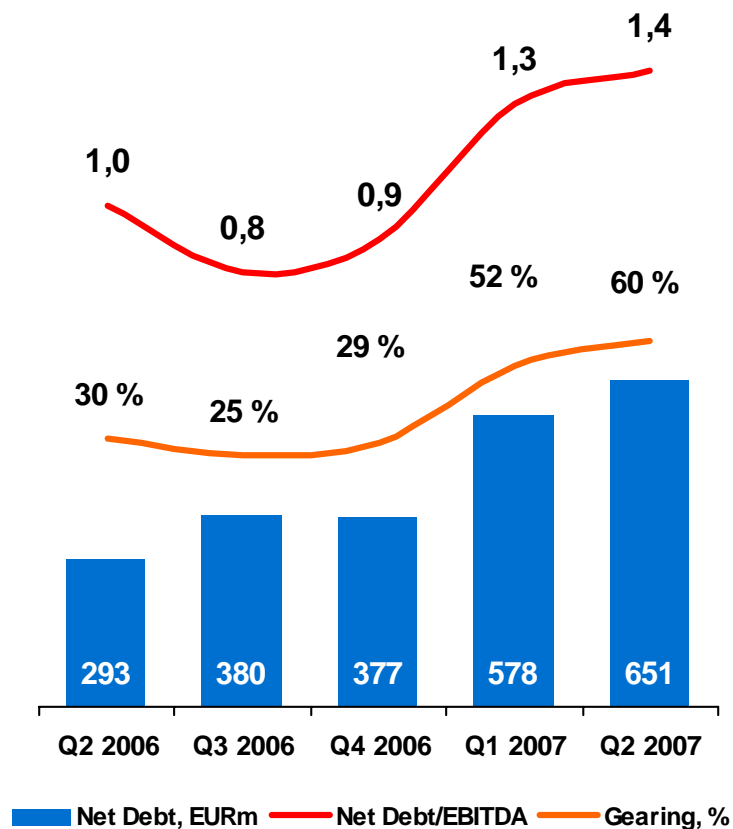
\* excluding one-offs



# Capital structure improved further

- Balance sheet structure improved towards mid term targets
  - Net debt/EBITDA 1.4
  - Gearing 60%
- Share buy back EUR 86m
- Extraordinary dividend
  - October 2007 EUR 1.00 per share
  - Total EUR 158m

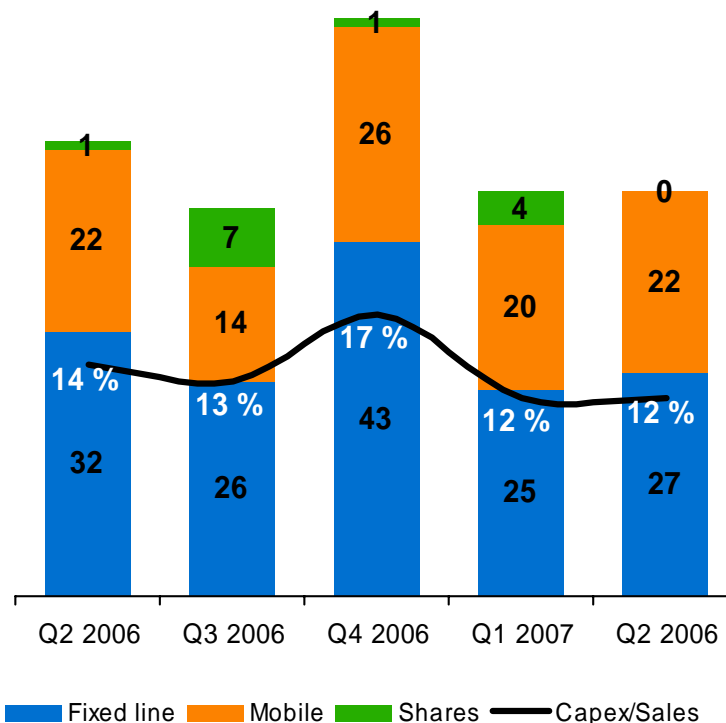
Balance sheet KPIs



# CAPEX to sales according to targets

CAPEX, EURm

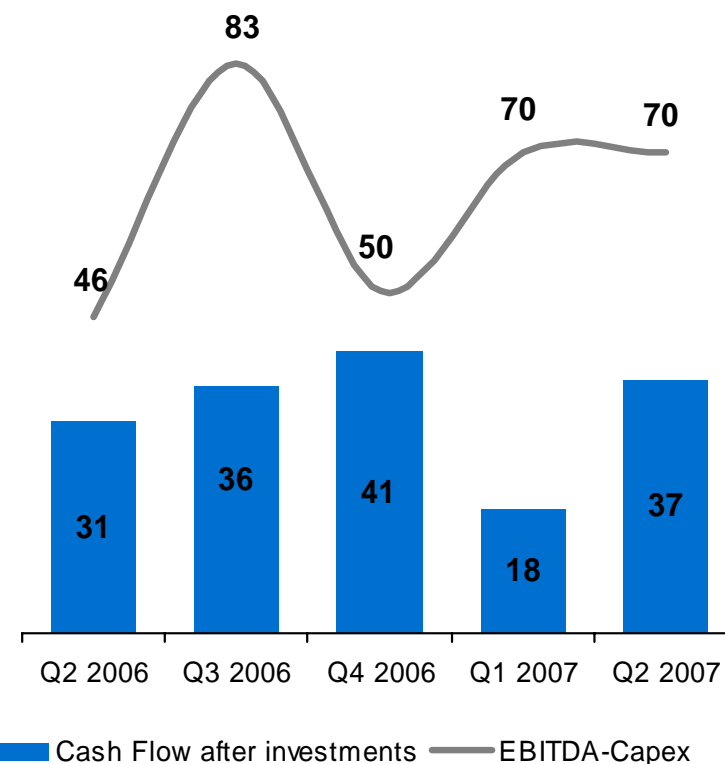
- CAPEX includes
  - New CRM and billing system
  - New network management system
  - New broadband infrastructure
  - 3G capacity and coverage increase
  
- Investments in fixed assets
  - Mobile EUR 22m same level as Q2/06
  - Fixed network EUR 27m, down 19% y-o-y



# Cash flow improved

- Positive cash flow EUR 37m in Q2
  - Sale of Properties EUR 21m
- Increase in net working capital EUR 15m q-o-q
  - Increase in receivables EUR 22m
  - Increase in accounts payable EUR 9m
  - Increase in inventories EUR 2m
- Operative Cash Flow improved by 52% y-o-y

Cash flow and operative cash flow, EURm



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





## Interim Report

1 April 2007 – 30 June 2007

# Consolidated Cash flow statement

## APPENDIX SLIDE

### CONSOLIDATED CASH FLOW STATEMENT

EUR million	Q2/2007	Q1/2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004
<b>Cash flow from operating activities</b>													
Profit before tax	67	64	69	69	34	39	33	28	113	39	65	50	41
Adjustments to profit before tax	47	50	46	50	63	59	57	53	-11	47	34	57	46
Change in working capital	-15	-45	-9	-22	-6	-40	14	-19	8	-26	18	-16	27
Cash flow from operating activities	99	69	106	97	91	59	103	62	109	60	117	92	114
Received dividends and interests and interest paid	-2	0	3	-10	-4	-6	2	-12	-4	-7	-5	-11	-8
Taxes paid	-33	-4	1	0	0	-1	-1	-1	-2	-1	-5	0	-6
Net cash flow from operating activities	64	65	109	87	87	52	105	49	103	53	107	81	101
<b>Cash flow in investments</b>													
Capital expenditure	-46	-44	-69	-40	-54	-43	-71	-45	-38	-41	-54	-41	-33
Investments in shares and other investments	-2	-3	-1	-18	-5	-3	13	-4	-14	1	-2	0	-8
Proceeds from asset disposal	21	1	1	7	0	7	98	2	85	13	6	31	29
Net cash used in investment	-27	-46	-69	-51	-58	-39	40	-48	33	-27	-50	-10	-13
<b>Cash flow after investments</b>	37	19	41	36	29	13	145	1	136	26	57	71	88
<b>Cash flow in financing</b>													
Share Buy Backs	-84		-79	0	0	1	1				6		
Change in interest-bearing receivables	0		0	0	0		0	1	0	0	-1	0	25
Change in long-term debt	-44	350	0	0	0	-122	-15	-2	-70	-15	-110		-1
Change in short-term debt	0	-25	25	-35	35		-8	-9	-2	1	0	0	-14
Repayment of financing leases	-2	-2	-2	-2	-3	-3	-4	-4	-4	-4	-5	-6	-4
Dividends paid	-23	-220	-1	-1	-117	-5	-62	0	-5	-55	-3	0	-9
Cash flow in financing	-153	103	-57	-38	-85	-129	-89	-14	-82	-74	-112	-6	-3
<b>Change in cash and cash equivalents</b>	<b>-116</b>	<b>121</b>	<b>-17</b>	<b>-2</b>	<b>-56</b>	<b>-116</b>	<b>56</b>	<b>-13</b>	<b>54</b>	<b>-48</b>	<b>-55</b>	<b>65</b>	<b>85</b>

# Financial situation

## APPENDIX SLIDE

### Financial situation

(million euros)

	30 June 2007	31 March 2007	31 December 2006	30 September 2006	30 June 2006
<b>Interest-bearing debt</b>					
Bonds and notes	633	677	327	327	326
Commercial Paper	0	0	25	0	35
Loans from financial institutions	0	0	0	0	0
Financial leases	46	45	46	48	49
Committed credit line 1)	0	0	0	0	0
Others 2)	1	1	1	1	11
<b>Interest-bearing debt, total</b>	<b>680</b>	<b>723</b>	<b>399</b>	<b>375</b>	<b>421</b>
Security deposits	1	1	1	1	1
Securities	0	108	0	0	0
Cash and bank	28	35	22	38	40
<b>Interest-bearing receivables</b>	<b>29</b>	<b>144</b>	<b>22</b>	<b>39</b>	<b>41</b>
<b>Net debt 3)</b>	<b>651</b>	<b>578</b>	<b>377</b>	<b>336</b>	<b>380</b>

1) The committed credit line is a joint EUR 170 million revolving credit facility with five banks, which Elisa Corporation may flexibly use on agreed pricing. The loan arrangement is valid until 17 June 2012.

2) Redemption liability for minorities

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