

elisa

1 January 2004 – 31 December 2004

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Q4 2004 Report

President and CEO Veli-Matti Mattila



Elisa Q4 2004

- Financial Highlights
- Market Review of Mobile and Fixed Network Businesses
- Development of Operations
- Future Outlook
- Distribution from 2004



Elisa Q4 2004 Highlights

- Keen competition continued, Elisa succeeded well
- Profitability in line with the given outlook
- Growth in mobile subscriptions and usage
- Strong growth in broadband continued
- High churn and price erosion in the mobile business continued



Q4 Result in Line with the Given Outlook

- Revenue EUR 351m (391, excluding Germany 351)
- EBITDA EUR 114m (96)
 - Excluding one-offs EUR 96m (116)
- EBIT EUR 55m (-83)
- Pre-tax profit EUR 51m (-93)



2004 Net Result More than Doubled

EURm	Comparable figures*					
	Q4/04	Q4/03	change	2004	2003	change
Revenue	351	351	0 %	1356	1382	-2 %
EBITDA	96	116	-18 %	414	403	3 %
EBIT	37	41	-12 %	175	122	43 %
Pre-tax profit	33	32	3 %	148	86	72 %
Net result	23	22	4 %	94	46	105 %

EURm	Reported figures					
	Q4/04	Q4/03	change	2004	2003	change
Net result	36	-47	-	107	-17	-
Cash flow	53	69	-23 %	204	105	94 %

* 2004 figures excluding one-off items, 2003 figures excluding one-off items, Germany-based business and adjusted with the change in revenue booking procedure



Financial Position Strengthened in Q4

- Cash flow EUR 53m (69)
- Net debt EUR 410m (654)
- Operative CAPEX 15% of revenue (16)
- Equity ratio 51% (40)



Successful Quarter for Mobile Business

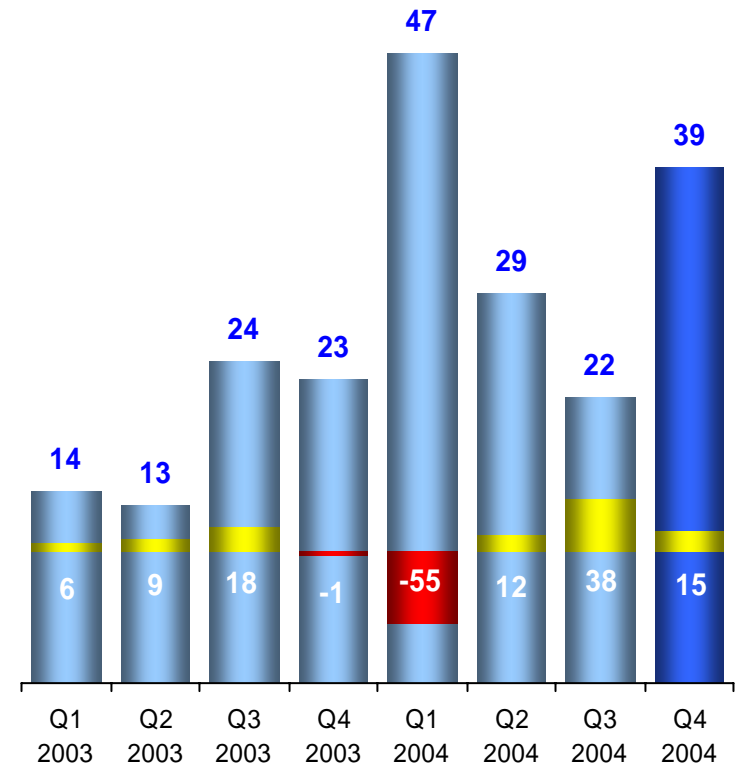
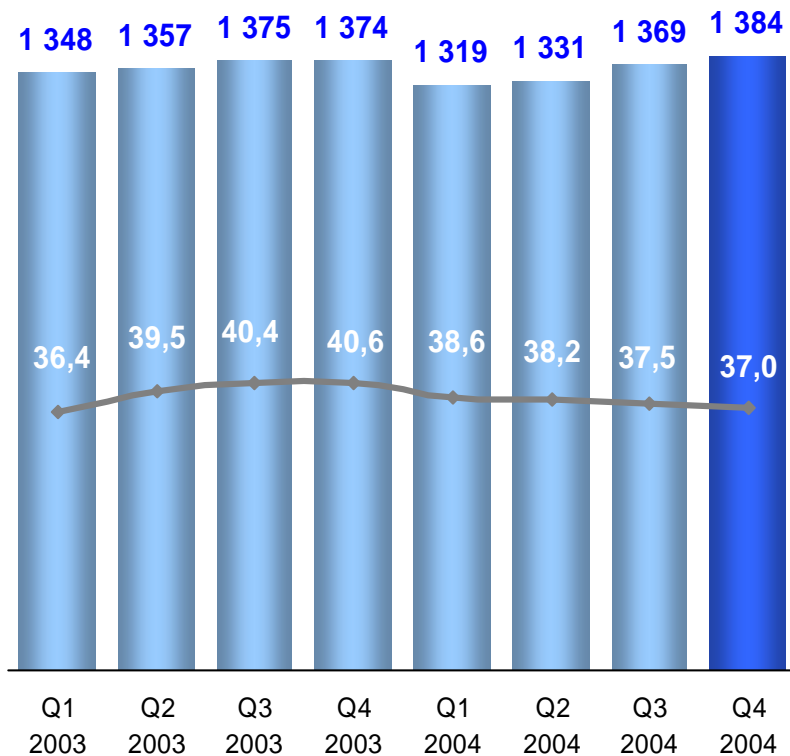
- Keen competition continued
 - Churn 38.9% (Christmas season)
 - Price erosion continued, ARPU €37
 - Subscription net adds 15,000 (excluding MVNO subscriptions)
- Usage growth driven by targeted segment offerings
 - MOU up 9%, SMS 27%
- Successful Christmas sales due to strong channels
 - Elisa Shopit and Mäkitorppa
 - Independent retailers



Mobile: Growth in Subscriptions Despite of High Churn

Domestic Mobile subs. base, '000 (Q1/03-Q4/04)

Churn & net adds (Q1/03-Q4/04)



Subscriber base Comparable ARPU

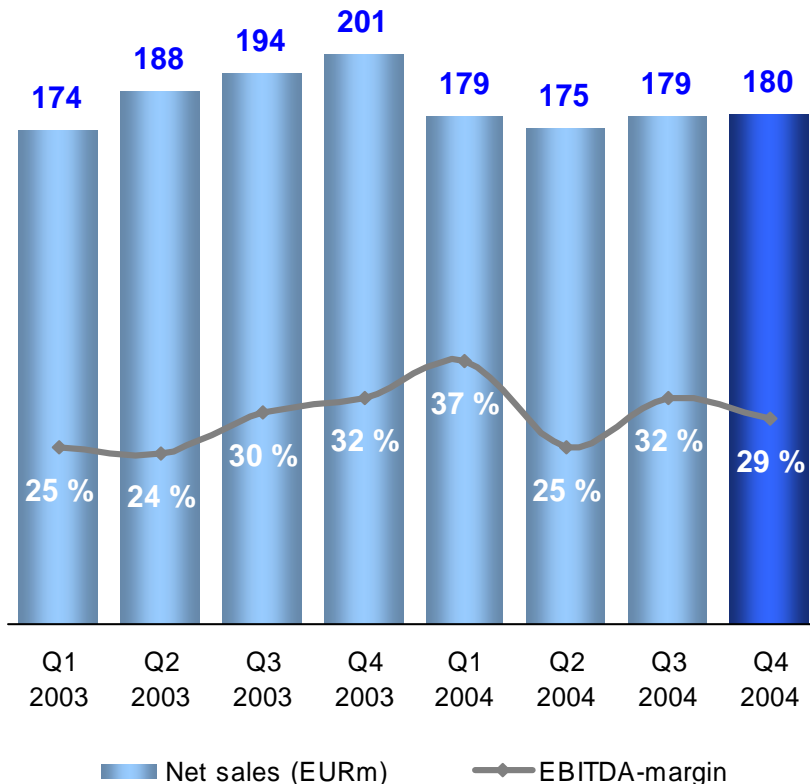
Churn (%) Net adds



Accelerated Competition Decreased Mobile Profitability

Net sales and EBITDA-margin

Alignment in revenue booking principle
←



Q4 Financial Performance

- Revenue EUR 180m (201)
 - Change in revenue booking procedure
 - Increased usage compensated for price erosion
- EBITDA EUR 52m (63), 29% of revenue (32)
- EBIT EUR 23m (29), 13% of revenue (14)
- Number of Elisa's own service provider's subscriptions increased by 9,400 from Q3



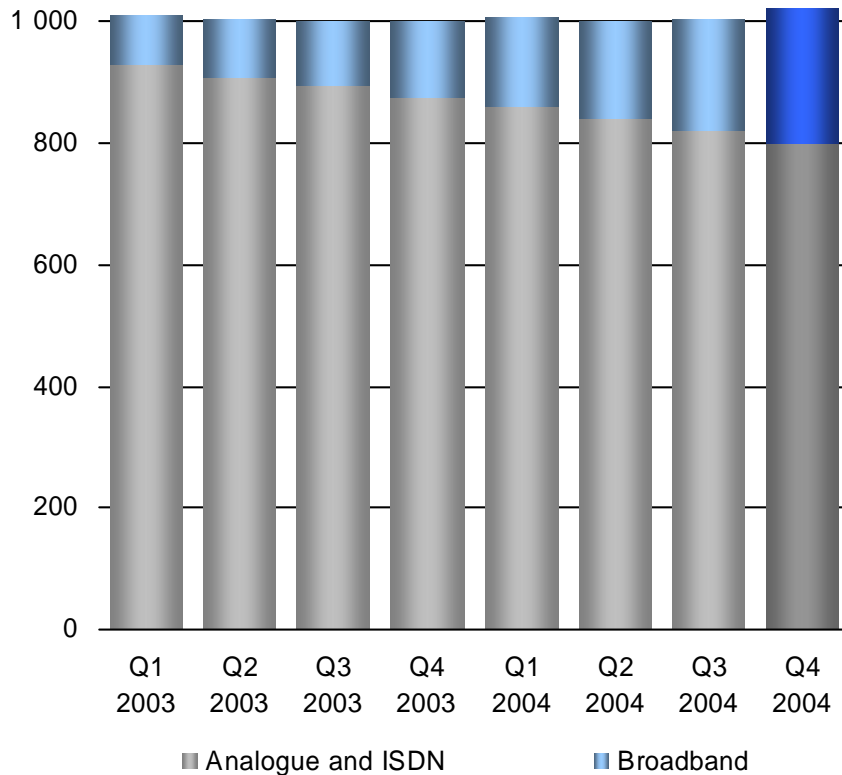
Fixed Network: Very Strong Growth in Broadband

- Elisa's ADSL broadband access coverage nationwide
- ADSL subscriber growth up 75% yoy, 37,000 in Q4
- Voice traffic continued its migration to mobile and data to broadband
- Number of analogue lines decreased by 5%

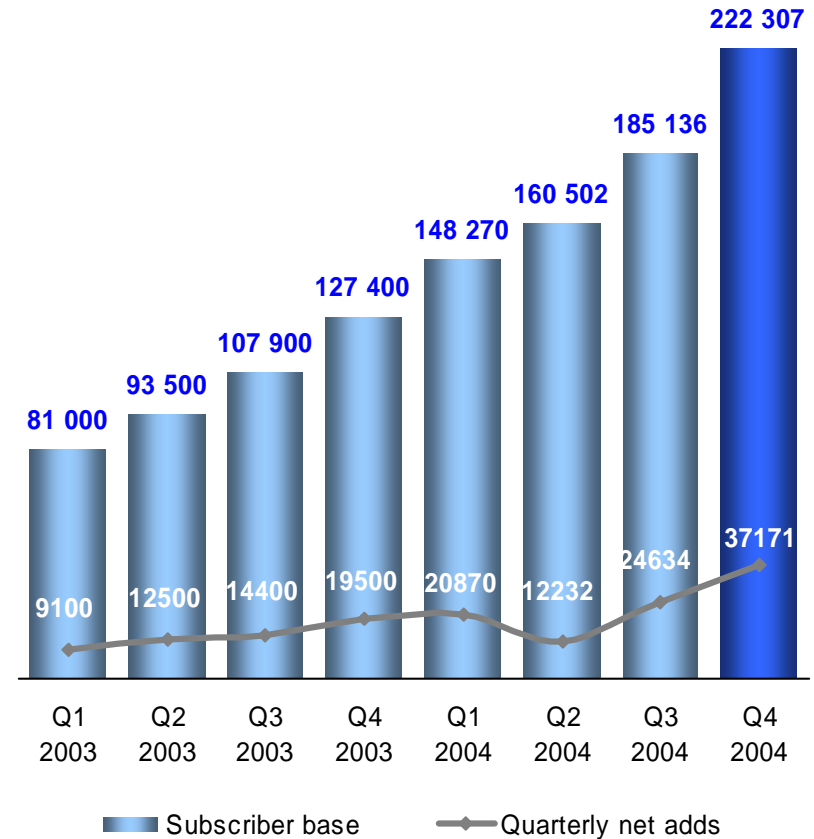


Broadband Compensates Decline in Traditional Subscriptions

Fixed subscriber base, '000 (1Q03-4Q04)



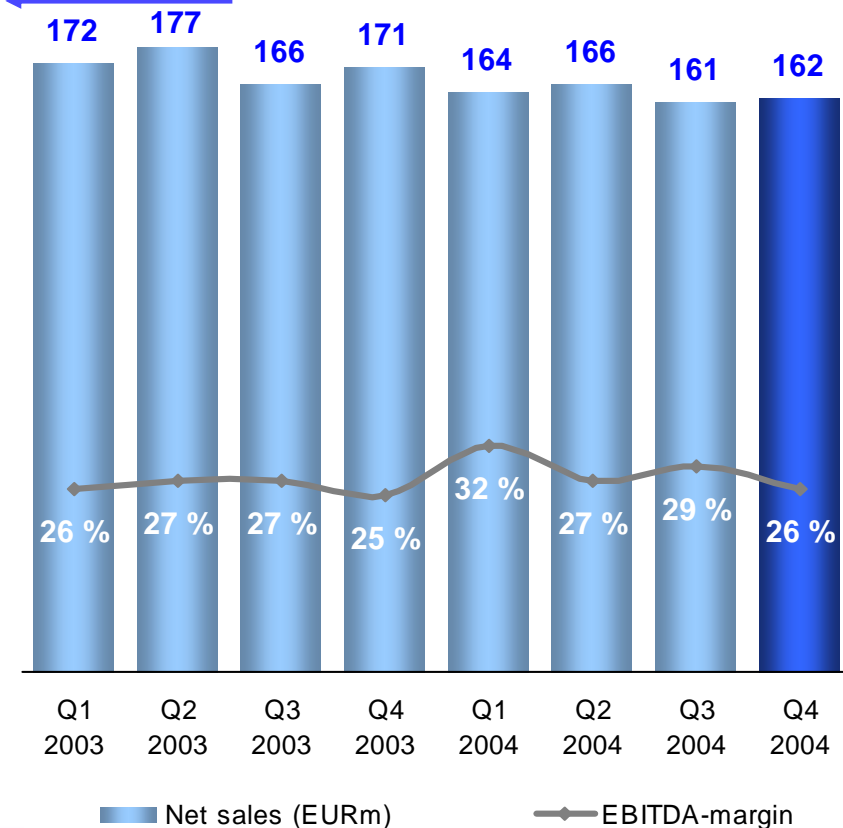
Broadband subscriber base (1Q03-4Q04)



Fixed Network Profitability Improved

Net sales and EBITDA-margin

Alignment of revenue recognition policy



Q4 Financial Performance

- Revenue EUR 162m (171)
- EBITDA EUR 42m (29*), 26% of revenue (17*)
- EBIT EUR 15m (-5**), 9% of revenue (-3**)
- Broadband subscriptions up 75% to 222,307 (127,388)

* Q4 2003 excluding one-offs EUR 42m, 25% of revenue

** Q4 2003 excluding one-offs EUR 8m, 5% of revenue



Operational Priorities

1. Significant profitability improvement
 - Efficiency development continues
 - Outsourcing of application management to IBM
2. Customer orientation
 - 3G services for commercial use
 - Cooperation with Fujitsu
3. Simplification of structure
 - Yomi's telecom business merged into Elisa
 - Elisa brand and simple company structure in Estonia



Outlook for 2005

- Keen competition will continue
- Elisa aims to strengthen its market position
- Revenue slightly higher than in 2004
- Comparable EBITDA and EBIT in H1/05 at the same level as in Q4/04
- CAPEX maximum 15% of revenue, cash flow clearly positive



Distribution from 2004

- The board will propose a dividend of EUR 0,40 per share
 - Dividend payment EUR 57 million
- Authorization of share buy-backs
 - Max 5% of outstanding shares



Financial Performance

CFO Tuija Soanjärvi



Elisa's Q4 and 2004 P&L

EURm	Comparable figures*				Interim report			
	Q4/04	Q4/03	2004	2003	Q4/04	Q4/03	2004	2003
Revenue	351	351	1356	1382	351	391	1356	1538
Other operating income	5	8	18	21	18	13	31	34
EBITDA	96	116	414	403	114	96	432	385
<i>EBITDA margin</i>	27 %	33 %	31 %	29 %	32 %	25 %	32 %	25 %
Depreciation	-48	-63	-196	-236	-48	-70	-196	-267
Goodwill depreciation	-11	-12	-43	-45	-11	-15	-43	-57
Write-downs						-94		-94
EBIT	37	41	175	122	55	-83	193	-34
<i>EBIT margin</i>	10 %	12 %	13 %	9 %	16 %	-21 %	14 %	-2 %
Share of assoc. comp. result	2	-1	1	-1	2	-1	1	0
Net financial items	-5	-9	-28	-36	-5	-10	-28	-40
Pre Tax Profit	33	32	148	86	51	-93	166	-74
Taxes	-7	-7	-47	-35	-13	47	-52	60
Minority shares	-3	-3	-7	-5	-3	-1	-7	-3
Net Result	23	22	94	46	36	-47	107	-17
EPS, EUR	0,17	0,16	0,68	0,33	0,26	-0,34	0,78	-0,12

* Q4/04 excluding one-off items, Q4/03 excluding one-off items, Germany-based business and adjusted with the change in revenue booking procedure



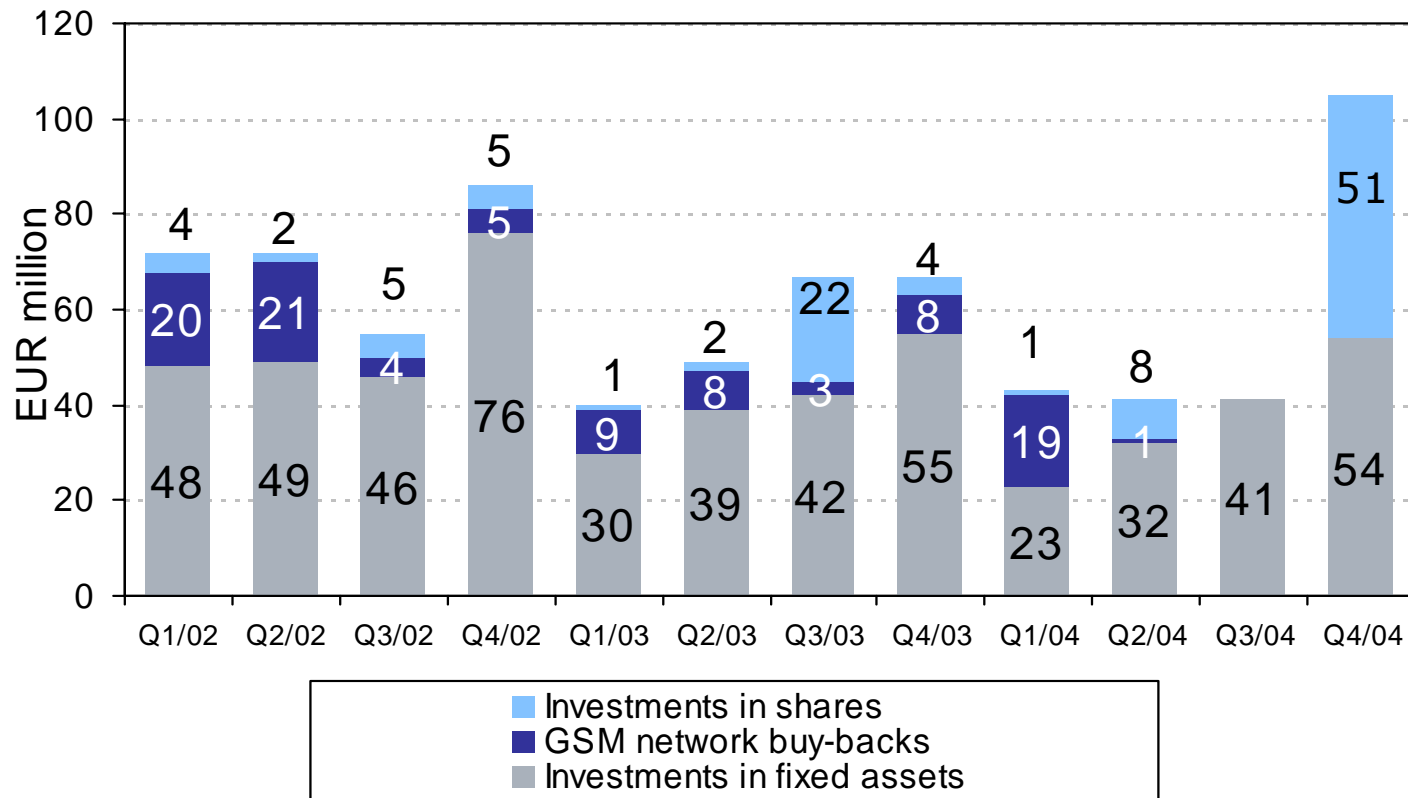
Progress by Quarters

EURm	Q4/04*	Q3/04	Q2/04	Q1/04	Q4/03*	Q3/03	Q2/03	Q1/03
Revenue	351	333	339	333	391	385	391	371
Other operating income	5	2	4	7	13	8	9	4
EBITDA	96	105	95	119	118	107	97	85
<i>EBITDA margin</i>	27 %	32 %	28 %	36 %	30 %	28 %	25 %	23 %
Depreciation	-48	-49	-49	-49	-70	-67	-66	-65
Goodwill depreciation	-11	-11	-11	-11	-15	-14	-14	-14
EBIT	37	45	35	59	33	26	17	7
<i>EBIT margin</i>	10 %	13 %	10 %	18 %	9 %	7 %	4 %	2 %
Share of assoc. comp. result	2	0	-1	0	-1	1	0	-1
Net financial items	-5	-8	-7	-7	-10	-10	-10	-11
Pre Tax Profit	33	36	28	51	23	17	7	-5

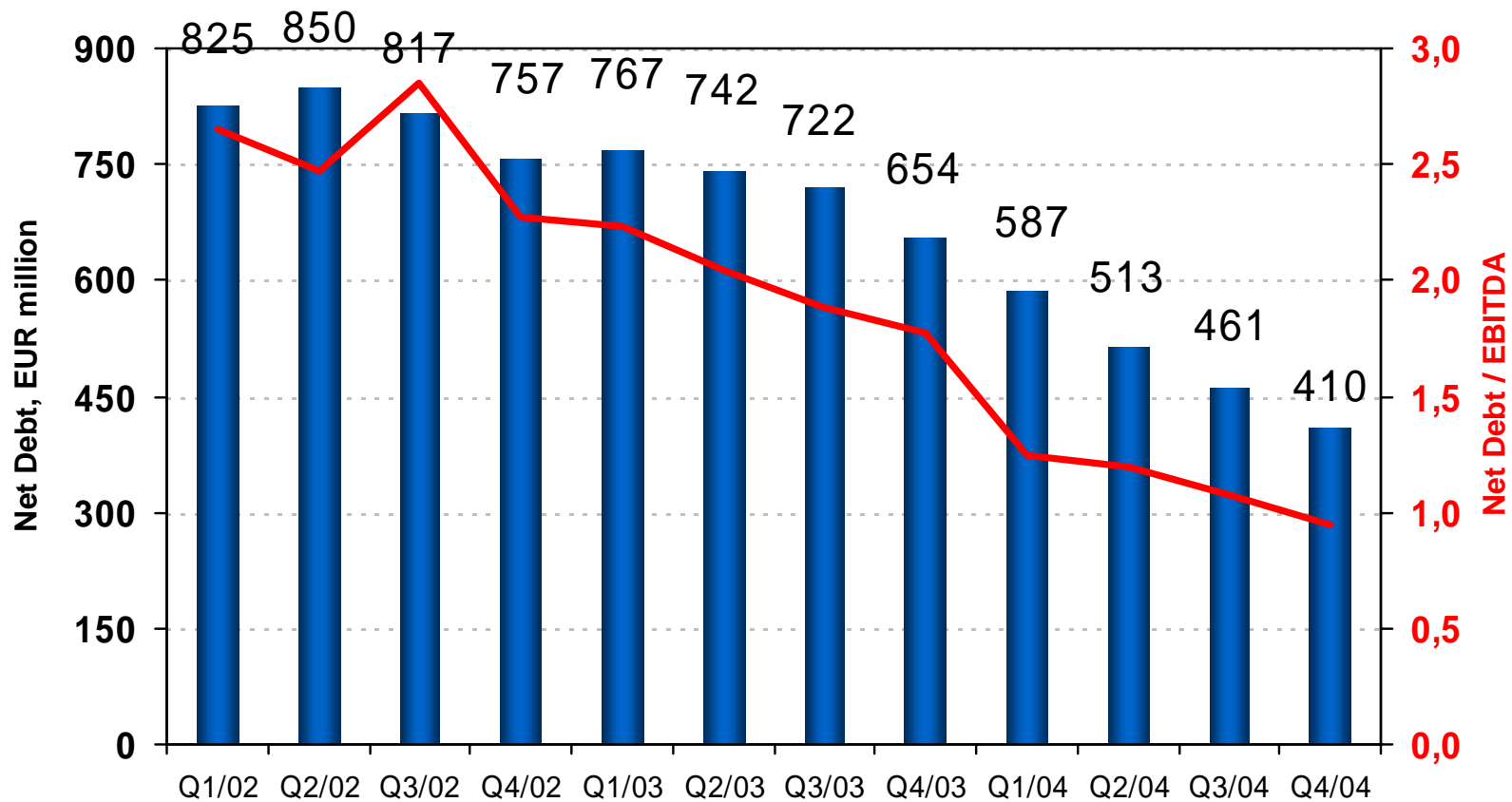
* Excluding one-off items



Operative CAPEX 15% of Revenue



Net Debt and Net Debt / EBITDA



Cash Flow by Quarters

CONSOLIDATED CASH FLOW STATEMENT	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
EUR million	2004	2004	2004	2004	2003	2003	2003	2003
Cash inflow from operating activities								
Profit before extraordinary items	51	36	28	51	-94	17	8	-5
Adjustments:								
Depreciation and value adjustments	59	61	59	60	179	80	80	79
Other financial income and expenses	4	8	8	7	10	9	10	11
Provisions for liabilities and charges	-4	-2	-17					
Sales profits from the disposal of fixed assets	-16	-1	0	0	-2	-1	0	0
Sales profits from business operations and shares	-1	0	-3	-2	-1	0	0	0
Other adjustments	-1	0	1	0	2	-1	0	0
Cash inflow before working capital	93	102	76	116	94	104	98	85
Change in working capital	18	-16	35	-32	20	-8	-20	-13
Cash inflow before taxes and financials	111	86	111	85	114	96	78	72
Received dividends and interests and interest paid	-4	-11	-8	-20	-4	-4	-8	-24
Taxes paid	-5	0	-6	-5	21	-7	-9	-20
Free funds from operations	102	75	97	60	131	85	60	29
Cash flow in investments								
Investments in fixed assets	-54	-41	-33	-42	-63	-45	-47	-39
Disposal of fixed assets	5	31	1	1	4	0	0	1
Investments in shares and other investments	-2	0	-7	-1	-4	-21	-2	-1
Disposal of shares and other investments	1	0	11		0	2	14	0
Disposal of business operations	2	0	-1	2	1	0	0	0
Cash flow in investments	-49	-10	-29	-41	-62	-64	-36	-39
Cash flow after investments	53	65	67	19	70	21	25	-10



Stronger Financial Position

- Gearing 46% (88)
- Equity ratio 51% (40)
- Net debt / EBITDA* 1.0 x (1.7 x)
- EBITDA / financial expenses 21.9 x (9.6 x)



elisa

Financial Statement

1 January 2004 – 31 December 2004

Mobile Business' Key Figures

	Q4/04	Q4/03	%	2004	2003	%
Revenue, EURm	180	201	-10 %	713	762	-6 %
Clean EBITDA, EURm	52	64	-19 %	219	215	2 %
EBITDA-%	29 %	32 %		31 %	28 %	
CAPEX, EURm	19	34	-44 %	83	103	-19 %
CAPEX excl. netw. buy-backs, EURm	19	26	-27 %	63	75	-16 %
Oper CAPEX / sales	11 %	13 %		9 %	10 %	
No. of Subscriptions in Finland *	1 368 515	1 374 146	0 %	1 383 515	1 374 146	1 %
ARPU, EUR **	37,0	43,7	-15 %	37,8	41,6	-9 %
Churn **	38,9 %	22,9 %		33,7 %	18,6 %	
Minutes of use, million *	659	604	9 %	2 498	2 310	8 %
Minutes of use / subs / month **	161	152	6 %	156	146	7 %
No. of SMS, million *	154	121	27 %	537	453	19 %
No. of SMS / subs / month **	38	30	27 %	34	29	18 %
Value added services / revenue	14 %	12 %		14 %	12 %	

* Network operator, excluding MVNO subscriptions

** Service operator



Cash Flow

EURm	Q1-Q4 / 2004	Q1-Q4 / 2003
Profit before extraordinary items	166	-74
Depreciation and value adjustments	239	418
Other adjustments	-18	31
Cash inflow before working capital	387	376
Change in working capital	5	-16
Cash inflow before taxes and financials	392	360
Interests and dividends	-43	-41
Taxes	-16	-15
Free funds from operations	333	305
Cash flow in investments	-129	-199
Cash flow after investments	204	105



Elisa's Quarterly Reported Key Figures (1/2)

Elisa Group

EURm	Q4/04	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02
Revenue	351	333	339	333	391	385	391	371	385
EBITDA	114	105	95	119	96	107	97	85	118
<i>EBITDA-%</i>	32 %	32 %	28 %	36 %	25 %	28 %	25 %	23 %	31 %
Clean EBITDA	96	105	95	119	118	107	97	85	88
<i>Clean EBITDA-%</i>	27 %	32 %	28 %	36 %	30 %	28 %	25 %	23 %	23 %
EBIT	55	45	35	59	-83	26	17	7	39
Clean EBIT	37	45	35	59	33	26	17	7	10
<i>Clean EBIT-%</i>	11 %	14 %	10 %	18 %	8 %	7 %	4 %	2 %	3 %
Pre-Tax Profit	51	36	28	51	-93	17	7	-5	26
Clean Pre-Tax Profit	33	36	28	51	23	17	7	-5	-3

Financial position

Net debt	410	461	513	587	654	722	742	767	757
Equity ratio	51 %	45 %	46 %	44 %	40 %	40 %	40 %	38 %	38 %
Net debt / EBITDA	0,95	1,1	1,2	1,5	1,7	1,9	2,0	2,2	2,2
Net interest coverage	21,9	12,5	14,0	10,5	9,6	10,0	8,9	8,1	7
Gearing	46 %	56 %	64 %	76 %	87 %	88 %	91 %	97 %	95 %

Investments

in fixed assets	54	41	32	23	55	42	39	30	76
Operative CAPEX/Sales	15 %	12 %	9 %	7 %	14 %	11 %	10 %	8 %	20 %
in network buy-backs	0	0	1	19	8	3	8	9	5
in shares	53	0	8	1	4	22	2	1	5
Total	107	41	41	43	67	67	49	40	86
CAPEX/Sales	30 %	12 %	12 %	13 %	17 %	17 %	13 %	11 %	22 %



Key Figures (2/2)

Segments

Mobile	Q4/04	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02
Revenue	180	179	175	179	203	195	190	175	185
ARPU, EUR	37,0	37,5	38,2	38,6	43,7	42,5	41,7	38,5	41,3
Churn, %	38,9	21,6	29,4	47,4	22,9	24,2	13,4	14,4	21,2
Subscriptions	1 383 515	1 368 515	1 330 901	1 319 007	1 374 146	1 374 847	1 356 881	1 348 183	1 342 417
Clean EBITDA	52	57	44	66	66	58	49	42	37
<i>Clean EBITDA-%</i>	29 %	32 %	25 %	37 %	33 %	30 %	26 %	24 %	20 %
Leasing adjusted EBITDA	-	-	-	-	70	64	56	49	43
<i>Leasing adj. EBITDA-%</i>	-	-	-	-	34 %	33 %	29 %	28 %	23 %
EBIT	23	25	15	37	29	25	13	5	4
Clean EBIT	23	25	15	37	29	25	13	5	19
<i>EBIT-%</i>	13 %	14 %	9 %	21 %	14 %	13 %	7 %	3 %	10 %
CAPEX	22	18	17	26	31	22	29	16	47
Operative CAPEX	22	18	16	7	23	19	21	7	43,5
Op.CAPEX/Sales	12 %	10 %	9 %	4 %	11 %	10 %	11 %	4 %	24 %

Fixed network

Revenue	162	161	166	164	169	163	175	170	174
Subscriptions, total	1 219 547	1 199 494	1 190 101	1 194 480	1 186 584	1 182 402	1 181 008	1 184 222	1 184 938
Broadband subscriptions	222 307	185 136	160 502	148 270	127 388	107 875	93 677	81 781	71 855
ISDN channels	159 591	170 529	180 618	190 921	200 455	211 510	222 153	229 252	237 263
Cable TV subscriptions	198 447	193 750	189 534	186 097	183 469	179 858	176 506	172 400	169 900
Analogue and other subs	639 202	650 079	659 447	669 192	675 272	683 159	688 672	700 789	705 920
Clean EBITDA	42	47	45	52	52	50	50	52	56
<i>EBITDA-%</i>	26 %	29 %	27 %	32 %	31 %	31 %	29 %	31 %	32 %
EBIT	15	21	19	25	6	21	22	24	54
Clean EBIT	15	21	19	25	6	21	22	24	37
<i>EBIT-%</i>	10 %	13 %	11 %	15 %	4 %	13 %	13 %	14 %	21 %
CAPEX	31	22	15	15	26	12	18	18	28,5
Operative CAPEX	31	22	15	15	26	12	18	18	28,5
Op.CAPEX/Sales	19 %	14 %	9 %	9 %	15 %	7 %	10 %	11 %	16 %

2004 segment figures are not comparable with previous quarters

