

elisa

Interim Report

1 April 2004 – 30 June 2004

Contents

- Q2 2004 Report
 - President and CEO Veli-Matti Mattila
- Key Figures and Financial Position
 - CFO Tuija Soanjärvi



Q2 2004 Report

President and CEO Veli-Matti Mattila



Elisa Q2 2004

- Market Review and Financial Highlights
- Development of Operations
- Future Outlook



Q2 2004 Highlights

- Growth in mobile subscriptions
- Strong growth in broadband channels
- Cost reduction program exceeded expectations
- Financial position strengthened



Improved Result, Lower Revenue

- Revenue EUR 339m (391)
- EBITDA EUR 95m (97)
- EBIT EUR 35m (17)
- Pre-tax profit EUR 28m (7)



Financial Position Strengthened

- Cash flow EUR 67m (25)
- Net debt EUR 513m (742)
- Operative CAPEX 9% of revenue (10)
- Equity ratio 46% (40)



Stronger Position in Mobile Market

- Number of subscriptions up again
- Churn decreased clearly
- Growth in subscriber usage
- Price erosion continued
- Growth in Kolumbus subscriptions
- Mobile broadband data services launched



Mobile's Result Improved

- Revenue EUR 175m (188)
 - Change in revenue booking procedure
 - Increased usage compensated for price erosion
- EBITDA EUR 44m (46), 25% of revenue (24)
 - Strategic market activities to improve Elisa's market position and brand
- EBIT EUR 15m (10), 9% of revenue (5)
- Number of Elisa's own service provider's subscriptions increased by 14,000 from Q1



Fixed Network Market Stable

- Strong demand in broadband channels continued
- Number of analogue lines decreased
- Broader service offering



Fixed Network Profitability Stable

- Revenue EUR 166m (177)
- EBITDA EUR 45m (47), 27% of revenue (27)
 - Investments in brand
- EBIT EUR 19m (18), 11% of revenue (10)
- Broadband subscriptions up 71% to 160,500 (93,700)



Cost Reduction Program for 2004 Exceeds the Target

- H1 2004 annualised cost base decreased by EUR 57m (target of the program EUR 40m)
- Target of total cost reduction program for 2004/2005 (EUR 80m) will be clearly exceeded



Operational Priorities

1. Customer orientation
 - National offering of Elisa broadband services launched
 - Elisa the first registered CERT commercial enterprise
2. Simplification of structure
 - Successful launch of Elisa umbrella brand
 - Finnet International 100% owned company
 - Simplified legal structure from 1 July 2004
3. Significant profitability improvement
 - Outsource of IT services and maintenance to Fujitsu



Outlook for 2004

- Slow market growth and demanding competition environment
- Comparable revenue slightly down from 2003
 - Lower interconnection tariffs and price erosion
- Operative EBIT and pre-tax profit will improve significantly
- Q3 and Q4 EBITDA still at the same level than Q2
 - Cost saving program will not reach its full extent in 2004



Key Figures and Financial Position

CFO Tuija Soanjärvi



Elisa's Q2 2004 P&L

Elisa EURm	Comparable figures			Interim report		
	Q2/04	Q2/03*	2003**	Q2/04	Q2/03	2003
Revenue	339	351	1404	339	391	1538
Other operating income	4	6	21	4	9	34
EBITDA	95	96	403	95	97	385
<i>EBITDA margin</i>	28 %	27 %	29 %	28 %	25 %	25 %
Depreciation	-49	-58	-236	-49	-66	-267
Goodwill depreciation	-11	-12	-45	-11	-14	-57
Write-downs						-94
EBIT	35	26	122	35	17	-34
<i>EBIT margin</i>	10 %	7 %	9 %	10 %	4 %	-2 %
Share of assoc. comp. result	-1	0	-1	-1	0	0
Net financial items	-7	-9	-36	-7	-10	-40
Pre Tax Profit	28	17	86	28	7	-74

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

** excluding one-off items and Germany-based business



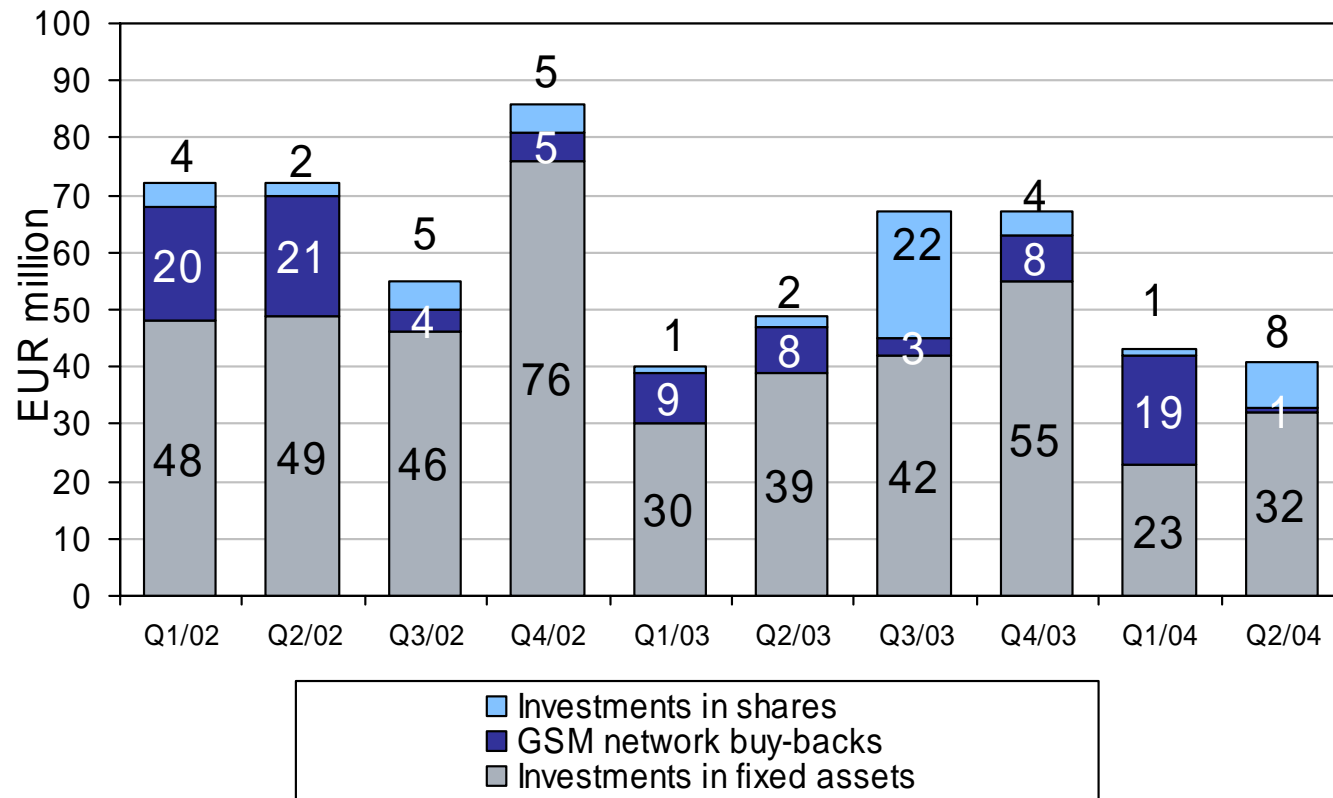
Progress by Quarters

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

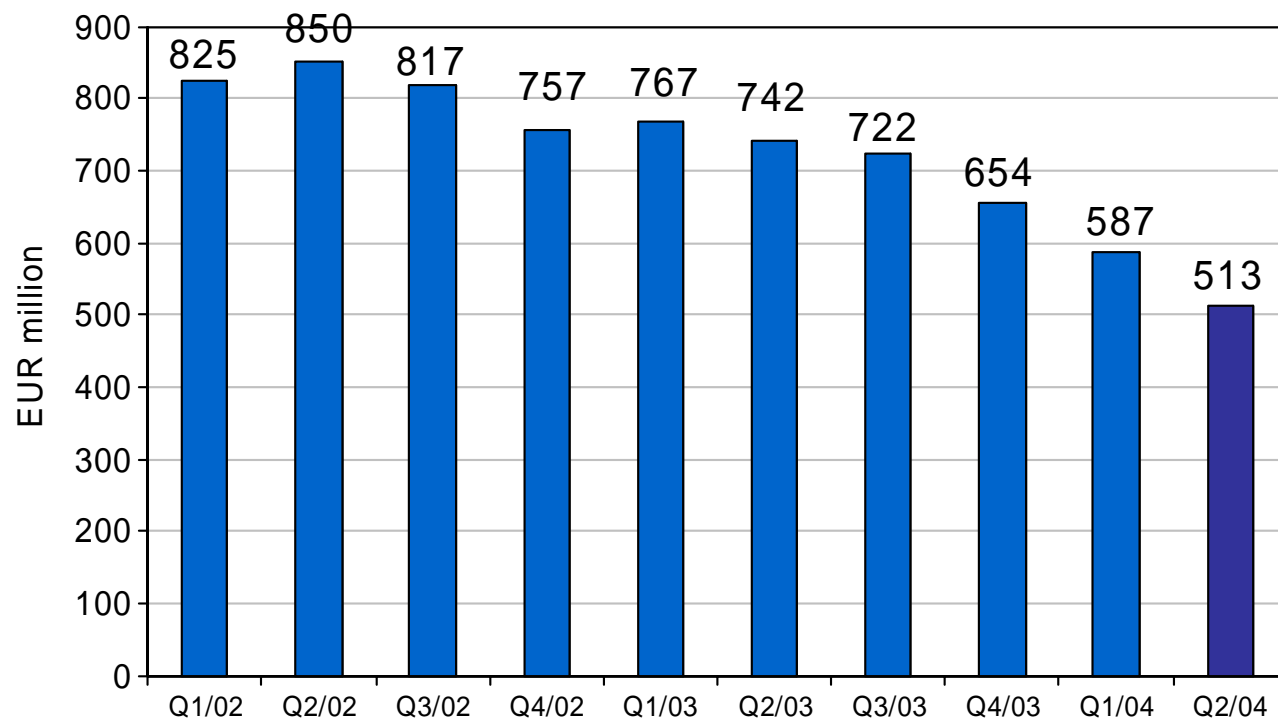
* excluding one-off items



Operative CAPEX 9% of Revenue



Net Debt Decreased



Cash Flow by Quarters

CONSOLIDATED CASH FLOW STATEMENT, EURm	2Q/2004	1Q/2004	4Q/2003	3Q/2003	2Q/2003	1Q/2003
Cash inflow from operating activities						
Profit before extraordinary items	28	51	-94	17	8	-5
Adjustments:						
Depreciation and value adjustments	60	60	179	80	80	79
Other financial income and expenses	8	7	10	9	10	11
Provisions for liabilities and charges	-6	-11	13	-5	-7	-6
Sales profits from the disposal of fixed assets	-1	0	-2	-1	0	0
Sales profits from business operations and shares	-3	-2	-1	0	0	0
Other adjustments	1	0	2	-2	1	0
Cash inflow before working capital	86	106	107	98	92	79
Change in working capital	24	-21	7	-3	-13	-7
Cash inflow before taxes and financials	110	85	114	95	79	72
Received dividends and interests and interest paid	-8	-20	-4	-3	-9	-24
Taxes paid	-6	-5	21	-7	-9	-20
Free funds from operations	96	60	131	85	60	29
Cash flow in investments						
Investments in fixed assets	-33	-42	-63	-45	-47	-39
Disposal of fixed assets	0	1	4	0	0	1
Investments in shares and other investments	-7	-1	-4	-21	-2	-1
Disposal of shares and other investments	11	0	0	2	14	0
Disposal of business operations	-1	2	1	0	0	0
Cash flow in investments	-29	-41	-62	-64	-36	-39
Cash flow after investments	67	19	69	21	25	-10



Stronger Financial Position

- Gearing 64% (91)
- Equity ratio 46% (40)
- Net debt / EBITDA* 1.2 x (2.0 x)
- EBITDA / financial expenses* 14.0 x (8.9 x)

* Calculated from last four quarters



elisa

Interim Report

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Change in Cost Structure

- Target of the program: EUR 80m reduction in annual cost base by the end of 2005, EUR 40m by the end of 2004
- Cost structure decreased by EUR 57m on an annual basis

EUR million	FY 2003	H1 2004	annualised H1 2004	change on annual basis
Elisa's costs excl. one-offs	1165	469		
- Germany *	-130			
- Yomi *	-46	-24		
- Comptel *	-45	-20		
- Radiolinja Estonia *	-44	-24		
Total costs	900	401		
Adjustements **	-42			
Comparable costs	858	401	802	57

* Not within the cost reduction program

** Estimated cost effect of the change in the booking procedure, EUR 22m and estimated revenue related cost adjustment, EUR 20m



Mobile Business' Key Figures

Mobile business, EURm	Q2/04	Q2/03	%	2003
Revenue	175	188	-7 %	762
EBITDA	44	46	-4 %	215
EBITDA-%	25 %	24 %		28 %
CAPEX	17	23	-26 %	103
CAPEX excl. network buy-backs	16	15	7 %	75
Oper CAPEX / sales	9 %	8 %		10 %
No. of Subscriptions in Finland *	1 330 901	1 356 881	-2 %	1 374 146
ARPU, EUR **	38,2	41,7	-8 %	41,6
Churn **	29,4 %	13,4 %		18,6 %
Minutes of use, million *	612	575	6 %	2 310
Minutes of use / subs / month **	157	146	8 %	146
No. of SMS, million *	128	112	14 %	453
No. of SMS / subs / month **	34	29	17 %	29
Value added services / revenue	13 %	12 %		12 %

* Network operator

** Service operator



Cash Flow

EURm	H1/04	H1/03	2003
Profit before extraordinary items	79	3	-74
Depreciation and value adjustments	120	159	418
Other adjustments	-7	8	31
Cash inflow before working capital	192	170	376
Change in working capital	3	-20	-16
Cash inflow before taxes and financials	195	150	360
Interests and dividends	-28	-33	-40
Taxes	-11	-29	-15
Free funds from operations	156	89	305
Cash flow in investments	-70	-74	-200
Cash flow after investments	86	15	105



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

Elisa Group EURm	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02	Q3/02	Q2/02
Revenue	339	333	391	385	391	371	385	388	406
EBITDA	95	119	96	107	97	85	118	51	86
<i>EBITDA-%</i>	28 %	36 %	25 %	28 %	25 %	23 %	31 %	13 %	21 %
Clean EBITDA	95	119	118	107	97	85	88	84	86
<i>Clean EBITDA-%</i>	28 %	36 %	30 %	28 %	25 %	23 %	23 %	22 %	21 %
EBIT	35	59	-83	26	17	7	39	-43	-32
Clean EBIT	35	59	33	26	17	7	10	6	6
<i>Clean EBIT-%</i>	10 %	18 %	8 %	7 %	4 %	2 %	3 %	2 %	1 %
Pre-Tax Profit	28	51	-93	17	7	-5	26	-56	-49
Clean Pre-Tax Profit	28	51	23	17	7	-5	-3	-7	-11

Financial position

Net debt	513	587	654	722	742	767	757	817	850
Equity ratio	46 %	44 %	40 %	40 %	40 %	38 %	38 %	35 %	38 %
Net debt / EBITDA	1,2	1,5	1,7	1,9	2	2,2	2,2	2,4	2,45
Net interest coverage	14	10,5	9,6	10	8,9	8,1	7	6,7	7,2
Gearing	64 %	76 %	87 %	88 %	91 %	97 %	95 %	105 %	102 %

Investments

in fixed assets	32	23	55	42	39	30	76	46	49
Operative CAPEX/Sales	9 %	7 %	14 %	11 %	10 %	8 %	20 %	12 %	12 %
in network buy-backs	1	19	8	3	8	9	5	4	21
in shares	8	1	4	22	2	1	5	5	2
Total	41	43	67	67	49	40	86	55	72
CAPEX/Sales	12 %	13 %	17 %	17 %	13 %	11 %	22 %	14 %	18 %



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

Segments	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02	Q3/02	Q2/02
Mobile									
Revenue	175	179	203	195	190	175	185	188	192
ARPU, EUR	38,2	38,6	43,7	42,5	41,7	38,5	41,3	43,0	43,5
Churn, %	29,4	47,4	22,9	24,2	13,4	14,4	21,2	14,0	12,7
Subscriptions	1 330 901	1 319 007	1 374 146	1 374 847	1 356 881	1 348 183	1 342 417	1 301 621	1 289 016
Clean EBITDA	44	66	66	58	49	42	37	50	55
Clean EBITDA-%	25 %	37 %	33 %	30 %	26 %	24 %	20 %	27 %	29 %
Leasing adjusted EBITDA	-	-	70	64	56	49	43	57	66
Leasing adj. EBITDA-%	-	-	34 %	33 %	29 %	28 %	23 %	30 %	34 %
Fixed network									
Revenue	166	164	169	163	175	170	174	177	181
Subscriptions, total	1 190 101	1 194 480	1 186 584	1 182 402	1 181 008	1 184 222	1 184 938	1 141 658	1 142 755
Broadband subscriptions	160 502	148 270	127 388	107 875	93 677	81 781	71 855	58 974	43 865
ISDN channels	180 618	190 921	200 455	211 510	222 153	229 252	237 263	249 667	260 015
Cable TV subscriptions	189 534	186 097	183 469	179 858	176 506	172 400	169 900	143 700	139 000
Analogue and other subs	659 447	669 192	675 272	683 159	688 672	700 789	705 920	689 317	699 875
Clean EBITDA	45	52	52	50	50	52	56	57	52
EBITDA-%	27 %	32 %	31 %	31 %	29 %	31 %	32 %	32 %	29 %

Q1 and Q2 2004 segment figures are not comparable with previous quarters



Q2/04 Key Figures Per Segment

Segments	Revenue		EBITDA		EBIT	
	Q2/04	Q2/03	Q2/04	Q2/03	Q2/04	Q2/03
EUR million						
Mobile	175	188	44	46	25	20
Group bookings					-10	-10
Total	175	188	44	46	15	10
Fixed network	166	177	45	47	20	19
Group bookings					-1	-1
Total	166	177	45	47	19	18
Germany	-	35	-	1	-	-5
Group bookings					-	-4
Total	-	35	-	1	-	-9
Other companies						
Comptel	16	17	5	3	5	2
Other companies	12	11	0	0	-2	-1
Total	28	28	5	3	3	1
Group staff			1	0	-2	-3
Group total	339	391	95	97	35	17

	Revenue		EBITDA		EBIT	
	4-6/04	4-6/03	4-6/04	4-6/03	4-6/04	4-6/03
Mobile	175	188	44	46	15	10
Fixed network	166	177	45	47	19	18
Germany		35		1		-9
Other companies	28	28	5	3	3	1
Group staff			1	0	-2	-3
Intra segment sale	-30	-37				
Group total	339	391	95	97	35	17

